



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial Audit Division Report

**Council on Asian-Pacific
Minnesotans**
Fiscal Years 2000 through 2003



Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota state government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately forty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of representatives and senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

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OFFICE OF THE LEGISLATIVE AUDITOR
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Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. John Doan, Chair
Council on Asian-Pacific Minnesotans

Members of the Council on Asian-Pacific Minnesotans

Ms. Ilean Her, Executive Director
Council on Asian-Pacific Minnesotans

We have audited the financial activities of the Council on Asian-Pacific Minnesotans for the period July 1, 1999, through June 30, 2003. Our audit scope included receipts, employee payroll, per diem, rent, supplies, equipment, and other operating expenditures. The Report Summary highlights our overall audit conclusions. The specific audit objectives and conclusions are contained in the individual chapters of this report.

We selected the Council on Asian-Pacific Minnesotans for audit based on our annual assessment of state agencies and programs. We used various criteria to determine the entities to audit, including the size and type of each agency's financial operations, length of time since the last audit, changes in organizational structure and key personnel, and available audit resources.

We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of the department's internal controls relevant to the audit objectives. We used the guidance contained in *Internal Control-Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission as our criteria to evaluate the council's controls.

The standards also require that we plan the audit to provide reasonable assurance that the Council on Asian-Pacific Minnesotans complied with financial-related legal provisions that are significant to the audit. In determining the department's compliance with legal provisions, we considered requirements of laws, regulations, contracts, and grant agreements.

To meet the audit objectives, we gained an understanding of the Council on Asian-Pacific Minnesotans and the Department of Administration's financial policies and procedures. We considered the risk of misstatements in the accounting records and noncompliance with relevant legal provisions. We analyzed accounting data to identify unusual trends or significant changes in financial operations. We examined a sample of evidence supporting the agency's internal controls and compliance with laws, regulations, contracts, and grant provisions.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: May 7, 2004

Report Signed On: June 25, 2004

Council on Asian-Pacific Minnesotans

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
David Poliseno, CPA, CISA	Audit Manager
April Snyder	Auditor-in-Charge
Ching-Huei Chen, CPA	Auditor

Exit Conference

We discussed the results of the audit with the following participants at an exit conference on June 23, 2004:

Council on Asian-Pacific Minnesotans:

Kao Ly Ilean Her	Executive Director
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Department of Administration:

Larry Freund	Financial Management Director
Bruce Lemke	Accounting Director

Report Summary

Conclusion:

- The council safeguarded public funds and assets, complied with applicable legal provisions, properly recorded its financial transactions in the state's accounting system, and reasonably and prudently administered its financial affairs.

The audit report contained no audit findings relating to internal control and legal compliance. The department resolved the three findings included in our prior audit report.

Audit Scope:

Audit Period:

Fiscal Years 2000 – 2003

Selected Audit Areas:

- Receipts
- Payroll and Per Diem Payments
- Rent
- Supplies and Equipment
- Other Operating Expenses

Agency Background:

The Council on Asian-Pacific Minnesotans is an advisory council to the Governor, Legislature, and state agencies on issues pertaining to the Asian-Pacific community. The council is financed by a General Fund appropriation, which was \$304,000 for fiscal year 2003.

Council on Asian-Pacific Minnesotans

Chapter 1. Introduction

The Minnesota Legislature established the Council on Asian-Pacific Minnesotans in 1985. The council serves as advisor to the Governor and members of the Legislature on issues pertaining to Asian-Pacific Minnesotans and advocates on issues of importance to the Asian-Pacific community. The council consists of 23 members, 19 voting public members representing the Asian-Pacific communities of the state and 4 nonvoting legislative members appointed by the Senate and House of Representatives. The current Executive Director is Ilean Her.

The council works with the Department of Administration to process its transactions on Minnesota's Accounting and Procurement System (MAPS) and the State Employee Management System (SEMA4). The council and the department have a formal agreement that outlines each party's responsibilities relating to the processing of payroll, expenditure, and receipt transactions. The council is responsible for preparing its annual budget, initiating purchases, and reviewing and approving payroll, expense reports, and invoices before submitting these documents to the Department of Administration. The department maintains most of the original documentation for transactions processed and provides various reports to the council showing financial activity. The council is responsible for reviewing the reports and notifying the Department of Administration of any errors.

The council receives state appropriations to fund its operations. Table 1-1 summarizes the council's financial activities for fiscal year 2003.

Table 1-1
Sources and Uses of Funds
Fiscal Year 2003

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Gift Fund</u>
Sources:			
State Appropriation ^(Note 1)	\$292,548	\$ 0	\$ 0
Grants	0	2,197	0
Donations	0	0	16,370
Interest	0	0	289
Balance Forward In	<u>10,480</u>	<u>0</u>	<u>12,460</u>
Total Sources	<u>\$303,028</u>	<u>\$2,197</u>	<u>\$29,119</u>
Uses:			
Payroll	\$232,458	\$ 0	\$ 0
Rent	27,107	0	0
Supplies	3,395	0	1,148
Equipment	3,290	0	0
Other	<u>9,251</u>	<u>2,197</u>	<u>20,983</u>
Total Expenditures	\$275,501	\$2,197	\$22,131
Transfers Out	17,700	0	0
Balance Forward Out	<u>9,827</u>	<u>0</u>	<u>6,988</u>
Total Uses	<u>\$303,028</u>	<u>\$2,197</u>	<u>\$29,119</u>

Note 1: The State Appropriation amount is net of an appropriation reduction of \$11,452 per Minn. Stat. Section 16A.152, Subd. 4.
Source: Minnesota Accounting and Procurement System (MAPS) for fiscal year 2003, as of December 31, 2003.

