Financial Audit For the Period July 1, 1994, through June 30, 1996

October 1996

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Financial Audit Division Office of the Legislative Auditor State of Minnesota

96-41

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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

Mr. Edward A. Garvey, Director Office of Environmental Assistance

We have audited the Office of Environmental Assistance for the period July 1, 1994, through June 30, 1996. Our audit scope included a review of office resources, including appropriations and fee receipts, and the use of funds, including grant distributions, payroll, and administrative expenditures. The following summary highlights the audit objectives and conclusions. We discuss these areas more fully in the chapters of this report.

We conducted our audit in accordance with generally accepted government auditing standards. These standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the Office of Environmental Assistance complied with provisions of laws, regulations, contracts, and grants that are significant to the audit objectives. The management of the Office of Environmental Assistance is responsible for establishing and maintaining the internal control structure and compliance with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and management of the Office of Environmental Assistance. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 4, 1996.

We thank the Office of Environmental Assistance staff for their cooperation during this audit.

Legislative Auditor

End of Fieldwork: August 2, 1996

John Asmussen, CPA

Deputy Legislative Auditor

Report Signed On: September 30, 1996



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Office of Environmental Assistance

Financial Audit For the Period July 1, 1994, through June 30, 1996

Public Release Date: October 4, 1996

No. 96-41

Agency Background

The Legislature created the Office of Environmental Assistance on July 1, 1994, by combining the personnel, powers, and duties of the Office of Waste Management with the Metropolitan Council's Solid and Hazardous Waste Management Division. The mission of the office is to protect Minnesota's environment and assure a sustainable economy through waste prevention and resource conservation. The Minnesota Waste Management Act, Minn. Stat. Chapter 115A, drives the office's mission and activities. The Office of Environmental Assistance provides its customers with technical and financial assistance to help reduce waste and better manage waste. The office disburses more than \$14 million annually in grants to local governments.

Operations of the Office of Environmental Assistance are funded with state appropriations from the General Fund and Environmental Fund. In addition, the office received revenue from the Metropolitan Landfill Abatement Account and some federal grants. The office also was responsible for the collection of pollution prevention fees.

Audit Scope, Objectives, and Conclusions

Our audit scope was for the period July 1, 1994 though June 30, 1996. We reviewed sources of funds including appropriations and fee receipts. We also reviewed the uses of funds including grant disbursements, agency payroll, and other administrative expenditures during the audit period.

Generally, we determined the Office of Environmental Assistance conducted its operations in a reasonable and prudent manner. The office had adequate controls established, except we noted some employees had access to systems that were not compatible with their normal duties. We found the Office of Environmental Assistance materially complied with Minnesota statutes, laws, and rules in its budgeting and distribution of funds, except not depositing funds timely in accordance with Minn. Stat. Section 16A.275. We also questioned the office's authority to disburse SCORE grant funds withheld under Minn. Stat. Section 115A.557.

Contact the Financial Audit Division for additional information. 296-1727



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Audit Participation

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

John Asmussen, CPA Warren Bartz, CPA Mark Mathison, CPA Beaujon Guerin Eric Wion Deputy Legislative Auditor Audit Manager Auditor-in-Charge Auditor Auditor

Exit Conference

We discussed the results of the audit with the following staff of the Office of Environmental Assistance on September 20, 1996:

Edward A. Garvey Art Dunn Mary G. Daly Director Deputy Director Budget Manager

Chapter 1. Introduction

The Office of Environmental Assistance (OEA) has existed in various forms since 1980. Originally established as the Waste Management Board by the Legislature under the Waste Management Act, the board was responsible for citing hazardous waste facilities and providing loans and grants for solid waste processing facilities. Its duties were later expanded to include hazardous and solid waste planning. In 1988, the board was abolished and its functions and staff were placed within the Minnesota Pollution Control Agency. On July 1, 1989, the office was reestablished as the Office of Waste Management. In September 1993, under Department of Administration Reorganization Order No. 169, the Office of Waste Management's duties for solid waste management were transferred back to the Pollution Control Agency. On July 1, 1994, the Legislature created the Office of Environmental Assistance by rescinding Reorganization Order No. 169 and combining the personnel, powers, and duties of the Office of Waste Management with the Metropolitan Council's Solid and Hazardous Waste Management Division.

