12 - 0844

WORLD TRADE CENTER CORPORATION
FINANCIAL AND COMPLIANCE AUDIT
FOR THE PERIOD MARCH 1, 1987 THROUGH JUNE 30, 1988

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

Financial Audit Division

The Office of the Legislative Auditor is responsible for financial and compliance audits of funds administered by the executive and judicial branches of state government. The audits are conducted by the office's Financial Audit Division. The division has a staff of approximately forty-five governmental accounting and auditing professionals, the majority of whom are Certified Public Accountants.

The Financial Audit Division does its work in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States. Annually, the division performs a Statewide Financial Audit of the state's financial statements. The audit reviews the major financial systems maintained by the state's largest thirty departments. The Statewide Audit also includes a "Single Audit" which tests whether state agencies are adhering to federal requirements in the administration of federally assisted programs. The division also conducts approximately thirty financial and compliance audits of individual agencies or institutions each year after the Statewide Audit is completed.

In addition to financial and compliance audits, the Office of the Legislative Auditor performs program evaluations through a Program Evaluation Division. The office also has a small investigative staff.

The Legislative Auditor is appointed by the Legislative Audit Commission for a six year term. The Financial Audit Division and the Program Evaluation Division are each under the direction of a deputy legislative auditor. All audit, evaluation, and investigative reports are solely the responsibility of the Legislative Auditor and his staff, and they are available on request from the office.

WORLD TRADE CENTER CORPORATION
FINANCIAL AND COMPLIANCE AUDIT
FOR THE PERIOD MARCH 1, 1987 THROUGH JUNE 30, 1988

JULY 1989

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

89-59

Veterans Service Building, Saint Paul, Minnesota 55155 ● 612/296-4708

STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator John E. Brandl, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Willis Eken, Chairman
World Trade Center Board

Mr. Richard Nolan, President,
World Trade Center Corporation

Audit Scope

We have completed a financial and compliance audit of the World Trade Center Corporation for the period March 1, 1987 through June 30, 1988. Section I provides a brief description of the corporation's activities and finances. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Government Auditing Standards, and accordingly, included such audit procedures as we considered necessary in the circumstances.

Internal Accounting Control Systems

One objective of this audit was to study and evaluate major internal accounting control systems; payroll, administrative disbursements and receipts, at the World Trade Center Corporation in effect as of March 31, 1989.

The management of the World Trade Center Corporation is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Finance-Related Legal Provisions

Another objective of this audit was to verify that financial transactions were made in accordance with significant finance-related laws. As part of the audit, we also considered whether the World Trade Center Corporation's financial control structure provides reasonable assurance that financial activities are conducted in a reasonable and prudent manner for a public entity. The World Trade Center Corporation is governed generally by Minn. Stat. Section 44A.01-44A.025. These sections create the corporation and establish the general purposes for its financial transactions. Minn. Stat. Section 44A.031 authorizes promotional expenditures to be made in the same manner as similar expenditures by private persons, firms, or corporations. The World Trade Center Corporation account is established pursuant to Minn. Stat. Section 44A.0311.

The World Trade Center Corporation is exempt from certain general legal provisions which affect the financial management of most state agencies. The corporation is exempt from Minn. Stat. Chapters 14, 16A, 16B, 43A, and 179A. These statutes contain regulations outlined by the Departments of Finance, Administration, and Employee Relations. The corporation has developed internal policies which regulate purchasing, travel, contractual services, imprest cash, special expense, and other miscellaneous areas.

The management of the World Trade Center Corporation is responsible for the agency's compliance with laws and regulations and for establishing appropriate policies and procedures to control their financial activities. In connection with our audit, we selected and tested transactions and records from the programs administered by the World Trade Center Corporation. The purpose of our testing of transactions was to obtain reasonable assurance that the World Trade Center Corporation had, in all material respects, administered its programs in compliance with the aforementioned laws and regulations and that their procedures were appropriate for a public entity.

Status of Prior Audit Findings

The audit report issued in July 1987 contained 14 recommendations. Substantial progress has been made in resolving the issues addressed in the report. The follow-up review in November 1988 indicated that all but recommendations 7, 8, and 14 were resolved. We have reviewed the status of these recommendations and concur with the corrective action taken resolving recommendations 7 and 8. Concerns regarding unresolved issues relating to recommendation 14 are repeated in this report as finding 5.

