

Financial-Related Audit

Office of Ombudspersons for Families

July 1, 1998, through June 30, 2002



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 fifty 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 and one best practices review.

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.

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



Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

J. Ann Hill, Ombudsperson for African American Families
Bauz Nengchu, Ombudsperson for Asian Pacific Families
Dawn Blanchard, Ombudsperson for American Indian Families
Alba Olmedo-Bihi, Ombudsperson for Spanish-Speaking Families

We have audited the Office of Ombudspersons for Families for the period July 1, 1998, through June 30, 2002. Our audit scope included grant receipts from the Department of Children, Families, and Learning, and payroll, rent, and other administrative expenditures. The audit objectives and conclusions are highlighted in the individual chapters of this report.

We conducted our audit in accordance with *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards require that we design the audit to provide reasonable assurance that the Ombudspersons for Families complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. The management of the office is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of the Ombudspersons for Families. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 27, 2003.

/s/ James R. Nobles

/s/ Claudia J. Gudvangen

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: February 21, 2003

Report Signed On: March 21, 2003

Office of Ombudspersons for Families

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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
Jeanine Leifeld, CPA, CISA	Audit Manager
Ching-Huei Chen, CPA	Auditor-in-Charge

Exit Conference

We discussed the results of the audit with the following representatives of the Office of Ombudspersons for Families and the Department of Administration at an exit conference on March 3, 2003:

J. Ann Hill	Ombudsperson for African American Families
Bauz Nengchu	Ombudsperson for Asian Pacific Families
Dawn Blanchard	Ombudsperson for American Indian Families
Alba Olmedo-Bihi	Ombudsperson for Spanish-Speaking Families
Mike Zabel	Accounting Officer, Department of Administration
Bruce Lemke	Accounting Director, Department of Administration

Report Summary

Key Findings:

- The office did not review the payroll register report to ensure that the Department of Administration accurately entered payroll and personnel transactions. (Finding 1, page 6)
- The office overpaid one employee \$448 as a result of a special pay miscalculation by the Department of Administration. (Finding 2, page 7)
- The office did not comply with certain provisions of its space rental agreement that was in effect from November 1, 1996, to October 31, 2001. (Finding 3, page 11)

Agency Background:

The Legislature created the four ombudspersons for families' positions in 1991. The legislation requires the office to operate independently, but in collaboration with, the Indian Affairs Council, the Chicano-Latino Affairs Council, the Council on Black Minnesotans, and the Council on Asian-Pacific Minnesotans. The office's primary duty is to ensure that all laws governing the protection of children and their families are implemented in a culturally appropriate manner, and that decision-making processes are in compliance with the laws that protect children of color in the state.

Financial-Related Audit Reports address internal control weaknesses and noncompliance issues found during our audits of state departments and agencies. The scope of our work at the Office of Ombudspersons for Families included federal receipts, payroll, rent, and other administrative expenditures. The Office of Ombudspersons for Families' response to our recommendations is included in the report.

Office of Ombudspersons for Families

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Office of Ombudspersons for Families

Chapter 1. Introduction

The Legislature created the four ombudspersons for families' positions in 1991. The legislation required that they operate independent of, but in collaboration with, the following councils:

- Chicano-Latino (previously Spanish-Speaking) Affairs Council,
- Council on Black Minnesotans,
- Indian Affairs Council, and
- Council on Asian-Pacific Minnesotans.

One ombudsperson represents each of these communities. In 1994, the four ombudspersons became the Office of Ombudspersons for Families, separate and apart from the related minority councils.

Each ombudsperson reports to a community-specific board. Each community-specific board has five members. The chair of each minority council appoints the board for the community represented by that group. Each community-specific board selects the ombudsperson for its community. The board advises and assists its ombudsperson in the areas of policy development, work plans, and programs. Minn. Stat. Section 257.0768, Subd. 6, requires the community-specific boards "to meet jointly at least four times each year to advise the ombudspersons on overall policies, plans, protocols, and programs for the office." Each ombudsperson has the authority to monitor state and local agency compliance with all laws governing protection or placement as they pertain to children of color.

