

Minnesota Amateur Sports Commission

Financial Related Audit

For the Period July 1, 1995, through June 30, 1998

June 1999

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SUMMARY

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Minnesota Amateur Sports Commission

Financial Related Audit For the Period from July 1, 1995, through June 30, 1998

Public Release Date: June 25, 1999

No. 99-31

Agency Background

The Minnesota Amateur Sports Commission was created in 1987, pursuant to Minn. Stat. Chapter 240A. According to its mission statement, the purpose of the Minnesota Amateur Sports Commission is to "evaluate the social and economic benefits of sports to enrich the lives of all Minnesotans." The commission consists of twelve voting members and four nonvoting members. The commission membership must have four members experienced in promoting amateur sports. Paul Erickson was appointed as the commission's first executive director in September 1987 and continues to serve in that capacity.

Audit Scope and Conclusions

We have conducted a financial related audit of the Minnesota Amateur Sports Commission for the period from July 1, 1995, through June 30, 1998. Our audit scope included general financial management, grant expenditures, payroll, and other administrative expenditures.

We have concerns with how well the commission documented its relationships with affiliated organizations. The commission's agreement with the National Sports Center Foundation did not define the commission's responsibility to pay the foundation for utilities and other indirect costs. In addition, the commission did not have contracts with two of its affiliated organizations.

The commission's largest area of financial activity is grant expenditures. We found that the commission properly recorded its grant activity in the state's accounting system and complied with the applicable finance-related legal provisions. In payroll and other administrative expenditures, we noted some weaknesses. The commission did not have adequate separation of duties over these key financial functions. It also did not maintain documentation for certain of its financial transactions. The commission did not consistently comply with the provisions of its bargaining agreements. The commission made three payroll errors, resulting in over and underpayments. In addition, the commission did not record compensatory time earned and taken on the payroll system. The commission did not properly code certain information on the accounting system and did not adequately account for its fixed assets. Finally, the commission did not consistently comply with the state policy when it reimbursed employees for mileage costs.

In its response, the commission indicated that it plans to implement the recommendations in the report in a timely manner.



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

B. T. "Tom" Duffy, Chair
Minnesota Amateur Sports Commission

Members of the Minnesota Amateur Sports Commission

Paul Erickson, Executive Director
Minnesota Amateur Sports Commission

We have conducted a financial related audit of the Minnesota Amateur Sports Commission for the period from July 1, 1995, through June 30, 1998. Our audit scope included general financial management, grant expenditures, payroll, and other administrative expenditures.

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 management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the Minnesota Amateur Sports Commission complied with the provisions of laws, regulations, contracts, and grants that are significant to the audit. The commission's management is responsible for establishing and maintaining the internal control structure and for compliance with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of the Minnesota Amateur Sports Commission. This restriction is not intended to limit the distribution of this report, which was released as a public document on June 25, 1999.

/s/ James R. Nobles

/s/ Claudia J. Gudvangen

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: March 22, 1999

Report Signed On: June 23, 1999

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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
Jeanine Leifeld, CPA, CISA	Audit Manager
Laura Peterson, CPA	Auditor-in-Charge
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Irene Hass	Auditor

Exit Conference

The issues in this report were discussed with the following staff of the Minnesota Amateur Sports Commission at an exit conference held on June 1, 1999:

Tom Duffy	Commission Chair
Paul Erickson	Executive Director
Lynda Lynch	Fiscal Officer

Minnesota Amateur Sports Commission

Chapter 1. Introduction

The 1987 Legislature created the Minnesota Amateur Sports Commission, which operates under Minn. Stat. Chapter 240A. According to its mission statement, the purpose of the Minnesota Amateur Sports Commission is to “evaluate the social and economic benefits of sports to enrich the lives of all Minnesotans.” Its stated goals are as follows:

- 1) to create economic impact development through amateur sports,
- 2) to create the maximum opportunity for sport participation for all Minnesotans, and
- 3) to establish Minnesota as a national model for the Olympic and amateur sport movement.

Paul Erickson was appointed as the commission’s first executive director in September 1987 and continues to serve in that capacity.

Statutory guidelines establish the commission’s membership. The commission consists of twelve voting members and four nonvoting members. The commission must have four members experienced in promoting amateur sports. One member of the commission must reside in each of the state’s congressional districts. The commission members are gubernatorial and legislative appointments. The Governor appoints nine voting members to three-year terms. The Governor, Speaker of the House of Representatives, and Senate Majority Leader each appoint a member to a two-year term, providing three additional voting members. The four nonvoting members are legislators, two from the House and two from the Senate. The commission conducts monthly meetings, which are open to the public.

The Minnesota Amateur Sports Commission is housed at the National Sports Center campus in Blaine, Minnesota. The state owns the National Sports Center land and facilities. The National Sports Center campus is designed to support various athletic events including soccer, track and field, and cycling. In October 1998, the Schwan’s Super Rink, a four-sheet ice facility, was added to the National Sports Center campus. The commission has contracted with the National Sports Center Foundation, a separate nonprofit organization, to operate the National Sports Center facilities.