The office is currently under the direction of Edward A. Garvey, whom the commissioner of the Pollution Control Agency appointed, and the Senate confirmed, on January 3, 1995. Rodney E. Massey was the prior director, originally appointed on July 1, 1994. The office restructured its organization in February 1996. The office changed from six independent organizational units consisting of 1) waste prevention, 2) market development, 3) local government assistance, 4) research and planning, 5) environmental education and information, and 6) administrative assistance, to a single unit of six goals and strategies, with performance being measured against established milestones.

The OEA includes approximately 80 employees, with one staff member housed at each of the Pollution Control Agency's regional offices located in Brainerd, Detroit Lakes, Duluth, Marshall, and Rochester.

The mission of the OEA is to protect Minnesota's environment and assure a sustainable economy through waste prevention and resource conservation. The Minnesota Waste Management Act (Minn. Stat. Chapter 115A) is the driving force for the office's mission. OEA's daily operations provide technical and financial assistance to help local governments, businesses, nonprofit agencies, and citizens reduce pollution and better manage waste. Financial assistance is in the form of various grants and loans governed under Minn. Stat. Chapter 115A and 115D. In conjunction with its streamlining efforts, OEA sought legislation in which Laws of Minnesota 1995, Chapter 247, Article 1, Section 3 (coded Minn. Stat. Section 115A.0715), consolidated many of the various grants and loans into one program.

State appropriations, revenue from fees, and some federal grants finance the operations of the OEA. Table 1-1 summarizes the significant financial activity of the OEA for fiscal years 1995 and 1996.

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Table 1-1			
Summary of Financial Activity			
Fiscal Years 1995 and 1996			

	FY 1995	FY 1996
Source of Funds - Note 1		
Appropriations:		
General Fund	\$19,074,000	\$19,146,000
Special Revenue Funds	1,095,000	2,191,000
Expendable Trust Funds	0	800,000
Less Cancellations	<u>(598,112</u>)	0
Total Appropriations	<u>\$19,570,888</u>	<u>\$22,137,000</u>
Current Year Transfers: (Net)		
Metropolitan Landfill Abatement Fees	\$ 1,324,933	\$ 748,003
Insurance and Salary Supplements	<u> </u>	<u>6,582</u>
Total Revenue Transfers	<u>\$ 1,337,319</u>	<u>\$ 754,585</u>
Revenue:		
Pollution Prevention Fees - Note 2	\$ 82,974	\$ 60,311
Loan Repayments	197,845	277,320
Federal Grants	70,127	180,750
Seminar and Workshop Fees	108,440	20,620
Other Revenue	164,415	86,984
Less Nondedicated Revenue	(139,609)	(357,064)
Total Revenue	<u>\$ 484,192</u>	\$ 268,921
Prior Year Transfers and Amounts Carried		
Forward - Note 3	<u>\$14,851,155</u>	\$15,424,097
	<u> </u>	<u> </u>
Total Funds Available	<u>\$36,243,554</u>	<u>\$38,584,603</u>
Line of Funda		
Use of Funds:		
Expenditures:	¢40.004.400	MAT 540 004
Grants and Loans	\$16,361,106	\$17,513,331
Payroll Other Administrative Evenenditures	2,661,913	2,850,706
Other Administrative Expenditures	<u>1,796,438</u>	<u>1,035,423</u>
Total Expenditures	<u>\$20,819,457</u>	<u>\$21,399,460</u>
Balances Carried Forward and/or Encumbered	<u>\$15,424,097</u>	<u>\$17,185,143</u>
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Note 1: Fiscal year 1996 activity was through June 30, 1996, because the fiscal year close is through September 27, 1996. After discussions with management and review of obligations, subsequent expenditures should not have a material impact on current activity.

Note 2: Receipts for pollution prevention fees represent only the amount of fees collected by OEA. A division of the Department of Public Safety also collected pollution prevention fees on behalf of OEA and deposited the funds into an OEA account as nondedicated revenues. Total pollution prevention fees actually reported in OEA's account totaled \$1,081,994 and \$973,378 for FY 95 and FY 96, respectively.

Note 3: The 1995 amount includes \$1.6 million of Metropolitan Landfill Abatement Account balance that was transferred to OEA from the Metropolitan Council to coincide with the merger of its Solid and Hazardous Waste Division.

Sources:	Statewide Accounting System Estimated/Actual Receipts Reports and Manager's Financial Report as of October 13, 1995;	
	Allotment Balance Within Appropriation Report as of June 29, 1996; and Receipts by Deposit Report as of July 1, 1996.	

