



State Services for Persons with Hearing and Vision Disabilities

Performance Audit

June 2020

Financial Audit Division

OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA

Financial Audit Division

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OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

June 26, 2020

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Department of Human Services

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Minnesota Department of Health

This report presents the results of our internal controls and compliance audit of the following agencies for the period July 2016 through February 2019:

- Department of Administration, Accommodation Reimbursement Fund and System of Technology to Achieve Results (STAR) Program.
- Department of Commerce, Minnesota Relay Program.
- Department of Employment and Economic Development, State Services for the Blind, Communication Center.
- Department of Human Services, Deaf and Hard of Hearing Services Division.
- Minnesota Department of Health, Early Hearing Detection and Intervention Program.

The objectives of this audit were to determine if the five state agencies—and within those state agencies, six divisions or programs—had adequate internal controls over selected financial activities and complied with significant finance-related requirements.

The Department of Administration did not agree with Finding 8 as stated in their response at the back of this report. We have considered all information presented by the Department of Administration and believe that the evidence we obtained and the testing we performed during the course of our audit supports our conclusions.

June 26, 2020

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This audit was conducted by Tracy Gebhard, CPA (Audit Director); Tyler Billig, CPA (Audit Coordinator); Valentina Stone, CPA (Audit Coordinator); Scott Dunning (Senior Auditor); Daniel Hade (Staff Auditor); Erick Olsen (Senior Auditor); and Joseph Wallis (Staff Auditor) from March 2019 through August 2019. However, due to our required work on the state's financial statements and Federal Single Audit, we had to delay the completion of this audit report until June 2020.

We received the full cooperation of each department's staff while performing this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nobles".

James Nobles
Legislative Auditor

A handwritten signature in black ink, appearing to read "Tracy Gebhard".

Tracy Gebhard, CPA
Audit Director

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Report Summary

The state provides an array of services for people with disabilities, including those with a hearing and/or vision disability. Using the *Disability Minnesota* website, the Office of the Legislative Auditor identified 12 state entities that we thought may provide services to people with a hearing and/or vision disability. After interviewing staff at each of the 12 state entities, we determined that 10 state entities provided services to people with a hearing and/or vision disability. Of those ten state entities, we selected five state agencies—and within those state agencies, six divisions or programs—to audit.¹

The Office of the Legislative Auditor (OLA) conducted this selected scope audit to determine whether the identified state agencies had adequate internal controls and complied with significant finance-related legal requirements when providing services to people with a hearing and/or vision disability. The period under examination was from July 1, 2016, through February 28, 2019. Exhibit 1 below lists the state agencies, divisions or programs, and activities audited.

Exhibit 1: State Agencies, the Division or Program Subject to Audit, and the Activities Audited

Department of Administration, Accommodation Reimbursement Fund

- Reimbursements to state agencies for the cost of reasonable accommodations

Department of Administration, System of Technology to Achieve Results (STAR) Program

- Inventory
- Purchase of assistive technology devices
- Payroll expenditures

Department of Commerce, Minnesota Relay Program

- Contract with Sprint Communications Company to operate the Minnesota Relay Program
- Payments to Sprint Communications Company
- Payroll expenditures

Continued on the next page.

¹ See page 8 for more information on *Disability Minnesota* and a listing of the 12 entities interviewed.

Exhibit 1: State Agencies, the Division or Program Subject to Audit, and the Activities Audited (continued)

Department of Employment and Economic Development, State Services for the Blind, Communication Center

- Revenue from braille and audio services
- Donations
- Payroll expenditures

Department of Human Services, Deaf and Hard of Hearing Services Division (DHHSD)

- Grant expenditures
- Eligibility of individuals who received telecommunications devices
- Inventory
- Purchase of telecommunications devices
- Payroll expenditures

Minnesota Department of Health, Early Hearing Detection and Intervention Program

- Grant expenditures
- Payroll expenditures

SOURCE: Office of the Legislative Auditor.

Conclusions

Internal Controls

OLA found that internal controls were generally not adequate to ensure that the state agencies (1) provided authorized services to persons who have a hearing and/or vision disability, (2) spent funds in accordance with legal requirements and management's authorization, and (3) safeguarded its resources in four state agency divisions or programs. This audit identified internal control weaknesses in the following state agencies, listed in order of severity:

1. **Department of Employment and Economic Development**, State Services for the Blind, Communication Center
2. **Department of Human Services**, Deaf and Hard of Hearing Services Division (DHHSD)
3. **Department of Administration**, System of Technology to Achieve Results (STAR) Program
4. **Department of Administration**, Accommodation Reimbursement Fund

Internal Controls



While we found the **Department of Employment and Economic Development**, State Services for the Blind, Communication Center's internal controls to be generally not adequate, we found that **internal controls over donations were not adequate**.

Specifically, this audit identified the following internal control weaknesses.

1. **Department of Employment and Economic Development**, State Services for the Blind, Communication Center:
 - Finding 2. The Department of Employment and Economic Development, State Services for the Blind, Communication Center did not safeguard donations it received directly from donors. (p. 16)
 - Finding 3. The Department of Employment and Economic Development, State Services for the Blind, Communication Center did not maintain complete and accurate donation records. (p. 17)
 - Finding 4. The Department of Employment and Economic Development, State Services for the Blind, Communication Center did not always use donation receipts in accordance with the donor's intent. (p. 18)
2. **Department of Human Services**, Deaf and Hard of Hearing Services Division (DHHSD):
 - Finding 5. The Department of Human Services, Deaf and Hard of Hearing Services Division did not identify and mitigate grant reviewer conflicts of interest, monitor grant recipients, and conduct financial reconciliations of grant recipient expenditures, as required by state policy. (p. 24)
 - Finding 6. The Department of Human Services, Deaf and Hard of Hearing Services Division could not provide documentation to prove eligibility of telecommunications equipment recipients. (p. 28)
 - Finding 7. The Department of Human Services, Deaf and Hard of Hearing Services Division did not safeguard or accurately record into inventory telecommunications equipment located at the central office. (p. 30)
3. **Department of Administration**, System of Technology to Achieve Results (STAR) Program:
 - Finding 8. The Department of Administration did not safeguard and maintain accurate records of its STAR program assistive technology equipment. (p. 37)

4. **Department of Administration, Accommodation Reimbursement Fund:**

- Finding 9. The Department of Administration did not accurately reimburse state agencies for the cost of reasonable accommodations, as required by state statutes. (p. 43)

OLA found that internal controls were generally adequate to ensure that the state agency (1) provided authorized services to persons who have a hearing and/or vision disability, (2) spent funds in accordance with legal requirements and management's authorization, and (3) safeguarded its resources in one state agency program:

1. **Department of Commerce, Minnesota Relay Program**

Internal Controls



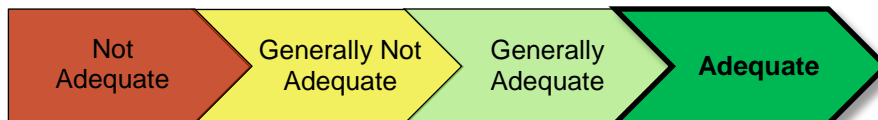
1. **Department of Commerce, Minnesota Relay Program:**

- Finding 10. The Department of Commerce did not document its performance of internal controls designed to verify the accuracy of fees paid for relay services. (p. 47)

OLA found that internal controls were adequate to ensure that the state agency (1) provided authorized services to persons who have a hearing and/or vision disability, (2) spent funds in accordance with legal requirements and management's authorization, and (3) safeguarded its resources in one state agency program:

1. **Minnesota Department of Health, Early Hearing Detection and Intervention Program**

Internal Controls



Legal Compliance

OLA found that the following two state agency divisions or programs generally did not comply with most significant legal requirements and management's authorization when (1) providing services and paying to provide services to persons who have a hearing and/or vision disability, and (2) safeguarding its resources. This audit identified noncompliance in the following state agencies, listed in order of severity:

1. **Department of Employment and Economic Development, State Services for the Blind, Communication Center**

2. **Department of Human Services, Deaf and Hard of Hearing Services Division (DHHSD)**

Legal Compliance



Specifically, OLA found the following issues of noncompliance, discussed more thoroughly in the findings and recommendations in this report.

1. **Department of Employment and Economic Development, State Services for the Blind, Communication Center:**

- Finding 1. The Department of Employment and Economic Development, State Services for the Blind did not deposit donations it received for the Communication Center in the state treasury, as required by state statute. (p. 16)
- Finding 2. The Department of Employment and Economic Development, State Services for the Blind, Communication Center did not safeguard donations it received directly from donors. (p. 16)
- Finding 4. The Department of Employment and Economic Development, State Services for the Blind, Communication Center did not always use donation receipts in accordance with the donor's intent. (p. 18)

2. **Department of Human Services, Deaf and Hard of Hearing Services Division (DHHSD):**

- Finding 5. The Department of Human Services, Deaf and Hard of Hearing Services Division did not identify and mitigate grant reviewer conflicts of interest, monitor grant recipients, and conduct financial reconciliations of grant recipient expenditures, as required by state policy. (p. 24)
- Finding 6. The Department of Human Services, Deaf and Hard of Hearing Services Division could not provide documentation to prove eligibility of telecommunications equipment recipients. (p. 28)
- Finding 7. The Department of Human Services, Deaf and Hard of Hearing Services Division did not safeguard or accurately record into inventory telecommunications equipment located at the central office. (p. 30)

OLA found that the following two state agency divisions or programs generally complied with most significant legal requirements and management's authorization when (1) providing services and paying to provide services to persons who have a hearing and/or vision disability, and (2) safeguarding its resources:

1. **Department of Administration, System of Technology to Achieve Results (STAR) Program**

2. **Department of Administration**, Accommodation Reimbursement Fund

Legal Compliance



Specifically, OLA found the following issues of noncompliance, discussed more thoroughly in the findings and recommendations in this report.

1. **Department of Administration**, System of Technology to Achieve Results (STAR) Program:

- Finding 8. The Department of Administration did not safeguard and maintain accurate records of its STAR program assistive technology equipment. (p. 37)

2. **Department of Administration**, Accommodation Reimbursement Fund:

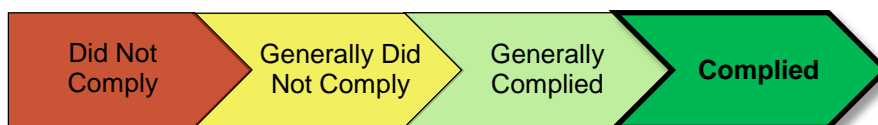
- Finding 9. The Department of Administration did not accurately reimburse state agencies for the cost of reasonable accommodations, as required by state statutes. (p. 43)

OLA found that the following two state agency programs complied with most significant legal requirements and management's authorization when (1) providing services and paying to provide services to persons who have a hearing and/or vision disability, and (2) safeguarding its resources:

1. **Department of Commerce**, Minnesota Relay Program

2. **Minnesota Department of Health**, Early Hearing Detection and Intervention Program

Legal Compliance



Specifically, the Department of Commerce complied with most significant legal requirements and management's authorization when it contracted for Minnesota Relay services, charged administrative costs to Minnesota Relay, and paid personnel costs for the employee who worked on the program and that employee's manager. The Minnesota Department of Health complied with most significant legal requirements and management's authorization when it awarded and monitored the Early Hearing Detection and Intervention Program grants and paid personnel costs for the employee who worked on the program.

Audit Overview

This report presents the results of an internal controls and compliance audit of services provided by the departments of Administration, Commerce, Employment and Economic Development, Health, and Human Services to assist persons with hearing and/or vision disabilities. Management is responsible for establishing internal controls to safeguard assets and ensure compliance with applicable laws, regulations, and state policies.

A strong system of internal controls begins with management's philosophy, operating style, and commitment to ethical values. It also includes processes to continuously assess risks and implement control activities to mitigate risks. A successful internal controls system includes iterative processes to monitor and communicate the effectiveness of control activities.



Services Overview and History

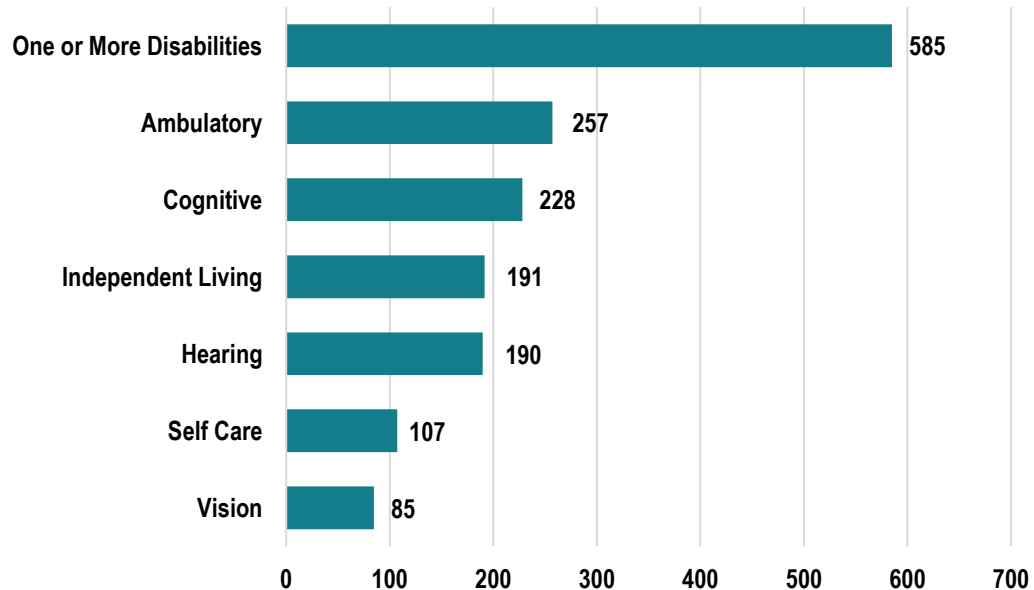
State statutes define a disability as “any condition or characteristic that renders a person a disabled person. A disabled person is any person who (1) has a physical, sensory, or mental impairment which materially limits one or more major life activities; (2) has a record of such an impairment; or (3) is regarded as having such an impairment.”²

More than 500,000 Minnesotans live with a disability. Exhibit 2 below identifies the total number of Minnesotans with one or more disabilities and the number of Minnesotans with specific disabilities, as identified by the U.S. Census Bureau, American Consumer Survey.³

² *Minnesota Statutes* 2019, 363A.03, subd. 12.

