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**Board of Boxing**

**Financial Audit**

**For the Three Years Ended June 30, 1998**

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**May 1999**

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Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota

**99-26**

# SUMMARY

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## **Board of Boxing**

### **Financial Audit For the Three Years Ended June 30, 1998**

Public Release Date: May 6, 1999

No. 99-26

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#### **Agency Background**

The Board of Boxing, established pursuant to Minn. Stat. Chapter 341, is responsible for governing the conduct of boxing and providing the safety of boxing in Minnesota. The board consists of seven members. The Governor appoints two public members and five nonpublic members. Board members serve a four-year term. The board appoints an executive secretary who is its chief administrative officer. The executive secretary is responsible for directing the board's professional staff in accordance with its policies. James O'Hara is the executive secretary of the board.

The board received annual state appropriations of approximately \$76,000 per year during the audit period. By statute the board is not required to set license fees to recover its direct and indirect operating costs. The board deposits its receipts into the State Treasury.

#### **Audit Scope and Conclusions**

Our audit scope included license revenue, employee payroll, and other administrative expenditures for the period July 1, 1995, through June 30, 1998.

We concluded that the board appropriately accounted for license revenues, but could improve certain controls. The board charged the approved fees for licenses. The board did not, however, implement the prior recommendation of restrictively endorsing checks upon receipt and did not use pre-numbered licenses.

We also found that the board spent its state appropriations within appropriation limits and statutory authority. Payroll and other administrative expenditures, including rent and travel, were reasonable and complied with laws and regulations for the items tested.

#### **Board Response**

The Board of Boxing agreed with the audit findings on receipts. Staff have purchased a stamp to restrictively endorse checks. The board also plans to use pre-numbered licenses again.



STATE OF MINNESOTA  
**OFFICE OF THE LEGISLATIVE AUDITOR**  
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dan McElroy, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Joseph Azzone, Chair  
Board of Boxing

Members of the Board of Boxing

Mr. James O'Hara, Executive Secretary  
Board of Boxing

We have audited the Board of Boxing for the period July 1, 1995, through June 30, 1998, as further explained in Chapter 1. Our audit scope included license revenues, employee payroll, and other administrative expenditures. The audit objectives and conclusions are discussed more fully in the individual chapters of this report.

We conducted our audit in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of internal controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit.

This report is intended for the information of the Legislative Audit Commission and the management of the board. This restriction is not intended to limit the distribution of this report, which was released as a public document on May 6, 1999.

James R. Nobles  
Legislative Auditor

Claudia Gudvangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: March 23, 1999

Report Signed On: May 3, 1999

# Board of Boxing

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### **Audit Participation**

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jim Riebe, CPA	Audit Manager
Connie Stein	Auditor-in-Charge

### **Exit Conference**

The findings and recommendations in this report were discussed with the following staff of the Board of Boxing on April 26, 1999:

James O'Hara	Executive Secretary
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# Board of Boxing

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## Chapter 1. Introduction

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The Board of Boxing, established pursuant to Minn. Stat. Chapter 341, is responsible for governing the conduct of boxing and providing the safety of boxing in Minnesota. In addition to Minn. Stat. Chapter 341, the board is governed by Minn. Stat. Chapter 214, which establishes legal requirements for boards and commissions generally.

The board consists of seven members. The Governor appoints two public members and five nonpublic members. Board members serve a four-year term. The board appoints an executive secretary who is its chief administrative officer. The executive secretary is responsible for directing the board's professional staff in accordance with its policies. James O'Hara is the executive secretary of the board.

The board receives administrative support from the Department of Commerce in accordance with Minn. Stat. 214.04, Subd. 1. The Department of Commerce provides services such as processing payroll and personnel transactions, allotting, encumbering, disbursing funds, depositing receipts into the State Treasury, and maintaining the board's accounting records. The board also receives legal and investigative services from the Attorney General's Office under Minn. Stat. Section 214.04, Subd. 1. The board is required to promptly forward any communication to the Attorney General's Office that implies a violation of a statute or rule under the board's jurisdiction.

The board received a direct appropriation for operations of \$75,000 for fiscal years 1996 and 1997, and \$79,000 for fiscal year 1998. Chapter 2 provides further information on the board's revenues. Chapter 3 discusses administrative expenditures.