The Legislature provides General Fund appropriations for the Minnesota Amateur Sports Commission. Table 1-1 shows the sources and uses of the commission’s General Fund appropriations during the three-year audit period. For all three fiscal years the Legislature designated a portion of the general appropriation for the construction and renovation of ice arenas around the state.

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Table 1-1
Sources and Uses of Funds
Fiscal Years 1996 through 1998

	1996	1997	1998
Sources:			
General Fund Appropriations	\$1,938,000	\$1,942,000	\$6,145,000
Open Appropriation (1)	750,000	750,000	750,000
Transfer In	9,753	17,704	0
Balance Forwarded In	5,500	35,678	0
Total Sources	\$2,703,253	\$2,745,382	\$6,895,000
Uses:			
Grants (2)	\$2,153,000	\$2,199,000	\$4,096,314
Payroll	412,523	418,908	493,229
Travel	18,136	20,401	16,955
Supplies & Equipment	31,379	29,604	27,482
Other (3)	52,537	42,858	114,861
Balance Forwarded Out	35,678	0	2,126,573
Amount Cancelled	0	34,611	19,586
Total Uses	\$2,703,253	\$2,745,382	\$6,895,000

(1) Minnesota Statutes, Chapter 240A.08, appropriates \$750,000 annually from the General Fund for use of the Target Center.
 (2) The fiscal year 1998 grant total includes \$301,515 of Mighty Kid Grants obligations outstanding (encumbered but not expended) as of December 31, 1998.
 (3) Other expenditures increased in fiscal year 1998 due to office space renovations and professional & technical services related to the St Paul Tennis Court feasibility study.

Source: Minnesota Accounting and Procurement System (MAPS) based on the budgetary year basis as of December 31, 1998.

In 1996, the Legislature provided the commission with a substantial capital project appropriation for grants and other one-time projects. Table 1-2 shows the capital project appropriation and the amounts disbursed as of December 31, 1998.

Table 1-2
Capital Projects Appropriation
Laws 1996, Chapter 463, Section 14

Capital Projects (1)	Appropriation	Disbursed as of 12/31/98
Ice Center Grants	\$7,000,000	\$4,511,000
National Curling Center (City of Eveleth)	1,000,000	1,000,000
Land Acquisition at National Sports Center	400,000	400,000
Hyland Hills Ski Jump	500,000	0 (2)
National Inter City Center	3,400,000	0 (2)
National Volleyball Center	2,300,000	0 (2)
	\$14,600,000	\$5,911,000

(1) This table includes \$21,600,000, pursuant to Laws 1996, Chapter 463, Sec. 14, less \$7,000,000 (subd.7), granted directly to the University of Minnesota.
 (2) Per commission staff, the grantees had not fulfilled the contingency requirements that allowed disbursement of funds until fiscal year 1999.

Source: Minnesota Accounting and Procurement System (MAPS) as of December 31, 1998, and an analysis of the appropriation laws.

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Chapter 2. Financial Management

Chapter Conclusions

The Minnesota Amateur Sports Commission did not adequately document its relationships with affiliated organizations. The commission's agreement with the National Sports Center Foundation did not define the commission's responsibility to pay the foundation for utilities and other indirect costs. In addition, the commission did not have contracts with two of its affiliated organizations.

The commission did not have adequate separation of duties over two of its key financial functions. Finally, the commission did not develop a records retention schedule as required by law.

The Minnesota Amateur Sports Commission is a small agency, consisting of 10 permanent employees. It depends on relationships with other organizations to achieve its mission and goals.

Minn. Stat. Section 240A.03, Subd. 13, empowers the commission to establish nonprofit corporations and charitable foundations. The commission has also established working relationships with other organizations interested in amateur sports. Table 2-1 summarizes the various organizations associated with the commission.

Table 2-1
Amateur Sports Commission
Associated Organizations

<u>Organization</u>	<u>Purpose</u>
National Sports Center Foundation	Operates the National Sports Center in Blaine
MN Amateur Sports Commission Foundation	Conducts charitable fundraising to provide sports grants
Star of the North Games, Inc.	Plans and administers the Star of the North winter and summer games

Source: Minnesota Amateur Sports Commission internal documents and discussions with commission staff.

Audit Objectives and Methodology

The primary objectives of our review of the Minnesota Amateur Sports Commission's overall financial management were to answer the following questions:

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- Did the Minnesota Amateur Sports Commission adequately document its financial relationships with other affiliated organizations?
- Did the Minnesota Amateur Sports Commission design and implement controls to provide reasonable assurance that financial activities were properly recorded in the state's accounting system?

To address these objectives, we made inquiries of the Minnesota Amateur Sports Commission staff to gain an understanding of the overall commission processes and control environment. We also made inquiries and reviewed information and agreements with other organizations with which the commission is affiliated. These organizations fund events through private donations, sponsorships, and other fundraising activities. Our audit of the commission did not extend to an examination of the financial records of any of these organizations.