³ See <https://data.census.gov/cedsci/table?q=Disability&hidePreview=false&t=Disability&tid=ACST1Y2018.S1810&vintage=2018>, accessed May 12, 2020. For data, customize the table with Product: 2017; ACS 5-Year Estimates; Geographies: State, Minnesota.

Exhibit 2: Minnesotans with Disabilities, by Disability Type, Calendar Years 2013 through 2017 (In Thousands)



NOTES: The American Community Survey defines the six disabilities. Ambulatory: those who have serious difficulty walking or climbing stairs. Cognitive: because of a physical, mental, or emotional problem, those who have difficulty remembering, concentrating, or making decisions. Independent living: because of a physical, mental, or emotional problem, those who have difficulty doing errands alone, such as visiting a doctor's office or shopping. Hearing: those who are deaf or have serious difficulty hearing. Self-care: those who have difficulty bathing or dressing. Vision: those who are blind or having serious difficulty seeing, even when wearing glasses.

SOURCE: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates.

As shown in the exhibit above, over 274,000 Minnesotans have a hearing or vision disability. Combined, these two disabilities affect more Minnesotans than any of the other types of disabilities. As a result, we focused our audit on state services provided to people with a hearing and/or vision disability.

To support people with disabilities, a collaborative group of state entities created a website: *Disability Minnesota*.⁴ The website serves as a “single entry point to over 100 Minnesota state agency programs, products, and services that are devoted to a range of disability issues.”⁵

⁴ The state entities are Minnesota Commission of the Deaf, Deafblind, and Hard of Hearing; Department of Human Services, Disability Services Division and Deaf and Hard of Hearing Services Division; Governor's Council on Developmental Disabilities; Ombudsman's Office for Mental Health and Developmental Disabilities; Minnesota State Council on Disability; Department of Administration, STAR Program; and Department of Employment and Economic Development, State Services for the Blind and Vocational Rehabilitation Services Division.

⁵ See <https://mn.gov/disability-mn/>.

Using the *Disability Minnesota* website, we identified 12 state entities that we thought may provide services to people with a hearing and/or vision disability.⁶ We interviewed staff at each entity to gain an understanding of the services provided and the financial activity associated with providing those services. We determined that only 10 of the 12 state entities provided services to people with a hearing and/or vision disability.⁷ We selected five state agencies—and within those state agencies, six divisions or programs—to audit.

Exhibit 3 on the next page describes the state agency and the division or program subject to audit, along with the services each division or program provides.

Audit Scope, Objectives, Methodology, and Criteria

The objectives and methodology of our selected scope audit are identified after the overview section for each of the six state agency divisions or programs. Our selected scope audit was for the period from July 1, 2016, through February 28, 2019.

We conducted this performance audit in accordance with generally accepted government auditing standards.⁸ Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We assessed internal controls against the most recent edition of the internal control standards, published by the U.S. Government Accountability Office.⁹ To identify legal compliance criteria for the activity we reviewed, we examined state and federal laws, state administrative rules, state contracts, and policies and procedures established by the departments of Management and Budget and Administration and internal policies and procedures established by the departments of Administration, Commerce, Employment and Economic Development, Health, and Human Services.

⁶ The 12 state entities are as follows: (1) Department of Administration, (2) Department of Employment and Economic Development, (3) Department of Human Services, (4) Minnesota Council on Disability, (5) Department of Commerce, (6) Minnesota Department of Education, (7) Minnesota Department of Health, (8) Metropolitan Council, (9) Minnesota Housing Finance Agency, (10) Minnesota IT Services, (11) Minnesota State Academy for the Blind and Academy for the Deaf, and (12) Office of Ombudsman for Mental Health and Developmental Disabilities.

⁷ We found that neither the Minnesota Housing Finance Agency nor the Office of Ombudsman for Mental Health and Developmental Disabilities provide direct services to people with a hearing and/or vision disability.

⁸ Comptroller General of the United States, Government Accountability Office, *Government Auditing Standards* (Washington, DC, December 2011).

⁹ Comptroller General of the United States, Government Accountability Office, *Standards for Internal Control in the Federal Government* (Washington, DC, September 2014). In September 2014, the State of Minnesota adopted these standards as its internal control framework for the executive branch.

In conducting this audit, we used a sampling method that complies with generally accepted auditing standards and that supports our findings and conclusions.¹⁰ That method does not, however, allow us to project the results we obtained to the population from which the sample was selected.

Exhibit 3: State Agencies, Divisions, or Programs Audited, and the Services Provided

Department of Administration, Accommodation Reimbursement Fund

- Reimburses state agencies for the cost or a portion of the cost of reasonable accommodations for state employees or applicants for employment with a disability.

Department of Administration, System of Technology to Achieve Results (STAR) Program

- Provides demonstrations of assistive technology.
- Loans devices to any Minnesota citizen.

Department of Commerce, Minnesota Relay Program

- Operates Minnesota's telecommunications relay services program.

Department of Employment and Economic Development, State Services for the Blind, Communication Center

- Provides materials in braille and digital format through in-house transcription or external purchase.
- Broadcasts the radio readings of various local newspapers.
- Lends and repairs equipment used to listen to materials in digital format and radio readings.

Department of Human Services, Deaf and Hard of Hearing Services Division (DHHSD)

- Distributes telecommunications devices.
- Provides grants to community-based partners for sign language interpreter services, mentoring, support services, and mental health services.
- Provides grants to television stations for closed captioning of live local news programs.

Minnesota Department of Health, Early Hearing Detection and Intervention Program

- Provides grants to nonprofit organizations to provide support and assistance to families with children who are deaf or hard of hearing.

SOURCE: Office of the Legislative Auditor.

¹⁰ Comptroller General of the United States, Government Accountability Office, *Government Auditing Standards* (Washington, DC, December 2011).

Department of Employment and Economic Development, State Services for the Blind, Communication Center

State statutes require the commissioner of Employment and Economic Development to create a division known as State Services for the Blind to provide and coordinate services to the blind.¹¹ State Services for the Blind has four areas that provide and coordinate services to the blind: (1) workforce development; (2) business enterprises, which provides vending business job opportunities; (3) senior services, which provides assistance with independent living for seniors; and (4) braille and audio transcription services through its Communication Center.

The Communication Center (Center), which began in 1953, was a partnership with the Hamm Foundation of St. Paul and the State of Minnesota. Initially, the Hamm Foundation of St. Paul funded the Center, and services were extended by grants from other family and corporate foundations, public funds, and individual gifts.¹² In 1979, the Center became part of State Services for the Blind. Currently, the Center provides a variety of services to persons with vision disabilities, including (1) transcribing materials into braille and digital format, (2) researching the availability of already translated materials, (3) broadcasting closed circuit radio readings, and (4) lending and repairing radio receivers and playback machines.

To pay for the services it provides, the Center receives funding from a variety of sources. The Legislature appropriates general fund money and money from the Telecommunications Access Minnesota (TAM) account to State Services for the Blind.¹³ Then, State Services for the Blind allocates the money between the Center, workforce development, business enterprises, and senior services. The Center also receives money from the Minnesota Department of Education for services provided, donations and distributions from the Saint Paul and Minnesota Foundation (the Foundation), and revenue from providing braille and audio services. Exhibit 4 shows the Center's funding sources and uses.

¹¹ *Minnesota Statutes* 2019, 248.07, subd. 1.

¹² In 1989, the Hamm Foundation of St. Paul merged with the Saint Paul and Minnesota Foundation.

¹³ *Minnesota Statutes* 2019, 237.52, subd. 1, establishes the TAM account. *Minnesota Statutes* 2019, 237.52, subd. 2; and 403.161, subd. 1, require a monthly surcharge for each phone line in the state and a transaction fee on each retail transaction conducted in Minnesota for wireless prepaid phones be charged to fund the account. *Minnesota Statutes* 2019, 237.52, subd. 3; and 403.162, subd. 1, require the departments of Public Safety and Revenue, respectively, to collect the revenue.

Exhibit 4: Communication Center, Funding Sources and Uses, Fiscal Years 2017 through 2019 (In Thousands)

	Fiscal Years		
	2017	2018	2019 ^a
Beginning Balance	<u>\$ 213</u>	<u>\$ 295</u>	<u>\$ 346</u>
Sources			
General Fund Appropriations	\$2,488	\$2,714	\$2,788
Interagency Agreement with the Minnesota Department of Education ^b	665	609	625
Donations and Distributions from the Foundation	201	236	291
TAM Fund	99	97	99
Braille and Audio Service Receipts	<u>23</u>	<u>23</u>	<u>23</u>
Total Sources	<u>\$3,476</u>	<u>\$3,679</u>	<u>\$3,826</u>
Uses			
Personnel Costs	\$2,171	\$2,267	\$2,421
Purchased Services ^c	568	603	629
Indirect Costs	277	359	412
Supplies	228	236	197
Other Administrative Costs ^d	<u>150</u>	<u>163</u>	<u>110</u>
Total Uses	<u>\$3,394</u>	<u>\$3,628</u>	<u>\$3,769</u>
Ending Balance	<u>\$ 295</u>	<u>\$ 346</u>	<u>\$ 403</u>

^a Data are presented as of the end of Fiscal Year 2019; our audit period included transactions posted in the state's accounting system through February 28, 2019.

^b The Communication Center has an interagency agreement with the Minnesota Department of Education (MDE) to provide braille and audio services for students for which MDE paid \$575,000 each year for 2017 and 2018 and \$611,770 for 2019. The revenue the Communication Center receives from the sale of previously transcribed books to out-of-state entities is also included.

^c Purchased Services include rent and information technology service costs.

^d Other Administrative Costs include costs of repairs and maintenance, equipment leases, and other costs.

SOURCE: State of Minnesota's accounting system.

Minnesota Department of Education Interagency Agreement

In September 2016, the Center executed an interagency agreement with the Minnesota Department of Education (MDE) to provide braille and audio textbooks and other educational materials for eligible K-12 students attending school in participating school districts in Minnesota. The agreement was set to expire on June 30, 2018, but was amended to extend the expiration date to June 30, 2020. The department is required to pay the Center \$575,000 each year for 2017 and 2018, and \$611,770 each year for 2019 and 2020.

Throughout the year, the Center receives orders from school districts. The Center determines whether it will (1) purchase the braille or audio material, (2) reproduce previously transcribed material, (3) reuse previously transcribed material, or (4) transcribe the material. Once obtained or completed, the Center sends the materials to the respective school district(s).

Audit Objectives and Methodology

OLA designed its work to address the following questions:

- Did the Communication Center provide services to persons with vision disabilities in accordance with significant legal provisions, including the interagency agreement executed with the Minnesota Department of Education?
- Did the Communication Center spend funds in accordance with legal requirements and management's authorizations?

To answer these questions, OLA reviewed the Communication Center's interagency agreement with MDE to ensure the Center received the money agreed upon and the cost of providing those services reconciled with the money received from MDE.

Audit Results

Our audit work confirmed that, for the period from July 1, 2016, through February 28, 2019, the Center received the correct amount of payment and provided braille and audio textbooks and other educational material services to the Minnesota Department of Education, in accordance with significant legal provisions, including the interagency agreement executed with the Minnesota Department of Education. Our audit work also confirmed that, for the period from July 1, 2016, through February 28, 2019, the Center spent funds received from its interagency agreement with the Minnesota Department of Education in accordance with legal requirements and management's authorizations.