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### Chapter 2. Licensing Revenues

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#### *Chapter Conclusions*

*The board set license fees in compliance with statutes and rules and properly recorded the revenue in the accounting system. However, the board did not restrictively endorse incoming checks immediately upon receipt and did not use pre-numbered licenses to control license revenues.*

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The board collects license fees as part of its regulatory responsibilities. According to Minn. Stat. Chapter 341.10, the license fees are not subject to approval by the commissioner of Finance and need not recover all direct or indirect operating costs. Licenses issued include professional and amateur franchises, seconds, boxers, referees, karate, and contestants. The board issued about 284 professional and amateur licenses which generated \$2,866 of revenue in fiscal year 1998. The board deposits license fees collected from issuing various types of licenses in the State Treasury.

#### **Audit Objectives and Methodology**

We focused our review of license receipts on the following objectives:

- Did the board collect and deposit the approved amount of license receipts based on the licenses issued?
- Were fees charged in accordance with applicable legal provisions?
- Were board receipts recorded correctly in the accounting system?

To address these objectives, we interviewed board staff and Commerce staff to gain an understanding of the receipt process. We performed analytical procedures to determine and evaluate changes in revenues during the audit period.

#### **Conclusions**

The board set license fees as specified in state statutes and Minnesota rules. The board charged the approved fees for each type of license. The board properly collected, deposited, and recorded the amount of license fees. However, the board did not restrictively endorse incoming checks immediately upon receipt and did not pre-number licenses as discussed in Finding 1.

## Board of Boxing

### **1. PRIOR AUDIT FINDING NOT RESOLVED: The board did not restrictively endorse incoming checks upon receipt and did not use pre-numbered licenses.**

The board did not restrictively endorse incoming checks upon receipt or pre-number licenses, which could result in lost revenue. The board initially collects receipts, makes a list of receipts, and submits these with the supporting documentation to the Department of Commerce for processing. The Department of Commerce restrictively endorsed the checks, made the deposits, and entered the transactions into Minnesota Accounting and Procurement System (MAPS). The delay in endorsing incoming checks increases the risk that checks could be lost or stolen.

The board also needs to improve its control over licenses. Currently, the board staff manually types the license number on the licenses. The board used pre-printed license numbers for their licenses before the new federal requirement that the boxer's photograph be attached to the license. Without using pre-numbered licenses, a license could be issued without the corresponding revenue being deposited into the State Treasury.

#### *Recommendations*

- *The board should restrictively endorse checks upon receipt.*
- *The board should have the license number pre-printed on the license.*

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## Chapter 3. Administrative Expenditures Including Employee Payroll, Rent, and Travel

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### *Chapter Conclusions*

*The board properly accounted for its administrative expenditures. The board's disbursements were properly authorized and consistent with its purpose. Payroll, per diem, rent, and travel expenditures of the board were reasonable and in compliance with laws and regulations for the items tested.*

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The board receives an appropriation from the Legislature to finance its operating activities. During the audit period, the appropriation was about \$76,000 a year. The board's largest administrative expenditures were payroll, rent, and travel. Table 3-1 summarizes the board's expenditures for the three-year audit period.

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**Table 3-1  
Board of Boxing  
Fiscal Years 1996, 1997, and 1998**

	FY96	FY97	FY98	Total	Percent of Total
Payroll	\$52,484	\$54,448	\$60,843	\$167,775	79%
Rent	7,972	6,143	5,089	19,204	9%
Per Diem	2,520	3,895	2,895	9,310	4%
Travel	1,655	2,357	2,181	6,193	3%
All Other Disbursements	<u>1,982</u>	<u>6,496</u>	<u>2,779</u>	<u>11,257</u>	<u>5%</u>
Total Disbursements	<u>\$66,613</u>	<u>\$73,339</u>	<u>\$73,787</u>	<u>\$213,739</u>	<u>100%</u>

Source: Minnesota Accounting and Procurement System (MAPS) accounting transactions.

