FINANCIAL STATEMENTS AND REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

MINNESOTA STATE SENATE

June 30, 1996 and 1995

CONTENTS

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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 years ended June 30, 1996 and 1995. 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 audits.

We conducted our audits 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. 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 audits provide 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 as of and for the years ended June 30, 1996 and 1995 in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards,* we have also issued a report dated October 21, 1996 on our consideration of the Senate's internal control structure and a report dated October 21, 1996 on its compliance with laws and regulations.

The statistical information listed in the table of contents is not necessary for a fair presentation of the financial statements, but is presented as additional analytical data. This information is unaudited and we do not express an opinion on it.

Grant Thornton LLP

Minneapolis, Minnesota
October 21, 1996

Minnesota State Senate

STATEMENTS OF STATUS OF APPROPRIATIONS

For the years ended June 30,

	1996	1995
Appropriation carryforward, beginning of year	$ 1,238,867	$ 1,599,419
Appropriation for the year:		
Original appropriation	15,422,000	15,787,000
Reduction	-	(161,500)
Statewide Systems Project	-	100,450
	15,422,000	15,725,950
Other receipts for the year	99,507	68,434
Other financing source – proceeds from installment purchase contracts	-	535,967
Expenditures for the year	(15,122,401)	(16,690,903)
Appropriation carryforward		
Reserved	1,238,867	1,238,867
Unreserved	399,106	-
	$ 1,637,973	$ 1,238,867

The accompanying notes are an integral part of these statements.

Minnesota State Senate

STATEMENTS OF EXPENDITURES

For the years ended June 30,

	1996	1995
Salaries and Benefits:		
Salaries – senators	$ 2,016,930	$ 1,952,045
Salaries – staff	8,325,878	8,156,735
MSRS and FICA, and other benefits	1,100,304	1,076,739
Insurance – staff	653,164	665,970
Insurance – senators	261,645	262,027
Unemployment compensation	23,709	24,146
Workers' compensation	12,473	13,842
	12,394,103	12,151,504
Services:		
Rents, leases and maintenance (includes copy equipment)	161,746	129,434
Employment and publicity advertisement	19,042	19,205
Furniture and maintenance repairs	30,091	23,988
Maintenance agreements	215,369	119,689
Printing	149,143	478,747
Micrographics	33	227
Consultant expense	98,032	100,941
EDP-ISB	13,936	14,949
EDP-software	26,923	53,622
EDP-development (includes equipment)	92,431	931,436
Janitorial	69,790	66,179
Dry cleaning/carpet cleaning	5,506	4,268
Interns	21,422	41,470
	903,464	1,984,155
Subsistence:		
Postage	131,627	170,685
Telephones	244,963	219,578
Delivery service	7,790	5,762
Mailing service	3,575	16,800
Mileage	163,601	158,376
In-state travel/lodging	155,303	170,738
Per deim	343,819	504,162
Registration	54,929	47,646
State vehicle	826	336
Out-state travel	122,414	88,973
Tuitions/memberships/admissions	55,839	41,998
	1,284,686	1,425,054

Minnesota State Senate

STATEMENTS OF EXPENDITURES - CONTINUED

For the years ended June 30,

	1996	1995
Furniture, Supplies, Equipment and Capital Outlay:		
Video	$ 198,963	$ 67,120
Photographic	7,388	7,807
Furniture and equipment	57,930	149,532
Capital outlay	-	8,071
Office supplies/stationery	161,695	247,463
Newspaper and publications	45,016	43,726
Water and coolers	13,638	14,901
Cleaning supplies	8,887	11,908
Miscellaneous	46,631	43,695
	540,148	594,223
Equipment purchased under installment purchase contracts	-	535,967
	$15,122,401	$16,690,903

The accompanying notes are an integral part of these statements.

Minnesota State Senate

NOTES TO FINANCIAL STATEMENTS

June 30, 1996 and 1995

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 the significant accounting policies:

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. Effective June 30, 1995, unspent appropriations not carried forward and unencumbered at the end of a biennium shall be returned to the fund from which appropriated (see note D). The Senate's expenditures are classified according to State administrative guidelines.

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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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. Exceptions to this general rule are for accumulated unpaid vacation and sick leave, which is not recognized until paid (see note D), and long-term debt (see note F) which is recognized when due.

Disbursement of Funds

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

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 Rules and Administration Committee 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.

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 up to a maximum of 260 hours and a percentage of their accumulated sick leave depending upon length of State service and the nature of their severance (voluntary or involuntary).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 4.07% of their salaries and the Senate contributes 6% of salaries to the plan. The Senate's contribution was $461,660 in 1996 and $444,344 in 1995.