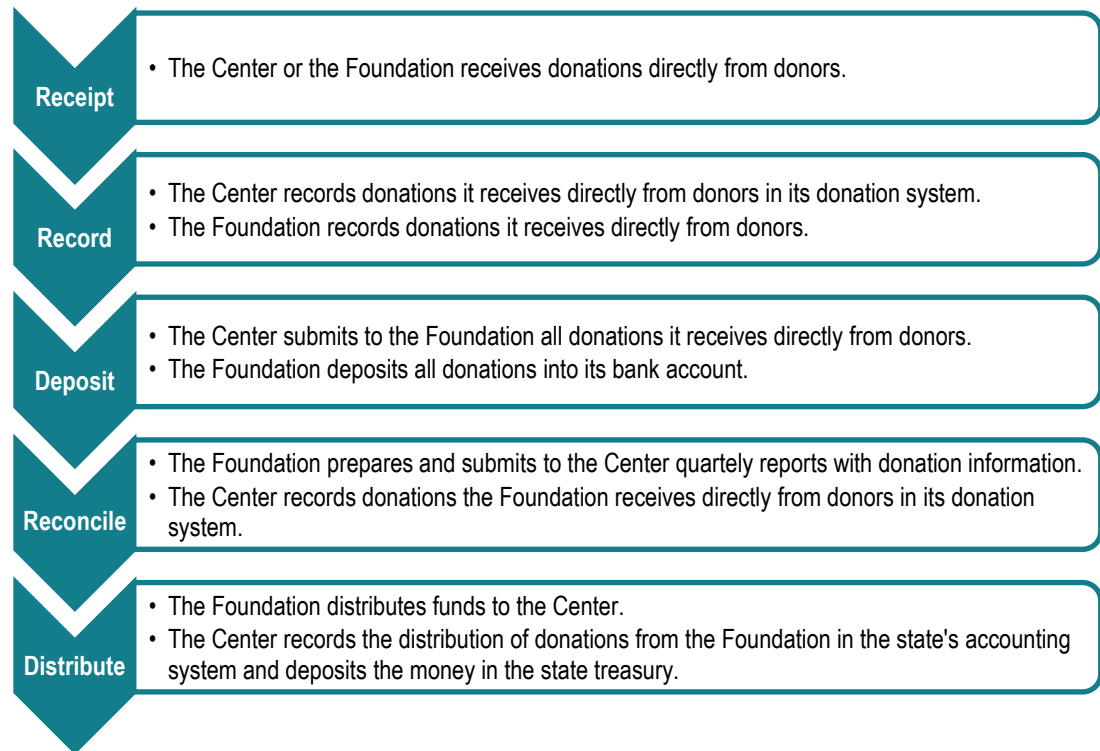
Donations

The Center partners with the Saint Paul and Minnesota Foundation (the Foundation) to solicit and obtain additional funding sources. The Foundation organizes donation solicitation and matching campaigns and leverages its established relations in the community to obtain and manage funding for the Center.

In 2003, the Center entered into an agreement with the Foundation that allows the Foundation to create and administer the Communication Center Gift Fund (Fund), which holds most of the donations collected on behalf of the Center. The agreement requires the Foundation to distribute donations to the Center and requires the Fund to pay the Foundation an administrative fee and its share of investment and other expenses related to the Fund. In 2004, the Foundation issued a memo of understanding to the Center regarding the establishment of the Communication Center Fundraising Fund to pay for fundraising costs. However, the memo of understanding was not signed by the Center nor is there any documentation that indicates the Center agreed with the memo of understanding.

Both the Center and the Foundation are involved in processing donations; Exhibit 5 provides a brief overview of this process.

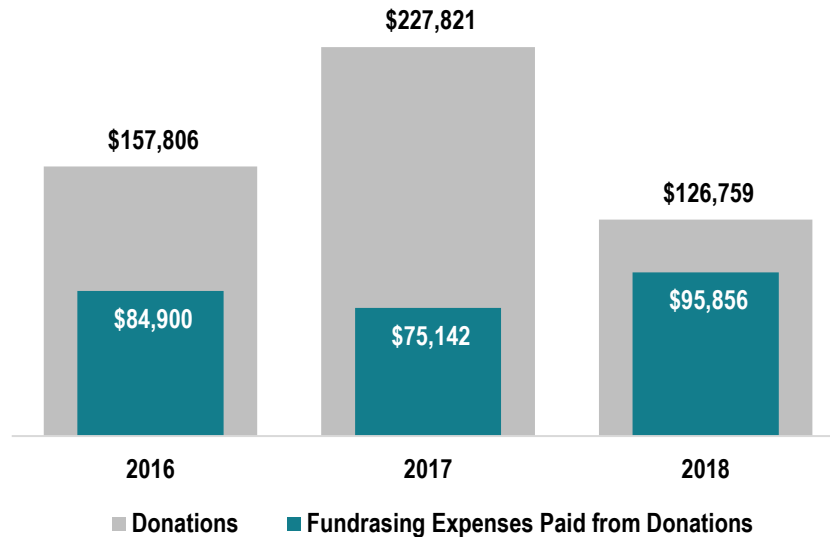
Exhibit 5: Communication Center's Process for Receiving and Distributing Donations



SOURCE: Office of the Legislative Auditor.

Once received, the Center uses the donations to pay for the cost of fundraising and the cost of operating the Center. Exhibit 6 shows the total donations compared to the cost of fundraising.

In addition to using donations to pay for the cost of fundraising, the Center also used donations to pay the Foundation approximately \$21,000 for calendar years 2016 through 2018 to administer the funds.

Exhibit 6: Donations Compared to Fundraising Costs Paid from Donations, Calendar Years 2016-2018

NOTE: Donations also include \$20,000 per year in matching donations received from the Foundation.

SOURCE: Office of the Legislative Auditor, based on the Foundation's year-end reports provided by the Center.

Audit Objectives and Methodology

OLA designed its work to address the following questions:

- Did the Communication Center have adequate internal controls to ensure that they safeguarded donations received?
- Did the Communication Center safeguard donations received?

To answer these questions, OLA interviewed staff at the Communication Center to gain an understanding of internal controls over donations.

We compared the (1) department's donation tracking subsystem to donation receipts recorded in the state's accounting system, (2) donation receipts recorded in the state's accounting system to records from the Foundation, and (3) records from the Foundation to the department's donation tracking subsystem. We also tested a random sample of 65 donations (out of a total of 3,228) to determine if the department processed the donations in accordance with the donor's intent. Of those 65 donations, 60 were randomly selected and 5 donations of \$10,000 or more were judgmentally selected.

Audit Results

Our audit work identified issues with the Center's donations, as listed below.

FINDING 1

The Department of Employment and Economic Development, State Services for the Blind did not deposit donations it received for the Communication Center in the state treasury, as required by state statute.

As we have discussed, the Center partners with the Saint Paul and Minnesota Foundation (the Foundation) to solicit and obtain additional funding sources.¹⁴ The Foundation administers and manages donations on behalf of the Center. Donors can send donations to the Center or the Foundation. The Center sends deposits to the Foundation and the Foundation deposits donations into bank accounts or investments held or directed by the Foundation.

State statute requires all receipts to be deposited in a separate account in the state treasury and to be invested by the State Board of Investment.¹⁵ The Center's management stated that they were not aware of this requirement and have a longstanding relationship with the Foundation.

By allowing the Foundation to administer and manage donations on behalf of the Center, the state relinquishes control of these donations and circumvents statutory requirements. In addition, recording donations outside of the state treasury makes it more difficult to ascertain the total resources available to the Center.

RECOMMENDATION

The Department of Employment and Economic Development, State Services for the Blind should deposit all donations received for the Communication Center in the state treasury, as required by state statute, or work with the Legislature to amend this provision.

FINDING 2

The Department of Employment and Economic Development, State Services for the Blind, Communication Center did not safeguard donations it received directly from donors.

The Center does not maintain a receipt log or similar documentation to record donation information to ensure it deposited all donations received. We found that when the

¹⁴ The Communication Center, which began in 1953, was a partnership with the Hamm Foundation of St. Paul and the State of Minnesota. In 1989, the Hamm Foundation of St. Paul merged with the Saint Paul and Minnesota Foundation.

¹⁵ *Minnesota Statutes* 2019, 116J.035, subd. 6.

Center receives donations of cash or check by mail, a single employee opens the mail and sends the donations to another employee to record into its system, without recording the donation on a receipt log or similar documentation.

State policy requires all agencies' policies and procedures to address, at a minimum, the maintenance of a receipt log or similar documentation which includes sufficient information to ensure all receipts received are deposited.¹⁶

The Center does have procedures for donations, but they only require mailroom staff to date-stamp receipts prior to sending receipts to another employee. The procedures do not require the use of a receipt log or similar documentation to ensure all receipts received are deposited.

Without a receipt log or similar documentation and by allowing one employee to open the mail, the Center increases the risk of theft or misplacement of donations. The risk is especially high for donations, as these are non-exchange transactions and there is no record of the donation until staff record the donations into its system.

RECOMMENDATION

The Department of Employment and Economic Development, State Services for the Blind, Communication Center should strengthen its internal controls over donations to ensure it safeguards donations it receives directly from donors.

FINDING 3

The Department of Employment and Economic Development, State Services for the Blind, Communication Center did not maintain complete and accurate donation records.

We identified discrepancies totaling over \$11,000 when we compared the Center's donation records with reports from the Foundation. The discrepancies are as follows:

- The Center recorded five donations totaling \$9,025 twice. The center recorded these donations in its system and sent the donations to the Foundation, which recorded the donations under different names. When the Center reconciled its system to the Foundation's reports, the Center identified these five donations as new donations and recorded the five donations in its system again.
- The Center recorded two donations totaling \$1,000 in its subsystem that were not in the Foundation reports. The Foundation never received these donations, and the Center should have removed these records from its system.

¹⁶ Minnesota Management and Budget, Statewide Operating Policy 0602-01, *Recording and Depositing Receipts*, issued on July 1, 2011, and revised on June 27, 2016.

- We were unable to reconcile a total of \$1,266 in donations.

These discrepancies occurred because the Center did not establish internal controls to ensure that transactions are completely and accurately recorded.¹⁷ Instead, when the Center reconciles donations recorded in its system to the Foundation's reports, staff do not follow up on or record any variances as long as the total donations in the Foundation's report is larger than the total donations recorded in the Center's system.

By not having accurate donation records, the Center may not be aware of its total resources available. In addition, the Center may not have assurance that the Foundation deposited and reported all donations received on behalf of the Center. Further, the Center may not be using the money in accordance with the donor's intent.

RECOMMENDATIONS

- **The Department of Employment and Economic Development, State Services for the Blind, Communication Center should strengthen its internal controls to ensure it maintains complete and accurate donation records.**
 - **The Department of Employment and Economic Development, State Services for the Blind, Communication Center should resolve all discrepancies identified.**
-

FINDING 4

The Department of Employment and Economic Development, State Services for the Blind, Communication Center did not always use donation receipts in accordance with the donor's intent.

For 10 of 65 donations tested, the Center could not substantiate that it used the donation in accordance with the donor's intent. The Center either did not retain supporting documentation, such as copies of checks or letters of intent, or the donation was made generally to State Services for the Blind, and the Center did not document its decision for using the donation.

State statute requires the Center to use its assets, such as gifts or donations received, in accordance with the terms of the gift.¹⁸ However, the department did not design and implement internal controls, such as policies and procedures, to ensure it retained supporting documentation with the donor's intent or document its decision for how to use the donation.

¹⁷ Comptroller General of the United States, Government Accountability Office, *Standards for Internal Control in the Federal Government*, Principle 10.03 (Washington, DC, September 2014).

¹⁸ *Minnesota Statutes* 2019, 116J.035, subd. 6(a)(3).

Without documented controls, the Center is at risk for using donations for purposes other than what the donor intended.

RECOMMENDATION

The Department of Employment and Economic Development, State Services for the Blind, Communication Center should design and implement internal controls to ensure donations are used in accordance with the donor's intent.

Braille and Audio Service Receipts

The Center provides braille and audio transcription services to individuals and entities. While the Center provides braille and audio materials free of charge to individuals with a vision disability, it charges a fee to schools, colleges and universities, businesses, government agencies, and nonprofit organizations. Individuals and entities must complete an application or order form to establish eligibility for individuals and identify the service(s) needed.

Once the Center receives an application or order form, and ensures eligibility of the individual, it will search for the requested book or audio material through its partnerships with the Minnesota Braille and Talking Book Library and the National Library Service for the Blind and Physically Handicapped. If the requested book or audio material cannot be found, the Center will transcribe the book or audio material for the customer. Classroom, organizational, vocational, and book club materials have priority over leisure materials.

The Center has established and published on its website billing rates for braille and audio services. The Center bills braille transcription services at \$6 per page for textbooks for colleges and universities; \$1.25 per page for textbooks for other entities; and \$2.25 per page, with a \$15 minimum charge, for non-textbook materials for non-higher education entities. Audio transcription services are billed by the Center at \$2 per recording hour for schools, \$12.50 per recording hour for other organizations, and \$.05 per page for large-print materials for both schools and other organizations.

Audit Objectives and Methodology

OLA designed its work to address the following questions:

- Did the Communication Center have adequate internal controls to ensure that they provided and correctly charged for braille and audio services to persons with vision disabilities?
- Did the Communication Center provide services to persons with vision disabilities in accordance with significant legal provisions and internal policies and procedures?

To answer these questions, OLA interviewed staff at the Communication Center to gain an understanding of internal controls over braille and audio services receipts.

We reconciled the department's subsystem used to track braille and audio orders with receipts recorded in the state's accounting system. We analyzed all braille and audio orders to ensure only entities (not individuals) were charged for braille and audio services; individuals are supposed to receive these services at no cost. Our analysis identified 28 braille and audio orders that the division provided free of charge. We reviewed all 28 orders to determine if the department appropriately waived the charge for service.

