



Office of the Legislative Auditor  
State of Minnesota

# Legislative-Citizen Commission on Minnesota Resources July 18, 2018

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Tracy Gebhard | Audit Director

# Today's Agenda

- ✓ Office of the Legislative Auditor overview
- ✓ Legacy Amendment work done by OLA
- ✓ Board of Water and Soil Resources report
- ✓ Council member questions and concerns

# Office of the Legislative Auditor

- ✓ OLA is a professional, nonpartisan office within the legislative branch of Minnesota state government
- ✓ Our mission is to support legislative oversight and strengthen accountability in state government
- ✓ We provide assurance that questions and concerns about government operations and the use of public resources will be addressed thoroughly and objectively

Legislative Auditor

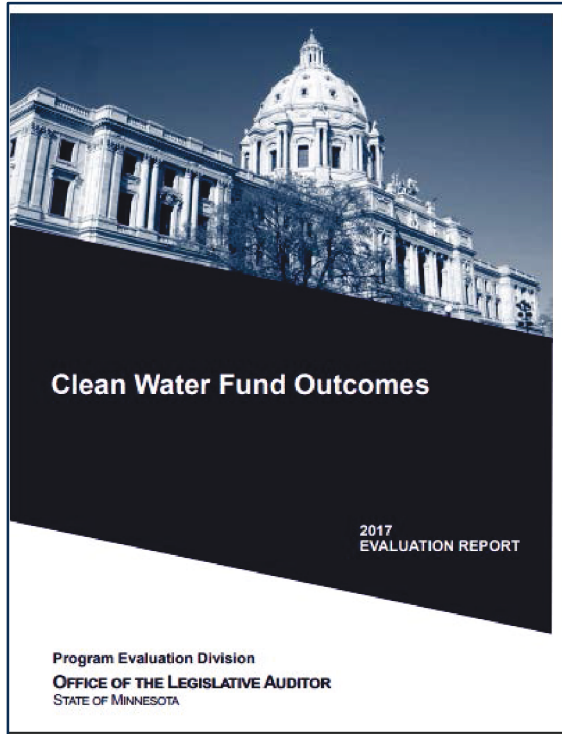
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graph TD; LA[Legislative Auditor] --- PED[Program Evaluation Division]; LA --- FAD[Financial Audit Division]; LA --- SR[Special Reviews];
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Program Evaluation Division

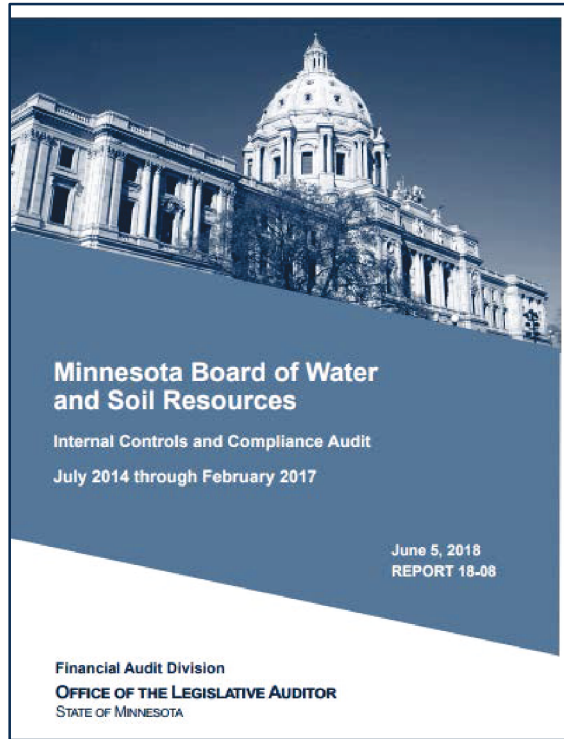
Financial Audit Division

Special Reviews

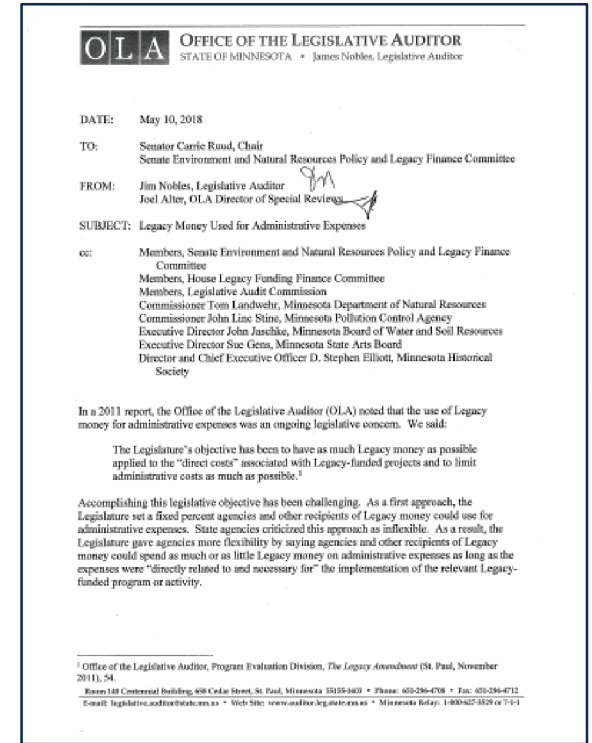
Organization



Program Evaluations



Financial Audits



Special Reviews

# Legacy Amendment Work

# Focus Areas

- ✓ Use of Legacy funds for purposes consistent with law
- ✓ Oversight of legacy-funded projects
- ✓ Controls over administrative expenses
- ✓ Achievement of program outcomes