NOTE D – COMPENSATED ABSENCES

Generally accepted governmental accounting principals specify 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. The Senate's liability is reported in the State's General Long-Term Debt Account Group, rather than in the Senate's financial statements which represents a part of the State's General Fund. The Senate recognizes expenses for compensated absences as they are paid.

NOTE D – COMPENSATED ABSENCES – Continued

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

	1996	1995
Vacation	$ 638,729	$ 609,519
Sick leave	666,705	622,892
	$1,305,434	$1,232,411

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. For example, generally accepted accounting principles require general fixed assets purchased with an installment contract be recorded as an expenditure in the year of purchase. The present value of the contract payment is recorded as an "other financing source." The following is a reconciliation of expenditures reported in the Senate statements to the expenditures included in the budgetary reports:

NOTE E – RECONCILIATION OF SENATE STATEMENTS TO DEPARTMENT OF FINANCE BUDGETARY REPORTS – Continued

	Department of Finance reports	Accrual basis adjustments	Senate financial statements
Appropriation carryforward, beginning of fiscal year 1995	$ 1,568,295	$ 31,124	$ 1,599,419
Appropriation – net	15,725,950	-	15,725,950
Other receipts	68,434	-	68,434
Other financing source – proceeds from installment purchase contracts	-	535,967	535,967
Expenditures	(16,123,812)	(567,091)	(16,690,903)
Appropriation carryforward to fiscal year 1996	1,238,867	-	1,238,867
Appropriation – net	15,422,000	-	15,422,000
Other receipts	99,507	-	99,507
Expenditures	(15,069,223)	(53,178)	(15,122,401)
Appropriation carryforward:			
Restricted	1,238,867	-	1,238,867
Unrestricted	452,284	(53,178)	399,106
	$ 1,691,151	$ (53,178)	$ 1,637,973

Under Minnesota State Law 16A.281, an appropriation, if not spent during the first year, may be spent during the second year of a biennium. The unreserved appropriation carryforward at June 30, 1996 represents the remainder of the 1996 appropriation. An unexpended appropriation balance not carried forward and remaining unexpended and unencumbered at the end of the biennium shall be returned to the fund from which appropriated. Balances carried forward into the next biennium are to be credited to special accounts to be used for non-recurring expenditures on investments that enhance efficiency or improve effectiveness; to pay expenses associated with special session, interim activities, public hearings, or public outreach efforts and related activities; and to pay severance costs of involuntary terminations. At June 30, 1996 and 1995, the unexpended and unencumbered fund balances credited to the special accounts are as follows:

Investment expenditures	$ 488,867
Special session costs	200,000
Severance costs	550,000
	$1,238,867

NOTE F – COMMITMENTS AND CONTINGENCIES

Installment Purchase Contracts

In fiscal year 1995, the Senate entered into installment purchase contracts to purchase equipment. The Senate does not record long term liabilities but recognizes installment payments when due. Such liabilities would be reported in the State's General Long-Term Debt Account Group. Future payments required under these contracts, including maintenance, are as follows:

Year ended June 30,	
1997	$130,409
1998	130,409
1999	130,409
2000	65,205
	$456,432

Contingencies

It may be determined that the Senate has the authority to pay legal costs incurred by certain legislative aides against gross misdemeanor charges related to their work which were dismissed in October 1996. If the Senate determines it can and should pay these fees, such claims are not expected to exceed $100,000.

A Senate employee has filed a suit against the State under the Whistleblower law. The Senate is not a named defendant but may be requested to pay all or part of the ultimate damages, if any. The outcome cannot be determined at this time.

Minnesota State Senate

COMPARATIVE SCHEDULE OF BUDGETARY EXPENDITURES

For the years ended June 30,
(Unaudited)

