

Minnesota Municipal Board

Financial Audit

For the Period July 1, 1995 Through June 30, 1997

May 1998

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**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

98-34



STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
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Minnesota Municipal Board

Members of the Minnesota Municipal Board

Ms. Christine Scottillo, Executive Director
Municipal Board

We have audited the Minnesota Municipal Board for the period July 1, 1995, through June 30, 1997, as further explained in Chapter 1. Our audit scope included fees, payroll, per diem payments, and other operating expenditures. The following Summary highlights the audit objectives and conclusions. We discuss these areas more fully in the individual chapters of the report.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. 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 Minnesota Municipal Board complied with the provisions of laws, regulations, and contracts.

This report is intended for the information of the Legislative Audit Commission and the management of the Minnesota Municipal Board. This restriction is not intended to limit the distribution of this report, which was released as a public document on May 22, 1998.

Handwritten signature of James R. Nobles in black ink.

James R. Nobles
Legislative Auditor

Handwritten signature of Claudia J. Gudvangen in black ink.

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: April 10, 1998

Report Signed On: May 18, 1998

SUMMARY

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Minnesota Municipal Board

Financial Audit

For the Period July 1, 1995 through June 30, 1997

Public Release Date: May 22, 1998

No. 98-34

Background Information

The Legislature created the Minnesota Municipal Board in 1959. The board operates under Minn. Stat. Chapter 414 and is charged with the responsibility for conducting proceedings and issuing orders for creating, altering, or combining two or more governmental units. The board provides for the extension of municipal government to areas that are developed for residential, commercial, industrial, institutional, and governmental purposes. The board also protects the integrity of land use planning in municipalities and unincorporated areas.

The board is composed of three members who are appointed by the Governor and who serve six-year terms. The board convenes at least once a month and averages 100 meetings per year. The board appointed Christine M. Scotillo as executive director effective November 6, 1995. Other staff members include an assistant director and two clerical personnel.

Laws of 1997, Chapter 202, Article 5, Section 8 terminates the Minnesota Municipal Board effective on December 31, 1999. The Legislature transferred the authority and duties of the board to the Office of Strategic and Long-Range Planning.

Conclusions

The board designed internal controls to provide reasonable assurance that payroll, per diem, and other administrative expenditures were properly authorized, adequately supported, and accurately reported in the accounting records. The board also designed controls to provide reasonable assurance that revenues were appropriately collected and properly recorded on the accounting system and in compliance with fees authorized in board rules.

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Audit Participation

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Brad White, CPA, CISA	Audit Manager
Jack Hirschfeld, CPA	Auditor-In-Charge

Exit Conference

We discussed the results of this audit with the following representatives of the Minnesota Municipal Board at the exit conference held on May 14, 1998:

Christine Scotillo	Executive Director
Patricia Lundy	Assistant Director
Starlene Holman	Accounting Officer

Minnesota Municipal Board

Chapter 1. Introduction

The Legislature created the Minnesota Municipal Board in 1959. The board operates under Minn. Stat. Chapter 414 and is charged with the responsibility to:

- conduct proceedings and issue orders to create a municipality, combine two or more governmental units, or alter a municipal boundary;
- provide for the extension of municipal government into areas which are developed or are in the process of being developed for intensive use for residential, commercial, industrial, institutional, and governmental purposes;
- protect the integrity of land use planning in municipalities and unincorporated areas.

The board had the authority to contract with the state or with regional, county, or local planning commissions and to hire expert consultants for specialized assignments. During hearings, board members and the executive director had the power to administer oaths and affirmations, issue subpoenas, and compel the attendance and testimony of witnesses or the production of relevant documents.

The board is composed of three members who are appointed by the Governor and who serve six-year terms. The terms are staggered so that one member is replaced or reappointed every two years. Board members must have resided in Minnesota for at least five years before their appointment. The board convenes at least one meeting a month and averages one hundred meetings and hearings a year. In certain proceedings, the local county commissioners designate two of its members to temporarily serve as full voting members of this board. The Minnesota Municipal Board provides per diem and travel expense reimbursements to board members. The board appointed Christine M. Scottillo as executive director effective November 6, 1995. Other board staff include an assistance director and two clerical personnel.

Laws of 1997, Chapter 202, Article 5, Section 8 terminates the Minnesota Municipal Board as of December 31, 1999. The Legislature transferred the duties of the board to the Office of Strategic and Long-Range Planning.

