



FINANCIAL AUDIT DIVISION REPORT

Councils on:

**Chicano/Latino People
Asian-Pacific Minnesotans
Black Minnesotans
Indian Affairs**

Financial Review

July 1, 2011, through April 15, 2013

July 11, 2013

Report 13-16

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OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

July 11, 2013

Senator Roger Reinert, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Hector Garcia, Executive Director
Council on Affairs of Chicano/Latino People

Sia Her, Executive Director
Council on Asian-Pacific Minnesotans

Edward McDonald, Executive Director
Council on Black Minnesotans

Annamarie Hill-Kleinhans, Executive Director
Indian Affairs Council

This report presents the results of our financial reviews of the Council on Asian-Pacific Minnesotans, Council on Black Minnesotans, Council on Affairs of Chicano/Latino People, and the Indian Affairs Council for the period July 1, 2011, through April 15, 2013.

The review was conducted by Sonya Johnson, CPA, CFE (Audit Manager) and Melanie Greufe, CPA, CFE (Auditor-in-Charge).

We received the full cooperation of the councils' staff while performing the audit.

A handwritten signature in black ink, appearing to read 'James R. Nobles'.

James R. Nobles
Legislative Auditor

A handwritten signature in black ink, appearing to read 'Cecile M. Ferkul'.

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

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Report Summary

Conclusion

Based on our analysis of financial activity of the Council on Asian-Pacific Minnesotans, Council on Black Minnesotans, Council on Affairs of Chicano/Latino People, and Indian Affairs Council, we concluded there is not a need for full-scope audits at this time.

Objective and Scope

The objective of this financial review was to determine whether the types and amounts of financial transactions recorded on the state's accounting system from July 1, 2011, through April 15, 2013, by the Council on Asian-Pacific Minnesotans, the Council on Black Minnesotans, the Council on Affairs of Chicano/Latino People, and the Indian Affairs Council indicated a need for full-scope audits.

Background

State statutes created the Council on Asian-Pacific Minnesotans, the Council on Black Minnesotans, the Council on Affairs of Chicano/Latino People, and the Indian Affairs Council to serve as advisors to the Governor and Legislature on various issues impacting the groups they represent throughout the state. The councils' financial activities consisted primarily of employee payroll and rent, but the Council on Black Minnesotans and the Indian Affairs Council also had significant expenditures for professional/technical contracts, and the Indian Affairs Council also had significant grant expenditures.

Objective

The objective of this financial review was to determine whether the types and amounts of financial transactions recorded on the state's accounting system by the Council on Asian-Pacific Minnesotans, the Council on Black Minnesotans, the Council on Affairs of Chicano/Latino People, and the Indian Affairs Council indicated a need for full-scope audits.¹ We selected the councils for this review because they recorded all of their financial transactions on the state's accounting system, and the volume of their financial activity is low enough for us to be confident that our analysis and follow up on certain transactions would provide us with a basis for our conclusion.²

Councils' Overviews

State statutes created the Council on Asian-Pacific Minnesotans, the Council on Black Minnesotans, the Council on Affairs of Chicano/Latino People, and the Indian Affairs Council. The councils serve as advisors to the Governor and Legislature on various issues impacting the groups they represent throughout the state. Table 1 provides further information about each of the councils.

Appropriations from the state's General Fund typically were the main funding source for the councils; however, in fiscal year 2012, the Indian Affairs Council had significant funding from the Arts and Cultural Heritage Fund, one of the funds established by the Legacy Amendment to the state's constitution, funded by an increase in the state's sales tax.

¹ A financial review is less in-depth than an audit, but provides assurance that financial data are reliable, and the risk of noncompliance is relatively low.

² The Office of the Legislative Auditor's Program Evaluation Division is currently conducting a comprehensive evaluation of the four councils. For a description of the evaluation, go to <http://www.auditor.leg.state.mn.us/announce/Councils.pdf>.