Description	1996	1995	1994	1993
Salaries and Benefits:				
Salaries – senators	$ 2,016,930	$ 1,952,045	$ 1,908,165	$ 1,894,114
Salaries – staff	8,273,340	8,187,859	7,614,784	7,929,095
MSRS and FICA, and other benefits	1,096,965	1,076,739	1,018,601	1,039,654
Insurance – staff	655,863	665,970	627,945	566,668
Insurance – senators	261,645	262,027	258,415	243,167
Unemployment compensation	23,709	24,146	29,184	39,825
Workers compensation	12,473	13,842	11,770	18,348
	12,340,925	12,182,628	11,468,864	11,730,871
Services:				
Rents, leases, and maintenance (includes copy equipment)	161,746	129,434	83,082	177,376
Employment and publicity advertisement	19,042	19,205	20,074	18,972
Furniture and equipment repairs	30,091	23,988	11,711	31,015
Maintenance agreements	215,369	119,689	164,559	162,022
Printing	149,143	478,747	742,952	862,243
Micrographics	33	227	202	2,165
Consultant expense	98,032	100,941	59,844	67,855
EDP – ISB	13,936	14,949	11,072	10,528
EDP – software	26,923	53,622	32,935	28,645
EDP – development (includes equipment)	92,431	931,436	191,858	67,615
Janitorial	69,790	66,179	80,949	89,761
Dry cleaning/carpet cleaning	5,506	4,268	8,186	3,030
Interns	21,422	41,470	24,924	43,586
	903,464	1,984,155	1,432,348	1,564,813
Subsistence:				
Postage	131,627	170,685	145,250	172,366
Telephones	244,963	219,578	242,679	358,629
Delivery service	7,790	5,762	5,416	5,067
Mailing service	3,575	16,800	3,597	11,864
Mileage	163,601	158,376	177,511	119,942
In-state travel/lodging	155,303	170,738	154,292	161,904
Per deim	343,819	504,162	320,874	463,678
Registration	54,929	47,646	45,901	30,651
State vehicle	826	336	1,891	424
Out-state travel	122,414	88,973	131,460	85,286
Tuitions/memberships/admissions	55,839	41,998	40,739	25,218
	1,284,686	1,425,054	1,269,610	1,435,029

Minnesota State Senate

COMPARATIVE SCHEDULE OF BUDGETARY EXPENDITURES – CONTINUED

For the years ended June 30, (Unaudited)

Description	1996	1995	1994	1993
Furniture, Supplies, Equipment and Capital Outlay:				
Video	$ 198,963	$ 67,120	$ 23,236	$ 99,010
Photographic	7,388	7,807	5,408	18,414
Furniture and equipment	57,930	149,532	16,998	39,880
Capital outlay	-	8,071	10,938	122,379
Office supplies/stationery	161,695	247,463	103,339	270,060
Newspaper and publications	45,016	43,726	39,880	44,240
Water and coolers	13,638	14,901	7,112	8,649
Cleaning supplies	8,887	11,908	12,957	14,920
Miscellaneous	46,631	43,695	47,707	65,940
	540,148	594,223	267,575	683,492
Equipment purchased under installment purchase contracts	-	535,967	-	-
	15,069,223	16,722,027	14,438,397	15,414,205
Accrual basis adjustments	53,178	(31,124)	31,744	31,429
	$15,122,401	$16,690,903	$14,470,141	$15,445,634

OTHER REQUIRED REPORTS

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, 1996, and have issued our report thereon October 21, 1996.

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, 1996, 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.

In planning and performing our audit of the financial statements of the Senate for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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 October 21, 1996.

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 LLP

Minneapolis, Minnesota
October 21, 1996

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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, 1996, and have issued our report thereon dated October 21, 1996.

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 disclosed the following instance of noncompliance that is required to be reported herein under *Government Auditing Standards.*

In fiscal year 1994, a law was implemented which requires each senator to sign his or her monthly long distance telephone bills as evidence of approval. During our review of telephone bills for the year ended June 30, 1996 and the log kept of those bills distributed to the senators and their assistants for approval, we identified twenty-one instances in which a telephone bill had not been approved in a timely manner. However, all but eleven bills from two senators were approved prior to the completion of the audit.

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 LLP

Minneapolis, Minnesota
October 21, 1996

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October 21, 1996

Grant Thornton
GRANT THORNTON LLP Accountants and Management Consultants
The U.S. Member Firm of Grant Thornton International

Secretary of the Senate
Minnesota State Senate

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 October 21, 1996.

Our Responsibility Under Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated July 16, 1996, our responsibility, as prescribed by generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants and *Government Auditing Standards* issued by the Comptroller General of the United States, is to plan and perform our audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards and *Government 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 noncompliance with the provisions of laws, regulations, contracts and grants, if existing, have not been detected. Such standards require that we obtain a sufficient understanding of Minnesota State Senate's internal control structure to plan the audit. However, such understanding and any tests performed with respect to such internal controls, or as to compliance with laws, regulations, contracts and grants, were for the purpose of expressing our opinion on Minnesota State Senate's financial statements and not to opine or provide any assurance concerning such internal control structure or compliance. We could, however, as a separate engagement, be engaged to perform agreed-upon procedures or examine and report on management's written assertion about that internal control structure or that management complied with specified laws and regulations. Such engagements would be conducted in accordance with AICPA standards for attestation engagements.

