

# **World Trade Center Corporation**

## **Financial Audit**

**For the Period July 1, 1995, through June 30, 1999**

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**October 1999**

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

**99-56**

# SUMMARY

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## **World Trade Center Corporation**

### **Financial Audit For the Period July 1, 1995, through June 30, 1999**

Public Release Date: October 6, 1999

No. 99-56

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#### **Background**

The World Trade Center Corporation was dissolved on July 1, 1999. The World Trade Center Corporation promoted and marketed the Minnesota World Trade Center and conducted public relation activities for the international business community on behalf of the state. In the 1999 legislative session, all of the powers and obligations of the World Trade Center Corporation were transferred to the Department of Trade and Economic Development.

The World Trade Center Corporation was established pursuant to Minn. Stat. Chapter 44A. A 12-member board of directors governed the corporation. The former president and managing director of the World Trade Center Corporation was Mr. Noor Doja, who was employed by the Department of Trade and Economic Development as the deputy commissioner of the Minnesota Trade Office.

Our audit scope included a review of selected revenues and expenditures for the period July 1, 1995, through June 30, 1999. We reviewed revenues collected for the use of the conference center, memberships, and education seminar fees. In addition, we reviewed salaries and benefits, purchased services, rent, and equipment. We also examined the transactions for the Trade Development Grant.

#### **Conclusions**

Our audit found that the World Trade Center Corporation, with accounting services provided by the Department of Trade and Economic Development, properly accounted for its revenues and expenditures. The corporation's revenues and expenditures were properly authorized and consistent with its purpose. For the items tested, expenditures were in compliance with applicable laws and regulations.



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. Gerald Carlson, Commissioner  
Department of Trade and Economic Development

Mr. Noor Doja, Former President  
World Trade Center Corporation

We have audited selected financial activities of the World Trade Center Corporation for the period July 1, 1995, through June 30, 1999, as further explained in Chapter 1. Our audit scope included selected revenues and administrative expenditures of the World Trade Center Corporation. We emphasize that this has not been a complete audit of all financial activity of the World Trade Center Corporation.

We conducted our audit in accordance with *Government Auditing Standards*, as issued by the Comptroller General of the United States. These standards require that we obtain an understanding of management controls relevant to the selected programs included in the audit. The standards also require that we design the audit to provide reasonable assurance that the World Trade Center Corporation complied with the provisions of laws, regulations, contracts, and grants significant to the audit. The management of the World Trade Center Corporation 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 World Trade Center Corporation and the Department of Trade and Economic Development. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 6, 1999.

James R. Nobles  
Legislative Auditor

Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: July 30, 1999

Report Signed On: September 29, 1999

# World Trade Center Corporation

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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
Renee Redmer, LPA	Audit Manager
Michael Hassing	Auditor-In-Charge
Crystal Eskridge	Auditor
John Hakes, CPA	Auditor
Irene Hass	Auditor

### Exit Conference

We discussed the report with the following representatives of the World Trade Center Corporation and the Department of Trade and Economic Development at the exit conference held on September 28, 1999:

Allan Peterson	Deputy Commissioner
Judy Kislenger	Fiscal Services Manager

# World Trade Center Corporation

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## Chapter 1. Introduction

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The World Trade Center Corporation was dissolved on July 1, 1999. In the 1999 legislative session, all of the powers and obligations of the World Trade Center Corporation were transferred to the Department of Trade and Economic Development.

The World Trade Center Corporation began operations on July 1, 1987. The corporation's mission was to promote and market the Minnesota World Trade Center and to sponsor conferences or promotional events in the conference and service center. The corporation also conducted public relation and liaison activities on behalf of the state and the international business community. The Department of Trade and Economic Development will continue to provide these services.