The office consists of the four ombudspersons. The office does not have any support staff. One ombudsperson takes lead responsibility for the office's administrative functions. During the audit period, the Department of Administration performed all budget and accounting functions for the office.

The office receives most of its funding from General Fund appropriations and transfers from the Department of Human Services. In fiscal years 1999 and 2000, the office received grant funding of \$75,000 per year from the Department of Children, Families & Learning (CFL). CFL extended the grant until September 30, 2000, and the office received \$18,775 for fiscal year 2001. Under this grant, the office hired a staff person who operated the parent assistance hotline in order to respond to the increased volume of requests for information and assistance from parents regarding laws, policies, and services that affect children. CFL reimbursed the office for payroll and other costs incurred under the grant.

Table 1-1 shows the office's sources and uses of funds for fiscal years 1999 through 2002.

Office of Ombudspersons for Families

Table 1-1
Office of Ombudspersons for Families
Sources and Uses of Funds
Fiscal Year 1999 through 2002

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Sources:				
State Appropriations	\$ 161,000	\$ 166,000	\$ 171,000	\$ 236,000
CFL Grant ⁽¹⁾	75,000	75,000	18,775	0
Transfers-In from DHS ⁽²⁾	92,000	92,000	92,000	92,000
Balance Forward In	<u>65,954</u>	<u>77,225</u>	<u>61,760</u>	<u>60,955</u>
Total Sources	<u>\$ 393,954</u>	<u>\$ 410,225</u>	<u>\$ 343,535</u>	<u>\$ 388,955</u>
Uses:				
Payroll	\$ 249,266	\$ 275,752	\$ 236,394	\$ 174,046
Rent – Space	19,682	20,163	20,821	21,533
Other Expenditures	<u>47,781</u>	<u>52,550</u>	<u>25,365</u>	<u>22,323</u>
Total Expenditures	<u>\$ 316,729</u>	<u>\$ 348,465</u>	<u>\$ 282,580</u>	<u>\$ 217,902</u>
Balance Forward Out	<u>77,225</u>	<u>61,760</u>	<u>60,955</u>	<u>171,053</u>
Total Uses	<u>\$ 393,954</u>	<u>\$ 410,225</u>	<u>\$ 343,535</u>	<u>\$ 388,955</u>

(1) Grant from Department of Children, Families and Learning for parent assistance hotline for the period from July 1, 1998 through September 30, 2000.

(2) Annual Department of Human Services transfer made pursuant to Minn. Stat. Section 257.0755, Subd. 3.

Sources: State of Minnesota MAPS accounting system budgetary basis accounting reports for fiscal years 1999, 2000, 2001, and 2002 as of December 31, 2002.

Chapter 2. Payroll Expenditures

Chapter Conclusions

Except for the payroll register verification issue discussed in Finding 1, the internal controls of the Office of Ombudspersons for Families provided reasonable assurance that payroll expenditures were accurately reported in the accounting records and in compliance with applicable legal provisions and management's authorization. The office overpaid one employee \$448 as a result of a retroactive pay miscalculation by the Department of Administration. For all other items tested, the office complied with the significant finance-related legal provisions concerning payroll. It also properly charged payroll to the appropriate funding sources, including the grant contract with the Department of Children, Families & Learning and the money transferred from the Department of Human Services.

Employee payroll represents the largest administrative expenditure for the Ombudspersons for Families. The office had payroll expenditures of approximately \$935,500 during fiscal years 1999 to 2002, which comprised about 80 percent of the office's total expenditures.

The office consists of four full-time ombudspersons who belong to the Minnesota Association of Professional Employees (MAPE) compensation plan. There is no support staff.

During our audit period, the Department of Administration provided human resources support and processed payroll for the office. Each pay period, the staff completed timesheets and leave requests, which were approved by the community board chairpersons. The staff faxed the timesheets and leave requests to the Department of Administration for data input. The staff later submitted the original documents to the department. The department processed bi-weekly payroll transactions and pay rate changes through the State Employee Management System (SEMA4). The department recorded these transactions in MAPS through a system interface.

Audit Objectives and Methodology

We focused on the following objectives during our audit of payroll expenditures:

- Did the office's internal controls provide reasonable assurance that payroll 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 office comply with the significant finance-related legal provisions concerning payroll?