Relationship with the National Sports Center Foundation

The commission has a contract with the National Sports Center Foundation, a separate nonprofit organization, to operate the National Sports Center facilities. The commission has a two-year renewable contract with the foundation, due to expire on June 30, 1999. The foundation receives revenue from program and event registration fees, as well as from dormitory and facility rentals and food and beverage sales. The foundation also receives contributions from corporations and other foundations. According to its audited financial statements for the year ended December 31, 1997, the foundation reported a positive change in net assets. As of that date, the foundation had a total net asset balance of \$1,131,601.

Relationships with Other Organizations

As shown in Table 2-1, other affiliated organizations work with the commission to plan and administer amateur sporting events. The commission members are not voting board members of any of these affiliated organizations. These organizations do not receive direct financial support from the commission.

Conclusions

The commission did not adequately document its relationships with two affiliated, non-profit organizations. The contract between the Minnesota Amateur Sports Commission and the National Sports Center Foundation did not define the commission's responsibility to pay the foundation for certain indirect costs. In addition, the commission did not have contracts with two of its affiliated organizations. The commission did not have adequate separation of duties over two of its key financial functions, personnel/payroll and administrative expenditures. Finally, the commission did not develop a records retention schedule as required by law.

- 1. The commission did not clearly define its relationship with certain affiliated organizations.**

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The written contract between the Minnesota Amateur Sports Commission and the National Sports Center Foundation did not include a provision for the commission's reimbursement of certain indirect costs. Because the commission owns the National Sports Center campus, and the commission and foundation share space in a building on the campus, it is important that the two parties agree concerning their financial arrangements. The commission pays no rent and does not pay for any expenses incurred due to its staff's presence (i.e. heat, lights and utilities) at the facility.

In two cases, the commission reimbursed the foundation for computer equipment. These reimbursements totaled \$5,859 and \$6,132, respectively. Although the commission paid for the equipment, the foundation staff continued to use the equipment. In the past, the contract between the commission and the foundation contained a clause requiring the commission to pay a fee for the use of utilities and office equipment within the National Sports Center building. The commission deleted this clause. We were told that the commission has informally agreed to reimburse the foundation for some expenses in lieu of utilities and other office-related expenses.

In addition, the commission did not have written contracts with the Minnesota Amateur Sports Commission Foundation or the Star of the North State Game, Inc. These organizations work with the commission to promote amateur sports and to support certain sporting events.

Traditionally, the commission has provided these organizations with administrative support. To avoid misunderstandings or potential liability, the commission should formalize written agreements with these organizations, clearly defining the duties and funding responsibilities of each party.

Recommendations

- *The commission should amend its contract with the National Sports Center Foundation to clearly define its reimbursement of expenses for its use of the facility.*
- *The commission should obtain written agreements with the Minnesota Amateur Sports Commission Foundation and the Star of the North State Game, Inc.*

2. The commission had inadequate separation of duties over its key financial functions.

One commission employee performs all functions relating to personnel and payroll, as well as all functions relating to purchasing and disbursement. This created inadequate separation of duties over these functions. In addition, because no one else was trained to perform these duties, it did not provide the commission with appropriate backup for the employee's duties in case of emergency.

The employee was totally responsible for setting up employees on the personnel system and entering biweekly payroll information. The employee had security access in the state personnel and payroll computer system (SEMA4) to perform both of these functions. We saw no evidence that anyone else reviewed the detailed information the employee entered into the SEMA4 system. Allowing one person to have complete access to all personnel/payroll functions increases the risk of errors or irregularities.

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The same employee also performed all functions relating to purchasing and disbursement within the MAPS accounting system. Because of this lack of separation of duties, the employee could make purchases and pay for those purchases without independent review. In 4 of 16 disbursement transactions we tested, no one authorized or approved the payments.

Recommendations

- *The commission should adequately separate its personnel and payroll functions and its purchasing and disbursement functions by splitting up the duties or providing for independent review and approval of the employee's work.*
- *The commission should develop a back-up plan to ensure the payroll and accounts payable functions are not disrupted if the employee is unavailable.*

3. PRIOR FINDING NOT RESOLVED: The commission did not develop a records retention schedule as required by law.

The commission did not develop a records retention schedule. Minn. Stat. Section 138.17 requires each state agency to establish a records retention schedule for the orderly maintenance of official records. A formal records retention schedule helps to ensure the preservation of records for legal and historical purposes. As discussed further in Findings 6 and 8, in some cases, the commission did not maintain adequate documentation to support certain of its financial transactions.

Recommendation

- *The commission should establish and follow a records retention schedule.*

Chapter 3. Grants

Chapter Conclusions

During the audit period, the Minnesota Amateur Sports Commission received funds for ice center grants, as well as other one-time grants. The commission properly recorded its grant activity in the state's accounting system and complied with finance-related legal provisions for the items tested.

