

Financial-Related Audit

Chicano Latino Affairs Council
July 1, 1999, 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.

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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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



Representative Tim Wilkin, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Heladio F. Zavala, Chair
Chicano Latino Affairs Council

Members of the Chicano Latino Affairs Council Board of Directors

Ms. Ytmar Santiago, Executive Director
Chicano Latino Affairs Council

We have audited the Chicano Latino Affairs Council for the period July 1, 1999, through June 30, 2002. Our audit scope included payroll, per diem, rent, supplies, equipment, 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 Chicano Latino Affairs Council complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. The management of the Chicano Latino Affairs Council 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 Chicano Latino Affairs Council. This restriction is not intended to limit the distribution of this report, which was released as a public document on June 26, 2003.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: May 1, 2003

Report Signed On: June 23, 2003

Chicano Latino Affairs Council

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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 Polisenno, CPA, CISA	Audit Manager
Kathy Fisher, CPA	Auditor-in-Charge
Heather White	Auditor

Exit Conference

We discussed the results of the audit with the following staff of the Chicano Latino Affairs Council and the Department of Administration at an exit conference on July 6, 2003:

Chicano Latino Affairs Council:

Heladio F. Zavala	Chair
Ytmar Santiago	Executive Director
Nora Burgos	Administrative Assistant

Department of Administration:

Larry Freund	Financial Management Director
Mike Zabel	Accounting Officer

Report Summary

Overall Audit Conclusions:

The Chicano Latino Affairs Council conducted its financial operations in a reasonable and prudent manner. The council's internal controls provided reasonable assurance that the council properly safeguarded public funds and assets, complied with material finance-related legal provisions, and properly recorded its financial activities in the state's accounting system. For the items tested, the council complied with significant finance-related legal provisions.

The council made significant improvement in its financial management practices since our last audit. The prior audit report (99-58) issued on November 10, 1999, contained 14 written findings compared to just two in this audit report.

Findings and Recommendations:

- The council did not provide proper authorization for purchases. We recommended that the council sign the purchase orders prior to purchasing goods. (Finding 1, page 8)
- Certain transactions recorded in the state's accounting system (MAPS) did not contain accurate record dates. We recommended that the council work with the Department of Administration to ensure that the transactions are accurately recorded on MAPS. (Finding 2, page 8)

<p>Financial-Related Audits address internal control weaknesses and noncompliance issues found during our audits of state departments and agencies. The scope of our work at the Chicano Latino Affairs Council included employee payroll and per diem, rent, supplies, equipment, and other administrative expenditures for the period July 1, 1999, through June 30, 2002. The Chicano Latino Affairs Council and the Department of Administration's response to our recommendations are included in the report.</p>

Chicano Latino Affairs Council

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Chapter 1. Introduction

The Chicano Latino Affairs Council was created by the Legislature as a statewide government agency in 1978. The primary purpose of the Chicano Latino Affairs Council is to advise the Governor and the Legislature on important issues relating to Hispanic people in Minnesota. In addition, the Chicano Latino Affairs Council acts as a liaison between local, state, and federal governments, private organizations, and Minnesota's Chicano/Latino community to connect them to the appropriate government agencies and community-based organizations to address their concerns. The Chicano Latino Affairs Council further supports the Chicano/Latino community by implementing programs designed to solve problems of these people.

The Chicano Latino Affairs Council consists of a fifteen-member board of directors, of which eleven are voting members from the Chicano Latino community, and four are nonvoting legislators. Of the eleven community members, one member is from each congressional district and three are at-large community representatives. All community members are appointed by the Governor to help provide a voice in all levels of government for the Chicano Latinos who reside in the state as well as the migrant workers that come to the state each year during the farming season. Ytmar Santiago has been the executive director of the council since August 1999.

The council works with the Department of Administration to process its transactions on Minnesota's Accounting and Procurement System (MAPS). 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 the three fiscal years ended June 30, 2002.

