

O L A

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial Audit Division Report

Council on Black Minnesotans
Fiscal Years 2002 through 2005



February 3, 2006

06-03

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.

This document can be made available in alternative formats, such as large print, Braille, or audio tape, by calling 651-296-1235 (voice), or the Minnesota Relay Service at 651-297-5353 or 1-800-627-3529.

All OLA reports are available at our Web Site: <http://www.auditor.leg.state.mn.us>

If you have comments about our work, or you want to suggest an audit, investigation, or evaluation, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us



OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Kevin Lindsey, Chair
Council on Black Minnesotans

Members of the Council on Black Minnesotans

Mr. Lester Collins, Executive Director
Council on Black Minnesotans

We conducted an audit of the Council on Black Minnesotans for the period July 1, 2001, through June 30, 2005. Our audit scope included employee payroll and board member per diem, space rental, grant revenues and expenditures, contractual services, other operating costs, and selected administrative expenditures. Our objectives focused on a review of the council's internal controls over these financial activities and compliance with applicable legal provisions.

The Report Summary highlights our overall audit conclusions. The specific audit objectives and conclusions for each area are contained in the individual chapters of this report.

We would like to thank the staff from the Council on Black Minnesotans and the Department of Administration for their cooperation during this audit.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: September 19, 2005

Report Signed On: January 31, 2006

Council on Black Minnesotans

Table of Contents

	Page
Report Summary	1
Chapter 1. Introduction	3
Chapter 2. Payroll and Per Diem	5
Chapter 3. Administrative Expenditures	9
Chapter 4. Grant Revenues and Expenditures	13
Status of Prior Audit Issues	17
Council on Black Minnesotans' Response	19
Department of Administration's Response	23

Audit Participation

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
David Polisen, CPA, CISA, CFE	Audit Manager
Ellen Sibley, CPA, CIA, CFE	Auditor-in-Charge
George Deden, CPA	Auditor
John Hakes, CPA	Auditor
Gena Hoffman	Auditor

Exit Conference

We discussed the results of the audit with the following staff of the Council on Black Minnesotans and the Department of Administration at an exit conference on January 20, 2006:

Council on Black Minnesotans

Lester Collins	Executive Director
Roger Banks	Research Analyst
Rebecca Johnson	Office and Administrative Specialist

Department of Administration

Larry Freund	Financial Management Director
Bruce Lemke	Accounting Director

Council on Black Minnesotans

Report Summary

Key Findings:

- Some Council on Black Minnesotans' payroll expenditures were not adequately supported by time and leave records. (Finding 1, page 6)
- The council did not comply with some legal provisions pertaining to administrative expenditures. (Finding 5, page 9)
- The council did not always accurately record its transactions in the accounting system or pay its invoices in a timely manner. (Finding 6, page 11)
- The council did not deposit or record approximately \$29,000 in fundraising receipts in the state's accounting system. (Finding 9, page 15)

The audit report contained 9 audit findings relating to internal control and legal compliance. The council fully resolved 6 of the 12 findings included in our prior audit report.

Audit Scope:

Audit Period:

Fiscal Years 2002-2005

Selected Audit Areas:

- Payroll
- Administrative Expenditures

Agency Background:

The Council on Black Minnesotans' mission is to provide all individuals of African descent with equal access to state services and programs and to relate the needs of those individuals to the Legislature.

A General Fund appropriation funds the council's activities. Beginning in fiscal year 2003, the council received grant funds from the Minnesota Partnership for Action Against Tobacco to participate in tobacco control efforts in the African American community.

Council on Black Minnesotans

This page intentionally left blank.

Council on Black Minnesotans

Chapter 1. Introduction

The Council on Black Minnesotans was established by the Legislature in 1980 and operates under the authority of *Minnesota Statutes*, 3.9225. The council's mission is to provide all individuals of African descent with equal access to state services and programs and to relate the needs of those individuals to the Legislature. The council also works with other minority councils on common concerns and advises the Governor, Legislature, and other state agencies on issues that effect black Minnesotans. In addition, the council provides research and referral services. Council activities also include participating in tobacco control efforts to reduce tobacco use among the African American community. In addition, the council sponsors and coordinates the annual Martin Luther King, Jr. holiday celebration.

The council consists of 13 members appointed by the Governor and four non-voting members from the Minnesota Senate and House of Representatives. The council meets on a monthly basis, and employs four full-time and one part-time staff members. Lester Collins serves as the executive director of the council.