Audit Results

Our audit work confirmed that, for the period from July 1, 2016, through February 28, 2019, the Center correctly charged entities (not individuals) for braille and audio services and provided those services to individuals free of charge.

Personnel Costs

During our audit scope, the Department of Employment and Economic Development had 27 staff members charge personnel costs to the Communication Center.

Audit Objectives and Methodology

OLA designed its work to address the following question:

- Did the Department of Employment and Economic Development appropriately spend funds to pay employees who worked in the Communication Center?

To answer this question, OLA analyzed personnel costs to determine if costs were for employees who worked in the Communication Center.

Audit Results

Our audit work confirmed that the Center's payroll expenditures, for the period from July 1, 2016, through February 28, 2019, were only for the salary of employees who worked in the Communication Center or a portion of the salary for those employees that temporarily worked on Communication Center projects, during that time period.

Department of Human Services, Deaf and Hard of Hearing Services Division

In 1980, the Minnesota Legislature established the Deaf and Hard of Hearing Services Act and, as a result, the Deaf and Hard of Hearing Services Division (DHHSD) was established.¹⁹ DHHSD, a division within the Department of Human Services (DHS), provides services statewide to people who are deaf or deafblind. DHHSD also provides services statewide to people who have a combined vision and hearing loss, are hard of hearing or have hearing loss, and who are late deafened. To provide services across the state, DHHSD relies on its regional offices and community-based program partners.²⁰ Currently, DHHSD has regional offices in Duluth, Mankato, Moorhead, St. Cloud, and St. Paul. Exhibit 7 describes the services DHHSD, regional offices, and community-based program partners provide.

Exhibit 7: Services Provided by Deaf and Hard of Hearing Services Division (DHHSD), Regional Offices, and Community-Based Partners

General Services	<ul style="list-style-type: none"> • Assists individuals with navigating complex service systems • Provides training, consultation, direct assistance, advocacy, and collaboration to help individuals make informed decisions • Offers training and technical assistance to providers on how to make services accessible • Provides technical assistance developing community and in-home service options
Telephone Equipment Distribution (TED) Program	<ul style="list-style-type: none"> • Provides adaptive equipment to use the telephone at no cost
Mental Health Program	<ul style="list-style-type: none"> • Offers mental health therapy and counseling in American Sign Language to adults who are deaf and have mental illness • Provides training for mental health providers • Offers crisis intervention, case coordination, after-care planning, and community placement assistance
Grant Programs	<ul style="list-style-type: none"> • Provides mentors who are deaf and hard of hearing for families with children who are deaf and hard of hearing to help families learn American Sign Language • Provides sign language interpreter services • Offers support services and mental health services, such as counseling and emotional or behavioral assessments • Delivers real-time captioning of live local news programming

SOURCE: Minnesota Department of Human Services, Deaf and Hard of Hearing Services Division's website, <https://mn.gov/deaf-hard-of-hearing/about-us/who-we-are/key-programs-written-overview.jsp>, accessed February 15, 2020.

¹⁹ *Laws of Minnesota* 1980, Chapter 574, codified in *Minnesota Statutes* 2019, 256C.21 to 256C.26.

²⁰ Community-based program partners are recipients that received a grant award from DHHSD to provide services.

To provide those services, DHHS received a total of approximately \$16 million in general fund appropriations from the Legislature for fiscal years 2017 through 2019.²¹ In addition, DHHS received a total of about \$5.12 million from the Telecommunications Access Minnesota (TAM) account. The TAM account is funded through a monthly surcharge for each phone line and a transaction fee on each retail transaction for wireless prepaid phones and is collected by the departments of Public Safety and Revenue, respectively.²² DHHS uses this money to provide services through its regional offices, telecommunications equipment distribution program, grant program, and mental health program. Exhibit 8 shows the division's funding sources and uses.

Exhibit 8: Deaf and Hard of Hearing Services Division Funding Sources and Uses, Fiscal Years 2017 through 2019 (In Thousands)

	Fiscal Years		
	2017	2018	2019 ^a
Beginning Balance	<u>\$ 110</u>	<u>\$ 5</u>	<u>\$ 8</u>
Sources			
General Fund Appropriation – Operations	\$3,066	\$2,864	\$2,763
General Fund Appropriation – Grants	2,375	2,675	2,675
TAM Fund	1,979	1,618	1,519
Federal Revenue	75	75	75
Gifts, Bequests, or Endowments	<u>3</u>	<u>1</u>	<u>1</u>
Total Sources	<u>\$7,498</u>	<u>\$7,233</u>	<u>\$7,033</u>
Uses			
Personnel Costs	\$3,612	\$3,510	\$3,359
Grants	2,700	2,963	2,993
Telecommunications Equipment	313	82	92
Other Administrative Costs ^b	<u>965</u>	<u>622</u>	<u>550</u>
Total Uses	<u>\$7,590</u>	<u>\$7,177</u>	<u>\$6,994</u>
Cancelled Appropriations	<u>\$ 13</u>	<u>\$ 53</u>	<u>\$ 27</u>
Ending Balance	<u>\$ 5</u>	<u>\$ 8</u>	<u>\$ 20</u>

^a Data are presented as of the end of Fiscal Year 2019; our audit period included transactions posted in the state's accounting system through February 28, 2019.

^b Other Administrative Costs include costs of repairs and maintenance, capital outlay, non-capital assets, and other costs.

SOURCE: State of Minnesota's accounting system.

²¹ *Laws of Minnesota* 2015, chapter 71, art. 14, sec. 2, subds. 3e and 5k; and *Laws of Minnesota* 2017, First Special Session, chapter 6, art. 18, sec. 2, subds. 7 and 28.

²² *Minnesota Statutes* 2019, 237.52, subds. 2 and 3; 403.161, subd. 1; and 403.162, subd. 2.

Grant Programs

DHS's Deaf and Hard of Hearing Services Division awards money to community-based partners through its grant programs. There are four types of grant programs; each provides a variety of services to individuals with sensory disabilities, as shown in Exhibit 9.

Exhibit 9: Deaf and Hard of Hearing Services Division, Grant Programs and Types of Services Provided

Service Grants

- Intervener^a, family education, and other support services to children who are deafblind and their families
- Educational events and community integration opportunities
- Goods and services to establish and maintain independence, increase self-sufficiency, develop knowledge and skills, and participate fully in the community and/or family
- Protactile^b and/or other communication systems

Mental Health Grants

- Community-based mental health support and psychiatric services for people who have a hearing disability and have a mental illness
- Peer support specialist services to people who have a hearing disability and have a mental illness
- Specialized and culturally affirmative psychological assessment and follow-up services

Mentor Grants

- Mentors to support families and their children in the development of communication
- Deaf and Hard of Hearing Guides

TV Captioning Grants

- Live news program captioning throughout Greater Minnesota

^a An intervener is a person who works consistently one-to-one with an individual who is deafblind.

^b Protactile is a unique language that is done through touch.

SOURCE: Office of the Legislative Auditor.

When administering these grants, the division must comply with the Department of Administration's Office of Grants Management (OGM) policies. Those policies require, among other things, that (1) for grants competitively awarded, individuals responsible for selecting recipients and awarding grant money identify any conflicts of interest that may exist; (2) the division conducts periodic monitoring visits; and (3) the division reconciles the recipient's expenditures.

Audit Objectives and Methodology

OLA designed its audit work to address the following questions:

- Did the Department of Human Services, Deaf and Hard of Hearing Services Division have adequate internal controls to ensure it (1) awarded grants for the purposes authorized in state statute and to qualified grant recipients who had the capacity to provide the required services, (2) executed grant agreements in accordance with management's authorization, and (3) provided adequate oversight?
- Did the Department of Human Services, Deaf and Hard of Hearing Services Division spend grant funds in accordance with legal requirements and management's authorizations, and safeguard its resources?
- Did the Department of Human Services, Deaf and Hard of Hearing Services Division provide grants in compliance with significant legal provisions and internal policies and procedures?

To answer these questions, OLA interviewed staff from the division to gain an understanding of its internal controls over grant expenditures. We tested a random sample of 8 fully executed grant agreements (out of a total of 28) to determine if the division had adequate internal controls in place to award, execute, and monitor grant agreements. In addition, we tested that same sample to ensure the division complied with legal provisions when awarding, executing, and monitoring grant agreements. We also tested a random sample of 70 grant expenditures (out of a total of 360) to determine if payments were for allowable activities and approved by an authorized individual. Finally, we analyzed the grant awards to determine if the division allocated the minimum amount required by state statute to provide services and support for deafblind adults and children.

Audit Results

Our audit work identified issues with the division's grant programs, as listed below.

FINDING 5

The Department of Human Services, Deaf and Hard of Hearing Services Division did not identify and mitigate grant reviewer conflicts of interest, monitor grant recipients, and conduct financial reconciliations of grant recipient expenditures, as required by state policy.

As noted above, we tested 8 of 28 grant awards to determine if the division had adequate controls to ensure it identified and mitigated grant reviewer conflicts of interest and monitored grant recipients. In addition, we tested all 16 grant recipients whose award ended during our audit scope to determine if the division conducted financial reconciliations of grant recipient expenditures. Our testing identified the following control weaknesses and noncompliance with state policies.

Conflict of Interest

For six of the eight grant recipients tested, we could not determine if the division required grant reviewers to complete a conflict of interest form. If conflicts existed, we also could not determine if the division took appropriate action.

A conflict of interest form allows grant reviewers to disclose any actual, potential, or perceived conflicts of interest or indicate that no conflicts exist. In addition, the form allows the state agency to identify the action taken to mitigate the conflict or certify that no action is necessary. State policy requires grant reviewers to complete and sign a conflict of interest disclosure form for each grant review in which they participate.²³

The division told us that they require grant reviewers to complete the form; however, they did not retain the form. By not retaining the disclosure form, we were not able to determine if any actual, potential, or perceived conflicts existed or whether the division took the appropriate action to mitigate the conflicts.

Monitoring Visits

For four of the eight grant recipients tested, we could not determine if the division conducted at least one monitoring visit prior to issuing the final payment to the grant recipient. While state policy allows for agencies to conduct monitoring visits over the phone, it recommends in-person visits and the use of a standardized form and procedures for monitoring visits.²⁴ State policy requires documentation from monitoring visits be kept in the grant file.²⁵ The division told us that they maintained consistent communication, through phone and e-mail, with the grant recipients, however, they did not document this communication. Without documentation, we were not able to determine whether the division adequately monitored its grant recipients to ensure those recipients provided the services outlined in the grant agreement.

Financial Reconciliations

The division did not conduct a financial reconciliation of grant recipient expenditures for any of the 15 grant recipients whose award ended during our audit scope. These 15 grant recipients incurred expenditures totaling between \$56,420 and \$1,572,753. State policy requires agencies to conduct a financial reconciliation of the grant recipient's expenditures at least once for grants over \$50,000 before agencies issue the final payment.²⁶ The division told us that they were not aware of the need to conduct a financial reconciliation of grant recipients' expenditures. By not conducting financial reconciliations, the division does not ensure that payments to grant recipients were for allowable activities.

²³ Department of Administration, Office of Grants Management, Policy 08-01, *Conflict of Interest*, revised June 18, 2012.

²⁴ Department of Administration, Office of Grants Management, Policy 08-10, *Policy on Grant Monitoring*, revised December 2, 2016.

²⁵ *Ibid.*

²⁶ *Ibid.*

RECOMMENDATIONS

- **The Department of Human Services, Deaf and Hard of Hearing Services Division should design its controls to ensure it identifies and mitigates grant reviewer conflict of interest, monitors grant recipients, and conducts financial reconciliations of grant recipients' expenditures.**
 - **The Department of Human Services, Deaf and Hard of Hearing Services Division should identify and mitigate possible grant reviewer conflicts of interest, monitor grant recipients, and conduct financial reconciliations of grant recipients' expenditures, as required by state policy.**
-

Telephone Equipment Distribution

In 1988, the Legislature established the Telephone Equipment Distribution (TED) program and required DHS's Deaf and Hard of Hearing Services Division to run the program.²⁷ The TED program requires the division to loan telecommunications equipment at no cost to people who are deaf, hard of hearing, deafblind, or who have a speech or physical disability and need adaptive equipment to use telephone services. Division staff determine the individual's eligibility; purchase the necessary adaptive telecommunications equipment, if the equipment is not on hand; and distribute the equipment. In addition, division staff maintain an inventory of adaptive equipment for demonstration and distribution.