The commission pays \$750,000 per year to the Metropolitan Sports Facilities Commission for the use of the Target Center for amateur sporting events. However, because of the high use fee charged for the Target Center, the commission has decided not to invest staff time to schedule events at the facility. As a result, the commission used 23 out of the allowed 150 dates during the three-year period.

The Minnesota Amateur Sports Commission has the authority to make grants as part of its mission to promote the economic and social benefits of sports. Beginning in 1995, the Legislature funded the "Mighty Ducks" Ice Arena Grant Program. Through this program, the commission provided grants to communities for the construction and renovation of ice facilities throughout the state. In 1997, the commission began another program, called the "Mighty Kids" Grant Program, to facilitate sports opportunities for youth, especially during non-school hours. Table 3-1 shows the specific grant appropriations the commission received during the audit period and the status of the funds as of December 31, 1998.

Audit Objectives and Methodology

The primary objective of our review of the Minnesota Amateur Sports Commission grants was to answer the following questions:

- Did the Minnesota Amateur Sports Commission accurately record grant activity in the state's accounting records?
- Did the Minnesota Amateur Sports Commission comply with the applicable finance-related legal provisions for these grants?

To address these objectives, we made inquiries of the Minnesota Amateur Sports Commission staff to gain an understanding of the purpose of these grants and the accounting processes for grant disbursements. We tested financial transactions to determine that the grant disbursements were properly entered in the state's accounting system. We also tested financial transactions to determine compliance with applicable finance-related legal provisions.

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Table 3-1
Commission Grant Appropriations
July 1, 1995, through June 30, 1998

General Fund Appropriations:

Legal Reference	Purpose	Amount Appropriated	Disbursements as of Dec. 31, 1998
Laws 1995, Ch. 254, Art. 1, Sec. 17	Ice Center Grants (Mighty Ducks Grants)	\$2,875,000	\$2,852,000
Laws 1997 Ch. 202, Art 1, Sec. 26	Ice Center Grants (Mighty Ducks Grants)	\$5,000,000	\$2,896,000
Laws 1997 Ch. 202, Art 1, Sec. 26	Youth Sports Projects (Mighty Kids Grants) (1)	\$400,000	\$400,000
Laws 1997 Ch. 202, Art 1, Sec. 26	MN Olympic Development	\$50,000	\$50,000
Minn. Stat. Sec. 240A.08 (3)	Target Center	\$2,250,000	\$2,250,000

Capital Project Fund Appropriation (2):

Laws 1996 Ch. 463, Sec. 14	Ice Center Grants (Mighty Ducks Grants)	\$7,000,000	\$4,511,000
Laws 1996 Ch. 463, Sec. 14	National Curling Center (City of Eveleth)	\$1,000,000	\$1,000,000

(1) Disbursed amount includes \$301,515 of Mighty Kid Grants obligations outstanding (encumbered but not expended) as of December 31, 1998.
(2) For complete details on the capital project fund appropriation see Table 1-2.
(3) \$750,000 appropriated annually - see Table 1-1.

Source: Minnesota Statutes and Minnesota Accounting and Procurement System (MAPS) data for fiscal years 1996 to 1998 as of December 31, 1998.

“Mighty Ducks” Ice Center Grants

In 1995, the Minnesota Amateur Sports Commission initiated the Mighty Ducks Grant Program because of the serious shortage of ice sheets throughout the state. This shortage was caused, in part, by the rapid growth of girls' hockey. Since the inception of this program, the Legislature has appropriated funds every year for this specific purpose, totaling \$14,875,000 during the audit period.

Minn. Stat. Section 240A.09 provides the guidelines for awarding ice center construction and renovation grants. Communities are eligible for grants up to \$250,000 for the development of each new sheet of ice and up to \$50,000 for the renovation of each existing ice arena. In order to receive a grant, applicants must be willing to match the state funds by at least a 1:1 ratio. A subcommittee of the commission members rates all incoming applications, based on an

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evaluation matrix, and makes recommendations to the full commission. The commission members vote on all grant awards. The grantee must begin the project and spend the non-state funds before the grant is disbursed.

“Mighty Kids” Youth Sports Grants

In the Laws of 1997, the Legislature appropriated \$400,000 each year for fiscal years 1998 and 1999 for youth sports pilot projects. These appropriations are commonly known as the Mighty Kids’ Youth Sport Grant Program. The commission designed this program to facilitate additional sports opportunities for youth, especially during non-school hours.

The Mighty Kids Program provided grants, up to a maximum of \$20,000, to state agencies, counties, cities, and school districts. Although the law did not specify a matching requirement, the commission decided to require a match from non-state sources for any grants exceeding \$2,500. A subcommittee made up of commission members rated all incoming applications based on the requested amount, program costs, the amount of any match, and the number of youth to be served. All commission members voted on the recommendations of the subcommittee at its January 26, 1998 meeting. At that time, the commission members awarded the entire \$400,000 fiscal year 1998 appropriated amount to a total of 48 recipients.

