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REPORT OF THE  
**STATE AUDITOR of MINNESOTA**

880081

MANAGEMENT AND COMPLIANCE LETTERS  
FOR  
MINNEAPOLIS LIBRARY BOARD  
MINNEAPOLIS, MINNESOTA  
FOR THE YEAR ENDED DECEMBER 31, 1986



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**ARNE H. CARLSON**

State Auditor  
St. Paul, Minnesota

MANAGEMENT AND COMPLIANCE LETTERS  
FOR THE  
MINNEAPOLIS LIBRARY BOARD  
MINNEAPOLIS, MINNESOTA  
FOR THE YEAR ENDED DECEMBER 31, 1986

ARNE H. CARLSON  
State Auditor  
Saint Paul, Minnesota

LIBRARY BOARD OF THE CITY OF MINNEAPOLIS  
MINNEAPOLIS, MINNESOTA

MANAGEMENT AND COMPLIANCE LETTERS

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ARNE H. CARLSON  
STATE AUDITOR

# STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR  
SUITE 400  
525 PARK STREET  
SAINT PAUL 55103

296-2551

January 14, 1988

## AUDITOR'S REPORT ON THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Ms. Ann Higgins, President  
and Members of the Library Board  
Library Board of the City of Minneapolis  
300 Nicollet Mall  
Minneapolis, Minnesota 55401

We have examined the component unit financial statements of the Library Board of the City of Minneapolis, Minnesota, as of and for the year ended December 31, 1986, and have issued our report thereon dated June 4, 1987. Our examination of the component unit financial statements was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination, which was also conducted in accordance with the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office, was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying Schedule of Federal Grant Information and the Schedule of Federal Financial Assistance are presented for purposes of additional analysis and are not a required part of the component unit financial statements of the Library Board of the City of Minneapolis, Minnesota. The information in these schedules has been subjected to the auditing procedures applied in the examination of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

*Arne H. Carlson*  
ARNE H. CARLSON  
State Auditor

LIBRARY BOARD OF THE CITY OF MINNEAPOLIS  
MINNEAPOLIS, MINNESOTA

Schedule 1

SCHEDULE OF FEDERAL GRANT INFORMATION  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1986

Federal Funding Source	U.S. Nuclear Regulatory Commission	U.S. Nuclear Regulatory Commission	U.S. Department of Education
State or Local Administering Agency	None	None	Minnesota Department of Education
Federal Domestic Assistance Number	77.003	77.003	84.034
Grant Name	NRC-86-Local Public Documents Room	NRC-87-Local Public Documents Room	Library Services Construction Act - Title I
Grant Number	DR-85-1710	DR-86-1586	-
Grant Period	9/17/85 - 9/16/86	9/17/86 - 9/16/87	7/02/86 - Open
Fund Reported In	Library General	Library General	Library General

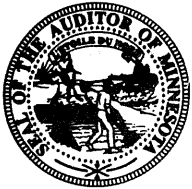
LIBRARY BOARD OF THE CITY OF MINNEAPOLIS  
MINNEAPOLIS, MINNESOTA

Schedule 2

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1986

	CFDA # 77.003				CFDA # 84.034		
	Local Public Documents Room				Library Services Construc- tion Act Title I	Total	
	NRC 85	NRC 86	NRC 87	Total			
Revenues							
Federal							
Direct	\$ 849	\$ 5,296	\$ -	\$ 6,145	\$ 23,560	\$	29,705
Expenditures							
Culture and recreation	-	2,623	2,764	5,387	5,626		11,013
Excess of Revenues Over (Under) Expenditures	\$ 849	\$ 2,673	\$ (2,764)	\$ 758	\$ 17,934	\$	18,692
Unobligated Balance - Federal Financial Assistance January 1	(849)	(2,673)	-	(3,522)	-		(3,522)
Unobligated Balance - Federal Financial Assistance December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,764)</u>	<u>\$ (2,764)</u>	<u>\$ 17,934</u>		<u>\$ 15,170</u>