Eligibility Determination and Equipment Distribution

State statutes define program eligibility for the TED program. To receive equipment under the TED program, an individual must meet all of the following eligibility requirements: (1) be able to benefit from and use the equipment for its intended purpose, (2) have a communication disability, (3) be a resident of Minnesota, (4) be at or below the state's median income, and (5) have or have applied for telecommunications service.²⁸ Additionally, state law requires the division to establish procedures to verify eligibility requirements and distribute equipment.²⁹

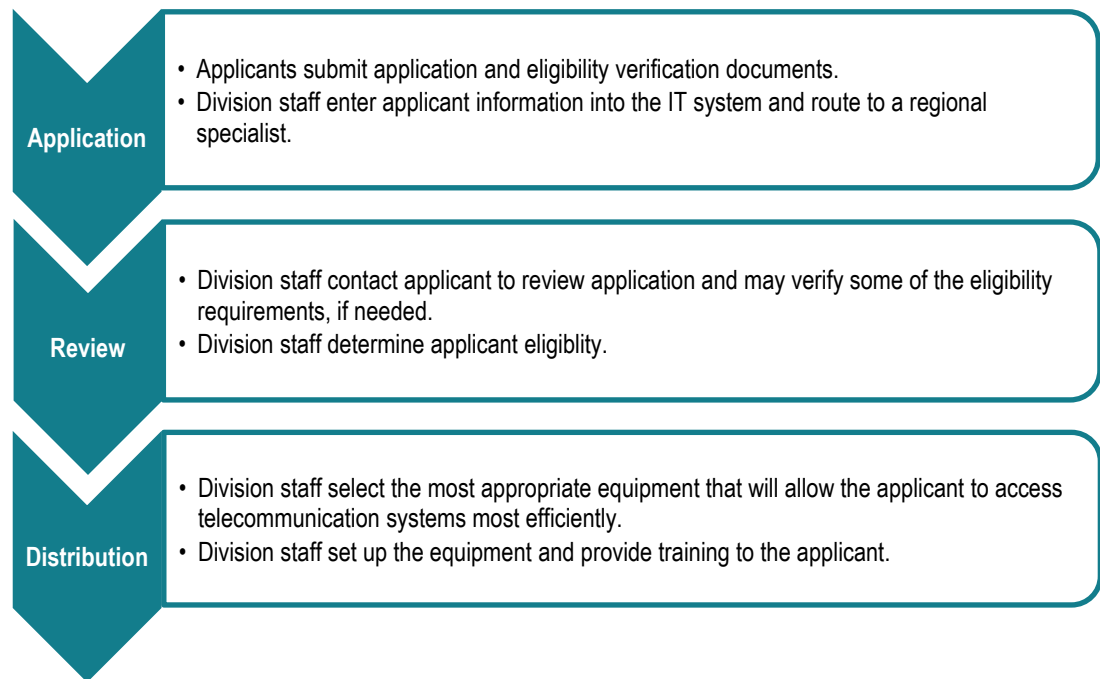
The division established procedures, which are documented in its Equipment Distribution Manual, to verify eligibility requirements and distribute telecommunications equipment. Exhibit 10 provides a brief overview of these procedures.

²⁷ *Laws of Minnesota* 1988, Chapter 621, codified in *Minnesota Statutes* 2019, 237.50, subd. 10a.

²⁸ *Minnesota Statutes* 2019, 237.53, subd. 2.

²⁹ *Minnesota Statutes* 2019, 237.51, subd. 5a(2).

Exhibit 10: Deaf and Hard of Hearing Services Division, Eligibility Determination and Equipment Distribution Process



SOURCE: Office of the Legislative Auditor.

After equipment is distributed to the recipient, the division does not redetermine recipient eligibility.

Audit Objectives and Methodology

OLA designed its work to address the following questions:

- Did the Department of Human Services, Deaf and Hard of Hearing Services Division have adequate internal controls to ensure that it distributed telecommunications equipment to eligible individuals?
- Did the Department of Human Services, Deaf and Hard of Hearing Services Division determine eligibility in accordance with significant legal provisions and internal policies and procedures?

To answer these questions, OLA interviewed staff from the division to gain an understanding of the internal controls over determining eligibility of participants. We tested 72 TED program participants (out of a total of 1,227) to independently determine eligibility. Of those 72 TED program participants, 60 were randomly selected and 12 were judgmentally selected.

Audit Results

Our audit work identified the following issues with the division's eligibility determinations.

FINDING 6

The Department of Human Services, Deaf and Hard of Hearing Services Division generally could not provide documentation to prove eligibility of telecommunications equipment recipients.

We could not verify eligibility for 41 of the 72 recipients we tested. For 7 of the 41 recipients, the division did not retain documentation to show that the recipient met one of the five eligibility requirements.³⁰ The division did have documentation to show that these seven recipients met the other four eligibility requirements. For 34 of the 41 recipients, we were not able to determine eligibility based on the documentation in the file. For example, we found that staff accepted documentation of income that was not legible or indicated in their notes that they verified income but did not retain sufficient documentation.

The division's manual requires staff to document eligibility factors in the case file by placing the original or a copy of the documentation in the case file.³¹ In addition, the manual states that "any document that reasonably proves the recipient's statement about an item that requires verification must be accepted" and "no requirement for a specific type of verification may be imposed."³²

Since the division did not restrict which documentation recipients could use to demonstrate eligibility, staff used any documentation, including their notes, to verify and document eligibility. The division did not perform a review to ensure staff correctly determined eligibility and retained all documentation. Without documentation to substantiate eligibility of recipients, the division risks providing telecommunications equipment to ineligible recipients.

RECOMMENDATIONS

- **The Department of Human Services, Deaf and Hard of Hearing Services Division should reverify eligibility for the recipients for whom we were not able to determine eligibility, if feasible.**
 - **The Department of Human Services, Deaf and Hard of Hearing Services Division should enhance its internal controls to ensure the necessary documentation is obtained and retained to support recipients' eligibility.**
-

³⁰ *Minnesota Statutes* 2019, 237.53, subd. 2, requires that an individual meet the following eligibility requirements: (1) be able to benefit from and use the equipment for its intended purpose, (2) have a communication disability, (3) be a resident of Minnesota, (4) be at or below the state's median income, and (5) have or have applied for telecommunications service.

³¹ Department of Human Services, Deaf and Hard of Hearing Services Division, *MDHS EDP Manual* (June 1999), 37.

³² *Ibid.*, 26.

Purchase and Inventory of Equipment

State statute requires that the division purchase a sufficient number of telecommunications devices and interconnectivity products so that each eligible household receives appropriate products and devices.³³ The division contracts with one vendor to purchase most of these telecommunications devices and interconnectivity products.

To purchase equipment, division staff create an order in the division's procurement and inventory management system. The order is sent to the appropriate vendor who subsequently ships the equipment either directly to the TED recipient or the division's regional offices. A small inventory of equipment is held at the division's regional offices to allow for the recipient to evaluate products and the division to address any immediate recipient needs.

Division staff update the inventory management system when equipment is sent for repair, replaced, or sent to the recipient. In addition, division staff conduct monthly physical inventory at the central and regional offices.

Audit Objectives and Methodology

OLA designed its work to address the following questions:

- Did the Department of Human Services, Deaf and Hard of Hearing Services Division have adequate internal controls to ensure that it (1) spent funds in accordance with legal requirements and management's authorizations, and (2) safeguarded telecommunications equipment?
- Did the Department of Human Services, Deaf and Hard of Hearing Services Division purchase and maintain an inventory of telecommunications equipment in accordance with significant legal provisions and internal policies and procedures?

To answer these questions, OLA interviewed staff from the division to gain an understanding of the internal controls over safeguarding and recording inventory. We tested a random sample of 42 telecommunications equipment purchases (out of a total of 173) to ensure that the purchase was approved and the equipment was recorded in the inventory system. We also tested a sample of 112 telecommunications equipment and special needs accessories (out of a total of 391) identified from the inventory system, and located at the central office, to determine if the division held the equipment in inventory. Of those 112 items, 85 were randomly selected and 27 were judgmentally selected.

³³ *Minnesota Statutes* 2019, 237.53, subd. 3.

Audit Results

Our audit work identified the following issues with the division's handling of telecommunications equipment.

FINDING 7

The Department of Human Services, Deaf and Hard of Hearing Services Division did not safeguard or accurately record into inventory telecommunications equipment located at the central office.

The division did not safeguard telecommunications equipment. Instead, we observed that the division stored telecommunications equipment in unlocked areas and a suitcase. The division did not maintain accurate inventory records. For example, division staff could not locate 20 out of 112 devices and special needs accessories at the time of our visit.³⁴ Also, division staff could not locate in its inventory records \$1,114 worth of special needs accessories purchased on 6 of the 42 invoices we tested.

State statute designates all purchased telecommunications equipment as the property of the State of Minnesota.³⁵ The state's property management reporting and accountability policy requires agencies to have internal controls in place to, among other things, safeguard public funds.³⁶ In addition, the policy requires that agencies maintain complete and accurate inventory records.

Despite the state statute that designates telecommunications equipment as the property of the State of Minnesota, division staff told us it did not consider this equipment to be state property and did not assign asset numbers to the equipment. Instead, the division uses device serial numbers to record the equipment in its inventory system. Since most special needs accessories did not have serial numbers, the division simply did not record this equipment in its inventory system.

By not safeguarding or accurately recording equipment into inventory records, the division increases its risk that equipment is lost or stolen.

RECOMMENDATIONS

- **The Department of Human Services, Deaf and Hard of Hearing Services Division should implement internal controls to ensure it safeguards and accurately records into inventory telecommunications equipment, as required by state policy.**
 - **The Department of Human Services, Deaf and Hard of Hearing Services Division should update its inventory records.**
-

³⁴ Special needs accessories include, but are not limited to, smart phone stands, wireless headsets, mouth stick styluses, and echo dots.

³⁵ *Minnesota Statutes* 2019, 237.53, subd. 6.

³⁶ Department of Administration, State of Minnesota Property Management Policy and Use Guide, *Section 2 – Property Management Reporting and Accountability Policy*, issued May 1, 2014.

Personnel Costs

As of March 2019, DHS's Deaf and Hard of Hearing Services Division consisted of 37 employees. These employees provided general services, telecommunications equipment, or mental health services, or awarded grants to community-based partners to provide services to individuals with a hearing and/or vision disability.

Audit Objectives and Methodology

OLA designed its work to address the following questions:

- Did the Department of Human Services, Deaf and Hard of Hearing Services Division appropriately spend funds to pay employees who worked in the division?

To answer these questions, OLA interviewed staff from the division to determine how personnel costs were allocated to the division. We analyzed payroll expenditures to determine if personnel costs were for division employees.

Audit Results

Our audit work confirmed that the division's payroll expenditures, for the period from July 1, 2016, through February 28, 2019, were only for the salaries of employees who worked in the Deaf and Hard of Hearing Services Division during that period.



Department of Administration, System of Technology to Achieve Results (STAR) Program

The federal Assistive Technology Act of 1998, as amended, provides grants to states to address the assistive technology needs of individuals with disabilities.³⁷ In 1998, the Legislature designated the Department of Administration as the lead agency to assist the Minnesota Assistive Technology Advisory Council and created the System of Technology to Achieve Results (STAR) program to fulfill the responsibilities of the Act.³⁸ The Minnesota Assistive Technology Advisory Council consists of six governor-appointed members who are individuals with disabilities who use assistive technology or are the family members or guardians of such individuals.³⁹ The council provides consumer-responsive, consumer-driven advice to the department for the planning, implementation, and evaluation of assistive technology, training, and outreach.⁴⁰

The STAR program is managed by the Department of Administration. It provides the following assistive technology (AT) services: (1) equipment loans, (2) equipment demonstrations, (3) training on how to use certain equipment, and (4) technical assistance for other state agencies and programs. These services are free of charge and available to all Minnesotans; there are no eligibility requirements. Since the STAR program is located in St. Paul, the department partners with nonprofit organizations (community partners) with locations across Minnesota to provide AT loans and demonstrations to individuals throughout the state.

- Loans: Loans include short-term (30 days or less) or open-ended loans (borrower keeps the equipment until they no longer have a need and then return it to STAR) that allow the borrower to try assistive technology before they buy their own equipment or for a time of need. The borrower can obtain the assistive technology from the department or one of the department's community partners. The community partners provide borrowers with their own assistive technology or STAR assistive technology.
- Demonstrations: AT demonstrations allow consumers to (1) compare features of assistive technology equipment, (2) try assistive technology equipment, (3) ask questions, and (4) obtain technical advice. As a result of the demonstrations, the consumer may decide to borrow or purchase AT. A

³⁷ Assistive technology can be any item or product that helps an individual with a disability perform a task. Examples of assistive technology include communication devices, handheld magnifiers, software that reads text aloud, assistive listening devices, adapted eating utensils, and grab bars. 29 U.S. Code, sec. 2211, as amended by Public Law 108-364 (2004), 118 Stat. 1715-25, codified as amendment at 29 U.S. Code, sec. 3003.

³⁸ *Laws of Minnesota* 1998, Chapter 359, codified in *Minnesota Statutes* 2019, 16B.055, subd. 1.

³⁹ *Minnesota Statutes* 2019, 16B.055, subd. 1(b) and (c).

⁴⁰ See <https://commissionsandappointments.sos.state.mn.us/Agency/Details/85>, accessed on May 19, 2020.

consumer may schedule an AT demonstration through the STAR program, at its St. Paul location, or with one of the community partners, at locations across Minnesota.

- **Training:** The STAR program created an online learning website to increase awareness of AT and to provide information about accessing AT.⁴¹
- **Technical Assistance:** The STAR program provides technical assistance, such as information and training on AT, to other state agencies and programs.

Exhibit 11 shows the funding sources and uses for the STAR program.