Target Center Lease

Pursuant to Minn. Stat. Section 240A.08, the Minnesota Amateur Sports Commission receives \$750,000 each year to enter into a long-term lease agreement with the Metropolitan Sports Facilities Commission to conduct amateur sports activities at the Target Center. The same statute allows the commission to sell its Target Center usage dates to third parties, although the commission has not done so.

On March 1, 1995, the Minnesota Amateur Sports Commission entered into a contract agreement with Ogden Entertainment Services, Inc. and the Metropolitan Sports Facilities Commission for this purpose. Consistent with the statute, the contract allows the commission to use the Target Center for up to 50 event dates per year. The contract restricts the commission’s ability to sell its Target Center dates to other amateur sporting events. In addition, according to the contract, the commission must pay the incremental costs for the use of the Target Center, such as the scoreboard system electricity, the sound system and announcer, the arena lighting system, the arena heating and cooling costs, and cleaning and restocking the arena restrooms during the use period. Minnesota Amateur Sports Commission officials stated that these incremental costs make the use of the Target Center expensive as compared to other venues in the Twin Cities area. As a result, the commission decided not to invest staff time to schedule events at the facility. Consequently, the commission used the Target Center only 23 dates during the three years of our audit period; 14 of these days were for the World Figure Skating Championships in the spring of 1998.

Other Grants

In its capitol project appropriation (Laws of 1996, Chapter 463, Section 14), the commission received a variety of one-time grants for specific purposes throughout the state. Table 1-2 gives more detail about the status of this appropriation. As noted in the table, the commission had not

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disbursed some of the grants as of December 31, 1998. Some of the projects require significant action by the grantee before the commission will disburse the funds.

Conclusions

The Minnesota Amateur Sports Commission properly recorded grant activity in the state's accounting system and complied with the applicable finance-related legal provisions.

Chapter 4. Personnel/Payroll

Chapter Conclusions

We noted several concerns related to payroll at the Minnesota Amateur Sports Commission. As discussed in Chapter 2, the commission did not adequately separate the personnel and payroll functions. During the audit period, the commission had three incidents where it underpaid or overpaid employees. In addition, the commission did not comply with the applicable bargaining agreement when allowing compensatory time and did not record the compensatory time on the payroll system. Finally, the commission did not adequately document certain personnel transactions.

The Minnesota Amateur Sports Commission employs ten permanent employees. The commission employees belong to various bargaining units, including the American Federation of State, County, and Municipal Employees (AFSCME), the Minnesota Association of Professional Employees (MAPE), the Commissioners Plan, and the Managerial Plan. In addition, the commission paid its commission members per diem for attending commission meetings and activities. Table 4-1 shows the payroll expenditures for fiscal years 1996 through 1998.

Table 4-1
Payroll and Per Diem Expenditures
Fiscal Years 1996 through 1998

	1996	1997	1998
Payroll (1)	\$400,135	\$398,304	\$476,080
Per Diem Payments (2)	12,100	17,624	16,835
Workers/Unemployment Comp	288	2,981	314
Total	\$412,523	\$418,909	\$493,229

(1) The payroll expenditures include employees' gross wages and employer paid taxes and benefits.

(2) Paid to commission members pursuant to Minn. Stat. Section 15.059, including \$31,570 paid to the commission chair in the three-year period.

Source: Minnesota Accounting and Procurement System (MAPS) as of December 31, 1998.

Audit Objectives and Methodology

We focused our review of payroll on the following objectives:

- Did the commission accurately record the payroll expenditures in the accounting system?
- Did the commission comply with the applicable finance related legal provision?

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To answer these questions we interviewed commission staff to gain a general understanding of the internal control structure over payroll and personnel processes. In addition, we analyzed the payroll expenditures to determine unusual trends, reviewed supporting documentation to determine proper authorization, and recalculated some payroll amounts to ensure proper payment.

Conclusion

We noted several concerns related to payroll at the Minnesota Amateur Sports Commission. As discussed in Chapter 2, the commission did not adequately separate the personnel and payroll functions. The commission underpaid two employees and overpaid another. In addition, the commission did not comply with the applicable bargaining agreement when allowing compensatory time and did not record the compensatory time on the payroll system. Finally, the commission did not adequately document certain personnel transactions.

4. The commission did not accurately compensate three of its employees.

We found three incidents where the Minnesota Amateur Sports Commission compensated its employees inaccurately. The commission underpaid two employees and overpaid another.

- The executive director allowed a MAPE employee to convert a \$623 lump sum payment into time away from work. The arrangement allowed the employee to take additional vacation time beyond the amount the employee was eligible to receive. The MAPE bargaining agreement does not allow the appointing authority to convert a retroactive lump sum payment into vacation leave. In addition, through this arrangement, the commission overpaid the employee \$65.
- In February 1996, a MAPE employee did not receive a performance based pay increase to which he was entitled. We were told that the error occurred because of misunderstandings concerning the MAPE payment schedules. The error resulted in the employee being underpaid \$2,433. The MAPE agreement states, "...employees may receive one-step satisfactory performance increases biennially on their anniversary date upon the recommendation of their Appointing Authority, up to and including the maximum salary rate for their class."
- Finally, the commission underpaid its executive director \$287. The commission incorrectly paid its executive director by nine to ten cents per hour for approximately 42 weeks. In addition, the executive director was underpaid \$124 during a pay period in January 1997. Each of these underpayments resulted from data entry errors made in the payroll system.

