FINANCIAL STATEMENTS AND REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

MINNESOTA STATE SENATE

June 30, 1999 and 1998

CONTENTS

Accountants and Management Consultants

The US Member Firm of Grant Thornton International

Grant Thornton

GRANT THORNTON LLP

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, 1999 and 1998. 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 auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *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 attributed 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, 1999 and 1998 in conformity with accounting principles generally accepted in the United States.

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In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 2000 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The statistical information listed in the table of contents is not necessary for fair presentation of the general purpose 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
March 16, 2000

Minnesota State Senate

STATEMENTS OF STATUS OF APPROPRIATIONS

Years ended June 30,

	1999	1998
Appropriation carryforward, beginning of year	$ 2,475,614	$ 1,109,905
Appropriation for the year:		
Original appropriation	17,743,000	18,974,000
Other receipts for the year	26,280	18,777
Total appropriation and other receipts	17,769,280	18,992,777
Expenditures for the year	(18,396,860)	(17,627,068)
Appropriation carryforward, end of year		
Reserved	1,848,034	1,155,709
Unreserved	-	1,319,905
	$ 1,848,034	$ 2,475,614

The accompanying notes are an integral part of these statements.

Minnesota State Senate

STATEMENTS OF EXPENDITURES

Years ended June 30,

	1999	1998
Salaries and Benefits:		
Salaries – senators	$ 2,071,224	$ 2,017,477
Salaries – staff	9,966,853	9,037,184
MSRS and FICA, and other benefits	1,322,414	1,193,876
Insurance – staff	882,431	752,846
Insurance – senators	297,690	264,376
Unemployment compensation	12,129	18,425
Workers' compensation	36,366	9,599
	14,589,107	13,293,783
Services:		
Rents, leases and maintenance (includes copy equipment)	74,932	21,159
Employment and publicity advertisement	42,822	35,021
Furniture and maintenance repairs	43,362	38,129
Maintenance agreements	293,993	176,283
Printing	285,782	213,898
Micrographics	3,927	192
Consultant expense	104,706	99,885
EDP-ISB	25,630	23,043
EDP-software	149,452	9,869
EDP-development (includes equipment)	446,989	558,211
Dry cleaning/carpet cleaning	522	747
Interns	34,295	25,491
	1,506,412	1,201,928
Subsistence:		
Postage	164,110	139,388
Telephones	308,462	672,470
Delivery service	3,132	3,581
Mailing service	11,576	9,825
Mileage	151,416	161,958
In-state travel/lodging	254,570	229,469
Per diem	559,176	421,912
Registration	95,022	70,430
State vehicle	2,063	1,177
Out-state travel	185,319	190,935
Tuitions/memberships/admissions	35,885	27,101
	1,770,731	1,928,246

Minnesota State Senate

STATEMENTS OF EXPENDITURES – CONTINUED

Years ended June 30,

	1999	1998
Furniture, Supplies, Equipment and Capital Outlay:		
Video	$ 77,951	$ 474,318
Photographic	9,591	6,614
Furniture and equipment	130,887	171,011
Capital outlay	24,800	315,743
Office supplies/stationery	157,669	129,870
Newspaper and publications	54,017	49,517
Water and coolers	21,225	12,129
Cleaning supplies	1,390	1,777
Miscellaneous	53,080	42,132
	530,610	1,203,111
	$18,396,860	$17,627,068

The accompanying notes are an integral part of these statements.

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:

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. 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.

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).

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 275 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, consisting of furniture and equipment, 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 – RETIREMENT PLANS

(a) Senators are covered by the Legislative Retirement Plan, a defined benefit plan established and administered in accordance with Minnesota Statutes Chapter 3A, 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, established by Minnesota Statutes Chapter 352D, which is also administered by MSRS. Employees contribute 4.0% of their salaries for 1999 and 1998 and the Senate contributes 6% of salaries each year to the plan. The employees' and Senate's contributions were $368,407 and $552,610 in 1999, and $332,560 and $498,839 in 1998. The Senate made all required contributions.