Conclusions

In our opinion, the World Trade Center Corporation's system of internal accounting control in effect on March 31, 1989, taken as a whole, was sufficient to provide management with reasonable, but not absolute

Senator John E. Brandl, Chairman
Members of the Legislative Audit Commission
Mr. Willis Eken, Chairman
World Trade Center Board
Mr. Richard Nolan, President,
World Trade Center Corporation
Page 3

assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

Section II, findings 1-3 and 5, represent weaknesses in the World Trade Center Corporation's controls over payroll, expenditures, and receipts. We believe these weaknesses subject the World Trade Center Corporation to an unnecessary financial risk and should be corrected. Progress on resolving these findings will be reviewed during our next audit.

The results of our testing of transactions and records indicate that the World Trade Center Corporation complied with the aforementioned finance-related legal provisions. Nothing came to our attention in connection with our audit that caused us to believe that the World Trade Center Corporation was not in compliance with other applicable legal requirements.

Except for finding 4 in Section II, nothing came to our attention in connection with our audit that caused us to believe that the World Trade Center Corporation had not established an appropriate financial control structure for a public entity.

We would like to thank the World Trade Center Corporation's staff for their cooperation during this audit.

James R. Nobles
Legislative Auditor

John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: April 17, 1989

REPORT SIGNED ON: July 27, 1989

WORLD TRADE CENTER CORPORATION

TABLE OF CONTENTS

AUDIT PARTICIPATION

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

John Asmussen, CPA	Deputy Legislative Auditor
Margaret Jenniges, CPA	Audit Manager
David Poliseno	Auditor-In-Charge
Sonya Hill	Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of the World Trade Center Corporation on July 11, 1989.

Willis Eken	Chairman, World Trade Center Board
Richard Nolan	President, World Trade Center Corporation
Scott Johnson	Managing Director
Devin Rice	Manager
Beth Olson	Office Manager
Mary Foster	Accounting Officer
Chuck Tritton	Administrative Assistant

WORLD TRADE CENTER CORPORATION

I. INTRODUCTION

The World Trade Center Corporation began operations on July 1, 1987. This replaced the World Trade Center Board, which was a state agency created by the 1984 Legislature. The policy of the corporation is determined by a board of 15 members, which consists of nine public members and six legislators serving as nonvoting members. A corporation president oversees the staff. Richard Nolan served as president during the time of our audit.

The main purpose of the corporation is to promote international trade in Minnesota and to develop, maintain, promote and support world trade center programs and services. This is accomplished through education and training, outreach to other international organizations and telecommunications, and trade information. The corporation, as coodinator of existing international services, works with international associations, cultural, private, and academic institutions.
The World Trade Center Corporation also manages the World Trade Conference Center, which is considered a resource center for international trade. Through rental of the conference center space, joint ventures, and partnerships, the corporation plans to be financially self-sufficient by calendar year 1995.

Presently, the corporation's major source of funding is state appropriations. During 1988, the corporation collected receipts of $147,000. The expenditures of the corporation for fiscal year 1988 were as follows:

World Trade Center Corporation
Expenditures, Including Obligations
Year Ended June 30, 1988

Personnel Services	$189,291
Other Administrative Disbursements	206,642
Professional/Technical Services	77,256
Travel	28,587
Supplies and Equipment	3,239
TOTAL	$505,015

Source: Statewide Accounting Managers Financial Report, September 5, 1988.

II. CURRENT FINDINGS AND RECOMMENDATIONS

1. Improved documentation is needed for payroll expenditures.

The corporation is not properly monitoring payroll expenditures. Employee time sheets are not kept by the corporation, compensatory balances are not monitored, and time sheets are not always signed by the proper individuals. The corporation is exempt from the Departments of Finance and Employee Relations statutes. Also, Minn. Stat. Section 44A states that corporation employees are not state employees and therefore, not covered by collective bargaining agreements which spell out policies for personnel. Therefore, the corporation established its own personnel policies and procedures. We tested payroll transactions based on those policies and procedures.