The World Trade Center Corporation was established pursuant to Minn. Stat. Chapter 44A. A 12-member board of directors governed the corporation. The former president and managing director of the World Trade Center Corporation was Mr. Noor Doja, who was employed by the Department of Trade and Economic Development as the deputy commissioner for the Minnesota Trade Office. The 1999 Laws of Minnesota, Chapter 223, Art. 2, Sec. 80 repealed Minn. Stat. Chapter 44A and dissolved the corporation and the board.

During the period July 1, 1993, through June 30, 1999, the Department of Trade and Economic Development provided management and accounting support services to the corporation. Table 1-1 shows the corporation's financial activity, as reported in the state's accounting system, for the four fiscal years ended June 30, 1999.

# World Trade Center Corporation

**Table 1-1**  
**World Trade Center Corporation**  
**Sources and Uses of Funds**  
**Four Fiscal Years Ended June 30, 1999**

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
<u>Sources:</u>				
Appropriations (1)	\$170,000	\$ 78,000	\$ 229,545	\$ 0
Balance Forward In (From Prior FY)	79,052	168,656	168,945	141,118
<u>Receipts:</u>				
Conference Center	347,392	376,439	420,729	367,777
Memberships	86,147	55,707	45,529	28,305
Educational Seminars	32,399	17,138	1,844	0
Trade Development Grant (2)	0	0	421,999	0
Miscellaneous Receipts (3)	138,901	122,970	23,389	12,672
Transfers In (4)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
 Total Sources	 <u>\$903,891</u>	 <u>\$868,910</u>	 <u>\$1,361,980</u>	 <u>\$599,872</u>
<u>Uses:</u>				
Salaries and Benefits	\$125,735	\$135,133	\$159,872	\$112,422
Purchased Services	132,190	128,589	152,671	155,073
<u>Rent:</u>				
Occupancy	139,923	151,063	154,222	172,563
Equipment	1,021	4,631	8,143	7,894
Equipment Lease-Purchase	167,220	77,634	235,792	0
Trade Development Grant (2)	0	0	421,999	0
Other Administrative Expenditures	169,146	202,915	88,163	59,408
Balance Forward Out (5)	<u>168,656</u>	<u>168,945</u>	<u>141,118</u>	<u>92,512</u>
 Total Uses	 <u>\$903,891</u>	 <u>\$868,910</u>	 <u>\$1,361,980</u>	 <u>\$599,872</u>

Note (1) - The fiscal year 1998 appropriation of \$233,000 was reduced by an appropriation cancellation of \$3,455.

Note (2) - The Trade and Development Grant is the net amount earned and expended in 1998. The original grant of \$550,000 from the Minnesota Office of Technology was for the Trade Point/U.S. Seal Project. The World Trade Center Corporation (WTCC) subgranted \$300,000 to the University of Minnesota. WTCC also earned interest on the outstanding grant balance. WTCC subsequently returned \$133,709 in unspent funds and interest earned on those funds to the Office of Technology in fiscal year 1999.

Note (3) - Miscellaneous receipts include the medical exposition accounts, corporate reserve, and the executive certification program.

Note (4) - The WTCC received a \$50,000 operating transfer each year from DTED per MN Laws 1996, Chapter 452, Section 12 and MN Laws 1997, Chapter 200, Section 4.

Note (5) - As of August 23, 1999, the World Trade Center Corporation had forwarded \$92,512 to the Department of Trade and Economic Development (DTED). DTED anticipates that outstanding WTCC encumbrances of \$14,669 (included as administrative expenditures) will be spent or transferred to DTED accounts at the close of the fiscal year.

Source: OLA prepared from MAPS Accounting information and DTED Fiscal Services reports, on the budgetary basis, as of August 23, 1999.