Office of Ombudspersons for Families

- Did the office charge its payroll to the proper funding sources, including the grant contract with the Department of Children, Families & Learning and the money transferred from the Department of Human Services?

To meet these objectives, we interviewed the ombudspersons, as well as employees of the Department of Administration, to gain an understanding of the internal control structure over personnel and payroll processing. We analyzed the payroll transactions to ensure that the office charged its expenditures to the correct funds and verified that hours processed were supported by timesheets authorizing hours worked and leave taken. We also sampled payroll expenditures, including pay rate adjustments, retroactive payments, and vacation payouts to determine if the Department of Administration accurately calculated and properly recorded these transactions in the State Employee Management System (SEMA4). Finally, we reviewed the human resources and payroll transactions to determine if the Department of Administration processed the office's payroll transactions in compliance with applicable legal provisions and labor agreements.

Conclusions

Except for the payroll register verification issue discussed in Finding 1, the internal controls of the Office of Ombudspersons for Families provided reasonable assurance that payroll expenditures were accurately reported in the accounting records and in compliance with applicable legal provisions and management's authorization. The office overpaid one employee \$448 as a result of a retroactive pay miscalculation by the Department of Administration. For all other items tested, the office complied with the significant finance-related legal provisions concerning payroll. It also properly charged payroll to the appropriate funding sources, including the grant contract with the Department of Children, Families & Learning and the money transferred from the Department of Human Services.

1. The office did not review the payroll register report to ensure that the Department of Administration accurately entered the office's payroll and personnel transactions.

The office did not ensure that a review of the by-weekly payroll register was performed. A review of the payroll register report produced by SEMA4 would verify proper input of timesheet hours, pay rates, and special transactions. The Department of Administration entered payroll and personnel transactions into SEMA4, which generated payments to the office's employees. However, neither the office nor the Department of Administration reviewed the payroll register report to verify that staff accurately entered the transactions. SEMA4 Operating Policy and Procedure PAY0028 requires agencies to review the payroll register. The policy 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 this verification, erroneous payroll and personnel transactions could be entered into SEMA4 without detection.

Office of Ombudspersons for Families

Recommendation

- *The office should work with the Department of Administration to ensure that a review of the payroll register is performed to verify the accuracy of payroll and personnel transactions entered into SEMA4.*

2. The office overpaid one employee \$448 as a result of a special pay miscalculation by the Department of Administration.

The Department of Administration incorrectly calculated one employee's retroactive lump sum payment. The office made two special payments to the employee, a progression increase in July 1999 and a pay rate correction in October 1999. When the Department of Administration payroll staff calculated the October retroactive payment, they did not subtract out the July amount already paid. As a result, they overpaid the employee by \$448, the amount of the July payment.

Recommendations

- *The office should recover the overpayment from the employee.*
- *The office should verify that all special employee payments calculated by the Department of Administration are accurate.*

Office of Ombudspersons for Families

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Chapter 3. Non-Payroll Administrative Expenditures

Chapter Conclusions

The internal controls of the Office of Ombudspersons for Families provided reasonable assurance that administrative expenditures were accurately reported in the accounting records, adequately safeguarded, and in compliance with applicable legal provisions and management's authorization. However, the office did not comply with certain provisions of its space rental agreement. For the other items tested, the office complied with the significant finance-related legal provisions concerning administrative expenditures. It also properly charged administrative costs to the appropriate funding sources, including the grant contract with the Department of Children, Families & Learning and the money transferred from the Department of Human Services.

In addition to payroll expenditures, the office also incurred various costs to facilitate the office's operation. The office spent a total of approximately \$230,000 on administrative expenditures during fiscal years 1999 through 2002 as noted in Table 3-1.