Recommendations

- *The commission should comply with all provisions of the MAPE agreement.*
- *The commission should resolve the under and overpayments to employees.*

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5. The commission did not properly account for employee compensatory time.

The commission did not document its need to provide compensatory time to its MAPE employees. In addition, the commission did not record compensatory time earned and used on the state's payroll system.

The executive director allowed MAPE employees to earn compensatory time even though the employees were not working on documented special work assignments. The MAPE bargaining agreement states that, "Employees may receive overtime at the rate of regular time when assigned to a special work assignment which is in addition to their normal job duties and upon having received advance approval from their Appointing Authority." MAPE employees at the commission worked extended hours during the busy summer months. However, the commission did not document any "special work assignments" related to this overtime.

In addition, the commission did not record compensatory time earned and used by employees on the state's SEMA4 payroll system. Instead, employees tracked the compensatory time on individual timesheets. The Department of Finance issued a policy requiring all paid leave time to be recorded on SEMA4. In addition, by not tracking the compensatory time on the payroll system, the commission increased the risk of errors and irregularities. Finally, the commission's entire compensated absence liability was not included on the state's financial statements at year-end.

Recommendation

- *The commission should comply with the applicable provisions of the MAPE contract when approving employee compensatory time.*
- *The commission should record all employee compensatory time earned and used on SEMA4.*

6. The commission did not consistently document the authorization for performance based pay increases.

The Minnesota Amateur Sports Commission did not document the authorization for two of ten pay increases. In addition, the commission processed one employee's pay increase four months before it documented authorization for the raise. Finally, the commission granted two employees performance based pay increases, even though the commission supervisors had not completed performance evaluations on the employees since 1992 or 1993.

The applicable bargaining agreements allow the appointing authority to increase an employee's wages if the employee performed satisfactorily. Generally, commission supervisors completed performance evaluations on employees entitled to a performance-based pay increase. This procedure documents the justification for the pay increase. The commission risks over-compensating employees or not being able to justify the pay increase when it does not document the authorization.

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Recommendations

- *The commission should document all personnel transactions, including the authorization.*
- *The commission should evaluate its employees on a timely basis.*

7. The commission did not have a formal policy defining the criteria for paying per diems.

The commission did not have a written policy that clearly defined the criteria for paying per diems to commission members. Commission members did not document the specific meetings or activities attended when claiming per diems on their expense reports. The commission risks paying a per diem for unintended purposes by not having a formal policy and not adequately documenting the members' activities.

Minn. Stat. Section 15.059 authorizes the commission to pay its members "a rate of \$55 a day spent on council or committee activities." The executive director told us that the commission pays its members for attending the monthly commission meetings and chair-appointed standing committee meetings. In addition, it pays the commission chair to attend ad hoc meetings, most of which relate to fundraising for amateur sports. However, the commission has not established a specific policy on per diems, clearly defining when members can claim per diems for commission work.

Recommendations

- *The commission should establish a written policy authorizing the criteria for paying per diems to its members.*
- *The commission members should document the specific activities attended and the purpose of the activity when requesting per diems.*

Chapter 5. Other Administrative Expenditures

Chapter Conclusions

We noted several concerns related to purchasing and disbursement functions at the Minnesota Amateur Sports Commission. As discussed in Chapter 2, the commission did not adequately separate the duties relating to these functions. The commission did not code certain accounting information correctly and did not adequately document certain disbursement transactions. In addition, the commission did not adequately account for its fixed assets. Finally, the commission did not consistently comply with state policies and bargaining agreements related to employee mileage reimbursements.

During the audit period, the Minnesota Amateur Sports Commission spent about \$754,000 on non-payroll administrative expenditures, including \$400,000 for the purchase of land adjacent to the National Sports Center in Blaine. Table 5-1 shows the details for these administrative expenditures during the audit period.

Table 5-1
Nonpayroll Administrative Expenditures
Fiscal Years 1996 through 1998

	1996	1997	1998
Travel	\$18,136	\$20,401	\$16,955
Supplies & Equipment	31,379	29,604	27,482
Printing	13,315	6,917	3,431
Communication & Computer Services	20,173	19,895	19,859
Professional & Technical Services (1)	496	5,000	68,768
Land Purchase (2)	0	400,000	0
Other	18,553	11,046	22,804
Total	\$102,052	\$492,863	\$159,299

(1) Fiscal year 1998 amount includes \$31,223 disbursed for contractual services relating to the St. Paul Tennis Facility feasibility study.

(2) Land purchase paid from Capital Projects appropriation, see Table 1-2.

Source: MAPS budget fiscal year 1996 through 1998, as of December 31, 1998.