The council receives state appropriations to fund its operations. Additionally, in May 2002, acting as fiscal agent for the African American Tobacco Network, the council entered into a \$245,000 grant from the Minnesota Partnership for Action against Tobacco. Pursuant to statute, the Department of Administration provides administrative services to the council, which includes entering payroll, receipt, and disbursement transactions into the state's accounting and payroll systems. Table 1-1 summarizes the council's financial activities for the four fiscal years ended June 30, 2005.

Table 1-1
Sources and Uses of Funds
Fiscal Years 2002-2005

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Sources:				
State Appropriations	\$342,000	\$352,000	\$282,000	\$282,000
Less: Cancelled or Reverted		<u>(13,259)</u>	<u>(5,000)</u>	
Net Appropriations	<u>\$342,000</u>	<u>\$338,741</u>	<u>\$277,000</u>	<u>\$282,000</u>
Receipts	20,847	20,567	81,701	81,686
Balance Forward In	17,408	66,963	46,995	61,921
Total Sources	<u>\$380,255</u>	<u>\$426,271</u>	<u>\$405,696</u>	<u>\$425,607</u>
Uses:				
Expenditures:				
Payroll	\$198,791	\$238,232	\$277,556	\$276,993
Rent	27,897	30,065	29,252	26,497
Contractual Services	18,373	10,500	1,061	10,703
Other Operating Costs	19,486	13,624	7,525	10,558
Other Administrative Expenditures	48,745	66,335	28,381	52,266
Balance Forward Out	66,963	46,995	61,921	48,590
Transfer Out	<u>0</u>	<u>20,520</u>	<u>0</u>	<u>0</u>
Total Uses	<u>\$380,255</u>	<u>\$426,271</u>	<u>\$405,696</u>	<u>\$425,607</u>

Source: Minnesota Accounting and Procurement System as of September 30, 2005.

Council on Black Minnesotans

Audit Approach

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 council'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 agency controls. The standards also require that we plan the audit to provide reasonable assurance that the council complied with financial-related legal provisions that are significant to the audit. In determining the council'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 Black Minnesotans financial policies and procedures. We considered the risk of errors in the accounting records and noncompliance with relevant legal provisions. We analyzed accounting data to identify unusual trends or significant changes in financial operations, and reviewed security clearances for various computer systems. We examined a sample of evidence supporting the council's internal controls and compliance with laws, regulations, contracts, and grant provisions.

Chapter 2. Payroll and Per Diem

Chapter Conclusions

The Council on Black Minnesotans' timesheets did not always reflect the actual hours worked in a pay period, as discussed in Finding 1. In addition, the council did not always review the payroll register report to ensure that payroll transactions were accurately recorded on the state's accounting system, as discussed in Finding 2.

The council overpaid \$110 in per diems to two board members who claimed reimbursement for attending two meetings in one day. Also, the council did not pursue collection of the \$1,430 overpayments we identified in our prior audit report. We repeated this issue in Finding 3 of the current audit report. In addition, the council did not comply with the statutory provision that required reporting to the Governor when council members missed three consecutive council meetings, as discussed in Finding 4.

Audit Objective

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

- Did the council's internal controls provide reasonable assurance that payroll expenditures were accurately recorded in the accounting records and in compliance with applicable legal provisions and management's authorization?
- Did the Council comply with significant finance-related legal provisions over payroll, including applicable bargaining agreements?
- Did the council pay per diems in accordance with applicable legal provisions?

Background

The Council on Black Minnesotans had four full-time employees and one part-time employee during the audit period. These employees were members of various bargaining units and compensation plans including the American Federation of State, County and Municipal Employees, Minnesota Association of Professional Employees, and the Managerial Plan. Payroll represented the council's largest expenditure and averaged about \$248,000 each year.

Council on Black Minnesotans

Each pay period, council staff completed timesheets and leave requests, which were approved by the executive director. The council's payroll timekeeper batched the documents and faxed them to the Department of Administration for data input. The council staff later submitted the original documents to the department, and retained copies at the council office.

The council also paid per diems in the amount of \$55 per day to board members for their participation in council activities. *Minnesota Statutes*, 15.0575, subd. 3, governs the council's per diem compensation.