(c) The permanent employees and members of the Senate are eligible to participate in the Senate's deferred compensation plan as permitted by Minnesota statutes. Eligible employees may elect to have a percentage of their pay contributed to the plan. Contributions are invested in MSRS or qualifying annuity contracts selected by plan participants. Beginning January 1, 1998, eligible employees could elect to contribute up to 40 hours of vacation pay to the plan or have the Senate match the first $200 contributed to the plan each fiscal year. Employee contributions for 1999 and 1998 were $588,380 and $563,122. The vacation pay and Senate matching contributions totaled $97,111 and $74,264 for the fiscal years ended June 30, 1999 and 1998. The Senate made all required matching contributions.

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.

The accrued liabilities at June 30 for vacation and sick leave which would be payable as severance pay are as follows:

	1999	1998
Vacation	$ 787,792	$ 677,118
Sick leave	804,787	715,105
	$1,592,579	$1,392,223

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

The accompanying financial 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:

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 to fiscal year 1998	$ 1,274,005	$(164,100)	$ 1,109,905
Appropriation	18,974,000	-	18,974,000
Other receipts	18,777	-	18,777
Expenditures	(17,669,561)	42,493	(17,627,068)
Appropriation carryforward:			
Reserved	1,155,709	-	1,155,709
Unreserved	1,441,512	(121,607)	1,319,905
Appropriation carryforward to fiscal year 1999	2,597,221	(121,607)	2,475,614
Appropriation	17,743,000	-	17,743,000
Other receipts	26,280	-	26,280
Expenditures	(18,188,837)	(208,023)	(18,396,860)
Appropriation carryfoward to fiscal year 2000 – Reserved	$ 2,177,664	$(329,630)	$ 1,848,034

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, 1999 represents the remainder of the 1999 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:

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

	June 30, 1999	June 30, 1998
Investment expenditures	$1,395,960	$ 374,005
Special session, interim activity, public hearings and public outreach costs	110,860	110,860
Severance costs	670,844	670,844
	$2,177,664	$1,155,709

STATISTICAL INFORMATION
(UNAUDITED)

Minnesota State Senate

COMPARATIVE SCHEDULE OF BUDGETARY EXPENDITURES

Years ended June 30,
(Unaudited)

Description	1999	1998	1997	1996
Salaries and Benefits:				
Salaries – senators	$ 2,071,224	$ 2,017,477	$ 2,006,516	$ 2,016,930
Salaries – staff	9,933,592	9,040,064	8,618,722	8,273,340
MSRS and FICA, and other benefits	1,317,863	1,191,358	1,126,847	1,096,965
Insurance – staff	877,884	743,193	666,090	655,863
Insurance – senators	297,690	264,376	253,219	261,645
Unemployment compensation	12,129	18,425	25,217	23,709
Workers compensation	36,366	9,599	8,330	12,473
	14,546,748	13,284,492	12,704,941	12,340,925
Services:				
Rents, leases, and maintenance (includes copy equipment)	68,462	21,159	501,302	161,746
Employment and publicity advertisement	42,822	35,021	28,510	19,042
Furniture and equipment repairs	43,362	38,129	39,050	30,091
Maintenance agreements	233,226	176,283	229,924	215,369
Printing	285,782	213,898	253,160	149,143
Micrographics	3,927	192	2,694	33
Legal fees and settlements	-	51,784	127,626	-
Consultant expense	104,706	99,885	35,358	98,032
EDP – ISB	25,630	23,043	18,873	13,936
EDP – software	149,452	9,869	61,865	26,923
EDP – development (includes equipment)	407,925	558,211	499,091	92,431
Janitorial	-	-	-	69,790
Dry cleaning/carpet cleaning	522	747	57	5,506
Interns	34,295	25,491	40,691	21,422
	1,400,111	1,253,712	1,838,201	903,464

Minnesota State Senate

COMPARATIVE SCHEDULE OF BUDGETARY EXPENDITURES – CONTINUED

Years ended June 30,
(Unaudited)

