

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

MINNESOTA STATE SENATE

June 30, 1997 and 1996

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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, 1997 and 1996. 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.

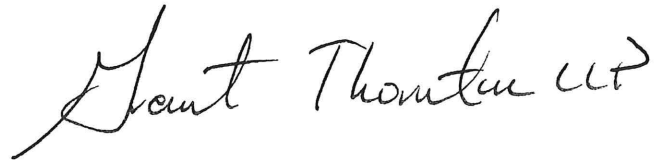
We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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, 1997 and 1996 in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 1997 on our consideration of the Senate's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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.

A handwritten signature in cursive script that reads "Grant Thornton LLP". The signature is written in black ink and is positioned to the right of the typed text.

Minneapolis, Minnesota
December 12, 1997

Minnesota State Senate

STATEMENTS OF STATUS OF APPROPRIATIONS

For the years ended June 30,

	<u>1997</u>	<u>1996</u>
Appropriation carryforward, beginning of year	\$ 1,637,973	\$ 1,238,867
Appropriation for the year:		
Original appropriation	16,163,000	15,422,000
Other receipts for the year	<u>48,406</u>	<u>99,507</u>
Total appropriation and other receipts	<u>16,211,406</u>	<u>15,521,507</u>
Expenditures for the year	<u>(16,739,474)</u>	<u>(15,122,401)</u>
Appropriation carryforward, end of year		
Reserved	1,109,905	1,238,867
Unreserved	<u>-</u>	<u>399,106</u>
	<u>\$ 1,109,905</u>	<u>\$ 1,637,973</u>

The accompanying notes are an integral part of these statements.

Minnesota State Senate
STATEMENTS OF EXPENDITURES
For the years ended June 30,

	1997	1996
Salaries and Benefits:		
Salaries – senators	\$ 2,006,516	\$ 2,016,930
Salaries – staff	8,647,481	8,325,878
MSRS and FICA, and other benefits	1,130,866	1,100,304
Insurance – staff	666,090	653,164
Insurance – senators	253,219	261,645
Unemployment compensation	25,217	23,709
Workers’ compensation	8,330	12,473
	12,737,719	12,394,103
Services:		
Rents, leases and maintenance (includes copy equipment)	501,302	161,746
Employment and publicity advertisement	28,510	19,042
Furniture and maintenance repairs	39,050	30,091
Maintenance agreements	229,924	215,369
Printing	253,160	149,143
Micrographics	2,694	33
Consultant expense	35,358	98,032
Legal fees and settlements	205,770	-
EDP-ISB	18,873	13,936
EDP-software	61,865	26,923
EDP-development (includes equipment)	499,091	92,431
Janitorial	-	69,790
Dry cleaning/carpet cleaning	57	5,506
Interns	40,691	21,422
	1,916,345	903,464
Subsistence:		
Postage	115,661	131,627
Telephones	305,915	244,963
Delivery service	3,921	7,790
Mailing service	11,493	3,575
Mileage	114,150	163,601
In-state travel/lodging	179,041	155,303
Per deim	531,912	343,819
Registration	51,670	54,929
State vehicle	626	826
Out-state travel	106,670	122,414
Tuitions/memberships/admissions	27,782	55,839
	1,448,841	1,284,686

Minnesota State Senate

STATEMENTS OF EXPENDITURES – CONTINUED

For the years ended June 30,

	<u>1997</u>	<u>1996</u>
Furniture, Supplies, Equipment and Capital Outlay:		
Video	\$ 31,160	\$ 198,963
Photographic	12,088	7,388
Furniture and equipment	287,548	57,930
Office supplies/stationery	199,901	161,695
Newspaper and publications	46,525	45,016
Water and coolers	14,740	13,638
Cleaning supplies	2,505	8,887
Miscellaneous	<u>42,102</u>	<u>46,631</u>
	<u>636,569</u>	<u>540,148</u>
	<u>\$16,739,474</u>	<u>\$15,122,401</u>

The accompanying notes are an integral part of these statements.

Minnesota State Senate

NOTES TO FINANCIAL STATEMENTS

June 30, 1997 and 1996

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 E). 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.

Minnesota State Senate

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 1997 and 1996

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).

Minnesota State Senate

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 1997 and 1996

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 participates 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 (MSRS). 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 \$469,335 in 1997 and \$461,660 in 1996.

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.