Chicano Latino Affairs Council

Table 1-1
Chicano Latino Affairs Council
Sources and Uses of Funds
By Budget Fiscal Year

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Sources:			
State Appropriations	\$314,000	\$324,000	\$334,000
Less: Cancellations	<u>0</u>	<u><47,185></u>	<u>0</u>
Net Appropriations	\$314,000	\$276,815	\$334,000
Donations	(97)	73	559
Investment Earnings	1,276	837	323
Grant	0	4,000	0
Balances Forwarded In	<u>11,038</u>	<u>45,359</u>	<u>15,228</u>
Total Sources	<u>\$326,217</u>	<u>\$327,084</u>	<u>\$350,110</u>
Uses:			
Payroll	\$171,432	\$202,696	\$217,337
Rent	27,779	28,702	29,436
Printing and Advertising	19,704	26,042	22,207
Supplies and Equipment	25,173	12,980	12,042
Communications	12,319	12,830	11,105
Travel	12,092	8,678	7,359
Other Administrative Costs	10,747	4,531	6,359
Professional/Technical Services	<u>1,612</u>	<u>15,397</u>	<u>0</u>
Total Expenditures	\$280,858	\$311,856	\$305,845
Balances Forwarded Out	<u>45,359</u>	<u>15,228</u>	<u>44,265</u>
Total Uses	<u>\$326,217</u>	<u>\$327,084</u>	<u>\$350,110</u>

Source: Minnesota Accounting and Procurement System (MAPS) as of September 30, 2002.

Chapter 2. Payroll and Per Diems

Chapter Conclusions

The Chicano Latino Affairs Council's internal controls provided reasonable assurance that employees were accurately compensated in compliance with the applicable bargaining agreements and management's authorization, and that payroll expenditures were properly recorded in the accounting and payroll systems. However, during 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 the payroll register.

For the items tested, the council complied with the significant finance-related legal provisions and related employee bargaining agreements and compensation plans. The council properly paid per diems to its board members.

Payroll represents the council's largest expenditure and averaged about \$197,000 each year. Currently, the council has four full-time staff. These staff members are covered by the following compensation plans:

- American Federation of State, County, and Municipal Employees (AFSCME)
- Minnesota Association of Professional Employees (MAPE)
- Managerial

Each pay period, council staff completed timesheets and leave requests, which were approved by the executive director. In addition, the chairman of the board approved the executive director's timesheets and leave requests. The council's payroll timekeeper sent the documents to the Department of Administration for data input. The Department of Administration provided human resource support and processed payroll on behalf of the council.

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

Audit Objectives and Methodology

The primary objectives of our audit were to answer the following questions:

Chicano Latino Affairs Council

- 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 pay per diems in accordance with applicable legal provisions?

To address these objectives, we interviewed council and Department of Administration staff to gain an understanding of the internal control structure in place over payroll. We analyzed employee compensation and tested hours worked to ensure compliance with the terms of applicable bargaining unit agreements. We determined if per diem payments were made appropriately to board members. We followed up on our *State Paid Per Diem Report* issued in 2001 to determine if the council had obtained repayments from those board members who were ineligible to receive per diems due to their employment with the state or a political subdivision.

Conclusions

The Chicano Latino Affairs Council's internal controls provided reasonable assurance that employees were accurately compensated in compliance with the applicable bargaining agreements and management's authorization, and that payroll expenditures were properly recorded in the accounting and payroll systems. However, during 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 the payroll register.

For the items tested, the council complied with the significant finance-related legal provisions and related employee bargaining agreements and compensation plans. The council properly paid per diems to its board members.

Chapter 3. Administrative Expenditures

Chapter Conclusions

The Chicano Latino Affairs Council's internal controls provided reasonable assurance that it safeguarded assets, properly recorded the administrative expenditures in the accounting records and complied with applicable legal provisions and management's authorization. However, the council did not provide proper authorization for purchases. Also, the council did not always use the correct record dates for recording transactions in MAPS.

For the items tested, the council complied with the significant finance-related legal provisions governing procurement and disbursements.

The Chicano Latino Affairs Council spent approximately \$307,000 during the audit period on non-payroll administrative expenditures. Table 3-1 shows the council's non-payroll administrative expenditures for the audit period.