# World Trade Center Corporation

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## Chapter 2. Revenues and Expenditures

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### *Chapter Conclusions*

*The World Trade Center Corporation's revenues and expenditures were properly recorded in the accounting system. The corporation's revenues and expenditures were properly authorized and consistent with its purpose. For the items tested, expenditures were in compliance with applicable laws and regulations.*

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The World Trade Center Corporation's financial activity was recorded on the State of Minnesota's accounting system and processed through the state treasury. Since July 1993, the Department of Trade and Economic Development has provided accounting and management support services for the corporation. The department processed the corporation's financial transactions when approved by the board of directors. Table 1-1 provides an analysis of the revenues and expenditures recorded on the statewide accounting system.

### **Revenues**

The World Trade Center Corporation received financial resources from various sources during the audit period including conference center rentals, educational seminars and workshops, corporate and individual memberships, and legislative appropriations. In addition, the corporation received a grant of \$550,000 from the Office of Technology in fiscal year 1998 for the Trade Point/Secure Electronic Authentication Link (SEAL) project. The corporation forwarded \$300,000 of the grant to the University of Minnesota. The project was ultimately discontinued and the corporation returned \$133,709 of unspent funds and interest earned on those funds to the Office of Technology. The university also returned unspent funds directly to the Office of Technology.

The Legislative Auditor issued a report to the Office of Technology in December 1998 (98-64). Finding 7 discussed that the World Trade Center Corporation did not file the required quarterly expenditure reports with the Office of Technology. The award agreement provided the stipulation for reporting expenditures. We recommended the Office of Technology properly monitor grant agreements to ensure that grantees were spending the funds consistent with the terms of the agreement and authorizing legislation.

The corporation managed the World Trade Conference Center and generated revenue through the rental of its conference facilities. The corporation also generated revenue from selling individual and corporate memberships in the World Trade Center Corporation Association of Members. The corporation conducted various educational seminars on world trade and international business for which it also collected fees.

## **World Trade Center Corporation**

The corporation received a total of \$170,000 in operating appropriations for the period July 1, 1995, through June 30, 1998. In addition, the corporation received additional appropriations totaling \$307,545 (\$311,000 less \$3,455 cancelled) specifically to be used to retire outstanding debt. The corporation made a final payment of \$151,910 on May 12, 1998, to liquidate its equipment lease-purchase agreement. The corporation did not receive any legislative appropriations for fiscal year 1999.

### **Expenditures**

The World Trade Center Corporation processed its payments through the Minnesota Accounting and Procurement System (MAPS). The corporation also maintained an imprest checking account through a local bank for small purchases. The corporation's expenditures include payroll, occupancy rent, equipment rental, and other purchased services.

### **Audit Objectives and Methodology**

We focused our review of revenue and expenditures on the following objectives:

- Were revenues and expenditures properly recorded in the accounting system?
- Were revenues and expenditures properly authorized and in compliance with applicable legal provisions?

To address these objectives, we interviewed World Trade Center Corporation and Department of Trade and Economic Development staff to gain an understanding of the accounting process. We conducted tests and performed analytical procedures over revenues and expenditures processed during the audit period.

### **Conclusions**

The World Trade Center Corporation properly recorded its revenues and expenditures in the accounting system. The corporation's revenues and expenditures were properly authorized and consistent with its purpose. For the items tested, expenditures were in compliance with applicable laws and regulations.



# World Trade Center Corporation

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## Status of Prior Audit Issues As of July 30, 1999

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### Most Recent Audit

**Legislative Audit Report 94-16**, issued in April 1994, examined the World Trade Center Corporation's activities for the period July 1, 1991, through December 31, 1993. The scope included conference center receipts, payroll, imprest cash, world medical exposition expenditures, equipment lease purchase payments, and occupancy costs.

Our report indicated that the corporation faced severe financial difficulties in the future. The report also questioned certain accounting procedures and payments.

The corporation was able to secure additional funding from the Legislature to sustain its operations for the short term. However, the 1999 legislative session dissolved the World Trade Center Corporation effective July 1, 1999. Any outstanding cash balance, assets, or liabilities were transferred to the Department of Trade and Economic Development.

#### 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.