Findings and Recommendations

1. Some Council on Black Minnesotans' payroll expenditures were not adequately supported by time and leave records.

The council did not always ensure that employees reported actual time and leave taken on their timesheets. In addition, in some cases, the council did not appear to use accrued sick and vacation time in accordance with applicable bargaining agreements. Finally, it did not appear that the council established and monitored employees' normal work hours. Our review of payroll activity disclosed the following concerns:

- The council allowed two employees to inappropriately record regular time for absences during the normal work hours. From January through June 2005, two individuals recorded about 174 hours for attending a 15-hour per week internship. The internship required class attendance and on-site training at other locations during the normal workweek. The executive director did not approve participation in the internship program as part of the work schedule and expected the employees to make up the time. However, the timesheets do not document absences or when the time away was made up. We also question the reasonableness of an employee working 11 to 14-hour days to make up time spent in the internship program.
- The council allowed employees to inappropriately use sick leave. For example, one employee used five hours of sick leave and two hours of vacation leave to care for a non-dependent child. The employee did not have enough vacation leave for the entire time, so the employee used sick leave as well. When we questioned whether council employees have discretion in recording the type of leave taken, the executive director stated that he was sensitive to employees' leave balances and he did allow employees to record leave according to the balance in the leave accounts. In addition, he said that he was unaware that bargaining agreements limit the use of sick leave to dependent children only.

The best control over the integrity of employees' hours is achieved when supervisors with direct knowledge of the state policies for recording time and provisions of the bargaining unit agreements review and approve the timesheets. Supervisors should be aware of employees' presence or absences from work. Lack of accountability and monitoring increases the risk that employees may misuse state time and underreport or inappropriately report leave and potentially receive payment for hours not worked. The executive director has ultimate responsibility for

Council on Black Minnesotans

validating that employees have provided services and are entitled to payment, and to ensure that payroll activity is accurately recorded in SEMA4 (the state's payroll system) in compliance with related bargaining agreement provisions.

Recommendation

- *The council should establish procedures to ensure employee timesheets accurately record work performed on council activities and vacation and sick leave usage in accordance with state policy and collective bargaining agreements.*

2. PRIOR AUDIT FINDING NOT RESOLVED: The council did not always review the payroll register report to ensure that payroll and personnel transactions were entered accurately on SEMA4.

Each pay period, the Department of Administration entered council payroll and personnel transactions into SEMA4, which generated payments to council employees. The Department of Administration generally provided the council with the payroll register report for verification of payroll input. However, both council and department staff indicated that the department may not have always sent the reports to the council for verification. The council did not approve 7 of 14 payroll registers and it could not locate six other reports. SEMA4 Operating Policy and Procedure PAY0028 requires agencies to review the payroll register to verify that time and amounts were paid at the correct rate, and any necessary adjustments were processed.

Without reviewing the payroll register, the council cannot determine if the payroll was entered correctly, or if unauthorized transactions were processed.

Recommendation

- *The council should work with the department to ensure that it receives all of the payroll registers and review them each pay period to verify the accuracy of payroll and personnel transactions entered in SEMA4.*

3. PRIOR AUDIT FINDING NOT RESOLVED: The council inappropriately paid per diems to some council members and did not diligently pursue collection of the overpayments.

In July 2002, the council overpaid \$110 in per diems to two board members who claimed reimbursement for attending two meetings in one day. In addition, the council did not collect overpayments of per diems noted in our prior audit report. Council members are entitled to \$55 per day pursuant to *Minnesota Statutes*, 15.0575, subd. 3.

At the time of our last audit, the statute prohibited per diem compensation for full-time employees of the state, or a political subdivision of the state. The prior audit identified per diem payments totaling \$1,430 for board members who were ineligible due to their employment

Council on Black Minnesotans

status. Prior to July 2002, the council sent letters to these board members requesting repayment of the per diem amounts. However, as of September 2005, the council has not received any repayments.

Recommendation

- *The council should work with the Office of the Attorney General to pursue collection of the \$1,540 in board member per diem overpayments.*

4. The council did not notify the Governor, as required by *Minnesota Statutes*, when members missed three consecutive meetings.

For the period October 2004 through December 2005, we identified seven council members who missed three or more consecutive meetings. The council did not notify the Governor's Office when this occurred. *Minnesota Statutes*, 15.0575, subd. 4, states:

A member may be removed by the appointing authority at any time (1) for cause, after notice and hearings, or (2) after missing three consecutive meetings. The chair of the board shall inform the appointing authority of a member missing the three consecutive meetings. After the second consecutive missed meeting and before the next meeting, the secretary of the board shall notify the member in writing that the member may be removed for missing the next meeting.