**Table 3-1
Administrative Expenditures
By Budget Fiscal Year**

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Rent	\$27,779	\$28,702	\$29,436
Printing and Advertising	19,704	26,042	22,207
Supplies and Equipment	25,173	12,980	12,042
Communications	12,319	12,830	11,105
Other	<u>24,451</u>	<u>28,606</u>	<u>13,718</u>
Total	<u>\$109,426</u>	<u>\$109,160</u>	<u>\$88,508</u>

Source: Minnesota Accounting and Procurement System (MAPS) as of September 30, 2002.

Objectives and Methodology

Our review of administrative expenditures focused on the following objectives:

- Did the council's internal controls provide reasonable assurance that other administrative expenditures were accurately reported in the accounting records, and in compliance with applicable legal provisions and management's authorization?

Chicano Latino Affairs Council

- For the items tested, did the council comply, in all material respects, with significant finance-related legal provisions concerning other administrative expenditures?

To meet these objectives, we interviewed council and Department of Administration staff to gain an understanding of internal control structure in place related to administrative expenditures. We tested samples of transactions to determine whether the council properly authorized, processed, and recorded these expenditures.

Conclusions

The Chicano Latino Affairs Council's internal controls provided reasonable assurance that it safeguarded assets, properly recorded the administrative expenditures in the accounting records and complied with applicable legal provisions and management's authorization. However, the council did not provide proper authorizations for purchases prior to initiating the purchases as discussed in Finding 1. Also, the council did not always use the correct record dates for recording transactions in MAPS as discussed in Finding 2. For the items tested, the council complied with the significant finance-related legal provisions governing procurement and disbursements.

1. The Chicano Latino Affairs Council did not properly approve purchase orders.

The council completed purchase requests and submitted them to the Department of Administration for processing. Based on the request, the department created a purchase order and encumbered the funds. The department sent the purchase documents back to the council and the council completed the purchase. However, council staff did not sign the purchase order. Without the signature, there is no assurance that management properly authorized the purchase.

Recommendation

- *The council should sign the purchase orders prior to purchasing goods.*

2. Certain transactions were not accurately recorded in the state's accounting system (MAPS).

The Department of Administration did not always assign the correct record date to some of the council's expenditure transactions. A sample of 45 transactions showed that 13 sample items for supplies and equipment, communications, and printing had incorrect record dates. The council received the invoices, approved them, and sent them to the Department of Administration for input. The department arbitrarily assigned a record date to the transactions. Record dates identify when the state incurred an obligation and should represent the date that the goods or services were received. This is especially important for determining year-end liabilities. Failure to use the proper record date could result in an understatement of liabilities in the state's financial statements.

Recommendation

- *The Department of Administration should work with the council to determine the correct date of obligation for entry into the record date field in MAPS.*

**Status of Prior Audit Issues
As of May 1, 2003**

Legislative Audit Report 99-58 This financial-related audit report covered the four fiscal years ending June 30, 1999. The audit scope included selected expenditures such as payroll and per diem, rent, printing and advertising, supplies and equipment, and communications. The report had 14 findings. The council adequately resolved all of the prior audit issues.

Legislative Audit Report 01-05 This special review cited per diem issues in 1999 and 2000 audit reports. The council adequately resolved these issues as stated above.

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 related 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.

Chicano Latino Affairs Council

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Auditor's Comments on Chicano Latino Affairs Council Response

Representative Tim Wilkin, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Heladio F. Zavala, Chair
Chicano Latino Affairs Council

Members of the Chicano Latino Affairs Council Board of Directors

Ms. Ytmar Santiago, Executive Director
Chicano Latino Affairs Council

In its response to the audit report, the Chicano Latino Affairs Council included information that requires further clarification. We realize that the financial management oversight function is complicated for the council because the Department of Administration processes many of its transactions, as addressed in an agreement between the two agencies. However, we think the council is ultimately accountable for the accuracy and completeness of its financial activities.

Finding 1 addresses an internal control weakness relating to authorization for purchases. We are not questioning the council's compliance with applicable laws and regulations. Signing a purchase order formally documents management's authorization of the transaction, and is a routine practice followed by all state agencies.