Minnesota State Senate

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 1997 and 1996

NOTE D – COMPENSATED ABSENCES – Continued

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

	<u>1997</u>	<u>1996</u>
Vacation	\$ 660,494	\$ 638,729
Sick leave	<u>667,596</u>	<u>666,705</u>
	<u>\$1,328,090</u>	<u>\$1,305,434</u>

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:

Minnesota State Senate

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 1997 and 1996

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

	<u>Department of Finance reports</u>	<u>Accrual basis adjustments</u>	<u>Senate financial statements</u>
Appropriation carryforward to fiscal year 1996	\$ 1,238,867	\$ -	\$ 1,238,867
Appropriation	15,422,000	-	15,422,000
Other receipts	99,507	-	99,507
Expenditures	<u>(15,069,223)</u>	<u>(53,178)</u>	<u>(15,122,401)</u>
Appropriation carryforward:			
Reserved	1,238,867	-	1,238,867
Unreserved	<u>452,284</u>	<u>(53,178)</u>	<u>399,106</u>
Appropriation carryforward to fiscal year 1997	1,691,151	(53,178)	1,637,973
Appropriation	16,163,000	-	16,163,000
Other receipts	48,406	-	48,406
Expenditures	<u>(16,628,552)</u>	<u>(110,922)</u>	<u>(16,739,474)</u>
Appropriation carryforward to fiscal year 1998:			
Reserved	<u>\$ 1,274,005</u>	<u>\$(164,100)</u>	<u>\$ 1,109,905</u>

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, 1997 represents the remainder of the 1997 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. The unexpended and unencumbered fund balances credited to the special accounts are as follows:

Minnesota State Senate

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 1997 and 1996

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

	<u>June 30,</u>	
	<u>1997</u>	<u>1996</u>
Investment expenditures	\$ 374,005	\$ 488,867
Special session costs	200,000	200,000
Severance costs	<u>700,000</u>	<u>550,000</u>
	<u>\$1,274,005</u>	<u>\$1,238,867</u>

Minnesota State Senate

COMPARATIVE SCHEDULE OF BUDGETARY EXPENDITURES

For the years ended June 30,
(Unaudited)

Description	1997	1996	1995	1994
Salaries and Benefits:				
Salaries – senators	\$ 2,006,516	\$ 2,016,930	\$ 1,952,045	\$ 1,908,165
Salaries – staff	8,618,722	8,273,340	8,187,859	7,614,784
MSRS and FICA, and other benefits	1,126,847	1,096,965	1,076,739	1,018,601
Insurance – staff	666,090	655,863	665,970	627,945
Insurance – senators	253,219	261,645	262,027	258,415
Unemployment compensation	25,217	23,709	24,146	29,184
Workers compensation	<u>8,330</u>	<u>12,473</u>	<u>13,842</u>	<u>11,770</u>
	12,704,941	12,340,925	12,182,628	11,468,864
Services:				
Rents, leases, and maintenance (includes copy equipment)	501,302	161,746	129,434	83,082
Employment and publicity advertisement	28,510	19,042	19,205	20,074
Furniture and equipment repairs	39,050	30,091	23,988	11,711
Maintenance agreements	229,924	215,369	119,689	164,559
Printing	253,160	149,143	478,747	742,952
Micrographics	2,694	33	227	202
Legal fees	127,626	-	-	-
Consultant expense	35,358	98,032	100,941	59,844
EDP – ISB	18,873	13,936	14,949	11,072
EDP – software	61,865	26,923	53,622	32,935
EDP – development (includes equipment)	499,091	92,431	931,436	191,858
Janitorial	-	69,790	66,179	80,949
Dry cleaning/carpet cleaning	57	5,506	4,268	8,186
Interns	<u>40,691</u>	<u>21,422</u>	<u>41,470</u>	<u>24,924</u>
	1,838,201	903,464	1,984,155	1,432,348

Minnesota State Senate

COMPARATIVE SCHEDULE OF BUDGETARY EXPENDITURES – CONTINUED

For the years ended June 30,
(Unaudited)

Description	1997	1996	1995	1994
Subsistence:				
Postage	\$ 115,661	\$ 131,627	\$ 170,685	\$ 145,250
Telephones	305,915	244,963	219,578	242,679
Delivery service	3,921	7,790	5,762	5,416
Mailing service	11,493	3,575	16,800	3,597
Mileage	114,150	163,601	158,376	177,511
In-state travel/lodging	179,041	155,303	170,738	154,292
Per diem	531,912	343,819	504,162	320,874
Registration	51,670	54,929	47,646	45,901
State vehicle	626	826	336	1,891
Out-state travel	106,670	122,414	88,973	131,460
Tuitions/memberships/admissions	<u>27,782</u>	<u>55,839</u>	<u>41,998</u>	<u>40,739</u>
	1,448,841	1,284,686	1,425,054	1,269,610
Furniture, Supplies, Equipment and Capital Outlay:				
Video	31,160	198,963	67,120	23,236
Photographic	12,088	7,388	7,807	5,408
Furniture and equipment	287,548	57,930	149,532	16,998
Capital outlay	-	-	8,071	10,938
Office supplies/stationery	199,901	161,695	247,463	103,339
Newspaper and publications	46,525	45,016	43,726	39,880
Water and coolers	14,740	13,638	14,901	7,112
Cleaning supplies	2,505	8,887	11,908	12,957
Miscellaneous	<u>42,102</u>	<u>46,631</u>	<u>43,695</u>	<u>47,707</u>
	636,569	540,148	594,223	267,575
Equipment purchased under installment purchase contracts	<u>-</u>	<u>-</u>	<u>535,967</u>	<u>-</u>
	16,628,552	15,069,223	16,722,027	14,438,397
Accrual basis adjustments	<u>110,922</u>	<u>53,178</u>	<u>(31,124)</u>	<u>31,744</u>
	<u>\$16,739,474</u>	<u>\$15,122,401</u>	<u>\$16,690,903</u>	<u>\$14,470,141</u>