Our audit disclosed the following problems:

- -- The corporation is not maintaining employee time sheets. The employee completes the biweekly time report book for the current pay period and forwards the book to the supervisor and then to the office manager for processing. After processing, the office manager returns the books to the employees without retaining a copy for office records. The office manager should retain the time sheets to substantiate the payroll expenditures and to resolve any disputes that could arise later.

- -- The corporation is not properly monitoring compensatory time. The payroll policy allows employees to earn compensatory time for time worked in excess of 45 hours per week. Employees usually report the actual hours worked on their time reports. The compensatory hours worked are not recorded or monitored by the office. Rather, each employee is responsible for maintaining their balance. To effectively control the use of compensatory time, the corporation should maintain records of compensatory time earned and taken by each individual. The balances could also be kept on the state payroll system as are sick and vacation balances.

- -- Time sheets are not always signed by the employee or the supervisor. The corporation's payroll policy requires that time reports be completed, signed, and approved for corporation employees. Without the signatures or actual time sheets there is no assurance that the employee actually worked the number of hours paid.

- -- One contract employee does not routinely prepare time sheets. A time sheet or other documentation is necessry to substantiate the hours worked or services provided.

RECOMMENDATIONS

- **Time sheets should be maintained and filed to support the payroll processed.**

- **Compensatory time balances should be maintained by someone other than the employee.**

- **All time sheets should be signed by the employee and their supervisor.**

- **All employees should prepare and submit time sheets or other documentation for payroll processing.**

2. Imprest cash procedures need improvement.

The corporation is not properly monitoring their imprest cash account. Checks are presigned, expenditures are made without proper approval, and the account is not reconciled or reimbursed timely. The World Trade Center Corporation maintains a $1,500 imprest cash account for the purpose of making minor disbursements, providing for change, and providing employees with a portion or all of their payroll warrant where the warrant has not been received through the payroll system. The corporation adopted additional imprest cash procedures.

The corporation's policy requires that the employee complete the expenditure request form and have the president or managing director approve it. The office manager prepares the imprest check and the president signs it. The office manager retains the requests and the check register. The account is to be replenished from SWA when the balance is reduced to $500. The office manager is to reconcile the account monthly.

We identified the following problems concerning the use of the imprest cash account:

-- Imprest cash checks are presigned. Our review of the account disclosed that the next three checks in the register had already been signed by the president. This practice weakens the control over cash as the checks could be stolen and negotiated. Currently, only the president signs the checks. The policy allows the managing director to sign imprest cash checks, however he has not obtained the bank authorization. Having the managing director authorized to sign the checks will provide added assurance that someone will be in the office to sign checks and avoid having to presign them.

-- Payments are made without prior approval. The imprest cash policy requires that an expense form must be submitted to the office manager for review and approved by the president or managing director. However, seven of the twelve forms reviewed were not signed by an authorized individual. The lack of an authorized signature limits assurance that the expenditures were properly approved.

-- The corporation has not reconciled the account to the $1,500 authorized level and has not reconciled the checkbook balance to the bank balance since October 1988. Timely reconciliations are necessary to ensure that errors or adjustments are properly accounted for and resolved. The authorized level reconciliation is necessary to control the accuracy of the bank and checkbook balances and to detect any errors in SWA reimbursement requests. The corporation's imprest cash policy requires a monthly reconciliation.

-- The corporation is not reimbursing the account timely. One batch of expenditures for $689 incurred between October 1987 and May 1988, has not been reimbursed from SWA. However, subsequent expenditures from the imprest cash account have been reimbursed. The delay in reimbursing the account puts additional burdens on the account by complicating the reconciliation process and by operating at less than the approved dollar level. The World Trade Center Corporation has experienced difficulty in maintaining imprest cash above the $500 balance required by the policy.

RECOMMENDATIONS

- **Imprest cash checks should be signed at the time issued.**
- **Expenditure authorization forms for all imprest cash expenditures should be approved and signed.**
- **The corporation should reconcile the imprest cash account on a timely basis.**
- **The corporation should reimburse the account from SWA in a timely manner.**

3. The corporation incurred some expenses that were inappropriate for a public entity.

The corporation spent about $400 for staff meals and Christmas gifts. While the amount is relatively small, we think the items involved were primarily personal and should not have been paid for with corporate funds. The corporation should ensure that all of its expenses accomplish a public purpose related to its mission.