Finding 2 addresses the accuracy of financial information recorded in the state's accounting system, MAPS. We state in the finding that the Department of Administration actually enters the transactions in the accounting system. However, the department processes transactions based on information provided by the council. For record dates, the council must identify the date that goods or services were received so that information can be accurately entered in the accounting system.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

Chicano Latino Affairs Council

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CHICANO LATINO AFFAIRS COUNCIL

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June 12, 2003

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

RE: Response to Legislative Audit Report

Dear Mr. Nobles:

Enclosed is the response to the legislative audit conducted by your office of the Chicano Latino Affairs Council for the period of July 1, 1999 through June 30, 2002. I have been a director of this council since August 1999. As your report indicates, the council, under my direction, has improved its financial management practices significantly. It has been our goal to comply fully with all financial laws, policies and procedures as well as best business practices. In that regard, we welcome any suggestions and recommendations included in your report and will implement them immediately.

Sincerely,

/s/ Ytmar Santiago

Ytmar Santiago, Esq.
Executive Director

Enclosure (1)

The audit conducted by the Office of the Legislative Auditors, covering the period of July 1, 1999, through June 30, 2002, reflects overall, the careful way the Chicano Latino Affairs Council conducts the state's financial transactions and the respect we have for the public trust and public funding this agency receives. The two findings, which we will discuss in detail below, are but minor occurrences, one of which happens because the staff who works at the Chicano Latino Affairs Council have no way of verifying information in the state's accounting system (MAPS).

All in all, we believe the Chicano Latino Affairs Council reached the goal we imposed on ourselves in 1999: to be an impeccable guarantor of the public finances we are entrusted by the State of Minnesota.

Discussion of Findings

CHAPTER 3 - Administrative expenditures

1. The Chicano Latino Affairs Council did not properly approve purchase orders.

The Office of the Legislative Auditor (hereinafter, OLA), admits that the council completed all purchase requests appropriately and submitted them to the Department of Administration for processing. The Department of Administration processed the payments. That is the correct procedure. We have not violated any law, rule or policy. However, the OLA states that "without the signatures, there is no assurance that the management properly authorized the purchases". We disagree with the wording of this finding insofar it implies that the council has violated public purchasing rules and regulations. This is an incorrect conclusion by the OLA, misrepresents what really occurred and leaves out factual information we deem essential.

The signature the OLA refers to is a formality. When the purchase order is received by the council, it has already been authorized by the agency that has control over the council budget: the Department of Administration. By that time, the money has been appropriated by Administration and encumbered until an invoice arrives from the council. It is only then that they pay. Administration will not pay an invoice unless council management signs authorizing it. By then, the money has been encumbered, the purchase order has been issued by Administration and the goods or service have been received by the council.

The Chicano Latino Affairs Council complies with all laws, policies and procedures regarding purchasing. Not one single time during this past audit cycle did the council improperly authorized the purchase of goods and services. The only thing we did not do was sign a document that goes to the vendor informing the vendor that the money has been "reserved" for payment of the ordered goods. That bureaucratic procedure, which now seems essential to the OLA, has nothing to do with improper disbursing of money or failed payments to vendors for their goods. All vendors have been paid according to the law and on time, even before the 30-day limit the law suggests. The signing of this paper is a formality that has not prevented vendors from collecting their money for goods nor has it caused a misappropriation of public funds. The wording of this finding and the implications it contains are wrong.

We take issue with this finding because, in the 4 years I have been director, no state official, including the Legislative Auditor or his assistants who conducted the 1999 audit, nor the internal

auditors from the Department of Finance who conducted an internal audit last year (2001), has ever mentioned that council management needs to sign purchase orders AFTER they had been authorized by the Department of Administration. To date, I have not seen the law, rule or policy that requires this signature they refer to. If it is a violation of law or rule, the OLA should cite the section in its report. If it is a good business practice, the OLA should state so as well.

Taxpayers should expect that such an important requirement will not go unnoticed by the OLA during its past audits of this agency. It has, until now. As an agency head, I expect to be advised of any corrective measures necessary to conduct the state's fiscal business. I have not, until now. If anyone had advised of the need to sign this paper, we would have started to sign them 4 years ago. After all, we have implemented **all** the necessary controls and complied with **all prior audit recommendations**. We would have added this bureaucratic step to our internal controls.

