

**FINANCIAL STATEMENTS AND REPORTS OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**MINNESOTA STATE SENATE**

**June 30, 1993 and 1992**

# Favorable audit leaves some senators doubting its accuracy

## Audit of House was more thorough, says Merriam

By Dennis J. McGrath  
Staff Writer

An audit of the Minnesota Senate's finances and management has found only a few minor problems, but some senators said they are skeptical that their house is in such good order.

The audit by the accounting and management consulting firm of Grant Thornton recommended tightening controls over such things as blank checks, postage stamps and phones. But it found no serious violations or embarrassments in the Senate's financial reports or financial management.

The audit was requested by the Senate last year after Phonegate pointed to some lax management and financial accountability in the Legislature's internal operations.

Presented with the relatively uncritical report Wednesday, Finance Committee Chairman Gene Merriam, DFL-Coon Rapids, said the audit was not as thorough as the recent one of the Minnesota House by State

Auditor Mark Dayton.

"I'm convinced we've got problems that need to be addressed in the Senate," he said. "The problems are not as great as in the House, but we can't take consolation in that."

Dayton's audit of the House was highly critical, pointing to questionable expenditures and loose financial controls. Some of the same problems were highlighted in the Senate audit, but Grant Thornton officials said they were not as numerous or as severe as those found in the House.

Sen. Martha Robertson, IR-Minnetonka, said Dayton's report "was far more detailed . . . I'm a little concerned we may be whitewashing or not going into equal depth" compared with the House review, she said.

Merriam, who said he was not criticizing Grant Thornton's work, agreed that Dayton's study was more comprehensive and probably involved more hours of work by auditors. For one thing, Dayton has a

constitutional fiduciary responsibility. For another, the \$12,950 contract with Grant Thornton is not enough to pay for an exhaustive investigation, said Merriam, who is a certified public accountant.

Officials from Grant Thornton said they reported all problems that they discovered. Ann McIntosh, the firm's audit manager, said the Senate management may be better than the House's because it has been subject to outside audits for years, while the House has had only one outside audit before Dayton's.

"It may mean that you've had more time to get things in shape," she told the Senate Rules and Administration Audit Subcommittee, which held a hearing on the report yesterday.

A second report by Grant Thornton is due later this month. That "diagnostic review" will look at the Senate's administrative operations, including accounting, purchasing and general administration.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Secretary of the Senate  
Minnesota State Senate

We have audited the accompanying statements of status of appropriations and expenditures of the Minnesota State Senate (Senate) as of and for the year ended June 30, 1993. These financial statements are the responsibility of the Senate's management. Our responsibility is to express an opinion on these financial statements based on our audit. The statements of status of appropriations and expenditures of the Minnesota State Senate as of and for the year ended June 30, 1992 were audited by other auditors whose report, dated October 2, 1993, expressed an unqualified opinion on those statements and included an explanatory paragraph describing the reporting entity.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note A, the financial statements of the Senate are intended to present only that portion of the State of Minnesota financial statements that is attributable to the transactions of the Senate.

In our opinion, the financial statements referred to above present fairly, in all material respects, the status of appropriations and expenditures of the Minnesota State Senate for the year ended June 30, 1993 in conformity with generally accepted accounting principles.

*Grant Thornton*

Minneapolis, Minnesota  
January 3, 1994



Minnesota State Senate

STATEMENTS OF STATUS OF APPROPRIATIONS

For the years ended June 30, 1993 and 1992

	<u>1993</u>	<u>1992</u>
Appropriation carryforward, beginning of year	\$ 2,078,287	\$ 1,656,897
Appropriation for the year	14,582,316	15,022,346
Other receipts for the year	58,334	48,243
Expenditures for the year	<u>(15,445,634)</u>	<u>(14,649,199)</u>
Appropriation carryforward, end of year	\$ <u><u>1,273,303</u></u>	\$ <u><u>2,078,287</u></u>

The accompanying notes are an integral part of these statements.