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The Department of Commerce processed the board's administrative expenditures through the accounting system and maintained the board's accounting records. Commerce processed the following transactions, when approved by the board:

- employee timesheets
- personnel forms
- rent payments
- travel expenses

In addition, Commerce negotiated the lease for the board's office space. The lease is based on the usable square feet of space the board occupies.



## **Board of Boxing**

In the following sections, we discuss the methodology we used to audit the board's administrative expenditures and the specific audit objectives and conclusions for the material types of expenditures.

### **Methodology**

The methodology we used to audit administrative expenditures included interviewing the board staff and Commerce staff to gain an understanding of the disbursement process. We performed analytical procedures for administrative expenditures to evaluate any trends in specific account classes throughout the audit period. We also tested compliance with applicable legal provisions and employee bargaining unit agreements. We applied audit procedures at both the Board of Boxing and Department of Commerce.

### **Payroll and Per Diem**

The board incurs expenditures for employee payroll and per diem expenditures. The board employs an executive secretary who works one-half time and a full-time assistant. The board members received \$55 per day for board activities by submitting an expense reimbursement form.

We focused our review of payroll on the following objectives:

- Were Board of Boxing staff paid at the proper amounts according to the applicable bargaining unit agreements?
- Did the board verify that authorized payroll and per diem expenditures were accurately recorded on the accounting system?

Our review of payroll and per diem expenditures concluded that board employees were paid at the proper amounts according to the applicable bargaining unit agreements. We found that the board properly authorized and verified the recording of payroll and per diem expenditures on the state's payroll system.

### **Rent**

The board rented office space in St. Paul. A negotiated lease covered the term and amount of the rent for the board. The rent schedule is based upon the number of usable square feet of space occupied by the board.

We focused our review of rent on the following objectives:

- Were the board's rent expenditures properly recorded in the accounting system?
- Did the board accurately pay rent based on a valid lease agreement?

Our review of rent expenditures found the payments were authorized. We concluded that rent disbursements were reasonable, accurate, and properly recorded.

## **Board of Boxing**

### **Travel**

The board reimbursed travel expenses for staff and board members. The staff and board members' bargaining unit agreements allow them to obtain reimbursement from the state for certain expenses incurred while performing their jobs. Eligible expenses included transportation, meals, lodging, and other miscellaneous expenses. These expenses were reviewed and approved by the executive secretary.

We focused our review of employee travel expense reimbursements on the following objectives:

- Were the travel expenditures authorized?
- Were the travel expenditures reasonable and in compliance with the bargaining agreement limits?

Our review of employee expense reimbursements found that the expenses were authorized and approved. The expenses claimed were reasonable and complied with the applicable bargaining unit agreements for the items tested.

## Board of Boxing

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### Status of Prior Audit Issues As of March 23, 1999

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**Most Recent Audit Report 95-34**, issued in July 1995, examined Board of Boxing's activities for fiscal years 1992, 1993, and 1994. The scope included license revenues and administrative expenditures.

We noted the board did not adequately control the receipts process and franchise licenses. The board implemented our recommendation to separate the duties between board staff, however, the board did not restrictively endorse checks upon receipt and did not use pre-numbered licenses.

#### State of Minnesota Audit Follow-up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as the metropolitan agencies, or the State Agricultural Society, the state constitutional officers, or the judicial branch.



**STATE OF MINNESOTA  
BOARD OF BOXING**

April 30, 1999

Mr. James R. Noble  
Legislative Auditor  
1st. Floor Centennial Bldg.  
658 Cedar street  
St. Paul MN 55155

Dear Sir:

After meeting with Mr. Jim Reebe, Audit Manager, and auditor Connie Stein, I agree that it would be best for the person receiving checks at the Boxing Board office to endorse them by using an endorsement stamp before sending them to the cashier at the Commerce Department. A stamp has been purchased, and is now being used as of April 27, 1999.

The licenses were donated to the Board by one of our licensed referees. A number was inadvertently left off of them. Numbers are now typed in numerical order on each set of cards ahead of time, so they are ready to be used when issuing them. When new cards are ordered, numbers will be printed on them.

I hope this procedure will meet with your approval.

Regards,

A handwritten signature in cursive script that reads "Jim O'Hara".

Jim O'Hara  
Executive Secretary