During our audit we noted an increased tendency for the corporation to pay for luncheon meetings attended exclusively by the corporation's staff. In fiscal year 1988 the corporation spent only $30 on such staff meetings, but about $160 was spent during the first nine months of fiscal year 1989. The corporation's policies permit it to pay for business meals when an outside party is present (paralleling the state's "department head expense account" policy). The corporation's policy does not authorize payment for meal expenses at meetings attended exclusively by staff, and we think the practice should be discontinued, except in circumstances where some public purpose can be demonstrated.

Also, the president spent approximately $200 of corporate funds to purchase Christmas gifts for all staff in December 1988. Presumably, the president was rewarding employees for a successful year and attempting to maintain good morale. We think that the president should find a more appropriate way to achieve these worthy objectives. Christmas gifts should be avoided because they are normally viewed as a personal expense and have an association with a religious celebration.

RECOMMENDATION

- **The World Trade Center Corporation should discontinue paying for expenses normally considered personal, such as Christmas gifts and meals attended exclusively by staff.**

4. Controls over corporation receipts need improvement.

The corporation's policy for processing receipts is not being followed. Receipts are not listed when received, deposited daily, or reconciled to the statewide accounting (SWA) system. Gifts and conference center construction receipts totalled approximately $30,000 and $147,000 in fiscal years 1987 and 1988, respectively. With the conference center opening, receipts are expected to increase in future years.

The person who opens and sorts the mail should prepare a listing of all incoming receipts according to the corporation's policy. The listing should be compared to the deposit to verify that all receipts were deposited. The log, or the deposit form, is then reconciled to the monthly SWA reports to ensure proper recording of the receipts.

The policy also states that all incoming receipts are to be deposited daily. Comparing the date of the check to the deposit date for general receipts disclosed that timely deposits are not always made. Limited testing of conference center receipts for fiscal year 1989 indicate that those are deposited promptly. Delays in depositing receipts increases the risk that funds will be lost or stolen and prevents those funds from being invested and earning interest income.

RECOMMENDATIONS

- **Corporation receipts should be deposited on a timely basis.**

- **A mail listing of all incoming receipts should be prepared and subsequently reconciled to the actual deposit and the monthly SWA reports.**

5. <u>The corporation is not properly documenting receipt of goods</u>.

The corporation has developed specific procedures that are to be adhered to when ordering and receiving items. There are specific people at the corporation who are responsible for ordering certain items. Either the president or the managing director approves the completed purchase order.

Staff also compare the goods received with the purchase order. However, there is no notation to document that this comparison was made. Staff compare the invoice to the purchase order before payment is made. However, without any evidence that the goods were received, payments could be made for goods not received. In order to strengthen controls over the purchasing area, receiving reports or packing slips should be signed to document that goods were received as ordered.

RECOMMENDATION

- The Corporation should document in writing that items were received as ordered and payment can be made.

MINNESOTA

WORLD TRADE
CENTER

July 21, 1989

Mr. James R. Nobles
Legislative Auditor
Veterans Service Building
St. Paul, MN 55155

Dear Mr. Nobles:

Discussed herein is our response to the findings and recommendations noted in the draft audit report for the period covering March 1, 1987 to June 30, 1988, and internal controls through March 31, 1989.

Please be assured the draft audit report dated July 7, 1989 to the Minnesota World Trade Center Corporation has not been discussed publicly, nor have copies been distributed outside our agency.

Before I discuss each point individually, I feel it important to thank your staff for their thorough investigation and their congeniality throughout the audit period. As a developing and growing entity within the State of Minnesota, we have been continually challenged to meet both the regulations of the State as well as the Policies and Procedures developed by our governing Board of Directors. I am extremely pleased that our efforts have been noticed, and that overall the audit report is quite favorable. I am doubly pleased that the auditors at the exit conference stated "the Minnesota World Trade Center Corporation has made <u>substantial</u> improvement in its overall practices since the last audit."

The growing demands on staff time and expertise required to maintain high standards in these areas prompted us to request that our Board of Directors approve the addition of an Accounting Officer to our staff in the new fiscal year. After reviewing the proposed budget, they have given final approval to this request. We are most pleased to make this addition to our staff, and I am confident the training and experience of the Accounting Officer will greatly enhance our accounting performance and provide prompt correction of the issues noted herein.