Although there are legitimate reasons for occasional absences, certain members had difficulty attending council meetings on a regular basis. The council provided notification to members and the chair after members missed two consecutive meetings; however, subsequent absences did not result in a notification to the Governor's Office. Recently, the council began granting excused absences, which it did not include as a missed meeting. *Minnesota Statutes*, 15.0575, does not allow the council to grant excused absences to avoid the required notification to the Governor. Due to the number of absences, the council has not had a quorum at some meetings and, as a result, has been unable to conduct official business.

Recommendation

- *The council should notify the Governor of members who miss three consecutive meetings in accordance with *Minnesota Statutes*.*

Chapter 3. Administrative Expenditures

Chapter Conclusions

Generally, the Council on Black Minnesotans' internal controls provided reasonable assurance that administrative expenditures were accurately reported in the accounting records and in compliance with applicable legal provisions. However, the council did not document its compliance with certain legal requirements for some contracts, as discussed in Finding 5. Also, the council did not always accurately record its transactions in the accounting system or pay its invoices in a timely manner, as discussed in Finding 6.

Audit Objectives

Our review of administrative expenditures focused on the following questions:

- Did the council's internal controls provide reasonable assurance that rent, contract services, supplies, and equipment 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 rent, contract services, supplies, and equipment?

Background Information

In addition to payroll, the council incurred about \$400,000 in expenditures to support its operations during fiscal years 2002 through 2005. We focused our review on rent, contractual services, supplies, and equipment. The council entered into contracts totaling \$40,636 and paid approximately 87 percent of these expenditures to vendors for the Martin Luther King, Jr. holiday celebration. The Department of Administration processed administrative expenditure transactions on behalf of the council.

Findings and Recommendations

5. PRIOR AUDIT FINDING PARTIALLY RESOLVED: The council did not comply with certain legal requirements for some contracts.

We reviewed various contracts entered into by the council during our audit period. Although the council made improvements in this area, we still identified the following weaknesses:

Council on Black Minnesotans

- The council entered into contracts totaling about \$21,000 without ensuring that sufficient funds were available to meet the obligations, and allowed the vendors to begin work prior to the execution of the agreements. These contracts were for services provided in connection with the annual Martin Luther King, Jr. holiday celebration.

Also, in October 2004, the board approved two annual plan agreements and the vendors began work on the Martin Luther King, Jr. celebration prior to properly executing the contracts. *Minnesota Statutes*, 16C.05, subd. 2, requires that all parties properly sign and execute the contract before the contract is valid to limit the state's liability and to clarify the responsibilities of the council and the contractor. Additionally, the council did not request encumbrance verification from the Department of Administration until November and December 2004. *Minnesota Statutes*, 16A.15, subd. 3, requires state agencies to either encumber funds or certify that sufficient funds exist prior to incurring any obligation to ensure that the agencies do not exceed their appropriation authority.

- The council did not always pay for services consistent with contract terms. Payments for 10 of 14 transactions tested were inconsistent with contract terms. In four of those cases, the council approved two original invoices and sent them along with two faxed copies to the Department of Administration for payment. As a result, the department made duplicate payments to the vendor. The department adjusted future invoices to correct the duplicate payments.

In addition, the council approved four contract invoices that differed from the payment amounts in the contract. The Department of Administration adjusted the payments to match the contract amounts. The council should review the invoices to ensure that the invoices comply with the contract terms prior to submitting them to the Department of Administration for payment. In two other cases, the council paid the invoices after the contract due dates.

- The council incurred an obligation for space rental of \$7,000, which exceeded the Department of Administration's \$5,000 local purchasing authority for the council. The council did not follow competitive bidding requirements when incurring the obligation. The council increases the risk of unauthorized purchases and paying for noncompetitive prices by not following applicable purchasing requirements.

Recommendations

- *The council should ensure that all contracts are properly authorized and that funds have been encumbered prior to any work being performed on a project.*
- *The council should review all invoices to ensure that they comply with the terms and conditions of the contracts.*
- *The council should comply with the state's local purchasing authority.*

Council on Black Minnesotans

- 6. PRIOR AUDIT FINDING PARTIALLY RESOLVED: The council did not properly record its transactions in the state’s accounting system (MAPS) or pay its invoices in a timely manner.**

The council could not always provide sufficient documentation to support the payment record date for some MAPS transactions. In 14 out of 27 transactions tested, we could not determine the correct record date due to missing documentation such as packing slips and dates of service. The council received the invoices, approved them, and sent them to the Department of Administration for input. The Department of Finance uses the record date to determine the state’s outstanding liabilities at year-end for financial reporting purposes.