OTHER REQUIRED REPORTS



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING 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, 1997, and have issued our report thereon December 12, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Senate's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 97-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Senate's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting and its operation that we consider to be material weaknesses.

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.

A handwritten signature in cursive script that reads "Grant Thornton LLP".

Minneapolis, Minnesota
December 12, 1997

Minnesota State Senate

SCHEDULE OF FINDINGS

June 30, 1997

97-1 Long Distance Telephone Bills

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, 1997 and the log kept of those bills distributed to the senators and their assistants for approval, we identified thirteen instances, totaling \$378.98, in which a telephone bill had not been approved in a timely manner. Two of the thirteen bills were approved prior to the completion of the audit. Six of the thirteen bills, totaling \$362.21, were for Senator Chmielewski.

December 12, 1997

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 December 12, 1997.

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

As stated in our engagement letter dated September 29, 1997, 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,



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, 1997, 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.



Minneapolis, Minnesota
December 12, 1997

CURRENT YEAR COMMENTS

YEAR 2000

Within the next year or two, the Senate will need to address the century date change as it relates to its fiscal services computer system. When computer applications were originally designed, the two digits that hold the century digits were not usually included on the date fields. The result of this oversight causes the computer to treat the year 2000 ("00") as being earlier than the year 1999 ("99"), or any other year in the 20th century. This problem has the potential to cause major havoc with any business logic that utilizes dates. If the Senate is not century enabled, it may not be able to maintain accurate records.

We recommend that the Senate assess the impact of the "Year 2000" on its fiscal services system and ensure that the solution is in place before the year 2000.

PURCHASING DOCUMENTATION RETENTION

Senate rules require that purchases over \$5,000 be approved by the Senate majority leader and another member. We were informed that these approvals were obtained for the buy-out of certain previously capitalized equipment leases in the 1997 fiscal year; however, documentation of these approvals could not be located.

It is our understanding employees requesting approvals are responsible for obtaining and retaining approval supporting documentation. We recommend procedures be adopted to require documented approvals be routed to fiscal services and attached to the vendor payment package prior to actual payment.

STATUS OF PRIOR YEAR COMMENTS

SENATOR TAXABLE REIMBURSEMENT

We recommended the Senate accumulate Senator taxable reimbursement information through the use of a spreadsheet or database program. In the current year, Fiscal Services began separating taxable and non-taxable reimbursed expense into separate abstracts which improved the accuracy of gathering and maintaining related information.

VENDOR PAYMENTS

We recommended the Senate staff not pay invoices for goods without documentation of receipt. During our current audit, we noted no instances of payment for goods for which receipt was not documented.

STATUS OF PRIOR YEAR COMMENTS

FISCAL YEAR END CLOSING

We recommended the Senate adopt a policy to require payment processing to be submitted in coordination with the planned year end accounting closing dates. During the current audit, we noted improved communication concerning submission of payment requests prior to the June 30, 1997 accounting close.

PATRICK E. FLAHAVEN
Secretary of the Senate

March 10, 1998

Senate
State of Minnesota

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Our response to the comments contained in the FY 97 Audit are described below:

SCHEDULE OF FINDINGS (p. 19)

The number of telephone bills that were not approved and the dollar amount involved were relatively small. Sen. Chmielewski's phone bills were involved in a court proceeding in Ramsey County; I do not anticipate that we will receive approved bills in this case. The balance of the bills were for Senators who retired from the Senate and were received after the Senators left office.

CURRENT YEAR COMMENTS (p. 25)

Year 2000

I have discussed possible solutions with the staffs of Fiscal Services and SIS. We plan to have new software in place this year.

Purchasing Documentation Retention

The documented approvals referred to should have been attached to the vendor payment. We will follow the procedures recommended.

Sincerely,



Patrick E. Flahaven
Secretary of the Senate

PEF/mc