Minnesota World Trade Center Corporation
400 Minnesota World Trade Center Saint Paul, Minnesota 55101 Phone: (612) 297-1580
Telex: 9102500382 (MNWRLDTRADE UD) Telefax: (612) 297-4812

Here then are the comments on your recommendations:

1. Improved documentation is needed for payroll expenditures.

   A. Time sheets should be maintained and filed to support the payroll processed.

   We were cited for not retaining original copies of employee time sheets at the time of payroll input. Although the Office Manager reviewed, and the supervisor signed time sheets prior to payroll input, the time book was returned to individual staff between payroll entry dates. Staff took the advice of the audit team during the course of the audit, and the Office Manager immediately began retaining the signed original of each employee's time sheet, stapling them to the payroll precertification form at the time of input. This has been consistently done since the comment was made, and the practice will be maintained by the Accounting Officer.

   B. Compensatory time balances should be maintained by someone other than the employee.

   The issue of recording compensatory time to meet our corporation's Policies and Procedures was questioned. It is our policy to keep track of compensatory time manually, with no time added until an employee has worked an extra 10 hours per pay period. All staff have been instructed in this policy. While the employee is the one who records the compensatory time, the supervisor reviews the time sheet and any question of extra time earned is raised at the time.

   Since our staff was so small at the commencement of the audit period, employees did accrue significant compensatory time. A prior staff member investigated computerizing the manual system and could not ascertain how to begin with an accumulative balance. Our new Accounting Officer will investigate recording compensatory time on the payroll system by September 1, 1989. As our budget allows for increased staff, I hope compensatory time will become rare for our staff, since I do believe satisfied and productive employees should not work much more than 45 hours a week to remain creative and effective in their jobs and well-rounded as individuals.

   C. All time sheets should be signed by the employee and their supervisor.

   The auditors noted time sheets were not always signed by employee and supervisor. The Office Manager requested all books with appropriate signatures each payroll input day, but at times staff were out of town and did not sign their book prior to input. In these instances, however, the information was verified with the employee or supervisor, by phone or other means. Since the auditors noted this deficiency during their investigation, the Office Manager has made renewed effort to assure all time sheets are signed by employee and supervisor prior to payroll input. The Accounting Officer will continue to monitor this closely.

D. <u>All employees should prepare and submit time sheets or other documentation for payroll processing</u>.

A notation was made that one contract employee did not prepare time sheets. This is an unusual case where the employee was paid through a contract with us, but is supervised by his own board of directors separate from our corporation. While he may not have completed time sheets during the timeframe of this audit, he is doing so now, and has been for at least six months. The Office Manager requests his time book on the same schedule as all others which is signed and the original copy retained with the payroll precertification form. The Accounting Officer will continue this practice.

2. <u>Imprest cash procedures need improvement</u>.

A. <u>Imprest cash checks should be signed at the time issued</u>.

As a <u>rule</u> imprest cash checks are not pre-signed. In the instance cited, I was going to be out of town for a couple of weeks as was the Board Chairman. The Office Manager knew of several upcoming purchases requiring imprest cash checks that I had approved. Since no one else had signatory power, and it was not known which specific vendor or amount to write on the checks, I did pre-sign three checks with explicit instructions the checks were to be kept locked in the Office Manager's desk and used only at her discretion for the purchases already approved. These instructions were followed, except to show the investigative auditor the checkbook upon his request.

This is not a practice we routinely follow. Our Policies and Procedures allow the Managing Director to also sign imprest cash checks. I have instructed our Accounting Officer to make this a priority, and to obtain the appropriate forms and/or set up the necessary meeting to accomplish this task by August 15, 1989.

B. <u>Expenditure authorization forms for all imprest cash expenditures should be approved and signed</u>.

In signing imprest cash checks I formally authorize expenditures, and the expenditure authorization forms are essentially file copies of these transactions. In the future they both will be signed when the purchase is approved. Our Accounting Officer will continue to enforce this practice.