The council also did not make timely payments for 2 of 27 payments tested. *Minnesota Statutes*, 16A.124, subd. 3, requires that vendors be paid within 30 days from the date the goods or the related invoices were received, whichever is later.

A Department of Administration internal audit report for fiscal year 2005 transactions identified similar concerns related to accurate coding and timely payment of expenditures.

Recommendations

- *The council should code the correct record date in the accounting system when processing payments.*
- *The council should pay invoices in accordance with the time frames established in law.*

Council on Black Minnesotans

This page intentionally left blank.

Chapter 4. Grant Revenues and Expenditures

Chapter Conclusions

The council's internal controls provided reasonable assurance that grant revenue and expenditure transactions were properly recorded in the state's accounting system and complied with applicable legal provisions and management's authorization. However, the council needs to resolve a \$51,000 balance owed to the Minnesota Department of Education for the Clearinghouse of Best Educational Practice, as discussed in Finding 7.

For the items tested, the council generally complied with significant finance-related legal provisions concerning grants. However, the council did not document in-kind contributions to ensure compliance with a grant agreement, as discussed in Finding 8. Also, the council did not deposit or record approximately \$29,000 in fundraising receipts on the state's accounting system, as discussed in Finding 9.

Audit Objectives

Our audit of the council's grant revenues and expenditures focused on the following objectives:

- Did the council's internal controls provide reasonable assurance that grant revenues and expenditures were properly recorded in the state's accounting system and complied with applicable legal provisions and management's authorization?
- For the items tested, did the council comply with significant finance-related legal provisions concerning grant revenues and expenditures?

Background

In May 2002, the council, acting as fiscal agent for the African American Tobacco Network, entered into a three-year grant totaling \$245,000 with the Minnesota Partnership for Action Against Tobacco (MPAAT). The council had received \$204,160 in grant funds through June 30, 2005. The purpose of the grant was to participate in tobacco control efforts to reduce tobacco use among the African American community. The council hired a network coordinator in fiscal year 2003 to implement the grant project work plan, including community and medical outreach and education. MPAAT extended the grant to December 31, 2005. The grant agreements required quarterly financial and program reports comparing budget to actual expenditures. In addition, MPAAT hired independent consultants to annually evaluate the grant progress.

Council on Black Minnesotans

Findings and Recommendations

7. PRIOR FINDING NOT RESOLVED: The council has not repaid its \$51,000 Clearinghouse of Best Educational Practices grant to the Minnesota Department of Education (formerly the Department of Children, Families & Learning).

Our prior audit reported that the council intentionally transferred grant proceeds to a local foundation to avoid losing the grant revenue. In fiscal year 1999, the council received a \$60,000 grant from the Department of Children, Families & Learning (CFL) to establish a Clearinghouse of Best Educational Practices. The grant period ended June 30, 1999, and all costs had to be incurred prior to that date. As of June 30, 1999, the council had received \$58,000 from CFL and had not spent any of the grant funds. The council entered into an agreement with the foundation, which created the Council on Black Minnesotans Fund for Best Education Practices. The council subsequently spent about \$51,000 on grant-related activities. Since our last audit, the council has repaid approximately \$6,800 of unexpended grant funds to CFL as stipulated in the grant agreement. However, the council has yet to repay the \$51,000 it spent.

Recommendation

- *The council should work with the Department of Education to resolve the \$51,000 balance due for the Clearinghouse of Best Education Practices grant.*

8. The council did not document in-kind contributions to ensure compliance with a grant agreement.

As part of the \$245,000 grant it received from the Minnesota Partnership for Action Against Tobacco (MPAAT), the council agreed to provide in-kind contributions totaling \$72,000 in support of the grant activities. The council provided quarterly financial and program reports to MPAAT as required by the grant agreement. However, the council did not report any in-kind contributions. In addition, the council could not provide documentation that it met the in-kind requirement. The council should document this activity to ensure that the in-kind contributions complied with the grant agreement.

Recommendation

- *The council should document its in-kind contributions to ensure compliance with grant agreement terms.*

Council on Black Minnesotans

9. PRIOR AUDIT FINDING PARTIALLY RESOLVED: The council did not deposit about \$29,000 in the state treasury or record the activity in MAPS.