Audit Objectives and Methodology

The primary objectives of our review were to answer the following questions:

- Did the commission accurately record the non-payroll administrative expenditures in the state's accounting system?
- Did the commission comply with applicable finance-related legal provision?
- Did the commission adequately track its fixed asset inventory?

Minnesota Amateur Sports Commission

To answer these objectives, we interviewed office staff to obtain a general understanding of the internal control structure, analyzed the other administrative expenditures data to determine unusual trends, and reviewed source documents.

Conclusions

We noted several concerns related to purchasing and disbursement functions at the Minnesota Amateur Sports Commission. As discussed in Chapter 2, the commission did not adequately separate these functions. The commission did not code certain accounting information correctly and did not adequately document certain disbursement transactions. In addition, the commission did not adequately account for its fixed assets. Finally, the commission did not consistently comply with the state policy and bargaining agreements related to employee mileage reimbursements.

8. The commission did not have adequate documentation to support some of its disbursement transactions.

In four cases, we found inadequate documentation to support commission disbursement transactions, including the following:

- The commission had no documentation of receipt of goods for two of eight sample disbursement transactions.
- The commission did not retain documentation in one case to show it had followed proper proposal procedures for an \$8,000 professional service contract.
- The commission did not have documentation to support an employee reimbursement of \$58 for supplies.
- The commission could not find the employee expense claim to support an employee's \$540 mileage reimbursement.

The commission should maintain adequate documentation to support its expenditures. As cited in Finding 3, proper records retention is also a state legal requirement.

Recommendation

- *The commission should maintain proper documentation to support its disbursement transactions.*

9. The commission did not properly code certain information in the accounting system.

In some instances, the commission improperly coded certain information into the state's accounting system (MAPS). The commission did not use the MAPS record date correctly. The record date should be used to record the date the commission incurred a liability (i.e., when the commission received the goods or services). Rather than recording the proper date, the

Minnesota Amateur Sports Commission

commission used the MAPS default date, or the date the commission entered the transaction into the accounting system. In another case, the commission coded a \$38,000 payment for office remodeling to “other services,” rather than to remodeling. Coding errors result in inaccurate and inconsistent information in MAPS.

Recommendation

- *The commission should properly code its financial transactions in MAPS.*

10. The commission did not adequately account for its fixed assets.

The commission did not adequately track its sensitive fixed asset items, such as computers and other movable equipment. The commission is co-located with the National Sports Center Foundation, which makes the tracking of assets belonging to each party more important. The commission had not taken a physical inventory of its fixed assets. In addition, the commission did not record three out of the five fixed asset purchases we tested on its fixed asset inventory system. By not recording and tracking its equipment, the commission risks not detecting lost or stolen fixed assets.

Recommendations

- *The commission should record all of its fixed assets on its fixed asset inventory system.*
- *The commission should take a physical inventory of its fixed assets periodically.*

11. The commission did not pay employees correct mileage reimbursements.

The Minnesota Amateur Sports Commission did not consistently comply with the state policy and bargaining agreements when it reimbursed employees for mileage costs. The commission consistently used the higher mileage rate to calculate employee reimbursements when the employee's travel exceeded 75 miles, and the employee had not obtained a vehicle control number from the Department of Administration's Travel Management Division. According to the Department of Finance's employee travel expense policy, employees traveling more than 75 miles round trip must obtain a state vehicle or be reimbursed at the lower mileage rate. The only exception is when a state vehicle is not available. In such cases, Travel Management issues a vehicle control number, and the employee receives the higher rate. In addition, the commission used the increased mileage rate that became effective January 1998 for mileage costs incurred prior to the effective date but paid after the effective date. We found that the commission overpaid its employees \$146 as a result of 19 employee expense claims we tested. However, we believe that additional mileage overpayments also occurred on other expense claims.

Minnesota Amateur Sports Commission

Recommendations

- *The commission should comply with the Department of Finance's travel expense policies and the employee reimbursement provisions in the bargaining agreements.*
- *The commission should determine the extent of excess mileage reimbursements by reviewing past employee expense claims and should recover all overpayments.*

Status of Prior Audit Issues
As of June 30, 1998

Most Recent Audit

December 1, 1995, Legislative Audit Report 95-51 covered the three fiscal years ended June 30, 1994. That audit scope included a review of compliance with applicable appropriation laws, personnel service expenditures, professional technical service contracts, and purchased services expenditures. This report included one reportable issue which the commission did not resolve. See Chapter 2, Finding 4, for more details.

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 and quasi-state organizations, such as the metropolitan agencies, or the State Agricultural Society, the state constitutional officers, or the judicial branch.

Minnesota Amateur Sports Commission

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June 22, 1999

Mr. James R. Nobles
Legislative Auditor
1st Floor South, Centennial Office Bldg
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

Attached please find the Minnesota Amateur Sports Commission's formal written response to the revised draft of the audit report for the period of July 1, 1995 through June 30, 1998.

We hope you will find our response acceptable and in compliance with your requirements. Please feel free to contact me if you have any questions or need additional information. I can be reached at 612-785-5632.

