

Department of Military Affairs

Financial Audit

Fiscal Year Ended June 30, 1995

April 1996

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Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

96-18



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Ann H. Rest, Chair
Legislative Audit Commission


Members of the Legislative Audit Commission

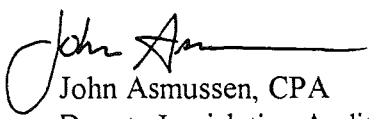
Major General Eugene R. Andreotti, Adjutant General
Department of Military Affairs

We have audited selected areas of the Department of Military Affairs for the fiscal year ended June 30, 1995, as further explained in the Background Information section of this report. The work conducted in the department is part of our Statewide Audit of the State of Minnesota's fiscal year 1995 financial statements and the Single Audit (federal compliance audit). The Comprehensive Annual Financial Report for the year ended June 30, 1995, includes our report, issued thereon dated December 1, 1995. The Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 1995, will include our reports on the supplementary information schedule, internal control structure, and compliance with laws and regulations. We anticipate issuing this report in June 1996. Therefore, we emphasize that this has not been a complete audit of all financial activities of the Department of Military Affairs. The following Summary highlights the audit objectives and conclusions.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards require that we design the audit to provide reasonable assurance that the Department of Military Affairs complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the Department of Military Affairs is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of the Department of Military Affairs. This restriction is not intended to limit the distribution of this report, which was released as a public document on April 26, 1996.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: March 12, 1996

Report Signed On: April 23, 1996

SUMMARY

State of Minnesota

Office of the Legislative Auditor

Centennial Office Building • St. Paul, MN 55155
612/296-4708

Department of Military Affairs

Financial Audit

Fiscal Year Ended June 30, 1995

Public Release Date: April 26, 1996

No. 96-18

Department Background

The Department of Military Affairs consists of the military forces of the state of Minnesota, the Office of the Adjutant General, civilians employed for administrative and maintenance services, and state owned military installations. The Adjutant General, as commander of the Minnesota National Guard, heads the Department of Military Affairs. The Adjutant General accepts federal monies on behalf of the state for military forces and executes related agreements and contracts for armory construction, improvements, and maintenance programs. The Minnesota National Guard operates 61 armories, 18 organizational maintenance shops, 5 motor vehicle storage buildings, the Camp Ripley Reservation, an Army air base in Duluth, and a federally owned and operated air base at the Minneapolis-St. Paul International Airport. Major General Eugene R. Andreotti is the Adjutant General.

Selected Audit Areas and Conclusions

Our audit scope was limited to those areas material to the State of Minnesota's Comprehensive Annual Financial Report for the fiscal year ended June 30, 1995 and to the Single Audit objectives. The only area that met this criteria is the military operations cooperative agreements with the National Guard Bureau of the U. S. Departments of the Army and the Air Force. Our review of military operations (CFDA # 12.000) under the cooperative agreements included: payroll, federal reimbursements, federal disbursements, and state match disbursements. We also verified Single Audit general requirements.

We found that the federal cooperative agreement, reimbursements, payroll, supplies and expenses, and state match requirements are fairly presented on the Department of Military Affairs, Schedule of Federal Financial Assistance for fiscal year 1995.

We found that the Department of Military Affairs complied with the applicable general and program specific federal requirements for the military operations under the cooperative agreements.

Contact the Financial Audit Division for additional information.
296-1235

Department of Military Affairs

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Tom Donahue, CPA	Audit Manager
Janet Knox, CPA	Auditor-in-Charge
Scott Tjomsland	Auditor

Department of Military Affairs

Background Information

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The Minnesota National Guard serves both a state mission and a federal mission. Minnesota's National Guard is the organized militia of the state of Minnesota, under the command of the Governor. At the same time, the members of the Minnesota Air and Army National Guard are reserve members of the U.S. Army and Air Force and may be called into active service by the President of the United States. The Guard operates 61 armories, 18 organizational maintenance shops, 5 motor vehicle storage buildings, the Camp Ripley Reservation, and an Army air base in Duluth and at a federally owned and operated air base at the Minneapolis-St. Paul International Airport.

During fiscal year 1995, the department reported \$12,966,653 in federal military operations expenditures. Cooperative funding agreements between the Department of Military Affairs and the National Guard Bureau govern these expenditures. In addition, the department reported \$1,042,913 in state match expenditures related to the federal agreements. The department paid the state match from its General Fund appropriation of approximately \$9.2 million.

Table 1-1 summarizes the department's sources and uses of funds related to federal military operations for fiscal year 1995.

Table 1-1
Summary of Federal Financial Activity
Fiscal Year Ended June 30, 1995

Expenditures	<u>Federal Share</u>	<u>State Match</u>	<u>Total</u>
Payroll	\$ 7,761,864	\$ 580,586	\$ 8,342,450
Supplies and expenses	<u>5,204,789</u>	<u>462,327</u>	<u>5,667,116</u>
Total Expenditures	<u>\$12,966,653</u>	<u>\$1,042,913</u>	<u>\$14,009,566</u>

Source: Department of Military Affairs, Schedule of Federal Financial Assistance for fiscal year 1995 and statewide accounting system federal program cash basis expenditures (7/1/94 - 6/30/95) and accounts payable (as of 10/13/95) reports.

Our audit scope focused on the 1995 expenditures of the department included in Table 1-1. These financial activities were material to the state's Single Audit objectives.

Department of Military Affairs

The primary objective of the Statewide Audit is to render an opinion on the state of Minnesota's financial statements included in its Comprehensive Annual Financial Report for fiscal year 1995. This includes whether the financial statements of the state present fairly its financial position, results of operations, and changes in cash flows in conformity with generally accepted accounting principles. As part of our work, we are required to gain an understanding of the internal control structure, and ascertain whether the state complied with laws and regulations that may have a material effect on its financial statements.

The Statewide Audit is designed to also meet the requirements of the Single Audit Act of 1984, relating to federal financial assistance. The Single Audit Act established two additional audit objectives and requires us to determine whether:

- the state complied with rules and regulations that may have a material effect on each major federal program;
- the state has internal accounting and other control systems to provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations.

Our work in the Department of Military Affairs is completed as part of our audit to express an opinion of the state's fiscal year 1995 financial statements. The Comprehensive Annual Financial Report for the year ended June 30, 1995 includes our report, issued thereon dated December 1, 1995. The Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 1995, will include our reports on the supplementary information schedule, internal control structure, and compliance with laws and regulations. We anticipate issuing this report in June 1996.