From January 2002 through March 2005, the council collected about \$29,000 in private donations for the annual Martin Luther King, Jr. holiday celebration. However, the council did not deposit these receipts in the state treasury or record the activity in the state's accounting system. Rather, the council used a local foundation to process the receipts and disbursements and record the financial activity. In addition to the donations, the council received an annual state appropriation to fund the holiday celebration. The governor appointed a commission to oversee the celebration. The council's executive director chaired the commission that administrated the event and had decision-making authority over use of the funds. The council includes all financial activity relating to the celebration when submitting information to the Legislature as a part of the biennial budget process, providing a further link that this is state activity. By not depositing the monies in the state treasury, the council is able to bypass state purchasing requirements.

Recommendation

- *The council should work with the Department of Finance to establish appropriate procedures for processing and recording receipts and disbursements for the annual Martin Luther King, Jr. holiday celebration.*

Council on Black Minnesotans

This page intentionally left blank.

**Status of Prior Audit Issues
As of September 19, 2005**

Most Recent Audit

Legislative Audit Report 02-60, issued in September 2002, covered the period July 1, 1998 through December 31, 2001. The audit scope included payroll and per diems, grant revenues and expenditures, contractual services, and other administrative expenditures. The report contained 12 findings, 6 of which have been fully resolved. However, Findings 1, 2, 6, 7, 8, and 9 were either partially resolved or not resolved at all. We have repeated those six findings in this report.

The prior audit report also identified an issue pertaining to an employee falsifying time and leave reports. As a result, we questioned about \$5,500 of compensation paid to the employee. We referred the matter to the Office of the Attorney General, who entered into a settlement agreement with the former employee in September 2005.

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.

Council on Black Minnesotans

This page intentionally left blank.



STATE OF MINNESOTA
COUNCIL ON BLACK MINNESOTANS

Wright Building • Suite 426
2233 University Avenue • St. Paul, MN 55114 • (651) 642-0811 • 643-3580 FAX

January 30, 2006

Mr. James R. Nobles
Legislative Auditor
Office of the Legislative Audit
140 Centennial Building
658 Cedar Building
St. Paul, MN 55155-1603

Dear Mr. Nobles:

Please accept the response of the Council on Black Minnesotans to the draft audit report for the period July 1, 2001 through June 30, 2005.

Thanks for changes made during our discussions on January 20, 2006. Please note a request for changes in a few minor points in our response. We sincerely appreciate the efforts taken by your audit staff to clarify issues raised in the report. Additionally, we thank you for and greatly appreciate the professional and helpful manner in which the audit was conducted.

Please inform us if there are any issues or further recommendations that we appear not to have fully understood or covered adequately in our response.

Very truly yours,

/s/ Lester R. Collins

Lester R. Collins
Executive Director

cc: Kevin Lindsey, Chair

Council on Black Minnesotans Responses to the
MN Office of the Legislative Auditor Report
January 30, 2006

Prefacing Remarks:

The person responsible for implementing the enclosed recommendations is the Executive Director of this agency.

Chapter 2: Payroll and Per Diem

There are inconsistencies in the findings for bullets one (1) and two (2) in Item one (1).

Item One - Bullet One (1):

A work plan was developed that delineated the hours that interns were expected to work at the Council. This document expressed mutually agreed upon terms between the Executive Director and the interns and was developed in consultation with the Human Resource Division of the Department of Administration. Within this context it was specified when staff could make up time spent at their internships. In addition, the status of the internship process was reported to the Council on Black Minnesotan's Board of Directors on a regular basis.

We respectfully request that the last sentence under the first bullet be modified to reflect that there was only one staff person that worked from 11 to 14 hours a day to make up hours related to the internship program.

Item One (1) - Bullet Two (2):

While no formal monitoring process exists, the Executive Director has been fully aware of the presence and absence of all employees.

The Executive Director did not authorize an employee to use five (5) hours of sick leave And two (2) hours of vacation leave. Initially there was an error on an employee's timesheet. Human Resources staff identified this issue and brought it to the attention of the employee. The Executive Director was not made aware of this issue and was not consulted or involved in the negotiations associated with this issue.

The Council will use procedures to ensure that employee time is accurately recorded. This includes work performed on Council activities and vacation and sick leave usage. This will be done in accordance with state policy and collective bargaining agreement provisions.