Description	1999	1998	1997	1996
Subsistence:				
Postage	$ 164,110	$ 139,388	$ 115,661	$ 131,627
Telephones (including equipment)	264,276	672,470	305,915	244,963
Delivery service	3,132	3,581	3,921	7,790
Mailing service	11,576	9,825	11,493	3,575
Mileage	151,416	161,958	114,150	163,601
In-state travel/lodging	254,570	229,469	179,041	155,303
Per diem	559,176	421,912	531,912	343,819
Registration	79,845	70,430	51,670	54,929
State vehicle	2,063	1,177	626	826
Out-state travel	185,319	190,935	106,670	122,414
Tuitions/memberships/admissions	35,885	27,101	27,782	55,839
	1,711,368	1,928,246	1,448,841	1,284,686
Furniture, Supplies, Equipment and Capital Outlay:				
Video	77,951	474,318	31,160	198,963
Photographic	9,591	6,614	12,088	7,388
Furniture and equipment	130,887	171,011	287,548	57,930
Capital outlay	24,800	315,743	-	-
Office supplies/stationery	157,669	129,870	199,901	161,695
Newspaper and publications	54,017	49,517	46,525	45,016
Water and coolers	21,225	12,129	14,740	13,638
Cleaning supplies	1,390	1,777	2,505	8,887
Miscellaneous	53,080	42,132	42,102	46,631
	530,610	1,203,111	636,569	540,148
Accrual basis adjustments	208,023	(42,493)	110,922	53,178
	$18,396,860	$17,627,068	$16,739,474	$15,122,401

OTHER REQUIRED REPORTS

Accountants and Management Consultants

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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, 1999, and have issued our report thereon March 16, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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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. However, we noted other matters involving the control over financial reporting, which we have reported to the management of the Senate in a separate letter dated March 16, 2000.

This report is intended solely for the information and use of management and the Minnesota State Senate and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Minneapolis, Minnesota
March 16, 2000

Accountants and Management Consultants

The US Member Firm of Grant Thornton International

Grant Thornton

GRANT THORNTON LLP

March 16, 2000

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 March 16, 2000.

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

As stated in our engagement letter dated January 31, 2000, our responsibility, as prescribed by auditing standards generally accepted in the United States 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, whether caused by error or fraud. An audit in accordance with auditing standards generally accepted in the United States 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, fraud, 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.

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Initial Selection of Significant Accounting Policies

During 1998, the Senate implemented GASB Technical Bulletins No. 98-1 and 99-1 related to disclosures about year 2000 issues. These bulletins required supplementary information disclosures about the year 2000 issues as it related to the Senate. Because of the emphasis placed on, and the resources devoted to addressing the year 2000 issues, governments did not experience significant year 2000 related problems. Consequently, the GASB issued Technical Bulletin 2000-1, which rescinds GASB Technical Bulletins 98-1 and 99-1. The Senate implemented Technical Bulletin 2000-1, therefore, all year 2000 disclosures were eliminated.

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.

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 solely for the information and use of management and the Minnesota State Senate and is not intended to be and should not be used by any one other than these specified parties.

Very truly yours,

Grant Thornton LLP

MEMORANDUM OF ADVISORY COMMENTS

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Accountants and
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GRANT THORNTON LLP

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, 1999, 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
March 16, 2000

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CURRENT YEAR COMMENTS

VACATION AND SICK LEAVE CALCULATIONS

We noted two instances where the Senate had incorrectly deducted employees' vacation/sick leave. The errors resulted from incorrect calculations on the manual vacation/sick leave schedules.

We recommend the Senate automate the accumulation of employees' vacation and sick leave time. This would significantly reduce the susceptibility for human error in calculations.

RECORD RETENTION

The Senate does not currently have written record retention procedures. The Senate continues to hire additional employees and financial activities continue to increase, while the storage of prior year files becomes more difficult.

We believe the Senate should review its documentation and record retention requirements. A formal, comprehensive policy should be adopted to fulfill such needs while reducing unnecessary retention and duplicate file storage. See the attached example that outlines a possible record retention schedule.

STATUS OF PRIOR YEAR COMMENTS

TIMELINESS OF VENDOR PAYMENTS

In the prior year, we noted two instances of invoices which were not approved and submitted to fiscal services for payment until three months after the invoice date. Several instances were also noted in the current year. Two of these invoices were for telephone bills which, we understand, were not submitted for payment until all Senators had approved their individual billings. One late payment noted was for Xerox invoices which, we were informed, are normally submitted for payment three months at a time. Another late payment noted was for computer training and software installation which was received late from the consulting firm. The final late payment noted was for the fiscal services accounting software package which was not submitted for payment until the Senate majority leader and another member had approved the invoice for payment. We recommend the Senate review its procedures for assuring timely payment of its obligations. Heightened awareness of the need for timely payments is particularly important at year end to ensure that all costs incurred during the fiscal year are recorded appropriately.