Table 3-1
Office of Ombudspersons for Families
Non-Payroll Administrative Expenditures
Fiscal Year 1999 through 2002

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Rent - Space	\$ 19,682	\$ 20,163	\$ 20,821	\$ 21,533
Printing & Advertising	7,915	3,791	1,216	3,371
Professional/Technical Services	4,643	6,124	3,723	25
Communications	13,326	10,598	1,611	4,969
Travel	3,581	6,659	1,662	1,077
Supplies	3,611	3,436	844	1,717
Equipment	1,924	5,475	6,462	3,324
Other Expenditures	<u>12,781</u>	<u>16,467</u>	<u>9,847</u>	<u>7,840</u>
Total	<u>\$ 67,463</u>	<u>\$ 72,713</u>	<u>\$ 46,186</u>	<u>\$ 43,856</u>

Note: The decrease in expenditures from fiscal year 2000 to 2001 resulted from the discontinuation of the grant program with the Department of Children, Families & Learning, as discussed in Chapter 1.

Source: State of Minnesota MAPS accounting system budgetary basis accounting reports for fiscal years 1999, 2000, 2001, and 2002 as of December 31, 2002.

Office of Ombudspersons for Families

Rent

The office moved into the current space in 1994. The office relies on the Department of Administration to negotiate, prepare, and execute lease agreements. During our audit period, there were two lease agreements for the office's space in Saint Paul's Energy Park. One lease agreement covered the period from November 1, 1996, through October 31, 2001. The new lease period is from November 1, 2001, to October 31, 2006. The office receives monthly invoices for the amount of the lease payment. The office approves the invoice for payment and submits it to the Department of Administration for input into the state's accounting system (MAPS).

Other Administrative Expenditures

Other administrative expenditures included printing and communications, supplies, equipment, and other miscellaneous costs. The office spent a total of \$148,019 on these expenditure categories during the four-year audit period. The Department of Administration provided budget and accounting functions for the office. During the audit period, the office initiated purchase requests and Administration entered the purchase orders on the state's accounting system (MAPS). The office received invoices for purchases or services, approved the invoices for payment, and submitted them to Administration for MAPS input. Administration sent monthly MAPS accounting reports to the office for the ombudspersons to review.

Audit Objectives and Methodology

We focused on the following objectives during our audit of non-payroll administrative expenditures:

- Did the office's internal controls provide reasonable assurance that non-payroll administrative expenditures were accurately reported in the accounting records, adequately safeguarded, and in compliance with applicable legal provisions and management's authorization?
- For the items tested, did the office comply with the significant finance-related legal provisions concerning non-payroll administrative expenditures?
- Did the office charge its administrative costs to the proper funding sources, including the grant contract with the Department of Children, Families & Learning and the money transferred from the Department of Human Services?
- Did the office submit accurate quarterly grant reports to Children, Families & Learning?

To answer these questions, we made inquiries of the ombudspersons, as well as employees of the Department of Administration, to gain an understanding of the internal control structure over office expenditures. For the rent program, we reviewed the lease agreements to determine whether the office's rent payments complied with the lease terms. For the other administrative expenditures, we performed analytical procedures to determine if payments were reasonable and tested a sample of transactions to ensure that the transactions were authorized and properly recorded in the state's accounting system (MAPS). We also tested whether the office charged its administrative expenditures to the correct funding sources.

Office of Ombudspersons for Families

Conclusions

The internal controls of the Office of Ombudspersons for Families provided reasonable assurance that administrative expenditures were accurately reported in the accounting records, adequately safeguarded, and in compliance with applicable legal provisions and management's authorization. However, the office did not comply with certain provisions of its space rental agreement that was in effect from November 1, 1996, through October 31, 2001. For the other items tested, the office complied with the significant finance-related legal provisions concerning administrative expenditures. It also properly charged administrative costs to the appropriate funding sources, including the grant contract with the Department of Children, Families & Learning and the money transferred from the Department of Human Services.

3. The office did not comply with certain provisions of its space rental agreement.

We noted two concerns regarding compliance with one of the office's space rental agreements. The agreement was in effect from November 1, 1996, through October 31, 2001.