**MANAGEMENT LETTER**



# STATE OF MINNESOTA

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ARNE H. CARLSON  
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296-2551

January 14, 1988

## MANAGEMENT LETTER

Ms. Ann Higgins, President  
and Members of the Library Board  
Library Board of the City of Minneapolis  
300 Nicollet Mall  
Minneapolis, Minnesota 55401

We have examined the component unit financial statements of the Library Board of the City of Minneapolis, Minnesota, as of and for the year ended December 31, 1986, and have issued our report thereon dated June 4, 1987. As part of our examination, we made a study and evaluation of the Library Board's system of internal accounting control to the extent we considered necessary to evaluate the system, as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

Cash receipts	Fixed assets
Cash disbursements	Accounts payable
Investments	Purchases
Accounts receivable	Payroll
Inventories	Data processing

Our study included all of the control categories listed above, except that the significant internal accounting control categories of accounts receivable, accounts payable, payroll and data processing were studied in connection with our examination of the general purpose financial statements of the City of Minneapolis as of and for the year ended December 31, 1986, of which the component unit of the Library Board is included in the financial reporting entity. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements of the Library Board. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.



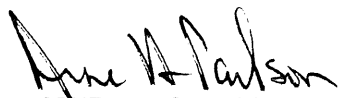
The management of the Library Board is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, management must make estimates and judgments that assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute assurance that:

- assets are safeguarded against loss from unauthorized use or disposition,
- transactions are executed in accordance with management's authorization, and
- transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

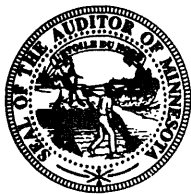
Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose of determining the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Library Board's financial statements, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Library Board taken as a whole or on any of the control categories listed. However, our study and evaluation disclosed no condition that we consider to be a material weakness.

We would like to express our appreciation to the Library Board and the staff for their cooperation and assistance during the audit.

  
ARNE H. CARLSON  
State Auditor

**COMPLIANCE LETTER**



ARNE H. CARLSON  
STATE AUDITOR

# STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR  
SUITE 400  
525 PARK STREET  
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296-2551

January 14, 1988

## COMPLIANCE LETTER

Ms. Ann Higgins, President  
and Members of the Library Board  
Library Board  
300 Nicollet Mall  
Minneapolis, Minnesota 55401

We have examined the component unit financial statements of the Library Board of the City of Minneapolis, Minnesota, as of and for the year ended December 31, 1986, and have issued our report thereon dated June 4, 1987. This letter resulting from part of that examination is organized into sections on internal control systems for federal financial assistance programs, and compliance--both for federal financial assistance programs and legal provisions.

Our examination was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; the provisions of OMB Circular A-128, Audits of State and Local Governments; and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government, as promulgated by the Legal Compliance Task Force pursuant to Minn. Stat. § 6.65. Accordingly, our examination included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

### INTERNAL CONTROL SYSTEMS--FEDERAL FINANCIAL ASSISTANCE PROGRAMS

As part of our examination of the Library Board, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

### Internal Accounting Controls

Cash receipts	Fixed assets
Cash disbursements	Accounts payable
Investments	Purchases
Accounts receivable	Payroll
Inventories	Data processing

### Administrative Controls Used in Administering Federal Financial Assistance Programs

#### General Requirements

Political activity  
Davis-Bacon Act  
Civil rights  
Cash management  
Relocation assistance and  
real property acquisition  
Federal financial reports  
Flood disaster protection  
Citizen participation  
Minority Business Enterprise  
or Set-aside Businesses

#### Specific Requirements

Types of services  
Eligibility  
Matching level of effort  
Reporting  
Cost allocation  
Subrecipient monitoring  
Subrecipient auditing

The management of the Library Board is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, management must make estimates and judgments that assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that with respect to federal financial assistance programs:

- resource use is consistent with laws, regulations, and policies;
- resources are safeguarded against waste, loss, and misuse; and
- reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above, except that the significant internal accounting control categories of accounts receivable, accounts payable, payroll and data processing and all the administrative controls used in administering federal financial assistance programs were studied in connection with our examination of the general purpose financial statements of the City of Minneapolis as of and for the year ended December 31, 1986, of which the component unit of the Library Board is included

in the financial reporting entity. During the year ended December 31, 1986, the Library Board had no major federal financial assistance programs and expended 100 percent of its total federal financial assistance under the following nonmajor federal financial assistance programs:

<u>Grant Name</u>	<u>Grant Number</u>	<u>Federal Agency/Grant Recipient</u>
NRC 85 - Local Public Documents Room	10-83-744	Nuclear Regulatory Commission
NRC 86 - Local Public Documents Room	DR-85-1710	Nuclear Regulatory Commission
NRC 87 - Local Public Documents Room	DR-86-1586	Nuclear Regulatory Commission
LSCA Title I - FY 86	None	Education/Department of Education

With respect to internal control systems used in administering these nonmajor federal financial assistance programs, our study and evaluation included:

- considering the types of errors and irregularities that could occur,
- determining the internal control procedures that should prevent or detect such errors and irregularities,
- determining whether the necessary procedures are prescribed and are being followed satisfactorily, and
- evaluating any weaknesses.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the Library Board. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Library Board. Further, we do not express an opinion on the internal control systems used in administering these nonmajor federal financial assistance programs of the Library Board.

However, our study and evaluation and our examination disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the Library Board.

### COMPLIANCE

#### FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The management of the Library Board is responsible for compliance with laws and regulations. In connection with our examination of the general purpose financial statements of the City of Minneapolis of which the component unit of the Library Board is included in the financial reporting entity, we selected and tested transactions and records from each major federal financial assistance program. The component unit of the Library Board had no major federal financial assistance programs. No nonmajor federal financial assistance programs were included in either of our samples. The purpose of our testing of transactions and records from the major federal financial assistance programs was to obtain reasonable assurance that the City of Minneapolis and its component unit, the

Library Board, had, in all material respects, administered those programs in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

In our opinion, for the year ended December 31, 1986, the City of Minneapolis, Minnesota, and its component unit, the Library Board, where applicable, administered each of its major federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing was more limited than would be necessary to express an opinion on whether the City of Minneapolis and its component unit, the Library Board, administered nonmajor federal financial assistance programs in compliance in all material respects with those laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the City of Minneapolis and its component unit, the Library Board, had not complied with laws and regulations.

#### LEGAL COMPLIANCE

The management of the Library Board is responsible for the Board's compliance with laws and regulations. In connection with our examination we selected and tested transactions and records to determine the Library Board's compliance with laws and regulations noncompliance with which could have a material effect on the component unit financial statements of the Library Board.


The results of our tests indicate that for the items tested, the Library Board complied with those provisions of laws and regulations noncompliance with which could have a material effect on the component unit financial statements. Nothing came to our attention that caused us to believe that for the items not tested the Library Board was not in compliance with laws or regulations noncompliance with which could have material effect on the Library Board's component unit financial statements.

The Minnesota Legal Compliance Audit Guide for Local Government covers five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. All of the listed categories were included in connection with our examination of the general purpose financial statements of the City of Minneapolis of which the component unit of the Library Board is included as part of the financial reporting entity. The results of our tests indicate that for the items tested, the Library Board complied with the material terms and conditions of applicable legal provisions. Further, for the items not tested based on our examination, nothing came to our attention to indicate that the Library Board had not complied with such legal provisions.

We also reviewed for compliance with other statutes, bylaws, administrative rules, and state grant regulations and contracts that we deemed necessary. This review did not include all possible regulatory provisions which may be applicable, and was not intended to provide assurance of full compliance with all regulatory provisions. However, we noted no instances of noncompliance with the provisions reviewed.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which is a matter of public record.

We would like to express our appreciation to the Library Board and the staff for their cooperation and assistance during the audit.

  
ARNE H. CARLSON  
State Auditor