Records Retention Schedule

Document Description	Retention Period
Accident report and claims (settled cases)	7 yrs.
Accounts payable ledgers and schedules	7 yrs.
Accounts receivable ledgers and schedules	7 yrs.
Audit reports of accountants	Permanently
Bank reconciliations	3 yrs.
Capital stock and bond record: ledgers, registers, stub showing issues, record of interest coupons, options, etc.	Permanently
Cash books	Permanently
Chart of accounts	Permanently
Checks (cancelled bus see exception below)	7 yrs.
Checks (cancelled for important payments, i.e. taxes, purchases of property, special contracts, etc. (checks should be filed with the papers pertaining to the underlying transactions)	Permanently
Contracts and leases (expired)	7 yrs.
Contract and leases still in effect	Permanently
Correspondence (routine) with customers or vendors	1 yr.
Correspondence (general)	3 yrs.
Correspondence (legal and important matters only)	Permanently
Deeds, mortgages, and bills of sale	Permanently
Depreciation schedules	Permanently
Duplicate deposit slips	3 yrs.
Employee personnel records (after termination)	7 yrs.
Employment applications	1 yr.
Expense analyses and expense distribution schedules	7 yrs.
Financial statements (end-of-year, other months optional)	Permanently
General and private ledgers (and end-of-year balances)	Permanently
Insurance policies (expired)	7 yrs.
Insurance records, current accident reports, claims, policies, etc.	Permanently
Internal audit reports (in some situations longer retention may be desirable)	3 yrs.
Internal reports (miscellaneous)	3 yrs.
Inventories of products, materials, and supplies	7 yrs.
Invoice to customers	7 yrs.

Document Description	Retention Period
Invoice to vendors	7 yrs.
Journals	Permanently
Minute books of directors and stock-holders Including by-laws and charter	Permanently
Notes receivable ledgers and schedules	7 yrs.
Options records (expired)	7 yrs.
Payroll records, summaries and returns including payments to pensioners	7 yrs.
Petty cash vouchers	3 yrs.
Physical inventory tags	3 yrs.
Plant cost ledgers	7 yrs.
Property appraisals by outside appraisers	Permanently
Property records-including costs, depreciation reserves, end-of-year trial balances, depreciation schedules, blueprints, and plans	Permanently
Purchase orders (except purchasing department copy)	1 yrs.
Purchase orders (purchasing department copy)	7 yrs
Receiving sheets	1 yr.
Requisitions	1 yr.
Sales records	7 yrs.
Sales tax returns	7 yrs.
Saving bond registration records sales, etc.	7 yrs.
Stenographer's notebooks	1 yr.
Stock and bond certificate (cancelled)	7 yrs.
Stockroom withdrawal forms	1 yr.
Subsidiary ledgers	7 yrs.
Tax returns and worksheets, revenue agents' reports and other documents relating to determination of income tax liability	Permanently
Time books	7 yrs.
Trade mark registrations	Permanently
Voucher register and schedules	7 yrs.
Vouchers for payment to vendors, employees, etc., (includes allowances and reimbursements of employees, officers, etc. for travel and entertainment expenses)	7 yrs.

These guidelines were adapted from the *Office of the Federal Register* and should be used as general guidelines only. Please consult your legal or tax advisor on how these guidelines affect

PATRICK E. FLAHAVEN
Secretary of the Senate

Senate
State of Minnesota

May 5, 2000

Grant Thornton
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Minneapolis, MN 55402

Ladies and Gentlemen:

Our response to the comments contained in the FY99 Audit are described below.

VACATION AND SICK LEAVE CALCULATIONS

Part of our leave records were calculated manually. The overall employee leave system has been automated and the newly installed Lawson system will hopefully prevent future errors.

RECORD RETENTION

Fiscal Services asked the Grant Thornton staff for suggestions on record retention and we appreciate their assistance. Several senior Senate staff are developing a formal, comprehensive plan.

TIMELINESS OF VENDOR PAYMENTS

We agree that we need to have timely payment. We also feel that payment should not be made until we are sure that invoices are correct, the service or product has been received, and the necessary approvals obtained.

Sincerely,

Patrick E. Flahaven

PATRICK E. FLAHAVEN
Secretary of the Senate

PEF/pmd

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