I would like to thank your staff for the patience and assistance extended to our agency and its staff. It has been very much appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul D. Erickson".

Paul D. Erickson
Executive Director

²¹
MINNESOTA AMATEUR SPORTS COMMISSION

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MINNESOTA AMATEUR SPORTS COMMISSION

AGENCY RESPONSE TO LEGISLATIVE AUDIT REPORT

(July 1, 1995 through June 30, 1998)

CHAPTER 2/Financial Management

1.

The Minnesota Amateur Sports Commission (MASC) has a strong and effective tradition with its three affiliate non-profit organizations. The MASC has recently reviewed and adopted formal agreements with two of the non-profit organizations and the current contract with the National Sports Center Foundation is in the process of being amended to reflect the audit recommendations. The MASC Board reviewed and approved formal agreements with the Star of the North State Games and the Minnesota Amateur Sports Commission Foundation at its March 22, 1999 meeting. In addition, the MASC Board will review the proposed NSCF agreement at its June 28, 1999 meeting. The Executive Director will oversee the final execution of these agreements.

2.

The MASC is a small state agency located in Blaine, Minnesota - separate from most of state government and its support services available in St. Paul. Some of the payroll/accounting concerns identified are due in large part to the transition from the old to the new accounting/payroll system. As we are becoming more proficient with the components of the new systems, we are confident that the situations identified in this report will be corrected.

With only ten full-time employees, we have traditionally had one employee handle the bulk of our financial and payroll/human resource transactions due to efficiency and work load. As a result of these recommendations, the commission will have one additional staff person assigned to support this activity.

The Executive Director in cooperation with the MASC Fiscal Coordinator will be responsible for developing and implementing a plan that provides for a more efficient check-and-balance system and independent review of all transactions administered in the areas of accounting and payroll. This will be implemented within the next six months.

The Commission will continue with its current back-up plan which is provided by the Department of Finance through an individual assigned to assist small agencies (Judy Goodman).

3.

The Executive Director will assign an appropriate staff person to work with the Department of Administration in developing a sufficient and effective MASC records and retention plan within the next year.

CHAPTER 3/Grants

No response.

CHAPTER 4/Personnel/Payroll

4.

The three noted incidents involving overpayment/underpayment have all been corrected and processed properly in SEMA4. The MASC staff will make every effort to comply with MAPE provisions.

5.

The MASC Fiscal Officer is in the process of contacting other state agencies who have similar working conditions/special events assigned to staff members and obtaining information on respective comp time policies. In addition, further contact will be made with the Department of Labor Relations for advice on current comp time policy. The current MASC comp time policy was developed with the direction and recommendations of our current Labor Relations representative. Upon final completion and approval of the updated agency comp time policy, it will be communicated to all respective staff members and adhered to in its entirety, including proper documentation in the state's payroll system. This will be implemented within the next three months.

6.

The MASC Executive Director, in cooperation with its program directors, will ensure that all employee performance reviews are conducted in a timely manner and that increases are not authorized without formal documentation of performance review, effective immediately.

7.

The MASC Chair and Executive Director will develop and implement a formal policy which further defines proper payment for commission member per diem payments. This policy will be reviewed with all MASC board members and will be implemented with the start of the next fiscal year (July 1, 1999).

CHAPTER 5/Other Administrative Expenditures

8.

The MASC Accounting personnel will make sure all proper disbursement documentation is maintained and received prior to payment transactions. In response to the the lack of documentation for the \$8,000 professional service contract, this was administered by a new employee who was not familiar with state procedures. The Executive Director will be responsible for all MASC staff and their knowledge of state procedures as they relate to their respective job functions.

9.

The MASC Accounting personnel has followed up with the Department of Finance regarding the use of "date of record" when processing payment transactions. It was confirmed that it was communicated at the initial training of MAPS that this field did not need to be completed, but has since been changed and was communicated in one of the MAPS newsletters. This requirement will be adhered to immediately. In response to the cited \$38,000 coding error, the code of "other services" was the recommended choice by the Department of Administration personnel following contact with the agency by the MASC to obtain advise on the proper contract procedure to follow.

10.

It is our view that we manage commission assets well and the agency will take the necessary steps to make sure all acquired assets are properly registered in the state's asset inventory system in a timely manner and is consistent with the state's reporting and coding requirements.

11.

The location of the state motor pool in St. Paul makes it impractical for the MASC employees in Blaine to drive 25 miles to St. Paul to pickup a vehicle from Central Motor Pool and then drive 25 miles back to Blaine in order to make a trip to St. Cloud and then return the vehicle for an extra 50 miles at the end of the trip. This is a very ineffective use of staff's time. The MASC is currently renting a van from Central Motor Pool on an annual basis that will be utilized as much as possible for MASC staff travel. In addition, the MASC will submit an annual request to Travel Management to secure an annual control number for its personnel that do a significant amount of travel.

The MASC will be implementing all other technical and policy recommendations of this report in a timely manner.