Chapter 2. Source of Funds

Chapter Conclusion

The Office of Environmental Assistance properly accounted for its funding sources. The office complied with specific provisions over appropriations, except, as discussed in Chapter 3, the office may have inappropriately disbursed grant funds that potentially could have canceled to the General Fund. The office accurately calculated pollution prevention fees according to applicable legal provisions, but had not timely deposited all fees and other receipts.

The Office of Environmental Assistance (OEA) received funding from various sources. The primary source of funding was through state appropriations from the General Fund and the Environmental Fund. The OEA was also appropriated revenue from the Metropolitan Landfill Abatement Account. The Minnesota Department of Revenue collected a solid waste fee, deposited a portion of the fee into the Metropolitan Landfill Abatement Account, and transferred the funds to the OEA. Legislative appropriations designated that the majority of funding be used for various pollution prevention, recycling, market research, or educational grants.

Other funding sources of the OEA consisted of conference and seminar registration fees, pollution prevention donations, federal grants, and loan repayments. The office deposited loan principal and interest into the originating funds. The OEA also was responsible for collecting pollution prevention fees from generators of hazardous waste.

Appropriations

The Legislature provided direct appropriations to OEA totaling \$20,214,000 and \$20,487,000 for fiscal years 1995 and 1996, respectively. The Legislature, in a special session, later reduced the fiscal year 1995 appropriation by \$50,000. In addition to these operating funds, the office also received other appropriations for specific environmental and capital projects.

Beginning in fiscal year 1995, the Legislature directed that the OEA receive and manage the funds in the Metropolitan Landfill Abatement Account, in accordance with Minn. Stat. Section 473.844. The Metropolitan Council had previously managed this account. As mentioned in Chapter 1, the Solid and Hazardous Waste Division of the Metropolitan Council merged into the OEA effective July 1, 1994, at which time it transferred all remaining funds and obligations to the OEA.

Due to the OEA receiving funding for project and grant payments that may span over multiple fiscal years, it carried forward a high volume of obligated funds each fiscal year. Table 1-1 summarizes the funding sources and provides insight on funds carried forward each fiscal year.

Our analysis of appropriations and fund balances focused on whether the OEA had adequately monitored and tracked the funds, and whether it had complied with applicable finance-related legal provisions. We reviewed whether the office complied with Minn. Stat. Section 10.17, which prohibits agencies from exceeding appropriated amounts; Minn. Stat. Section 16A.28, which addresses the treatment of unused appropriation; and Laws of Minnesota for 1993, Chapter 172, Section 18, which addresses the transfer of appropriations.

We conducted interviews and performed analytical procedures to gain an understanding of the office's process for budgeting, recording, and monitoring appropriations during the period of July 1, 1994, through June 30, 1996. We tested fund transfers to determine the legitimacy and appropriateness of the transfers, in addition to compliance with finance-related legal provisions. We reviewed whether obligations existed for funds carried forward and that obligations did not exceed appropriations.

We found that the office was properly recording and monitoring its resources. We found that the OEA properly notified the Senate Finance Committee and House Ways and Means Committee of transfers between appropriations specific to programs. We found that the office had not exceeded its appropriations, and, except for an issue discussed further in Finding 2, we found that the office properly managed its unused appropriations.

Fees and Receipts

The Minnesota Toxic Pollution Prevention Act requires annual payments of pollution prevention fees. The Pollution Control Agency and metro county hazardous waste offices supply OEA with listings of hazardous waste generators that are to be assessed the fee. The OEA collects some of these fees and deposits them into the Environmental Fund. In some instances, pollution prevention fees are billed with toxic chemical release (TRI) fees. The Minnesota Emergency Response Commission (ERC), a division of the Department of Public Safety, invoices TRI fees and works with OEA in the billing and collection of pollution prevention fees. In addition to collecting pollution prevention fees, the OEA collected fees for seminars, loan repayments, federal grants, and other miscellaneous receipts.

Our review of fees and receipts focused on whether the office had properly charged pollution prevention fees. In addition, we determined if controls were sufficient to ensure that the OEA collected, promptly deposited, and accurately recorded all fees and other receipts.

Our audit methodology included inquires, analytical procedures, and testing of revenue received by OEA between the period July 1, 1994, through June 30, 1996. We did not test the controls associated with pollution prevention fees collected by the Emergency Response Commission. We compared pollution prevention fees billed to the fees required by Minn. Stat. Section 115D.12, and verified that the OEA deposited these fees into the Environmental Fund. We further tested seminar fees and federal grants to ensure that the office also deposited those receipts into the proper funds. Finally, we analyzed on a sample basis, the ability of the OEA to promptly deposit its receipts.