Item Two (2)

Recommended change – The Council did not always review the payroll register to ensure that payroll and personnel transactions are entered accurately on SEMA4.

The Council agrees with the recommendation and will work with the Department of Administration to ensure that it receives all payroll registers each pay period and will verify the accuracy of payroll and personnel transactions. The new self serve payroll entry process will aid in this process.

Item Three (3)

For the purpose of clarification, it should be mentioned that prior to the ruling regarding the payment of per diem to board members the Council sought the advice and guidance of the Office of the Attorney General who advised the Council to cease and desist per diem payments. Subsequently to the decision to allow such payments, we continued to cease and desist. Verification relative to this situation was provided to the audit team.

The Council will vigorously seek repayment of the \$1,430 for per diem over payment. The Council will also seek to pay per diem to those board members who are entitled to receive such payment as the result of the ruling that legitimized payment.

The Council has made sincere efforts to seek restitution of the per diem payments and will work with the Office of the Attorney General to collect a total of \$1,540 in per diem overpayments. This effort will be concluded by July 1, 2006.

Item Four (4)

In the future, the Council will, in accordance with Minnesota Statutes, notify the Governor of members who miss three (3) consecutive meetings.

Chapter Three (3): Administrative Expenditures

Item Five (5)

The Council will continue to work to resolve these issues, particularly the invoice and contract issues associated with the Dr. Rev. Martin Luther King Jr. Holiday Celebration. More specifically, concerted efforts will be made to ensure properly authorized contracts, the receipt and review of invoices, and that all transactions are in compliance with the Minnesota Local Purchasing Authority Guidelines.

In addition, the Council will consult with the Department of Administration to ensure that all legal requirements are understood and met. Currently the Council is in discussions that will result in its service level agreement being amended. It is anticipated that these

changes will more clearly delineate the roles of the Council and the Department of Administration.

Item Six (6)

The Council will continue to work with the Department of Administration to ensure appropriate code utilization and that timely payment of expenditures will be made.

Chapter Four: Grant Revenues and Expenditures

Item Seven (7)

The Council will continue to work with the Minnesota Department of Education to resolve the \$51,000 repayment issue associated the “Clearinghouse of Best Education Practices Grant. Efforts will be made to secure a letter from MDE indicating the successful resolution of this issue within ninety (90) days.

Item Eight (8)

The Council, through the Minnesota African American Tobacco Education Network (MAATEN), is developing an agreement with Minnesota Partnership for Action Against Tobacco (MPAAT) that will ensure compliance with contract specifications that require the provision of \$72,000 in documented in kind services over a three year period. This process will be completed in the next thirty (30) days.

Item Nine (9)

The Council adhered to all state policies and procedures when state revenues were used. However, no process regarding this issue has been recommended for the handling of non-state revenues. In this respect, the Council will continue to work with the Department of Finance to establish an acceptable process for recording the receipts and disbursements for the annual Dr. Rev. Martin Luther King Jr. Holiday Celebration.



January 31, 2006

James R. Nobles, Legislative Auditor
First Floor South, Centennial Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for the opportunity to discuss with your staff the results of the audit of the Council on Black Minnesotans for the period of July 1, 2001 through June 30, 2005. We recognize the importance of sound financial management and are committed to working with the Council to address the issues identified in this report.

Currently, Admin's Financial Management & Reporting Division and the Council on Black Minnesotans have a signed agreement that emphasizes responsibilities of the parties and the value of strong communication of information to ensure each party can fulfill its mutually agreed-upon responsibilities successfully.

Concerning the payroll register issue addressed in Finding 2, Admin's Human Resources Division will send the payroll registers via e-mail to Lester Collins and his assistant at the Council on Black Minnesotans on the first Monday of the pay period. If there is no response by the following Monday, a copy will be faxed to the Council. If a response is not received by Wednesday of that same week, the Council's Board Chair will be notified. Patti Gaylord will be the person responsible in Admin.

Again, we will continue to make every effort to assist the Council of Black Minnesotans in properly managing their financial resources. In order to better accomplish this, we will look for improved communication from the Council, more timely knowledge of financial decisions, and a more timely receipt of complete transaction processing documentation.

Should you have any questions, please feel free to contact Larry Freund, Admin's Financial Management Director, at 651-201-2563 for assistance.

Very truly yours,

/s/ Dana B. Badgerow

Dana B. Badgerow
Commissioner