First, the office did not pay for parking as required by the lease agreement. The agreement stated, "Ombudspersons for Families agrees, pursuant to Minn. Stat. Section 16B.58, subd. 8, that payroll deductions for the monthly parking fee shall be made by the Minnesota Department of Finance from each employee of Ombudspersons for Families using the parking area and said amount shall be paid to LESSOR by the Department of Finance." We saw no evidence that, under the lease provision, the office employees ever paid for parking through payroll deduction. According to the lease, employees would have been responsible for paying their own parking from November 1996 at least until the statute was repealed in May 1997. The lease also states, "In the event less than four (4) employees are paying for parking, LESSEE shall pay LESSOR, with the next monthly rent payment, the difference between the actual monthly parking payment made by the Department of Finance to LESSOR." From November 1996 through October 1998, the office paid an amount for parking as part of each monthly rent payment (\$44 per month). After October 1998, the office stopped paying for parking. It appears, however, according to the lease agreement, the lessor expected to receive monthly payments for parking, either from the office employees via payroll deduction or from the office operating budget as part of the monthly rent payment. The office did not have the ability to stop making parking payments based on the repeal of Minn. Stat. Section 16B.58 without amending the lease agreement.

In addition, the office overpaid the lessor \$55 in its July 2001 rent payment. According to the lease agreement, the monthly rent payment at that time should have been \$1,753. However, in July 2001, the Department of Administration made a rent payment of \$1,808 to the lessor, resulting in an overpayment of \$55.

Recommendation

- *The office should work with Real Estate Management at the Department of Administration to resolve the noncompliance issues relating to the old lease agreement.*

Office of Ombudspersons for Families

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**Status of Prior Audit Issues
As of February 21, 2003**

Most Recent Audit

Legislative Audit Report 98-44, covering the period from July 1, 1995, through June 30, 1998, was issued in August 1998. The audit scope included payroll, rent, and other administrative expenditures. There were no audit issues contained in the audit report.

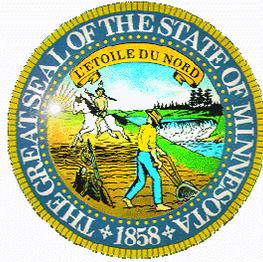
State of Minnesota Audit Follow-Up Process

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 and quasi-state organizations, such as the metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

Office of Ombudspersons for Families

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**State of Minnesota
Office of Ombudsperson
For Families**



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March 17, 2003

Ms. Jeanine Leifeld, Audit Manager
Office of The Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155-1603

Dear Ms. Leifeld:

We, Ombudspersons for Families, are writing this letter in response to the Legislative Auditor key findings on March 6, 2003 as follows:

- 1. The office did not review the payroll register report to ensure that the Department of Administration accurately entered payroll and personnel transactions.**

Response: We would prefer that the Department of Administration make a second review of our payroll register to ensure accuracy. Under our enabling statute we are required to perform our mandated duties; however, we are taking up much of our work time performing administrative tasks. Considering we do not have administrative/clerical support in our office to assist with these administrative duties we would prefer that the Department of Administration continue handling our payroll tasks.

- 2. The office overpaid one employee \$448 as a result of a retroactive pay miscalculation by the Department of Administration.**

Response: The employee signed a consent to payroll collection to reduce her gross pay by the sum of \$ 56.00 from each paycheck beginning with the March 25, 2003 pay period until the amount of \$ 448.00 is repaid in full. This reduction will reimburse the State for the erroneous overpayment paid during the period of 1999.

- 3. The office did not comply with certain provisions of its space rental agreement that was in effect from November 1, 1996, to October 31, 2001.**

Response: As recommended, this office will work with Real Estate Management and Technology Center Properties, LLC, c/o Wellington Management, Inc. to resolve the issues related to the above lease.

Regarding the November 1, 1996 through October 31, 2001 lease agreement, in 1997, when Minnesota Statute 16B.58, Subd.8 was repealed, it was our understanding that the parking would be included in the lease payment, as it is now. We believe the landlord also had this understanding since we never received a bill from them. We will meet with the landlord to resolve this matter, and the \$ 55 overpayment made to them in July 2001.

Further, separate parking payments were not made to the lessor after November 1, 2001, because of a new lease effective 11/1/01 through 10/31/06. This agreement states that parking "...is included in the rent..., and include sales tax." Therefore, parking is covered in our lease payment.

Should you have any questions, please contact us at the above address. Thank you.