# Board of Water and Soil Resources



## Minnesota Board of Water and Soil Resources

Internal Controls and Compliance Audit

July 2014 through February 2017

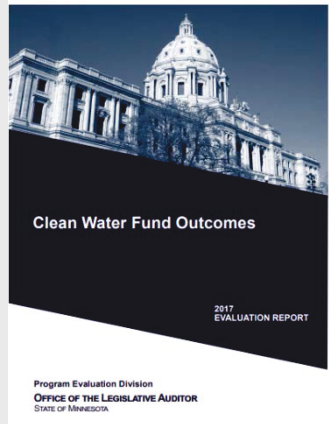
June 5, 2018  
REPORT 18-08

Financial Audit Division

**OFFICE OF THE LEGISLATIVE AUDITOR**

STATE OF MINNESOTA

# Why Audit?



## Environment

Legislative Interest  
in Environmental  
Issues is High



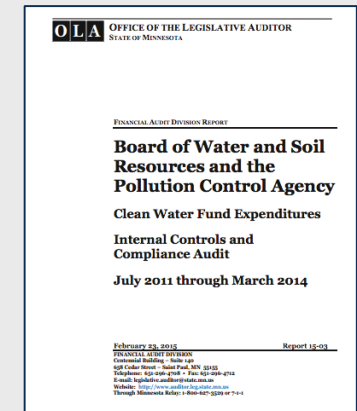
## Complexity

Funding Sources  
Have Complex  
Legal Compliance  
Requirements



## Cost

The Agency Spends  
About \$100 Million  
Annually



## Risk

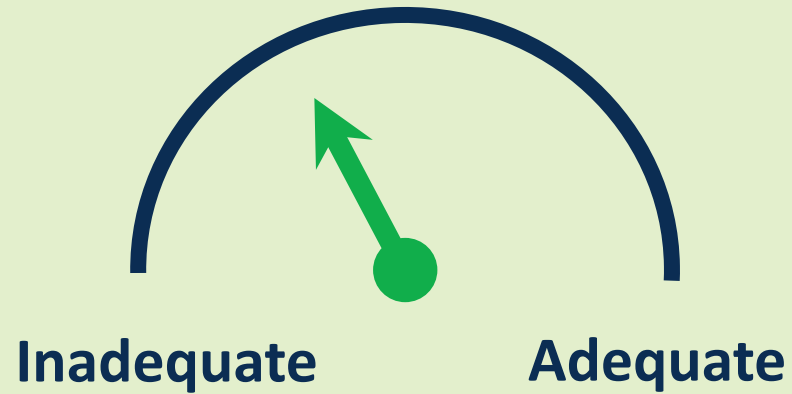
History of Audits  
with Significant  
Findings



# Areas Examined

Area	Description
Grants	Environmental grants, primarily to local governments, account for 49% of expenditures
Easements	Easement to landowners account for about 34% of expenditures
Payroll	Employee costs account for about 10% of expenditures
Administrative	Travel, supplies, and other costs necessary to operate the agency account for about 7% of expenditures

## Internal Control



## Legal Compliance



## Findings

- ✓ No issues with grant and easement expenditures
- ✓ Significant internal control and compliance issues with payroll and other administrative expenditures

## Conclusion

## The board did not establish appropriate fiscal oversight controls for administrative expenditures

- ✓ Numerous internal control and compliance issues
- ✓ Repeat findings
- ✓ History of shortcomings merits a deeper assessment of staff and accounting practices

### ***Recommendation***

*OLA recommends seeking external help to rectify longstanding fiscal oversight weaknesses*

## The board did not consistently resolve conflicts of interest

- ✓ Audit identified 8 instances where reported conflicts were not managed in accordance with state policies
- ✓ State policies require that potential conflict be disclosed to all parties in the grant process
- ✓ Resolutions to potential conflicts must be noted in meeting minutes

### ***Recommendation***

*OLA recommends actively managing potential conflicts of interest in accordance with state law and policy*

# BWSR Disagrees

Disclose

Discuss

Document

Criteria

✓ Proactive process to identify conflicts

✓ Open discussion between all grant process participants

✓ Resolution of conflicts fully documented in board minutes

Issue

✓ No issues

✓ No evidence to show that all potential conflicts were openly discussed with all members

✓ No documentation to support why some members with conflicts were allowed to vote

## The board did not have appropriate controls to ensure compliance with funding use legal restrictions

- ✓ Many instances of noncompliance
- ✓ Lack of records made it very difficult to conduct the audit

### *Recommendations*

*OLA recommends implementing controls to ensure compliance with funding source legal provisions*

*OLA recommends correcting the errors found during the audit*

## The board did not follow state accounting policies

- ✓ Transaction coding
- ✓ Payroll, personnel, and expense reimbursement processing
- ✓ Management of access to statewide systems

### *Recommendations*

*OLA recommends following state payroll, personnel, accounting, and system access policies*

*OLA recommends correcting the errors found during the audit*



**Office of the Legislative Auditor**  
State of Minnesota

# Questions?

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