The board funded its expenditures from a General Fund appropriation. Appropriations for the years ended June 30, 1996 and June 30, 1997, amounted to \$300,000 and \$287,000, respectively. The appropriation laws allow the board to carry forward funds not encumbered in the first year of the biennium into the following year. General Fund appropriations and expenditures for the Minnesota Municipal Board for fiscal years 1996 and 1997 are shown in Table 1-1.

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Table 1-1
Minnesota Municipal Board
Sources and Uses of Funds
Fiscal Years 1996 and 1997

	<u>1996</u>	<u>1997</u>
Sources:		
Appropriations	\$300,000	\$287,000
Salary Supplement	5,028	10,541
Balance Forward In	<u>0</u>	<u>34,207</u>
Available Resources	<u>\$305,028</u>	<u>\$331,748</u>
Uses:		
Payroll	\$210,467	\$216,319
Other Administrative Expenditures	51,004	94,758
Per Diem	<u>9,350</u>	<u>8,300</u>
Expenditures	\$270,821	\$319,377
Balance Forward Out	34,207	0
Appropriation Cancellation	<u>0</u>	<u>12,371</u>
Use of Resources	<u>\$305,028</u>	<u>\$331,748</u>

Source: State of Minnesota accounting reports for fiscal years 1996 and 1997 as of September 1996 and September 1997.

The board also collected filing and petition fees for fiscal years 1996 and 1997 totaling \$34,850 and \$39,101, respectively. These receipts are not available to fund board operations.

Chapter 2. Financial Activities

Chapter Conclusions

The Minnesota Municipal Board designed controls to provide reasonable assurance that expenditures were properly authorized, adequately supported, and accurately reported in the accounting system. The board also designed controls to provide reasonable assurance that the appropriate amount of revenue was collected and properly recorded in the accounting system. For items tested, the Minnesota Municipal Board's fees collected during fiscal years 1996 and 1997 complied with the fee rates authorized in agency rules.

The board maintained manual records of receipts and disbursements. The board provided documentation supporting receipts and disbursement transactions to the Department of Finance during fiscal years 1996 and 1997. The Department of Finance entered receipt and expenditure transactions into the Minnesota Accounting and Procurement System (MAPS). The board office periodically verified the amounts entered into MAPS.

Our audit scope included payroll, per diem payments, and other administrative expenditures which totaled \$270,821 in fiscal year 1996 and \$319,377 in fiscal year 1997. We also examined board fees charged for filing petitions based upon the fee schedule specified in agency rules. Filing fees did not change during the past two fiscal years and ranged from \$100 to \$600 based on the type of petition or annexation filed. The board collected \$34,850 in fiscal year 1996 and \$39,101 in fiscal year 1997.

Audit Objectives

The audit objectives were:

- to determine if the Minnesota Municipal Board designed internal controls to provide reasonable assurance that expenditures were properly authorized, adequately supported, and accurately reported in the accounting records;
- to determine if the Minnesota Municipal Board designed internal controls to provide reasonable assurance that the appropriate amount of revenue was collected and properly recorded in the accounting records;
- to determine if the Minnesota Municipal Board fees charged for petitions complied with the fee schedule established in the agency rules.

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Audit Methodology

To meet these objectives, we interviewed board employees to gain an understanding of the internal control structure over receipts and expenditures. We reviewed receipt and disbursement transactions to determine if the board properly authorized, calculated, and recorded transactions in the accounting system. We also reviewed receipts to determine if the board complied with material finance-related legal provisions.

Payroll testing included the review of hours worked, pay rates, and pay increases for board staff. We compared the per diem rate paid to board members to the amount authorized in Minnesota statutes. We also determined that the board member was eligible for the per diem by verifying meeting attendance based on board minutes. In addition, we tested other administrative operating costs during fiscal years 1996 and 1997.

Conclusions

The Minnesota Municipal Board designed controls to provide reasonable assurance that expenditures were properly authorized, adequately supported, and accurately reported in the accounting system. The board also designed controls to provide reasonable assurance that the appropriate amount of revenue was collected and properly recorded in the accounting system. For the items tested, the Minnesota Municipal Board fees charged during fiscal years 1996 and 1997 complied with the fee rates authorized in the agency rules.