**Minnesota State Senate**

**STATEMENTS OF EXPENDITURES**

**For the years ended June 30, 1993 and 1992**

	<u>1993</u>	<u>1992</u>
Salaries and benefits	\$11,762,299	\$11,826,054
Contractual expenditures	1,609,396	1,373,899
Travel, per diem, telephones and postage	1,361,806	1,015,641
Supplies and materials	403,809	264,361
Capital outlay - equipment	<u>308,324</u>	<u>169,244</u>
	<u>\$15,445,634</u>	<u>\$14,649,199</u>

The accompanying notes are an integral part of these statements.

**Minnesota State Senate**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 1993 and 1992**

**NOTE A - FINANCIAL REPORTING ENTITY**

The Minnesota State Senate (Senate) was established in 1858. It consists of 67 members who are elected by Minnesota voters to serve four-year terms making laws for the State of Minnesota (the State) and its people, and proposing amendments to the State constitution. The Senate is part of the legislative branch of the State government and, as such, its financial transactions are included in the State's General Fund and become part of the State financial reporting entity. The financial statements of the General Fund of the State are examined by the Office of the Legislative Auditor.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Senate conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies:

**1. Basis of Presentation**

The Senate is funded by an appropriation from the General Fund of the State. The unspent portion of the appropriation is carried forward indefinitely and, in accordance with specific approval procedures, is available currently for unbudgeted, major expenditures. The cumulative amount of the unspent portion of appropriations is included in the statements of status of appropriations. The Senate's expenditures are classified according to State administrative guidelines.

**2. Basis of Accounting**

Basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurement made, regardless of the nature of the measurement.

The financial statements of the Senate are prepared on the modified accrual basis of accounting as appropriate for governmental funds. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, if measurable. An exception to this general rule is for accumulated unpaid vacation and sick leave, which is not recognized until paid (see note D).

Minnesota State Senate

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1993 and 1992

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Disbursement of Funds

Senate funds are disbursed by the State's Department of Finance.

4. Budgetary Accounting

The Senate adopts a budget for each year of the State's fiscal biennium that reflects the total amount that can be expended by the Senate. Budgets for each year in a biennium are prepared by the Senate's administrative staff. The budget is first reviewed and approved by the Rules and Administration Senate Budget Subcommittee. Based on the Subcommittee's recommendation, the Committee on Rules and Administration adopts an operating budget for the Senate. The budget is then referred to the Senate Finance Committee. The budget must be approved by the Senate Finance Committee, the Senate and the State House of Representatives. The approved budget is submitted to the State's Department of Finance and an appropriation for the budgeted amount is awarded for each year in the biennium.

Expenditures cannot legally exceed the total initially appropriated unless supplemental appropriations are approved by the State Commissioner of Finance or unspent appropriations carried forward from previous years are available.

5. Vacation and Sick Leave Policy

Permanent employees accrue vacation and sick leave according to State administrative guidelines. Senators and temporary employees do not accrue vacation or sick leave. Upon severance, permanent employees are compensated for all of their earned but unused vacation and a percentage of their accumulated sick leave depending upon length of State service and the nature of their severance (voluntary or involuntary).

6. Fixed Assets

Fixed asset acquisitions are recorded as expenditures, consistent with the procedures for governmental fund-type accounting. The Senate maintains a record of its fixed assets at historical cost in a memorandum ledger.



Minnesota State Senate

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1993 and 1992

NOTE C - PENSION PLANS

The Senate is involved in two pension programs as follows:

- (a) Senators are covered by the Legislative Retirement Plan, a defined benefit plan which is administered by the Minnesota State Retirement System. Senators contribute nine percent of their salaries to the plan. These contributions are deposited into the State's General Fund. Upon retirement of a senator, funds equal to the present value of future benefits to be paid to that senator are transferred from the General Fund to the Minnesota Post Retirement Investment Fund. The Senate makes no direct contribution to the plan and is not responsible for any unfunded liability of the plan.
- (b) All permanent employees of the Senate are covered by the Unclassified Retirement Plan, a defined contribution plan which is also administered by the Minnesota State Retirement System. Employees contribute four percent of their salaries and the Senate contributes six percent of salaries to the plan. The Senate's contribution was \$431,207 in 1993 and \$457,635 in 1992.