**Exhibit 11: STAR Program Funding Sources and Uses,
Fiscal Years 2017 through 2019 (In Thousands)**

	Fiscal Years		
	2017	2018	2019 ^a
Beginning Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Sources			
Federal Fund	<u>\$631</u>	<u>\$524</u>	<u>\$536</u>
Total Sources	<u>\$631</u>	<u>\$524</u>	<u>\$536</u>
Uses			
Personnel Costs	\$303	\$328	\$336
Assistive Technology Purchases ^b	189	25	26
Payments to Community Partners	30	65	57
Other Administrative Costs ^c	<u>109</u>	<u>106</u>	<u>114</u>
Total Uses	<u>\$631</u>	<u>\$524</u>	<u>\$533</u>
Ending Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3</u>

^a Data are presented as of the end of Fiscal Year 2019; our audit period included transactions posted in the state's accounting system through February 28, 2019.

^b Assistive Technology Purchases are not limited to devices for people with a hearing and/or vision disability.

^c Other Administrative Costs include rent, conference registration fees, travel expenses, and indirect costs.

SOURCE: State of Minnesota's accounting system.

⁴¹ See <http://mn.gov/admin-stat/tools-for-your-future/>, accessed May 19, 2020.

Assistive Technology

Purchase

The STAR program purchases AT equipment for demonstrations or to loan to Minnesota citizens and state agencies. The STAR program obtains recommendations for the purchase of AT equipment from the Minnesota Assistive Technology Advisory Council, consumer/borrower/community partner requests, and STAR program staff research. Each week, the STAR program director reviews a list that program staff maintain of all potential AT equipment purchases and approves, denies, or places on hold each request for purchase.

The STAR program receives all purchased AT equipment. Once AT equipment is received, the STAR program staff assign an asset number and affix an asset tag to the equipment. Staff then record the equipment into the program's inventory database.

Distribution

Once AT equipment is recorded in inventory, staff can designate and use the equipment for demonstration at the STAR program's St. Paul location. Staff can also distribute the equipment to borrowers as a loan or to community partners for demonstration or loan.

For equipment distributed directly to borrowers as a loan, STAR program staff require the borrower to sign a loan agreement. The loan agreement identifies the AT equipment on loan, the borrower's name and contact information, the borrower's responsibilities when using the equipment, and the borrower's responsibilities for returning the equipment. Once the loan agreement is executed, STAR program staff update the inventory database and distribute the equipment to the borrower. At the end of the loan period, STAR program staff request the borrower return the equipment and complete a survey, the results of which are reported to the federal government.

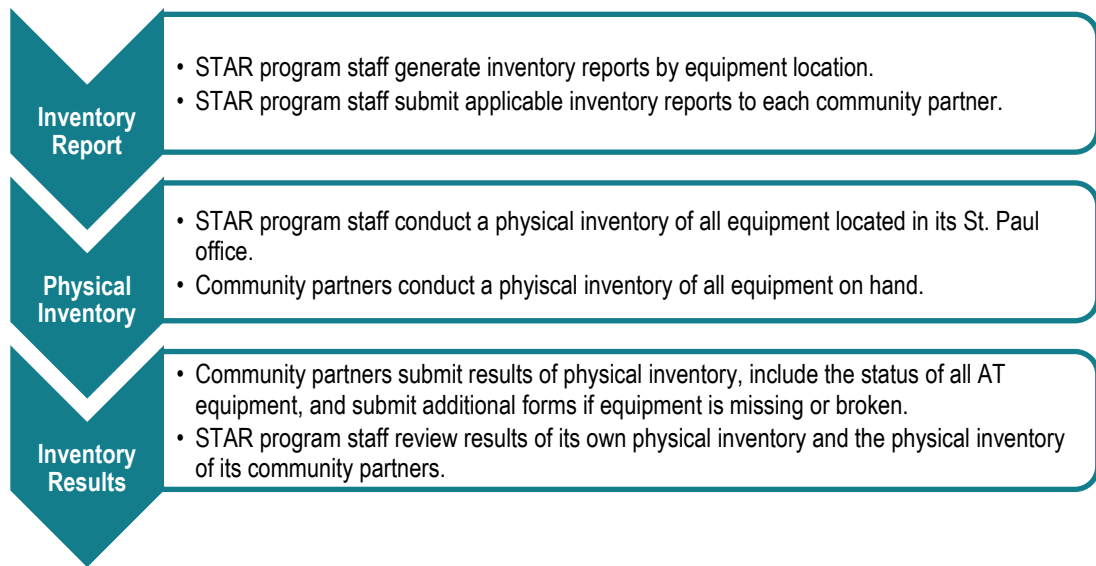
For equipment distributed to community partners, STAR program staff require the partner to complete and submit a standard form when requesting AT equipment for demonstration or loan. STAR program staff review the form, update the inventory database, and distribute the equipment to the partner. Once the partner receives the equipment, they must certify (using a standard form) the asset tag number and AT equipment received. The community partner then submits the form to the STAR program. If the community partner needs to return AT equipment, they submit a request to return form. Once the request is approved, they must send the equipment to the STAR program.

Once STAR program staff receive returned equipment, they determine whether the equipment can be returned to inventory, recategorized as open-ended loan equipment, or must be disposed. Staff then update the inventory database accordingly.

Physical Inventory

Once every calendar year, STAR program staff conduct a physical inventory of all AT equipment. Exhibit 12 lists the general procedures the STAR program staff documented for physical inventory.

Exhibit 12: STAR Program Physical Inventory Procedures



SOURCE: Office of the Legislative Auditor.

Audit Objectives and Methodology

OLA designed its work to address the following questions:

- Did the Department of Administration have adequate internal controls to ensure that they (1) provided authorized services through its STAR program to persons with hearing and/or vision disabilities, (2) purchased assistive technology equipment in accordance with legal requirements and management's authorizations, and (3) safeguarded its assistive technology equipment?
- Did the Department of Administration provide services to persons with hearing and/or vision disabilities through its STAR program in accordance with significant legal provisions and internal policies and procedures?
- Did the Department of Administration purchase assistive technology devices in accordance with legal requirements and management's authorizations, and safeguard its assistive technology equipment?

To answer these questions, OLA interviewed staff from the Department of Administration, STAR program to gain an understanding of internal controls over the purchasing and safeguarding of assistive technology. We tested a random sample of

22 invoices (out of a total of 90) to determine if the department (1) obtained the appropriate approval for the purchase, (2) recorded the assistive technology into inventory, and (3) safeguarded the assistive technology. We expanded our testing to include a random sample of an additional 22 invoices (out of a total of 90) to determine if the department safeguarded the assistive technology. We obtained and reviewed supporting documentation for the inventory check the department performed and any missing, damaged, or lost assets the department identified during the inventory check.

Audit Results

Our audit work identified an issue with the department's STAR program, as listed below.

FINDING 8

The Department of Administration did not safeguard and maintain accurate records of its STAR program assistive technology equipment.

We tested 93 assistive technology equipment assets purchased from 44 invoices and found errors in 18 of the 93 assets and 14 of the 44 invoices. For the 18 assets totaling over \$19,000, the department either did not accurately record equipment in its inventory records or were not able to locate the equipment. We found the following examples:

- Six assets totaling \$12,644 where equipment was listed as at a partner's location, but the contract with the partner was missing or did not specify the location.
- Two instances totaling \$4,359 where the staff assigned the same identification number to more than one asset.
- One instance totaling \$626 where staff disposed of a newly purchased piece of equipment instead of identical old equipment.
- Staff could not locate two assets recorded in its custody that totaled \$500.

State policy requires agencies to “separate the responsibility to author transactions, process and record them, review the transactions, and handle any related assets so no one person controls all key aspects of a transaction.” The policy also requires agencies to “design compensating controls (other activities) to respond to the risk of fraud, waste, and abuse in the agency business process when segregation of duties is not practical for the agency...”⁴²

The department did not segregate duties or implement compensating controls, such as a review completed by management or another staff member, to mitigate the risk of fraud, waste, or abuse. Instead, one staff member is responsible for recording inventory items in the database, updating inventory records, and conducting periodic inventory checks. Staff made several typos and omissions that could have been detected if management or

⁴² Minnesota Management and Budget, Statewide Operating Policy 0102-01, *Internal Control System*, p. 7.

another staff member reviewed inventory records, or if an independent individual conducted an inventory check. The department's procedures did not require proper segregation of duties in inventory process or independent review of the inventory records.⁴³

By not maintaining complete and accurate inventory records, the department increases its risk that assets may be subject to theft or loss.

RECOMMENDATIONS

- **The Department of Administration should locate missing STAR program assistive technology equipment and correct its inventory records.**
 - **The Department of Administration should establish effective internal controls to safeguard and maintain accurate records of its STAR program assistive technology equipment.**
-

Personnel Costs

To operate the STAR program, the Department of Administration employed a program director, two full-time staff members, and up to three student workers/interns. All personnel costs for those six positions were charged to the STAR program. In addition, during the scope of our audit, a portion of personnel costs for four other employees were charged to the STAR program. These four employees were in leadership or accounting positions or performed specific work for the STAR program.

Audit Objectives and Methodology

OLA designed its work to address the following question:

- Did the Department of Administration appropriately spend funds to pay employees who worked on the STAR program?

To answer this question, OLA analyzed personnel costs to determine if costs were for employees who worked on the STAR program.

Audit Results

Our audit work confirmed that the program's payroll expenditures for the period from July 1, 2016, through February 28, 2019, were to pay for the salary of employees who worked on the STAR program during that period. Our audit work also confirmed that the program's payroll expenditures for the period from July 1, 2016, through February 28, 2019, were to pay for a portion of the salary for employees that indirectly worked on the STAR program, such as an accounting officer and administrative assistant, during that period.

⁴³ Department of Administration, *STAR Assistive Technology (Device) Intake Procedure* (revised May 29, 2016) and *Assistive Technology Inventory – General Procedures*.

Department of Administration, Accommodation Reimbursement Fund

In 2015, Minnesota Management and Budget, in collaboration with the Commission of Deaf, Deafblind, and Hard of Hearing Minnesotans, submitted the Centralized Reasonable Accommodation Fund Study to the Legislature.⁴⁴ The purpose of the study was to determine the need for and the potential impact of a centralized fund to pay for workplace accommodations for persons with disabilities. Based on this study, the Legislature created a centralized fund, commonly known as the Accommodation Reimbursement Fund (Fund), and assigned the Department of Administration to administer the Fund.⁴⁵

Using this Fund, the department reimburses state agencies for the cost of reasonable accommodations provided for state employees or applicants for employment.⁴⁶ State statutes define reasonable accommodations as the steps that must be taken to accommodate the known physical or mental limitations of a qualified disabled person.⁴⁷

During our audit scope, the department reimbursed 16 state agencies for reasonable accommodations from the Fund. Exhibit 13 shows the total reimbursement amount by state agency.

The department provided reimbursement to state agencies for up to 100 percent of the cost of reasonable accommodations prior to Fiscal Year 2018 and up to 50 percent in Fiscal Year 2018 and after, as required by state law.⁴⁸ In addition, state statutes require that the department reimburse state agencies for reasonable accommodations (1) provided to applicants for employment; (2) for employees for services that will need to be provided on a periodic or ongoing basis; and (3) that involve onetime costs that total more than \$1,000 for an employee in a fiscal year. All other costs for reasonable accommodations are the responsibility of the state agency. Approximately 95 percent of all reimbursements made from this Fund are for sign language interpreting services for state employees.

⁴⁴ See <https://www.leg.state.mn.us/docs/2015/mandated/150351.pdf>, accessed on May 19, 2020.

⁴⁵ *Minnesota Statutes* 2019, 16B.4805, subd. 2.

⁴⁶ *Minnesota Statutes* 2019, 16B.4805, subd. 1, and 16A.011, subd. 12, define state agency as any agency in the executive branch of government.

⁴⁷ *Minnesota Statutes* 2019, 363A.08, subd. 6(a).

⁴⁸ *Minnesota Statutes* 2019, 16B.4805, subd. 2.

Exhibit 13: Reimbursements from the Fund by State Agency, Fiscal Years 2017 through 2019^a

Department of Human Services	\$132,410
Housing Finance Agency	\$84,072
MnSURE	\$50,881
Minnesota IT Services	\$40,404
Department of Employment and Economic Development	\$26,806
Department of Public Safety	\$22,484
Disability Council	\$7,017
Department of Agriculture	\$6,602
Department of Corrections	\$6,335
Department of Veteran's Affairs	\$2,687
Board of Water and Soil Resources	\$2,617
Minnesota State	\$2,395
Department of Natural Resources	\$1,111
Minnesota Department of Education	\$728
Pollution Control Agency	\$684
Minnesota Department of Health	\$645

^a Data are presented as of February 28, 2019.

SOURCE: State of Minnesota's accounting system.

To reimburse state agencies for the cost of reasonable accommodations, the Legislature appropriated \$200,000 to the Fund each year during our audit scope.⁴⁹ In addition to the cost of reimbursement for reasonable accommodations, the department also incurred personnel and other administrative costs, as shown in Exhibit 14.

⁴⁹ *Laws of Minnesota* 2015, chapter 77, art. 1, sec. 11, subd. 2; and *Laws of Minnesota* 2017, First Special Session, chapter 4, art. 1, sec. 11, subd. 2.