We found that the office is properly recording receipts, and pollution prevention billings comply with amounts designated in applicable legal provisions. We noted, however, that the office had not deposited all receipts promptly, as discussed in Finding 1.

1. The office did not promptly deposit receipts.

The Office of Environmental Assistance had not promptly deposited all receipts in accordance with Minn. Stat. Section 16A.275. The statute provides, in part, that an office shall deposit receipts totaling \$250 or more in the state treasury daily. Our testing disclosed instances in which the office had held receipts approximately one week prior to depositing the funds. For example, the office received checks on January 10, 1996, for \$5,976 and August 3, 1995, for \$2,500 that it had not deposited until January 16, 1996, and August 10, 1995, respectively.

Delays in depositing receipts increase the risk that they could be lost or stolen. Also, the delay in depositing the receipts prevents the state from investing those funds and earning interest income.

Recommendation

• The office should deposit receipts daily in accordance with Minn. Stat. Section 16A.275.

Chapter 3. Expenditures

Chapter Conclusions

The Office of Environmental Assistance generally authorized, adequately supported, and accurately recorded disbursements for grants, payroll, and general administrative expenditures, in all material respects. However, the office made questionable SCORE grant payments to counties with funds originally withheld from those counties. The office also needs to tighten systems security access for some employees.

The Office of Environmental Assistance uses its funds for grant and loan assistance, payroll for its staff, and other general administrative expenses, as shown in Table 3-1. Our objectives in reviewing disbursements were to determine if controls were adequate, if payments were accurate and reasonable, and if payments were in compliance with specific legal provisions.

Table 3-1	
Analysis Of Expenditures	
Fiscal Years 1995 And 1996	

Type of Expenditure	1995	Percent	1996	Percent
Grants and Loans	\$16,361,106	79%	\$17,513,331	82%
Payroll	2,661,913	13%	2,850,706	13%
General Expenditures	1,796,438	<u> 8%</u>	1,035,423	<u>5%</u>
Total	\$20,819,457	100%	\$21,399,460	100%

Sources: Statewide Accounting System Manager's Financial Report as of October 13, 1995, and Allotment Balance Within Appropriation Report as of June 29, 1996.

Our review of disbursements covered the period July 1, 1994, through June 30, 1996. In general, we reviewed the system of controls related to the individual areas and reviewed payments. We conducted interviews with key personnel of OEA, conducted testing on a sample basis, and performed analytical reviews. For some areas, we conducted more specific testing as discussed in the subsections of this chapter.

Grants and Loans

The largest category of expenditures at OEA was for grant and loan payments to local government units, businesses, and individuals. The OEA disbursed \$16,361,106 and \$17,513,331 for grants and loans during fiscal years 1995 and 1996, respectively. The office disbursed most grant funds for county waste reduction and recycling through the Governor's Select Committee on Recycling and the Environment (SCORE) grants. The Legislature appropriated the OEA \$14,008,000 each year for SCORE block grants to counties. In addition, the OEA allocated 50

percent of the annual revenue received from the Metropolitan Landfill Abatement Account for grants to metropolitan counties. The office also disbursed various other grants for the development of markets for recyclables and problem waste; the prevention, separation, and collection of waste; capital assistance; and educational, technical, and research assistance.

The OEA also had the ability to award loans under its capital assistance program, market development program, and used oil storage tank program. The office had awarded only two loans during our audit period and disbursed \$170,000 for loan projects.

In addition to our general disbursement objectives, we focused our review of grant payments on the following objectives:

- Did the office adequately award and monitor grant projects?
- Did the office comply with Minn. Stat. Section 115A.557 when awarding and disbursing SCORE block grants?
- Did the office properly account for grant obligations?

We reviewed the process of awarding, monitoring, and disbursing of grants, and the formula used in determining SCORE block grants. We tested, on a sample basis, grant disbursements for proper approvals, monitoring, and eligibility. We tested documentation maintained by OEA to determine if grant recipients were eligible based on applicable legal provisions.

We determined that the office had established controls to ensure fairness in grant and loan awarding and adequately monitored grant projects for compliance with specific provisions. We found that the OEA properly accounted for future grant obligations. We also determined that, except for the issue discussed in Finding 2 regarding payments of SCORE funds withheld, the OEA properly disbursed grants and complied with Minn. Stat. Section 115A.557. Most funds were withheld, because a proper waste management plan had not yet been filed.