NOTE D - COMPENSATED ABSENCES

Statement 4 of the National Council on Governmental Accounting, as recognized by Government Standards Board Statement 1, specifies that the liability for unpaid vacation and sick leave to which employees are entitled is to be reported in the General Long-Term Debt Account Group if it is not to be liquidated with expendable available financial resources. Consistent with this Statement, the Senate does not record accrued liabilities for compensated absences but recognizes these expenses as they are paid. Such liability related to the Senate is reported in the State's General Long-Term Debt Account Group.

The accrued liabilities for vacation and sick leave which would be payable as severance pay are as follows:

	<u>1993</u>	<u>1992</u>
Vacation	\$ 544,079	\$ 540,929
Sick leave	<u>544,103</u>	<u>548,772</u>
	<u>\$1,088,182</u>	<u>\$1,089,701</u>

Minnesota State Senate

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1993 and 1992

**NOTE E - RECONCILIATION OF SENATE STATEMENTS TO DEPARTMENT  
OF FINANCE BUDGETARY REPORTS**

The accompanying statements are prepared on a different basis of accounting than the budgetary reports of the State's Department of Finance. The Senate statements are presented on the modified accrual basis and the Department of Finance reports are presented on a cash basis, except that at year end encumbered amounts are included in expenditures. As a result, differences exist between expenditures reported in the Senate financial statements and expenditures reported by the Department of Finance. The following is a reconciliation of expenditures reported in the Senate statements to the expenditures included in the budgetary reports:

	Department of Finance <u>reports</u>	Accrual basis <u>adjustments</u>	Senate financial <u>statements</u>
Appropriation carryforward, beginning of year	\$ 1,983,990	\$ 94,297	\$ 2,078,287
Appropriation for the year	14,582,316	-	14,582,316
Other receipts for the year	58,334	-	58,334
Expenditures for the year	<u>(15,414,205)</u>	<u>(31,429)</u>	<u>(15,445,634)</u>
Appropriation carryforward, end of year	\$ <u>1,210,435</u>	\$ <u>62,868</u>	\$ <u>1,273,303</u>

## **OTHER REQUIRED REPORTS**

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON  
THE INTERNAL CONTROL STRUCTURE, BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Secretary of the Senate  
Minnesota State Senate

We have audited the statements of status of appropriations and expenditures of the Minnesota State Senate (Senate) as of and for the year ended June 30, 1993, and have issued our report thereon dated January 3, 1994.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the statements of status of appropriations and expenditures of the Senate for the year ended June 30, 1993, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the statements of status of appropriations and expenditures and not to provide assurance on the internal control structure.

The management of the Senate is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure 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 to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: appropriations, purchases/disbursements and payroll.

For the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted other matters involving the internal control structure and its operation on that we have reported to management and the Senate in a separate letter dated January 3, 1994.

This report is intended for the information of management and the Minnesota State Senate. However, this report is a matter of public record and its distribution is not limited.

*Grant Thornton*

Minneapolis, Minnesota  
January 3, 1994

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON  
COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANTS,  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Secretary of the Senate  
Minnesota State Senate

We have audited the statements of status of appropriations and expenditures of the Minnesota State Senate (Senate) as of and for the year ended June 30, 1993, and have issued our report thereon dated January 3, 1994.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Senate is the responsibility of the Senate's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Senate's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the Minnesota State Senate complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Senate had not complied, in all material respects, with those provisions.

We have noted other matters that we have reported in a separate letter dated January 3, 1994.

This report is intended for the information of management and the Minnesota State Senate. However, this report is a matter of public record and its distribution is not limited.

*Grant Thornton*

Minneapolis, Minnesota  
January 3, 1994

January 3, 1994

Secretary of the Senate  
Minnesota State Senate

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Ladies and Gentlemen:

Professional standards require that we advise you of the following matters relating to our recently concluded audit on which we reported under date of January 3, 1994.

#### Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated November 30, 1993, our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards does not provide absolute assurance or guarantee the accuracy of the financial statements and is subject to the inherent risk that errors, irregularities or illegal acts, if they exist, have not been detected. Such standards also require that we obtain a sufficient understanding of the Senate's internal control structure to plan the audit. However, such understanding is required for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

#### Initial Selection of Significant Accounting Policies

There have been no initial selections of, or changes in significant accounting policies of the Senate in the past fiscal year. However, as this is our first formal communication of this type to the Senate, we would like to indicate that a description of the significant accounting policies used by the Senate is found in note B to the financial statements.

#### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The definition includes adjustments which were not recorded by the Senate because they are not material to the current financial statements but might be potentially material to future financial statements. As part of our audit procedures, we made adjustments to the Senate's budgetary-based records for purposes of presenting statements in accordance with generally accepted accounting principles for governmental entities. These adjustments are presented in note E to the financial statements.



### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter which could be significant to the Senate's financial statements or the audit report. We are pleased to report that no such disagreements arose during the course of our audit.

### Major Issues Discussed with Management Prior to our Retention

We discussed no major issues with management of the Senate relating to accounting policies or treatment of a particular transaction prior to our being retained as auditors for the current fiscal year.

### Consultation With Other Accountants

Other than routine matters discussed with the Senate's previous auditors prior to our being retained, management has informed us that they have not consulted with other accountants during the year about auditing and accounting matters.

We will be pleased to meet with you at your convenience should you desire further information concerning these matters.

This letter is intended for the information of management and the Minnesota State Senate. However, this report is a matter of public record and its distribution is not limited.

*Grant Thornton*

**MEMORANDUM OF ADVISORY COMMENTS**

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Secretary of the Senate  
Minnesota State Senate

In connection with our audit of the financial statements of the Minnesota State Senate as of June 30, 1993, we noted certain matters that we believe you should consider. Our observations were formed as a by-product of our audit procedures, which did not include a comprehensive review for the purpose of submitting detailed recommendations.

The accompanying comments summarize our comments and suggestions. We have previously discussed our comments and suggestions with management personnel of the Senate and would be pleased to discuss them further.

*Grant Thornton*

Minneapolis, Minnesota  
January 3, 1994



## **MANAGEMENT BUDGETS**

We understand the Senate established specific budgets within its total appropriation only for interim committee expenses. We suggest the Senate consider adopting management budgets at the department, committee and member levels. Periodic budget status reports should be provided to those responsible for the budgets.

## **FISCAL SERVICES DEPARTMENT DATA PROCESSING**

The fiscal services department accounting system is a manual/computerized recordkeeping hybrid. Vendor and payroll checks and registers are prepared in batches using the IBM System 36 computer. However, information for the payroll trailer checks, such as for FICA deposits, must be manually calculated and separately posted to the computer records. When the department staff are busy, these postings may not be done for several weeks. Additionally, the staff maintains a separate manual ledger, summarizing expenditures by object codes, to provide more accurate and timely information than is available from the computer. The manual and computerized ledgers are both reconciled to the Department of Finance's monthly reports.

Separate manual records are also maintained for vacation and sick leave. The staff relies on these records for accurate and timely leave information. The computer balances on a payroll run do not reflect current leave usage because permanent employees are paid through the end of the pay period, and any leave used during the period is recorded in the next pay period.

Over time, the original DMAS software used by the fiscal services department has been modified for Senate use by a contract programmer. Extensive customization of software packages can result in a dependence on an individual contract programmer to understand and maintain the system.

We suggest the Senate review the data processing function in the fiscal services department. We understand that additional modifications are contemplated to address the problem with payroll trailer checks previously noted. However, there are also broader issues to be reviewed:

- Consider the continuing availability of maintenance and support for hardware and software.
- Consider whether greater use of computers or new data processing systems could improve staff efficiency and effectiveness.
- Consider the ability of the data processing system and procedures to meet the demands for timely, reliable, and relevant financial information. This would include providing detailed budget monitoring reports, if necessary.
- At a minimum, make sure there are specific plans to deal with the possibility of system failure or destruction.

## **WAGE AND TAX STATEMENTS (IRS W-2 FORMS)**

### **1. Senators Living Within 50 Miles of the State Capitol**

For senators living within 50 miles of the state capitol, session per diems were reported as compensation on their W-2 forms, but interim per diems were reported in box 17 on the form. According to the instructions for form W-2, box 17 is to be used for the nontaxable portion of the per diems. We have not found a basis for treating any per diem paid to senators living within 50 miles of the State Capitol as nontaxable.