Table 1 – Councils’ Overviews

<u>Council</u>	<u>Statutory Citation</u>	<u>Staffing</u>	<u>Membership</u>	<u>Duties</u>
Council on Asian-Pacific Minnesotans	<i>Minnesota Statutes 2012, 3.9226</i>	4 staff members, including Sia Her, Executive Director	23 members, 19 appointed by the Governor	Serve in an advisory capacity to the Governor and Legislature; provide referral and other services; act as a liaison, and work with other state and federal agencies for the benefit of Asian-Pacific Minnesotans.
Council on Black Minnesotans	<i>Minnesota Statutes 2012, 3.9225</i>	2 staff members, including Edward McDonald, Executive Director	13 members appointed by the Governor	Serve in an advisory capacity to the Governor and Legislature; serve as a referral agency to ensure proper access to benefits, services, and programs; and serve as both a conduit to state government and a liaison with federal, local government, and private organizations for the benefit of black Minnesotans.
Council on Affairs of Chicano/Latino People	<i>Minnesota Statutes 2012, 3.9223</i>	4 staff members, including Hector Garcia, Executive Director	11 members appointed by the Governor	Serve in an advisory capacity to the Governor and Legislature; serve as a referral agency to ensure proper access to benefits and services; and serve as a liaison with both the federal and local government and private organizations for the benefit of Chicano/Latino people.
Indian Affairs Council	<i>Minnesota Statutes 2012, 3.922</i>	6 staff members, including Annamarie Hill-Kleinhan, Executive Director	Various members, including a member from each specified federally recognized tribe; a member of the Governor’s official staff designated by the Governor; two members of the House of Representatives, and two members of the Senate.	Serve in an advisory capacity to the tribal elected leaders, Governor, and Legislature; ensure delivery of services to federally-recognized tribes and urban communities; and serve as a liaison between state government and elected tribal leaders.

Table 2 summarizes the councils' appropriations and other funding sources for fiscal year 2012.

Table 2
Appropriations and Other Funding Sources
July 2011 through June 2012
By Council

	Council on Asian-Pacific Minnesotans	Council on Black Minnesotans	Council on Affairs of Chicano/ Latino People	Indian Affairs Council
Appropriations				
General Fund ¹	\$254,000	\$292,000	\$275,000	\$462,000
Arts and Cultural Heritage Fund ²	0	0	0	875,000
Grants				
Federal	0	0	0	41,026
Private/Intergovernmental	8,619	330,445	608	50,350
Other Revenue ³	<u>8,824</u>	<u>21,845</u>	<u>56</u>	<u>1</u>
TOTAL	<u>\$271,443</u>	<u>\$644,290</u>	<u>\$275,664</u>	<u>\$1,428,377</u>

¹ *Laws of Minnesota* 2011, First Special Session, chapter 10, art. 1, sec. 22 through 25.

² *Laws of Minnesota* 2011, First Special Session, chapter 6, art. 4, sec. 2, subd. 11.

³ Other revenue includes donations, interest earnings, other reimbursements, and seminar/workshop fees.

Source: State's accounting system.

In addition to the financial resources shown in Table 2, the Legislature appropriated \$500,000 in fiscal year 2012 and again in fiscal year 2013 to the Minnesota Humanities Center for competitive grants to the councils. The appropriation stated the purpose of the grants was for community events and programs that celebrated and preserved artistic, historical, and cultural heritage.³ Because the Minnesota Humanities Center served as the fiscal agent for the grants and paid vendors for grant costs, the grant money is not shown in Table 2 as revenue to the councils (except for \$2,619 that was paid to the Council on Asian-Pacific Minnesotans for staff time to administer its grants). In fiscal year 2012, we audited the Minnesota Humanities Center, including some of the costs paid with grant money.⁴ The grants were not within the scope of this financial review of the councils.