2. The Office of Environmental Assistance made questionable SCORE grant payments to counties, with funds originally withheld from those counties.

The OEA withheld payments to counties for the Governor's Select Committee on Recycling in the Environment (SCORE) block grants if a county was not eligible, as required by statute, and subsequently disbursed the original amount at a later date. Minn. Stat. Section 115A.557 Subdivision 1 requires that the OEA disburse a minimum grant of \$55,000 to a county. Subdivision 3 states that to be eligible for the SCORE grants a county needs to have established a separate account for SCORE funds and accounting procedures to ensure that the grant funds are spent only for the purposes designated by the statute. In addition, each year a county needs an approved solid waste management plan or a master plan which includes a recycling implementation strategy and a household hazardous waste management plan in place to be eligible for the grant. The counties need to submit a report by April 1 of each year to OEA detailing how it spent grant funds and the resulting gains achieved during the previous calendar year. Finally, the counties need to provide matching funds of at least 25 percent of the grant amount. The

statute directs the OEA to withhold all or part of the appropriation to be disbursed to a county if the county fails to comply with the provisions of the statute.

Counties originally were to have a plan in place within one year of October 4, 1989. The counties had five-year waste management plans in place which expired between fiscal years 1994 and 1996. Many counties did not submit new waste management plans to the OEA for approval. The OEA withheld payments to those counties that had not complied with the eligibility provisions. The office withheld the funds until the counties submitted approved plans and then disbursed the grant. In some cases, we discovered that the office held payments for one to two years before a county came into compliance. As a result, the state reimbursed some counties for expenditures in prior periods for which an approved plan was not in place. The statute does not specify if funds are to be withheld temporarily or permanently for counties that fail to satisfy the eligibility criteria.

The OEA received direct appropriations of approximately \$14 million each year to fund the SCORE grants. We calculated that, as of June 30, 1995, the OEA had withheld \$531,267 of fiscal year 1995 funds from eleven counties, and \$54,878 of fiscal year 1994 funds from one county. The OEA disbursed many of these funds in fiscal year 1996. These payments lapsed at the end of the state's biennium, and potentially the funds could have canceled to the General Fund. We also noted that as of June 30, 1996, the OEA had withheld \$643,257 of fiscal year 1996 appropriations for 13 counties.

Recommendation

• The Office of Environmental Assistance should seek legislation to address the disposition of grant funds withheld from counties under Minn. Stat. Section 115A.557.

Payroll

The Office of Environmental Assistance (OEA) has a staff of approximately 80 employees. The OEA incurred total payroll expenses of \$2,661,913 and \$2,850,706 during fiscal years 1995 and 1996, respectively. The Pollution Control Office performs some personnel functions for the OEA through a contractual agreement.

Our audit of payroll focused on the following objectives:

- Did the office properly record payroll payments and charge them to the correct funding sources?
- Are time sheets and leave requests adequately documented and approved?
- Is the OEA processing payroll in accordance with Department of Finance requirements?
- Did the OEA comply with the salary requirements of the applicable bargaining unit agreements?
- Did the OEA properly transfer employees of the Metropolitan Council, in accordance with Laws of Minnesota 1994, Chapter 639, Article 5, Section 2?

We tested a sample of time sheets, leave requests, and payroll reports to ensure that the OEA properly authorized, adequately supported, and accurately recorded payroll. We tested for legal compliance provisions according to the Department of Finance. We conducted a comparison of the pay rates to the salary schedules included within the various bargaining unit agreements.

We concluded that the Office of Environmental Assistance properly authorized, adequately supported, and accurately recorded its payroll. The office's payroll expenditures and the transfers of Metropolitan Council employees were in compliance with applicable rules and regulations. We did discover, as discussed in Finding 3, that some employees involved in the payroll process have access to payroll and personnel systems that are beyond the duties the office requires and may present control weaknesses.

Other Administrative Expenditures

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The Office of Environmental Assistance used its remaining funds to pay for the daily operational expenses of the office. These administrative costs were for space, utilities, communications, professional and technical contracts, employee travel, supplies, and equipment. The OEA spent nearly \$3 million during the two-year audit period for operating expenditures other than payroll and grant assistance.

We conducted some supplemental tests of administrative expenditures. We reviewed the office's lease agreement and compared it to monthly rent payments. We also reviewed and tested some professional and technical contracts, equipment purchases, printing services, and employee reimbursements.