### **2. Senators Living More Than 50 Miles from the State Capitol**

Senators residing more than 50 miles from the state capitol may elect, annually, to treat their district residence as their tax home under Internal Revenue Code Section 162 (h). Senators making this election are deemed to have expended the greater of (1) the federal per diem rate or (2) the actual rate paid to senators up to 110 percent of the federal rate. For the 1992 calendar year, the total federal per diem rate for lodging, meals, and incidental expenses exceeded the Senate per diem rate paid. Therefore, the per diem payments were deemed to be excludable from W-2 wages reported. We recommend that senators provide the Senate with annual written statements of their intentions to make a 162(h) election if per diems are to be excluded from W-2 reporting. These senators should also confirm that the days paid qualify as Legislative days under Section 162(h).

In addition to the per diem payments, the Senate paid up to \$500 per month to reimburse the cost of an apartment. If an employer pays a per diem allowance instead of reimbursing actual expenses, then any additional payment with respect to these expenses should be reported on the employee's W-2 form. Since the federal per diem rate used to exclude the per diem payments from reported income includes lodging, the additional lodging reimbursements would appear to be reportable on the W-2 form as income.

We recommend the Senate review and document compliance with Internal Revenue Service wage and tax reporting requirements.

## **EXPENSE REIMBURSEMENT DOCUMENTATION**

Reimbursements for apartment costs, up to \$500 per month, and for interim telephone expenses, up to \$75 per month, could be claimed by signing an administrative form. No other documentation to substantiate actual costs was required to be submitted with the claim form. We suggest the Senate require receipts or invoices be attached to these claims when submitted for payment.



## TELEPHONE ACCESS

### 1. Incoming WATS

Currently all senators and authorized Senate staff use the same access code to make calls on the incoming WATS system (used to call into the Senate telephone system from outside the Senate.) With only one code, it is relatively easy to change the code periodically to preserve system security. However, under the current system, it is extremely difficult, if not impossible to determine who may be using, or misusing, the telephone system. Utilizing individual access codes could improve the accountability of the system. Usage could be identified by access code, and each person would be responsible for the use of that individual's code. We recommend the Senate consider assigning individual access codes to anyone authorized to use the incoming WATS lines.

### 2. Long Distance Calls from the Senate

It is not possible to determine who placed a long distance call by looking at the telephone invoices. More than one person may have legitimate access to a particular telephone and more than one telephone may have access to a particular telephone line. Greater accountability could be achieved by requiring the use of individual access codes for all long distance calls placed on Senate telephones. The Senate may want to consider using such codes.

Any changes to the control procedures contemplated for the telephone system should be evaluated in relation to changes already made subsequent to fiscal year end. For example, the review of telephone bills by responsible individuals which began in October 1993 provides additional accountability which did not exist during the fiscal year audited. The new procedure of requiring individual signatures, however, does not apply to the incoming WATS charges.

## POSTAGE

The annual postage allotment is distributed to each senator in rolls of stamps. Thereafter, each senator is responsible for the physical security of the stamps. Rolls of stamps may be traded for an equal amount of credit on the Senate postage meter. Meter usage is recorded on a manual ledger. A senator is called if his or her usage exceeds the credit, but no invoice is sent.

We recommend that a computer be used to track postage meter usage to improve efficiencies and reduce the potential for clerical error. Physical security could be improved by requiring the use of the postage meter for all mailings, thereby reducing the rolls of stamps on hand. Requests for payment for postage meter usage should be documented.

## **DEPOSITS**

The Senate receives checks for the sale of videotapes, audio tapes, and various refund and reimbursements. We understand that these deposits, which totaled \$65,693 for the 1993 fiscal year, were made on an irregular basis, approximately twice per month. We recommend adopting a formal policy that deposits be made as soon as the total undeposited amount exceeds some minimum, such as \$250, and at least weekly.

## **COMPETITIVE PRICING**

During the fiscal year ended June 30, 1993, no formal policy existed requiring comparative price quotes or bids for purchases of supply items. We understand that a new computerized inventory/order system will be implemented during 1994. As part of the new ordering system, we recommend adoption of a formal policy requiring competitive quotes or bids and consideration of economic order quantities for highly used items.