The councils used the majority of their financial resources for employee payroll and office rent. The Council on Black Minnesotans and the Indian Affairs Council also used a significant amount for contracted professional/technical services. The Council on Black Minnesotans contracted with individuals to perform and participate in narrative interviews regarding the harmful effects of smoking; the

³ *Laws of Minnesota* 2011, First Special Session, chapter 6, art. 4, sec. 2, subd 8.

⁴ Office of the Legislative Auditor's Financial Audit Division Report 12-16, *Minnesota Humanities Center*, issued August 16, 2012.

Indian Affairs Council contracted for research writing services, computer upgrades, and archaeology services. Finally, the Indian Affairs Council used a significant amount of its resources to provide grants to tribes, tribal entities, and schools for the Dakota and Ojibwa language revitalization project.

Table 3 summarizes the councils' expenditures for fiscal year 2012:

Table 3
Expenditures
July 2011 through June 2012
By Council

	Council on Asian-Pacific Minnesotans	%	Council on Black Minnesotans	%	Council on Affairs of Chicano/ Latino People	%	Indian Affairs Council	%
Payroll	\$171,370	69%	\$266,126	53%	\$223,075	82%	\$ 371,312	29%
Rent, Utilities, Repairs	21,864	9%	29,006	6%	18,934	7%	20,188	2%
Prof./Technical Services	4,044	2%	140,872	28%	135	0%	100,325	8%
Travel and Conferences	6,028	2%	11,310	2%	7,489	3%	56,511	4%
Grants	0	0%	0	0%	0	0%	690,104	54%
Other Administrative ¹	44,370	18%	57,617	11%	22,216	8%	45,907	3%
TOTALS	\$247,676	100%	\$504,931	100%	\$271,849	100%	\$1,284,347	100%

¹ Other administrative expenditures included advertising, printing, computer, communications, supplies and equipment, and other purchased services.

Source: State's accounting system.

Scope and Methodology

We analyzed the financial activity recorded on the state's accounting system for the period July 1, 2011, through April 15, 2013. We interviewed the executive directors and other staff from the various councils. In addition, we interviewed employees in the Department of Administration's Financial Management and Reporting's small agency resource team. (The state's small agency resource team provided accounting transaction processing and other services for each council as outlined in the individual interagency agreements with all of the councils.) We also performed an analysis of the councils' funding sources for fiscal years 2011 through 2013.

We compared the financial activity for fiscal years 2012 and 2013 to the councils' expenditures for fiscal years 2008 through 2011 to identify variances between the fiscal years or among the expenditure types. We discussed, with appropriate councils' staff, the reasons for any large or unexpected variances and large dollar amount transactions by category. We examined documentation supporting some of those transactions.

The following paragraphs describe work we did for some specific types of expenditures:

- Payroll: We analyzed payroll and per diem expenditures by earnings type (regular, vacation, sick, holiday, and other types) and employee to identify and further examine the basis for any unusual or unexpected payments. We also analyzed council members' per diem payments to determine if the payments reasonably corresponded with the number of board meetings and established per diem rates.
- Professional/Technical Contracted Services: We analyzed the professional/technical expenditures of the Council on Black Minnesotans and the Indian Affairs Council by vendor and fund to determine whether payments were consistent with our understanding of the councils' needs for these contracted services. We examined, in more detail, the supporting documentation for several professional/technical expenditure transactions.
- Grants: We analyzed the grant expenditures of the Indian Affairs Council by grantee and fund to determine if any unusual or higher risk activity occurred. During fiscal years 2012 and 2013, the council received a direct appropriation from the Arts and Cultural Heritage Fund to make grants for the purpose of promoting and fostering education of different tribal languages. We selected several grant expenditure transactions for more detailed review to gain some assurance that the grant funds were used for the purpose of the appropriation.

Conclusion

Based on our analysis of financial activity of the Council on Asian-Pacific Minnesotans, Council on Black Minnesotans, Council on Affairs of Chicano/Latino People, and Indian Affairs Council, we concluded there is not a need for full-scope audits at this time.