We determined that the office's other administrative disbursements appear reasonable, and that the office accurately reported those disbursements in all material respects. We determined, however, that some employees involved in the purchasing and disbursement processes have access to the accounting and procurement system, which presents some control weaknesses, as discussed in Finding 3.

3. The Office of Environmental Assistance allowed some staff systems access, which was incompatible with the employees' general duties.

Some staff members of the OEA had access to the office's personnel, payroll, purchasing, and disbursement systems that was incompatible with other duties being performed by the staff members. For example, we determined that staff members authorized to enter payroll transactions also had access to make changes in the personnel system. In another instance, we discovered a staff member with authorized access to the procurement system and authority to issue payments. System security access was designed to assist in preventing errors or irregularities from occurring. By allowing access that is incompatible with an employee's job duties, the risk of errors or irregularities increases.

Recommendation

• The Office of Environmental Assistance should limit employees' system access to only those functions necessary to perform their duties.



September 20, 1996

Mr. James R. Nobles Legislative Auditor Office of the Legislative Auditor First Floor South, Centennial Office Building 658 Cedar Street St. Paul, MN 55155

Dear Mr. Nobles:

The Office of Environmental Assistance (OEA) has reviewed and discussed the findings and comments contained in the draft financial and compliance legislative audit of our office for the period July 1, 1994 through June 30, 1996. The OEA acknowledges these findings and recommendations and appreciates the opportunity to respond to them.

Finding 1. The office did not promptly deposit receipts.

Recommendation: The office should deposit receipts daily in accordance with Minn. Stat. Section 16A.275.

Response: Mentioned in the findings were two time periods when the OEA did not deposit receipts within 24 hours as required. These times coincide with the OEA moving to new office space, and the new MAPS statewide accounting system being installed but not readily available for agencies' use. The OEA acknowledges these instances, but wants it known that these were not normal circumstances, and not promptly depositing receipts is an abnormal occurrence for our office.

Finding 2. The Office of Environmental Assistance made questionable SCORE grant payments to counties, with funds originally withheld from those counties. Recommendation: The Office of Environmental Assistance should seek legislation to address the disposition of grant funds withheld from counties under Minn. Stat. Section 115A.557.

Response: Minn. Stat. Section 115A.557 Subd. 3(c) states "The director shall withhold all or part of the funds to be distributed to a county under this section if the county fails to comply with this subdivision and subdivision 2." Based on advice in prior years received from OEA's attorney, and with full knowledge of the Department of Finance (DOF), our office has withheld county block grant funds until the county has complied with these provisions and the OEA then released the funds to the county.

However, because of the audit recommendation, during the 1997 legislative session the OEA will seek legislative clarification of the terminology in this statute. This request has been forwarded to the DOF for review as a housekeeping initiative.

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Regional offices in Brainerd, Detroit Lakes, Duluth, Marshall and Rochester

Finding 3. The Office of Environmental Assistance allowed some staff systems access, which was incompatible with the employees' general duties. Recommendation: The Office of Environmental Assistance should limit employees' system access to only those functions necessary to perform their duties.

Response: The representatives of the Legislative Auditor's office pointed out the security access issues, and the OEA immediately reviewed each staff person's access and limited the access to the personnel/payroll system.

The OEA then met with the DOF to discuss the issue of access in the accounting/procurement system. The staff person mentioned in the findings has always had the responsibility to establish funding for purchase orders. In the new MAPS system, access to procurement is necessary in order to perform this task. The only way to allow this person to continue doing her job is to modify her access in the procurement system. The DOF made the determination that a modification of the OEA staff person's access will not be done at this time.

Another solution would be to remove the task from this employee's responsibilities and assign it to another person. Unfortunately, the OEA has limited staff and each person has a full workload; therefore, we do not have the ability at this time to reassign the task.

This office has however, established and is enforcing strict purchasing, receiving and payment rules. The OEA believes that these are sufficient to properly regulate the procurement area. There has never been a violation of these rules at the OEA.

We will continue to explore ways to comply with this recommendation, and if possible, will do so. The OEA requests that the Office of the Legislative Auditor continues to inform our office of any discussions statewide regarding system access.

In summary, the OEA has or is seeking solutions to each item mentioned in the findings and recommendations. Our office welcomes the constructive evaluation of our processes.

The OEA wishes to thank you and your staff for the professional manner in which this audit was conducted. We appreciate the recommendations made by your staff which benefit not only our office, but also OEA's customers and all citizens of our state.

Sincerely,

Edward A. Garvey Director