## **REIMBURSEMENT FORMS AUTHORIZATION**

Expense reimbursement forms must be signed by the claimant and by someone in the fiscal services department. We noted that the blank forms are pre-stamped with the fiscal services authorization signature. Since this signature is evidence of review and approval, the blank forms should not be pre-signed by the fiscal services department.

## **FIXED ASSET RECORDS**

Fixed asset records are designed to account for furniture and equipment acquired in current and prior years. Fixed assets are not recorded in the Senate's financial statements which reflect current year (fiscal 1993) expenditures only. Therefore, the fixed asset records are outside the scope of our audit. However, we were informed that the Senate's fixed asset records have not been updated for a year. We recommend that these records be updated and maintained since they provide a record of the physical existence and location of State assets.

## **COMMUNICATION OF PERSONNEL TRANSACTIONS**

It is important that the fiscal services department be notified on a routine basis when arrangements are made with other agencies or commissions to share the cost, or the services, of a Senate employee. Such communication allows the department to monitor the collections due under such arrangements. We recommend that effort be made to improve the communication to the fiscal services department regarding such arrangements.



## **PHYSICAL SECURITY OF BLANK CHECKS**

Blank checks are kept in an unlocked cabinet in the fiscal services department. Although this department is locked whenever fiscal services staff are not present, we believe security could be increased by keeping the checks in a locked cabinet or file at all times.

\* \* \* \* \*

We acknowledge with appreciation the courtesy and assistance provided to us during our work for the Minnesota State Senate.

PATRICK E. FLAHAVEN  
Secretary of the Senate

# Senate

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## State of Minnesota

January 28, 1994

Grant Thornton  
200 South Sixth Street  
Suite 500  
Minneapolis, MN 55402

Ladies and Gentlemen:

Our plans to implement the recommendations contained in the Memorandum of Advisory Comments accompanying the FY 93 Audit are described below.

### MANAGEMENT BUDGETS

This recommendation will be considered by the Committee on Rules and Administration.

### FISCAL SERVICES DEPARTMENT DATA PROCESSING

We recognize that the IBM System 36 is reaching or has reached the end of its useful life.

We have been exploring the possibility of using the accounting and payroll functions of the Statewide Systems Project as an alternative to our present system.

This area should be examined as part of the diagnostic evaluation portion of the FY 93 audit.

### WAGE AND TAX STATEMENTS (IRS W-2 FORMS)

Our current practice is based on what we understood to be IRS requirements. If IRS requirements have changed, we will, of course, conform with the changes.

We do provide a letter to each Senator, detailing all wages and expense reimbursements, which Senators use in preparing tax returns.

### EXPENSE REIMBURSEMENT DOCUMENTATION

I have reviewed this recommendation with Senator Moe. He indicated that the Committee on Rules and Administration will consider it at the next meeting of the Committee.

TELEPHONE ACCESS

We are currently in the process of adopting the new Department of Administration MNET calling card system to replace the current remote access units. This will provide the accountability for incoming WATS charges.

Many phone lines in the Senate have been restricted so that long distance calls cannot be made. We have explored the system offered by the Department of Administration to equip lines with individual access codes; we are not convinced that there will be a cost benefit on a Senate-wide basis. We will install it for an individual office upon request.

POSTAGE

We do issue a letter to each Senator who exceeds the postage meter credit. We will consider the balance of this recommendation.

DEPOSITS

We will adopt this recommendation.

COMPETITIVE PRICING

The computerized inventory/order system has been implemented. A formal bid process was completed in December, 1993, for contracts covering calendar year 1994 for all standard supply items.

REIMBURSEMENT FORMS AUTHORIZATION

We will adopt this recommendation.

FIXED ASSET RECORDS

We are in the process of acquiring a computerized bar code scanning inventory system to more efficiently maintain a timely fixed asset inventory.

COMMUNICATION OF PERSONNEL TRANSACTIONS

These arrangements are infrequently done; when one occurs we will adopt this recommendation.

PHYSICAL SECURITY OF BLANK CHECKS

We have complied with this recommendation.

Sincerely,



Patrick E. Flahaven  
Secretary of the Senate

PEF:sb