We disagree with this finding. We believe that this issue is something that could have been a verbal recommendation, as the OLA has done in the past with minor issues where there is no fiscal mismanagement.

We need to stress that no money of the state was misappropriated or otherwise incorrectly paid or adjudicated. The council will implement the recommendations of the OLA effective immediately.

2. Certain transactions were not accurately recorded in the state's accounting system (MAPS).

The OLA again fails to state all the essential facts in its audit report when it mentions in its conclusion that "the council did not always use the correct record dates for recording transactions in MAPS". This is an incorrect conclusion by the OLA, misrepresents what really occurs and leaves out factual information we deem essential to the fairness of this report.

The OLA knows that the council has NO access to the state's accounting system (MAPS). We do not even have viewing privileges. The OLA knows that council staff operates blindly, monitoring and maintaining a record of each and every transaction in our computers, duplicating the MAPS entries through a series of records we have created to fill the MAPS void. We are puzzled as to why the OLA did not state this essential fact in its conclusion. It was, after all, mentioned several times by myself and the council staff and verified by OLA auditors, not only during this audit but during the 1999 audit as well. Nowhere in this report is this important fact mentioned. Its omission is, at best, an unfair oversight.

Even though expensive, we find this duplicative work necessary, in view of the fact that council staff (1) lack control over entries in MAPS, (2) have no access to any of MAPS' entries, not even to see the transactions as they are posted, and (3) have no supervisory functions over the staff who enters the MAPS information. However, we are consistently tagged by the OLA with the responsibility of MAPS accuracy. This is not only unfair but fails to bring responsibility and accountability to those who are "de facto" in charge of entering the data and allocating the council budget funds: the staff who works at the Department of Administration.

All in all, our "homemade" system is extremely good. We verify the way the information is entered, with some delay, because we receive a printed report at the end of each month. It is then that we are able to verify correct and incorrect payments and dates. Once we compare that printout with our records, we call the staff at the Department of Administration and ask for clarification and or

correction. As stated, there is a delay between the time we catch the mistake and the time we can review if it is corrected or not. We will add “Record date” to our list of items to verify.

We cannot explain why the 13 sample items tested had incorrect record dates. Entering those dates is the responsibility of the staff at the Department of Administration. This council has a signed agreement with the Department of Administration where they assume such responsibility. That fact has been ignored by the OLA, even though OLA auditors received a copy of the signed agreement which was drafted after the last OLA audit of this council, at the request of Administration officials and signed by them and council management.

In compliance with that agreement that the OLA has ignored, council staff sends the financial paperwork to Administration. We do so in the shortest amount of time, generally within a business day or so. When council staff receive the goods, we note the date in the invoice. We also write the Purchase Order Number and the Object Codes that should be used by Administration staff. The “service date” should be the date goods are received and that is already stated by the vendor in the invoice. We send all invoices with an “OK to Pay” and management signature and date. What we do not do is enter any information in the state’s accounting system for the reasons already mentioned.

It is our belief that this finding should be addressed to the Department of Administration. Accountability and responsibility need to fall where they belong.

We disagree with this finding because it is something that could have been a verbal recommendation to us or a finding for the Department of Administration. No money of the state was misappropriated or otherwise incorrectly paid or adjudicated. We will implement the recommendations of the auditors.



**Office of the Commissioner
200 Administration Building
50 Sherburne Avenue
St. Paul, MN 55155
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Fax: 651.297.7909
TTY: 651.297.4357**

MEMORANDUM

DATE: December 20, 2000

TO: Chicano Latino Affairs Council
Ytmar Santiago, Executive Director

FROM: Mike Zabel
Accounting Officer Intermediate

SUBJECT: Agreement with Chicano Latino Affairs Council

In an effort to provide and promote a consistently high level of financial management with the Chicano Latino Affairs Council (CLAC), the Financial Management and Reporting (FMR) division of the Department of Administration requests your support of the following agreement. In this agreement we want to detail each of our responsibilities. By knowing and agreeing on this, we can better understand our respective needs and responsibilities.