Chapter 2. Receipts

Chapter Conclusions

The Council on Asian-Pacific Minnesotans' internal controls provided reasonable assurance that it safeguarded receipts, accurately recorded the revenue in the accounting records, and complied with significant finance-related legal provisions and management's authorizations.

For the items tested, the council complied with significant finance-related legal provisions concerning receipts.

Audit Objective

The primary objective of our audit was to answer the following questions:

- Did the Council on Asian-Pacific Minnesotans adequately safeguard and accurately record receipts in the accounting records and in compliance with applicable legal provisions and management's authorization?
- For the items tested, did the Council on Asian-Pacific Minnesotans comply with the significant finance-related legal provisions concerning receipts?

Background Information

During the audit period, the council received monies from grants and donations. The council received grants from local foundations for projects related to the Asian-Pacific community. The council contracted with local vendors to provide the services identified in the grant agreements. The executive director and the board chair signed the contracts. The council also receives donations from people attending the annual Heritage Dinner. The Heritage Dinner occurs each May (the month Congress designated as Asian-Pacific Month). The council serves as fiscal agent for the event by collecting the receipts and disbursing the funds.

The council deposits receipts in the state treasury. The Department of Administration records the receipts in the state's accounting system. The council receives a monthly revenue report to review.

There were no findings related to receipts.

Chapter 3. Operating Expenditures

Chapter Conclusions

The Council on Asian-Pacific Minnesotans' internal controls provided reasonable assurance that operating expenditures were accurately reported in the accounting records and in compliance with applicable legal provisions and management's authorization.

For the items tested, the council complied with significant financial-related legal provisions concerning operating expenditures. During the audit period, we found the majority of expenditure transactions in MAPS had incorrect record dates. During fiscal year 2004, we found that the council and the Department of Administration improved their process and used the correct record dates. Also, during most of the audit period, the Department of Administration did not provide the council with the SEMA4 payroll register for its review to ensure that the payroll transactions were properly recorded on the state's accounting system. In March 2003, the council began receiving and reviewing the payroll register.

Audit Objective

The primary objective of our review of operating expenditures was to answer the following questions:

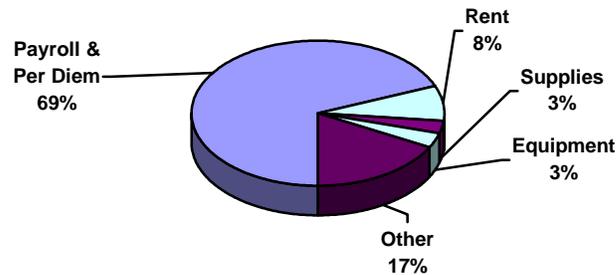
- Did the council's internal controls provide reasonable assurance that operating expenditures were accurately reported in the accounting records and in compliance with applicable legal provisions and management's authorization?
- For the items tested, did the council comply, in all material respects, with significant finance-related legal provisions concerning operating expenditures?

Background Information

The council incurs a variety of operating costs, such as payroll and per diems, rent, supplies, and equipment. The executive director and an office manager perform most of the administrative functions of the council. Figure 3-1 shows operating expenditures by type for the four fiscal years ended June 30, 2003.

Council on Asian-Pacific Minnesotans

**Figure 3-1
Operating Expenditures
Fiscal Years 2000 through 2003**



Source: Minnesota Accounting and Procurement System.

Payroll and Per Diem

Payroll is the council's largest expenditure category, totaling approximately \$905,500 during the four-year audit period. The council consists of four full-time employees: an executive director, office manager, management analyst, and research analyst. Each pay period, council staff completed timesheets, which the executive director reviewed and approved. The chair of the board approved the executive director's timesheets. The council submitted the documents to the Department of Administration who processed the payroll for the council. The Department of Administration sends various payroll reports to the council for review.

The council also paid per diems in the amount of \$55 a day to board members for their participation in approved council activities. Minn. Stat. Section 15.0575, Subd. 3 governs the council's per diem compensation. Due to budget concerns, in February 2003, the council stopped paying per diems to board members.

Space Rental

The council has an office space lease that the Department of Administration's Real Estate Management Division negotiated. During the audit period, the council's lease payments ranged from about \$2,200 to \$2,317 per month. In September 2003, the council moved to its current location in the Centennial Office Building resulting in new monthly lease payments of \$1,200.

Supplies and Equipment

The council spent a total of \$81,250 on supplies and equipment during the audit period. The largest purchases consisted of computers and office furnishings. The council submitted purchase requests to the Department of Administration who generated the purchase orders on MAPS. The

Council on Asian-Pacific Minnesotans

department sent the completed purchase orders to the council who finalized the purchases. In addition, the council incurred costs associated with the annual Heritage Month dinners and community forums.

There were no findings related to operating expenditures.

**Status of Prior Audit Issues
As of May 7, 2004**

Most Recent Audits

Legislative Audit Report 00-30, issued in July of 2000, covered the three fiscal years ended June 30, 1999. The scope of this audit included grant administration, administrative expenditures, and payroll. The report included three written issues related to grants and per diem payments. All the issues were resolved.

Special Review: State-Paid Per Diems Legislative Audit Report 01-05, issued in March 2001. The objective of the special review was to identify the legal requirements for payment of per diems and the administrative policy and procedural changes that boards and committees could institute to ensure compliance with existing per diem laws and to determine whether any state employee inappropriately received per diems during fiscal year 2000. The report concluded that the council paid per diems to three board members who were ineligible due to their full-time employment with the State of Minnesota. The council has recovered \$3,015 of the ineligible payments and is currently working with the Attorney General's Office to collect the remaining \$120.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.