C. The corporation should reconcile the imprest cash account on a timely basis.

It was discovered after the fact during the changeover from fiscal year 1988 to fiscal year 1989 that the previous Office Manager never reconciled the imprest cash account during her tenure. In discussing the matter with the Department of Finance, it was our understanding when we went to correct the matter that this amount could not be recouped. Hence the $689 has not been reconciled and the imprest cash account has been operating for over a year with a peak balance of about $850. Review of the checkbook since the unreconciled amount, however, will show up-to-date reconcilation with the bank statement and reimbursement of payments, which your audit report noted. Imprest cash will be reconciled and reimbursed on a monthly basis from now on.

Our new Accounting Officer has already begun investigating how to bring our imprest cash balance back up to the original $1500, as well as how to get reimbursed for bank charges. She will also check on whether we can get a more favorable bank charge rate once our balance is increased. The Accounting Officer will complete this by August 15, 1989 as part of the fiscal year-end reconciliation.

3. The corporation incurred expenses that were inappropriate for a public entity.

A. The World Trade Center Corporation should discontinue paying for expenses normally considered personal.

The issue of the corporation paying for certain staff lunches was raised, and in particular the marked increase between 1988 and 1989. Our Policies and Procedures allow for staff meals associated with meetings--particularly with outside clients. In instances where staff met together at meal time, in my case (and I truly believe in all others) it was to conduct business discussions which would otherwise not fit into the business day or to avoid office distractions. In no case did regular staff meetings include meals, which we are aware are forbidden by our Policies and Procedures. As noted in the exit conference, my responsibilities do not always fit neatly into others' routine office hours, and I sometimes find it necessary to meet staff outside the office in the early morning hours or after regular work hours. Sometimes these meetings occur during mealtime.

The increase from 1988 to 1989 reflects a tripling of staff numbers, as well as a particularly hectic time in the history of our corporation during the development of the occupancy agreement, construction of our facility, and the beginning of the conference center operations. We will continue to monitor our use of these meal-related meetings and reexamine our policy on them. In the meantime, I have already explicitly instructed staff who are regularly in the office to schedule future meetings with other staff at normal times so as not to appear inappropriate to those outside the agency.

The $200 spent for pocket knives (letter openers) was intended to recognize the efforts of the staff over the past year, rather than to recognize the gift-giving season. They were items specifically chosen for their utility value.

While I do not feel the gifts themselves were inappropriate, I do not want outsiders to feel this was a poor use of the discretionary fund or support of a particular religious holiday. Therefore, I will take careful note of the recommendation and avoid such potentially misconstrued gestures in the future.

4. <u>Controls over corporation receipts need improvement.</u>

   A. <u>Corporation receipts should be deposited on a timely basis.</u>

   Corporate receipts count for a fraction of our total operation, with the overwhelming number being Conference Center receipts. According to the audit report, the latter <u>were</u> deposited in timely fashion. During the audit period construction receipts, which of course were a one-time occurrence, accounted for the bulk of untimely entries. I believe this to be due partly to staff shortage and the complexity of the construction issue. More importantly, the dates on the checks were <u>not</u> the date we received the checks. Since the audit, deposits are made daily.

   B. <u>A mail listing of all incoming receipts should be prepared.</u>

   The Accounting Officer will implement a mail listing system with assistance from the receptionist who opens the daily mail. This will be initiated by August 15, 1989.

5. <u>The corporation is not properly documenting receipt of goods</u>.

   A. <u>The Corporation should document in writing that items were received as ordered and payment can be made</u>.

   Staff have been instructed <u>not</u> to authorize payment of any goods until the items have been received or services rendered. However, review of documents in subsequent years will not reveal this unless it is documented in writing. The Accounting Officer will reinforce that staff verify in writing that all goods were received as ordered before payment will be made. Packing and delivery slips will be retained and verified against invoices. A written memo from the Accounting Officer to staff to this effect will be done by August 1, 1989.

I would like to thank you for the opportunity to respond to the audit report and exit conference. We appreciate your constructive comments to assist us as we continue to improve our accounting documentation. While it is never a convenience to have auditors place demands on staff for a significant period of time or be publicly scrutinized, I am pleased at the professional, caring attitude of your staff and the outcome of the audit.

We as a staff and Board have taken note of your recommendations and are confident that in addition to corrections already begun, we can rectify and improve all shortcomings noted in a very short period of time.

Sincerely,

Richard M. Nolan
President

Office of the Legislative Auditor
Veterans Service Building, Saint Paul, Minnesota 55155