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.

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 summarized 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

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.

Very truly yours,

Grant Thornton LLP

MEMORANDUM OF ADVISORY COMMENTS

CONTENTS

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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, 1996, 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 LLP

Minneapolis, Minnesota
October 21, 1996

CURRENT YEAR COMMENTS

SENATOR TAXABLE REIMBURSEMENT

For the 1995 calendar year, non-metropolitan Senator taxable reimbursement information was manually accumulated. To enhance the efficiency and accuracy of gathering and maintaining such information, we recommend that Fiscal Services automate this process through the use of a spreadsheet or database program.

Fiscal services did not calculate the necessary withholdings related to non-metropolitan Senators' per diems until the latter part of the calendar year. As a practical matter, the number of legislative days during session might be sufficient to eliminate the withholding exposure in the beginning of a year. However, using a computer to accumulate the information and perform the necessary calculations could facilitate the ongoing assessment of each Senator's taxable reimbursement situation.

VENDOR PAYMENTS

In fiscal year 1995, the Senate made a payment for goods which had not been received. In fiscal year 1996, the Senate was reimbursed by this vendor. The Senate's process requires that each vendor invoice be matched to its respective purchase order and receiving report prior to the payment being made. Such a procedure ensures that the Senate is being invoiced for actual goods ordered and received.

Accordingly, we recommend the Senate staff not pay invoices for goods without documentation of receipt.

FISCAL YEAR END CLOSING

The Senate's request for expenditure payment policy allows individuals ninety days to submit requests to Fiscal Services for payment processing. We noted the Senate closed their fiscal year 1996 financial records before ninety days had elapsed.

If the Senate chooses to close its financial records in less than ninety days from year end, all possible measures should be taken to ensure expenditures are recorded in the proper period. We suggest the Senate adopt a policy to require payment processing requests be submitted within a time period coordinated with the planned year end accounting close deadlines.

STATUS OF PRIOR YEAR COMMENTS

SEVERANCE PAY CALCULATION

We recommended appropriate documentation be retained for each severance calculation.

Status:

During our current audit, we were able to recalculate selected severance payments using the documentation retained.

PATRICK E. FLAHAVEN
Secretary of the Senate

December 9, 1996

Senate
State of Minnesota

Grant Thornton
200 South Sixth Street
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Minneapolis, MN 55402

Ladies and Gentlemen:

Our response to the comments contained in the FY 96 Audit are described below.

LONG DISTANCE TELEPHONE BILL APPROVAL

The eleven monthly telephone bills which have not been approved were sent to the two senators involved.

Four bills for the period October 1995 through January 1996 were from the office of Senator Joe Bertram, Sr. He resigned his seat January 9, 1996; the bills have not been returned.

Seven bills for the period December 1995 through June 1996 were from the office of Senator Florian Chmielewski. These bills may have been part of a criminal prosecution by the Ramsey County Attorney; the bills have not been returned.

SENATOR TAXABLE REIMBURSEMENT

We concur in this recommendation and will acquire the appropriate software to implement it.

VENDOR PAYMENTS

The Senate placed an order for nearly fifty laser printers to be delivered by the end of the 1996 fiscal year. The order was placed with Ameridata Corporation, the State's contract vendor for all microcomputer products. The Senate and Ameridata have a long standing relationship and have never had any problems with product delivery or payment. Expecting delivery by June 30, 1996, we requested Ameridata invoice the Senate for the entire order so it could be paid in full during the 1996 fiscal year. Ameridata complied with our request.

Subsequently, Lexmark Corporation had a delay in the delivery of printers to Ameridata who then were late in the delivery of product to the Senate. The Senate had already made full payment for the printers from the invoice presented. But the accounting department at

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Ameridata rebilled the Senate for the delayed orders when they were finally delivered. They also sent the Senate a refund check for the difference between the full payment and the original partial delivery, approximately $27,000. Those funds were deposited and used to pay the rebilled invoices for printers delivered late.

All product ordered has been delivered and accounted for and correct payment has been made to the satisfaction of the Senate and Ameridata.

FISCAL YEAR END CLOSING

At end of fiscal year 1997 we will keep our books open for ninety days or change the policy to shorten the allowable period at the end of the fiscal year to be in compliance with the Department of Finance closing date.

Sincerely,

Patrick E. Flahaven

PATRICK E. FLAHAVEN
Secretary of the Senate

PEF/mc