Exhibit 14: Accommodation Reimbursement Fund, Funding Sources and Uses, Fiscal Years 2017 through 2019 (In Thousands)

	Fiscal Years		
	2017	2018	2019 ^a
Beginning Balance	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 48</u>
Sources			
General Fund Appropriations	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>
Total Sources	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>
Uses			
Personnel Costs	\$ 19	\$ 9	\$ 9
Reimbursement Costs to State Agencies	170	144	137
Other Administrative Costs ^b	<u>10</u>	<u>1</u>	<u>10</u>
Total Uses	<u>\$199</u>	<u>\$154</u>	<u>\$156</u>
Ending Balance	<u>\$ 2</u>	<u>\$ 48</u>	<u>\$ 92</u>

^a Data are presented as of the end of Fiscal Year 2019; our audit period included transactions posted in the state's accounting system through February 28, 2019.

^b Other Administrative Costs include indirect costs and purchased services.

SOURCE: State of Minnesota's accounting system.

Reimbursement Costs to State Agencies

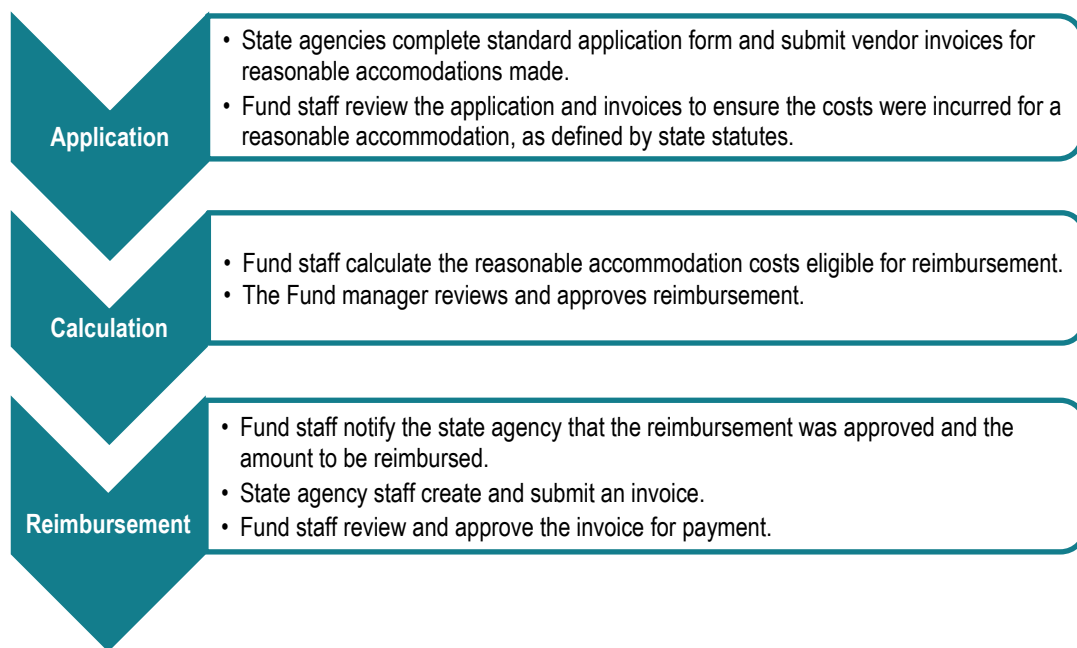
By June 30 of each year, as required by state statutes, the Department of Administration must notify state agencies that reimbursement is available for eligible expenses incurred to make reasonable accommodations for agency employees and applicants for agency employment.⁵⁰ The department uses a listing of all state agencies it maintains and sends an e-mail to the agency's designated representative. The e-mail provides information about the availability of the Fund. In addition, the department provides information about the Fund on its website.⁵¹

To request reimbursement for an expense for a reasonable accommodation, the agency must first complete a standard application form and submit the form along with any invoices to the department. The department uses a standard process, as shown in Exhibit 15, to review applications and reimburse state agencies.

⁵⁰ *Minnesota Statutes* 2019, 16B.4805, subd. 5.

⁵¹ See <https://mn.gov/admin/government/disability-services/accommodation-fund/>, accessed on July 1, 2019.

Exhibit 15: Fund Reimbursement Process



SOURCE: Office of the Legislative Auditor.

Audit Objectives and Methodology

OLA designed its work to address the following questions:

- Did the Department of Administration have adequate internal controls to ensure that it (1) provided reimbursement for reasonable accommodations only, and (2) spent funds in accordance with legal requirements and management's authorization?
- Did the Department of Administration notify state agencies of the Fund and reimburse state agencies in accordance with significant legal provisions and management's authorizations?

To answer these questions, OLA interviewed staff responsible for administration of the Fund and gained an understanding of the internal controls over reimbursement costs. We tested a random sample of 22 reimbursements (out of a total of 91) to determine if the department accurately reimbursed agencies for reasonable accommodations. We also reviewed the department's communication with state agencies to determine if the department notified all state agencies about the fund.

Audit Results

Our audit work identified an issue with the department's reimbursement for the cost of reasonable accommodations to state agencies, as listed below.

FINDING 9

The Department of Administration did not accurately reimburse state agencies for the cost of reasonable accommodations, as required by state statutes.

For 6 of the 22 reimbursement payments the department made to state agencies for the cost of reasonable accommodations, we identified the following errors:

- Six payments were either missing invoices or the reimbursement amount was calculated incorrectly.
- Two of the six payments contained duplicate invoices.
- Another two of the six payments included a reimbursement of late fees.

These errors resulted in \$967 in overpayments, of which \$734 was paid without supporting documentation, such as invoices from vendors. These errors also resulted in \$127 in underpayments the department made to state agencies.

State statutes require that reimbursements from the Fund are for the cost of expenses incurred in making reasonable accommodations.⁵² Payments made without supporting documentation and on duplicative invoices do not qualify as expenses incurred. In addition, state statutes require that reimbursements from the Fund are for reasonable accommodation costs only.⁵³ The department interprets this to include late fees. We disagree with this interpretation, as late fees are not part of reasonable accommodations and could be easily avoided if state agencies had paid vendors on time.

The department's procedures require that the program director approve the reimbursement, but they do not specify what the program director must review in order to approve the reimbursement. We found that the program director approved the reimbursements but did not recalculate the reimbursements or review invoices. Without this review, the department was unable to identify staff calculation errors or erroneous acceptance of duplicate invoices.

By not accurately reimbursing state agencies, the department overpaid some agencies, underpaid other agencies, and limited the amount of money available to other agencies for reasonable accommodation costs.

⁵² *Minnesota Statutes* 2019, 16B.4805, subd. 2.

⁵³ *Minnesota Statutes* 2019, 16B.4805, subd. 1.

RECOMMENDATIONS

- The Department of Administration should strengthen its internal controls to ensure it accurately reimburses state agencies for the cost of reasonable accommodations, as required by state statutes.
 - The Department of Administration should correct inaccurate reimbursements, if feasible.
 - The Department of Administration should obtain clarification from the Legislature regarding reimbursement of late fees.
-

Administrative Costs

To administer the Accommodation Reimbursement Fund, the Department of Administration incurred personnel, purchased services, and indirect costs during our audit scope. State statutes allow the department to use up to 15 percent of the total biennial appropriation for administration of the Fund.⁵⁴

Audit Objectives and Methodology

OLA designed its work to address the following question:

- Did the Department of Administration limit administrative costs charged to the Fund, as required by state statute?

To answer this question, OLA analyzed administrative costs to determine if the costs were 15 percent or less of the biennial appropriation.

Audit Results

Our audit work confirmed that, for the period from July 1, 2016, through February 28, 2019, the department charged the Accommodation Reimbursement Fund for administrative costs that were 15 percent or less of the biennial appropriation, as required by state statute.⁵⁵

⁵⁴ *Minnesota Statutes* 2019, 16B.4805, subd. 4.

⁵⁵ *Ibid.*

Department of Commerce, Minnesota Relay Program

Federal regulations require the state to operate a relay program, and Minnesota statutes specifically direct the Department of Commerce to operate the state's telecommunications relay services program, Minnesota Relay.⁵⁶ The program allows an individual who has a communication disability to use telecommunications services in a manner that is functionally equivalent to the ability of an individual who does not have a communication disability.⁵⁷ This free service allows users to dial 711 to connect to a communications assistant who facilitates the phone conversation between the user and other individuals. Users can call anyone in the world, 24 hours a day, 365 days a year, with no restrictions on the number, length, or type of calls. All relay calls are confidential.

To pay for the operation of Minnesota Relay and to provide other services to individuals with a hearing and/or vision disability, state statutes require the departments of Public Safety and Revenue to collect a monthly surcharge for each phone line in the state and a transaction fee on each retail transaction in Minnesota for wireless prepaid phones, respectively.⁵⁸ The departments of Public Safety and Revenue deposit these receipts into the Telecommunications Access Minnesota Fund (Fund), and money from this Fund is appropriated by the Legislature to the departments of Commerce, Employment and Economic Development, and Human Services.⁵⁹

State statutes restrict the use of money in the Fund only to be used for (1) Minnesota Relay related expenses of the Department of Commerce, including personnel costs, public relations, advisory board members' expenses, preparation of reports, and other reasonable expenses not to exceed 10 percent of total program expenditures; (2) reimbursing the commissioner of human services for purchases made or services provided through the Telephone Equipment Distribution Program; and (3) contracting for Minnesota Relay.⁶⁰

Exhibit 16 shows the funding sources and expenditures the department incurred during our audit scope.

⁵⁶ 47 *CFR*, secs. 64.604-64.606; and *Minnesota Statutes* 2019, 237.51.

⁵⁷ *Minnesota Statutes* 2019, 237.50, subd. 11.

⁵⁸ *Minnesota Statutes* 2019, 237.52, subds. 2 and 3; 403.161, subd. 1; and 403.162, subd. 2.

⁵⁹ *Minnesota Statutes* 2019, 237.52, subds. 1 and 4.

⁶⁰ *Minnesota Statutes* 2019, 237.52, subd. 5.

Exhibit 16: Minnesota Relay Program, Funding Sources and Uses, Fiscal Years 2017 through 2019 (In Thousands)

	Fiscal Years		
	2017	2018	2019 ^a
Beginning Balance	<u>\$2,820</u>	<u>\$2,594</u>	<u>\$1,905</u>
Sources			
Taxes/Fees Collected	\$4,370	\$4,216	\$4,387
Transfers from Other Agencies	<u>0</u>	<u>0</u>	<u>45</u>
Total Sources	<u>\$4,370</u>	<u>\$4,216</u>	<u>\$4,432</u>
Uses			
Relay Services	\$1,667	\$1,475	\$1,242
Personnel Costs	97	98	101
Other Administrative Costs ^b	1,566	1,327	1,245
Transfers to Other Agencies ^c	<u>1,266</u>	<u>2,005</u>	<u>2,007</u>
Total Uses	<u>\$4,596</u>	<u>\$4,905</u>	<u>\$4,595</u>
Ending Balance	<u>\$2,594</u>	<u>\$1,905</u>	<u>\$1,742</u>

^a Data are presented as of the end of Fiscal Year 2019; our audit period included transactions posted in the state's accounting system through February 28, 2019.

^b Other Administrative Costs include indirect costs, supplies, membership costs for the National Association for State Relay Administration, and other expenses.

^c Transfers to Other Agencies is the transfer of money from the Telecommunications Access Minnesota Fund to the Department of Human Services, Deaf and Hard of Hearing Services Division.

SOURCE: State of Minnesota's accounting system.

Relay Services

State statutes require relay service providers to operate the relay service within the State of Minnesota.⁶¹ Only two vendors in the country, Sprint and Hamilton Telecommunications, provide the types of relay services under the State's jurisdiction. Sprint operates a call center in Minnesota; Hamilton does not.⁶² As such, the state has only one vendor it can contract with to provide relay services, effectively eliminating competition among vendors. The state executed a contract with Sprint Communications Company, L.P. (Sprint), in July 2014.

Each month, Sprint submits an invoice for the cost of services provided and a report detailing the services provided to the department. The invoice includes a fixed monthly fee along with a fee for the conversation minutes used by Minnesota residents. The contract includes three different rates, depending on the type of relay service provided, and specifies that Sprint can only charge for conversation minutes used; Sprint cannot charge for the minutes used to connect the call. The department reviews the invoice to

⁶¹ *Minnesota Statutes* 2019, 237.54, subd. 2(b).

⁶² The Sprint call center is located in Moorhead, Minnesota, and employs over 90 communication assistants. This call center processes at least 50 percent of Minnesota's TTY-based relay calls.

ensure the rates negotiated in the contract were used. The call report identifies the types of relay services provided, the type of call placed (i.e., local, international, etc.), the total session minutes, and conversation minutes used. Since all calls are confidential, the call report does not contain the users and other individuals' names, phone numbers, and addresses. The department reviews the call report to ensure the invoice includes the accurate conversation minutes for each type of service provided.

Audit Objectives and Methodology

OLA designed its work to address the following questions:

- Did the Department of Commerce have adequate internal controls to ensure it (1) contracted with a vendor qualified to provide relay services, and (2) paid the vendor for actual call minutes in accordance with the contract and management's authorizations?
- Did the Department of Commerce provide relay services in accordance with significant legal provisions and internal policies and procedures?