The Chicano Latino Affairs Council is responsible for:

- Presenting Biennial Budget appropriation request to the Legislature, per the Governor's recommendation,
- Determining annual budget plan once appropriated by the Legislature,
- Submitting purchase order requests to FMR prior to ordering and receiving goods or services,
- Submitting approved invoices for payment to FMR in a timely manner in order to follow the state's guidelines for prompt payments,
- Submitting completed employee/board member expense reports supported by receipts, out-of-state travel authorization and/or special expense forms approved prior to obligation,
- Verifying month end reports and reporting back to FMR any discrepancies or errors,
- Working closely with Materials Management Division (MMD) on any Professional/Technical Contracts or Annual Plans and attending purchasing training course,
- Maintaining records on all fixed assets and working with MMD to dispose of obsolete equipment,
- Ensuring that all cash receipts received by the council are promptly deposited by FMR within 24 hours, unless amount is less than \$250,
- Informing FMR quarterly of any board member vacancies/changes and board members place of employment, to verify board members status for per diems

Financial Management and Reporting is responsible for:

- Entering Biennial Budget narrative and fiscal data into the biennial budget system,
- Entering budget into the Minnesota Accounting and Procurement System (MAPS), verifying that salary projections for the entire year are encumbered,
- Entering purchase orders into MAPS and encumbering funds,
- Paying all signed and approved invoices received from the CLAC within three (3) working days and retaining documents for audit purposes,
- Entering expense reports into the state's payroll system and retaining documents for audit purposes,
- Sending the Manager's Financial Report (MFR) within three (3) working days after the last day of the month and interpreting financial reports or supplying additional reports as requested,
- Researching any errors/discrepancies reported by the CLAC and correcting as needed,
- Entering P/T Contracts and Annual Plans into MAPS,
- Promptly depositing all cash receipts and entering deposit information into MAPS,
- Verifying board members employment, so to ensure that no per diems are paid to state, county or municipal employees,

Any changes made to this require approval from Larry Dowdle and Ytmar Santiago.

/s/ Ytmar Santiago
Ytmar Santiago, Executive Director
Chicano Latino Affairs Council

1/8/01
Date

/s/ Nora Burgos
Nora Burgos, Off and Admin Spec
Chicano Latino Affairs Council

1/8/01
Date

/s/ Larry Dowdle
Larry Dowdle, Accounting Director
Financial Management and Reporting

12/20/00
Date

/s/ Mike Zabel
Mike Zabel, Accountant
Financial Management and Reporting

12/20/00
Date

/s/ Alice Kosbab
Alice Kosbab, Account Clerk Sr
Financial Management and Reporting

1/11/01
Date



June 12, 2003

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

Dear Mr. Nobles:

Re: Audit of Chicano Latino Affairs Council for the period from July 1, 1999 through June 30, 2002

Thank you for the opportunity to discuss with your staff the results of the audit of the Chicano Latino Affairs Council for the period from July 1, 1999 through June 30, 2002. The Department of Administration (Admin), in its financial administration role for the Chicano Latino Affairs Council, is submitting this response to the draft audit report issued on June 12, 2003. This response is submitted independently from the written response required of the Chicano Latino Affairs Council.

Finding #2 – Certain transactions were not accurately recorded in the state’s accounting system (MAPS).

Recommendations –

- *The Department of Administration should work with the council to determine the correct date of obligation for entry into the record date field in MAPS.*

Response – The Department of Administration understands the importance of proper payment coding and the impact on the state’s financial reports. Consequently, the department has recently provided department-wide training on payment processing, including the proper coding of record and other date fields in MAPS. Staff from the Financial Management & Reporting division who process payments for the council were included in this training effort. Payment Processing Guideline documents were created and distributed at this training to provide written guidance on various aspects of the payment process. We feel that this measure addresses the problems with record date input. The Department is also considering quality assurance reviews for the future to

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systematically test various aspects of the payment process across the agency. Entry of payment transaction date fields would be one test criteria.

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