Sincerely,

/s/ Bauz Nengchu

Bauz Nengchu, Ombudsperson for Asian
Pacific Families

/s/ J. Ann Hill

J. Ann Hill, Ombudsperson for African American
Families

/s/ Dawn Blanchard

Dawn Blanchard, Ombudsperson for American
Indian Families

/s/ Alba Omedo-Bihi

Alba Olmedo-Bihi, Ombudsperson for Spanish
Speaking Families



March 14, 2003

**Office of the Commissioner
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James R. Nobles, Legislative Auditor
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Mr. Nobles:

Re: Audit of Ombudspersons for Families for the period from July 1, 1998 through June 30, 2002

Thank you for the opportunity to discuss with your staff the results of the audit of the Office of Ombudspersons for Families for the period from July 1, 1998 through June 30, 2002. The Department of Administration (Admin), in its financial administration role for the Office of Ombudspersons for Families, is submitting this response to the draft audit report issued on February 27, 2003. This response is submitted independently from the written response required of the Office of Ombudspersons for Families.

Finding #1 – The office did not review the payroll register report to ensure that the Department of Administration accurately entered the office’s payroll and personnel transactions.

Recommendation –

- *The office should work with the Department of Administration to ensure that a review of the payroll register is performed to verify the accuracy of payroll and personnel transactions entered into SEMA4.*

Response - The Department of Administration currently has a systematic process for reviewing payroll register reports. Each pay period, the report is compared to employee timesheets for 3-4 divisions or work units to ensure the accuracy of SEMA4 entries. The review schedule rotates each pay period to assure that all divisions or work units are audited over time. The Office of Ombudspersons for Families is among the work units subject for review in this process. Effective immediately, as an additional control measure, Admin’s HR staff will begin sending payroll register reports to the Ombudspersons for Families for their monitoring purposes.

Finding #2 – The office overpaid one employee \$448 as a result of a special pay miscalculation by the Department of Administration.

Recommendations –

- *The office should recover the overpayment from the employee.*
- *The office should verify that all special employee payments calculated by the Department of Administration are accurate.*

Response – Admin HR management is working with the employee to arrange the schedule over which the overpayment will be recovered. Full recovery is expected during the remaining pay periods of the current fiscal year. Admin's FMR staff will monitor progress to ensure that the overpaid amount is fully recovered. To protect against future retroactive pay errors, Admin's HR staff will immediately implement a process to verify the accuracy of all employee adjustment calculations except for cost-of-living adjustments. A second HR representative will review and approve adjustment calculations prior to entry into SEMA4.

Finding #3 – The office did not comply with certain provisions of its space rental agreement.

Recommendation –

- *The office should work with Real Estate Management at the Department of Administration to resolve the noncompliance issues relating to the old lease agreement.*

Response – The Office of Ombudspersons for Families has recently contacted the Real Estate Management Division and the Attorney General's Office to obtain clarification of the parking terms in the lease. The Ombudspersons had interpreted the terms to mean they were not liable for parking costs upon the repeal of M.S.16B.58, Subd. 8. However, the Real Estate Management Division states at this time that parking costs were due under the lease even after the repeal of the statute. The Ombudspersons are working with the lessor to determine what payment arrangements, if any, will be required.

Admin acknowledges the \$55 rent overpayment in July 2001. Both Admin and the Ombudspersons retain lease documentation and share the responsibility to assure the accuracy of payment transactions. All invoices, including the one representing the overpayment, are routinely approved for payment by the Office of Ombudspersons and forwarded to Admin's FMR staff for payment. Admin's FMR staff will work with the Ombudspersons to reduce any parking payments that remain due by the \$55 overpayment amount. In the event that the lessor forgives the outstanding parking payments, the department will consider the \$55 overpayment too small to warrant efforts to recover. Finally, Admin's FMR staff will increase its efforts to monitor contractual agreements to ensure payments are made in compliance with compensation terms and to prevent overpayments.

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March 14, 2003

Should you have any questions, please feel free to contact Bruce Lemke, Accounting Director, at 651-297-3142 or Larry Freund, Financial Management Director, at 651-296-5857 for assistance.

Sincerely,

/s/ Brian J. Lamb

Brian J. Lamb
Commissioner

Cc: Claudia Gudvangen, CPA, Deputy Legislative Auditor
Larry Freund, Financial Management Director
Deborah Tomczyk, Human Resources Director