To answer these questions, OLA interviewed staff from the Department of Commerce to gain an understanding of the internal controls over payments to the vendor. We tested a random sample of 8 vendor payments (out of a total of 31) to determine if each payment was appropriately approved, based on actual call minutes, and in accordance with the contract. We reviewed evaluation documentation to ensure the department awarded the contract to a qualified vendor. We also reviewed the contract extension with the vendor to ensure compliance with state statutes.

Audit Results

Our audit work identified an issue with the department's relay program, as listed below.

FINDING 10

The Department of Commerce did not document its performance of internal controls designed to verify the accuracy of fees paid for relay services.

The Department of Commerce received detailed call reports from its Minnesota Relay program vendor to support monthly invoice amounts. Department staff reviewed those reports and recorded key data, including call minutes and cost by type of call and calling device, in a spreadsheet. The spreadsheet contained historical data from July 2016. Department staff told us they compared current month data to historical trends to identify any significant anomalies or variances that would cause them to question the accuracy of invoiced fees. In addition, department staff provided us with one example where they identified an anomaly and questioned the accuracy of invoiced fees. Department staff told us they had identified a decrease in call minutes and cost for one type of call and determined that the primary user no longer placed these types of calls. However, the department did not document any of those comparisons, nor define what it considered to be a significant anomaly or variance.

The most recent edition of the internal control standards published by the U.S. Government Accountability Office requires management to clearly document internal

controls in a manner that allows the documentation to be readily available for examination. The standards explain that control activities help management fulfill responsibilities and address identified risk responses in the internal control system.⁶³ Without sufficient controls, the department risks overpaying for services.

RECOMMENDATION

The Department of Commerce should document its performance of internal controls designed to verify the accuracy of fees paid for relay services.

Personnel and Administrative Costs

To operate Minnesota Relay, the Department of Commerce incurred personnel and other administrative costs each year. During the scope of our audit, the department had one manager and one employee whose personnel costs were charged to Minnesota Relay. Only a portion of the manager's personnel costs, related to the actual time spent, were charged to Minnesota Relay. The department also incurred other administrative costs, such as indirect costs, supplies, and membership costs for the National Association of State Relay Programs. State statutes require the department to limit Minnesota Relay administrative costs, including personnel costs, to 10 percent of total program expenditures.⁶⁴

Audit Objectives and Methodology

OLA designed its work to address the following questions:

- Did the Department of Commerce appropriately spend funds to pay employees who worked on Minnesota Relay?
- Did the Department of Commerce limit Minnesota Relay administrative costs, as required by state statute?

To answer these questions, OLA analyzed (1) personnel costs to determine if costs were for employees who worked on the relay program and (2) administrative costs to determine if the costs were 10 percent or less of the total program expenditures.

Audit Results

Our audit work confirmed that Minnesota Relay payroll expenditures, for the period from July 1, 2016, through February 28, 2019, were only for the salary of one employee who worked on Minnesota Relay during that time period and a portion of the salary of the employee's manager. In addition, our audit work confirmed that, for the period from July 1, 2016, through February 28, 2019, the department charged Minnesota Relay for administrative costs that were 10 percent or less of the total program expenditures, as required by state statute.⁶⁵

⁶³ Comptroller General of the United States, Government Accountability Office, *Standards for Internal Control in the Federal Government*, Principle 10.03 (Washington, DC, September 2014).

⁶⁴ *Minnesota Statutes* 2019, 237.52, subd. 5(a)(1).

⁶⁵ *Ibid.*

Minnesota Department of Health, Early Hearing Detection and Intervention Program

In 2007, the Legislature created the Early Hearing Detection and Intervention program.⁶⁶ State statutes require that the Minnesota Department of Health contract with a nonprofit organization to provide support and assistance to families with children who are deaf or have a hearing loss.⁶⁷ The support and assistance to families must include (1) direct hearing loss specific parent-to-parent assistance and unbiased information on communication, educational, and medical options; and (2) individualized deaf or hard-of-hearing mentors who provide education, including instruction in American Sign Language as an available option. By law, the department must give preference to a nonprofit organization that has the ability to provide services throughout the state.

Exhibit 17 below identifies the funding sources and uses for the Early Hearing Detection and Intervention program.

Exhibit 17: Early Hearing Detection and Intervention Program Funding Sources and Uses, Fiscal Years 2017 through 2019 (In Thousands)

	Fiscal Years		
	2017	2018	2019 ^a
Sources			
General Fund Appropriations ^b	\$696	\$804	\$805
Total Sources	\$696	\$804	\$805
Uses			
Personnel Costs	\$ 52	\$ 58	\$ 59
Grants	644	746	746
Total Uses	\$696	\$804	\$805

^a Data are presented as of the end of Fiscal Year 2019; our audit period included transactions posted in the state's accounting system through February 28, 2019.

^b The Legislature appropriated approximately \$2.6 million, \$2.6 million, and \$2.8 million to the Minnesota Department of Health's Children and Youth with Special Needs Section in fiscal years 2017, 2018, and 2019, respectively. Only a portion of the money appropriated was budgeted as a funding source for the Early Hearing Detection and Intervention program.

SOURCE: State of Minnesota's accounting system.

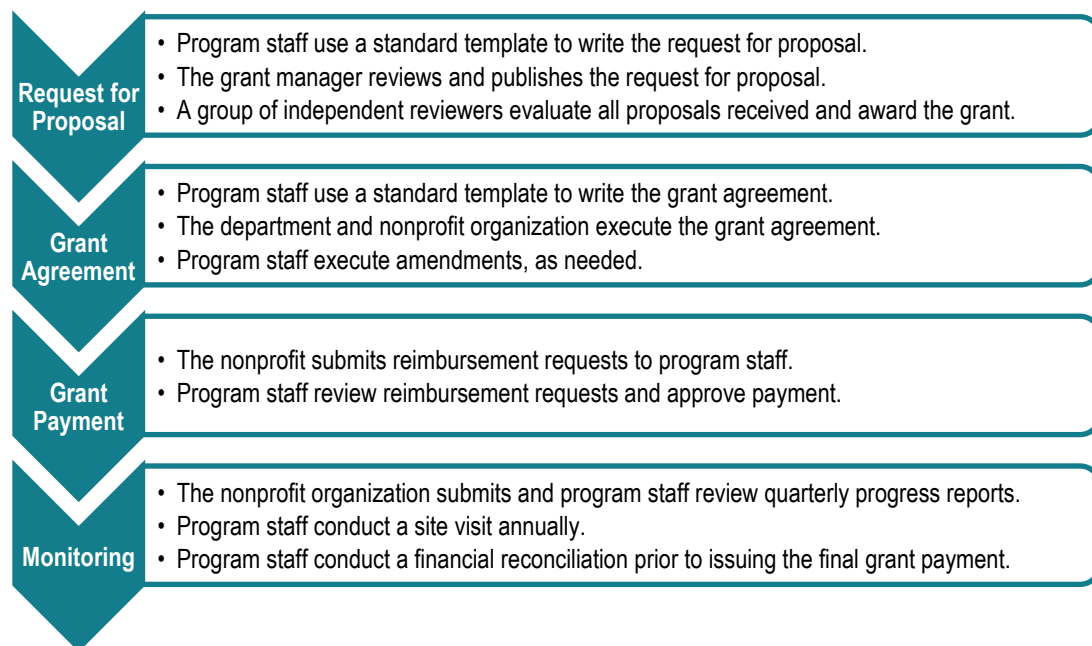
⁶⁶ *Laws of Minnesota* 2007, Chapter 147, codified in *Minnesota Statutes* 2019, 144.966, subd. 3a.

⁶⁷ *Minnesota Statutes* 2019, 144.966, subd. 3a.

Grants

As required by state statute, the department contracted with a nonprofit organization to provide support and assistance to families with children who are deaf or have a hearing loss.⁶⁸ The department created its own procedures for the request for proposal and execution of the grant agreement. The department is also required to comply with the Department of Administration, Office of Grants Management policies and procedures. Exhibit 18 illustrates the department's grant process for the Early Hearing Detection and Intervention program.

Exhibit 18: Early Hearing Detection and Intervention Program Grant Procedures



SOURCE: Office of the Legislative Auditor.

For each of the three requests for proposals posted during our audit scope, the department only received one proposal from one nonprofit organization. The department verified that the nonprofit organization met the requirements set forth in the request for proposal. During our audit scope, the department awarded three grants to the nonprofit organization.

⁶⁸ *Minnesota Statutes* 2019, 144.966, subd. 3a.

Audit Objectives and Methodology

OLA designed its work to address the following questions:

- Did the Minnesota Department of Health have adequate internal controls to ensure that the grant recipient (1) provided authorized services to persons with hearing and/or vision disabilities, and (2) spent funds in accordance with legal requirements and management's authorizations?
- Did the Minnesota Department of Health ensure its grant recipient provided services to persons with hearing and/or vision disabilities in accordance with significant legal provisions and internal policies and procedures?
- Did the Minnesota Department of Health ensure its grant recipient spent funds in accordance with legal requirements and management's authorizations?

To answer these questions, OLA interviewed staff from the Minnesota Department of Health, Early Hearing Detection and Intervention program to gain an understanding of internal controls over its grant expenditures. We tested three grants to ensure the department had adequate internal controls over and complied with applicable legal criteria when awarding the grants, executing the grant agreements and any amendments, and monitoring the grants. We also tested the grant recipient to ensure the recipient was a nonprofit entity and that it provided the statutorily required services. Finally, we tested a random sample of 15 grant payments (out of a total of 58) to ensure the department made payments in accordance with the grant agreements, appropriately approved payments, and recorded the payments accurately in the state's accounting system.

Audit Results

Our audit work confirmed that, for the period from July 1, 2016, through February 28, 2019, the department's Early Hearing Detection and Intervention program had adequate internal controls to ensure that the grant recipient provided services to persons with hearing and/or vision disabilities and spent funds in accordance with legal requirements and management's authorizations. Our audit work also confirmed that, for the period from July 1, 2016, through February 28, 2019, the department's Early Hearing Detection and Intervention program's grant recipient provided services to persons with hearing and/or vision disabilities in accordance with significant legal provisions and internal policies and procedures and spent funds in accordance with legal requirements and management's authorization.

Personnel Costs

To operate the Early Hearing Detection and Intervention program, a portion of one full-time Minnesota Department of Health employee's personnel costs were charged to the program.

Audit Objectives and Methodology

OLA designed its work to address the following question:

- Did the Minnesota Department of Health appropriately spend funds to pay employees who worked on the Early Hearing Detection and Intervention program?

To answer this question, OLA analyzed personnel costs to determine if costs were for employees who worked on the Early Hearing Detection and Intervention program.

Audit Results

Our audit work confirmed that the program's payroll expenditures, for the period from July 1, 2016, through February 28, 2019, were only for a portion of one employee's salary who worked on the Early Hearing Detection and Intervention program during that time period.

List of Recommendations

- The Department of Employment and Economic Development, State Services for the Blind, should deposit all donations received for the Communication Center in the state treasury, as required by state statute, or work with the Legislature to amend this provision. (p. 16)
- The Department of Employment and Economic Development, State Services for the Blind, Communication Center should strengthen its internal controls over donations to ensure it safeguards donations it receives directly from donors. (p. 17)
- The Department of Employment and Economic Development, State Services for the Blind, Communication Center should strengthen its internal controls to ensure it maintains complete and accurate donation records. (p. 18)
- The Department of Employment and Economic Development, State Services for the Blind, Communication Center should resolve all discrepancies identified. (p. 18)
- The Department of Employment and Economic Development, State Services for the Blind, Communication Center should design and implement internal controls to ensure donations are used in accordance with the donor's intent. (p. 19)
- The Department of Human Services, Deaf and Hard of Hearing Services Division should design its controls to ensure it identifies and mitigates grant reviewer conflict of interest, monitors grant recipients, and conducts financial reconciliations of grant recipients' expenditures. (p. 26)
- The Department of Human Services, Deaf and Hard of Hearing Services Division should identify and mitigate possible grant reviewer conflicts of interest, monitor grant recipients, and conduct financial reconciliations of grant recipients' expenditures, as required by state policy. (p. 26)
- The Department of Human Services, Deaf and Hard of Hearing Services Division should reverify eligibility for the recipients for whom we were not able to determine eligibility, if feasible. (p. 28)
- The Department of Human Services, Deaf and Hard of Hearing Services Division should enhance its internal controls to ensure the necessary documentation is obtained and retained to support recipients' eligibility. (p. 28)
- The Department of Human Services, Deaf and Hard of Hearing Services Division should implement internal controls to ensure it safeguards and accurately records into inventory telecommunications equipment, as required by state policy. (p. 30)
- The Department of Human Services, Deaf and Hard of Hearing Services Division should update its inventory records. (p. 30)
- The Department of Administration should locate missing STAR program assistive technology equipment and correct its inventory records. (p. 38)
- The Department of Administration should establish effective internal controls to safeguard and maintain accurate records of its STAR program assistive technology equipment. (p. 38)

- The Department of Administration should strengthen its internal controls to ensure it accurately reimburses state agencies for the cost of reasonable accommodations, as required by state statutes. (p. 44)
- The Department of Administration should correct inaccurate reimbursements, if feasible. (p. 44)
- The Department of Administration should obtain clarification from the Legislature regarding reimbursement of late fees. (p. 44)
- The Department of Commerce should document its performance of internal controls designed to verify the accuracy of fees paid for relay services. (p. 48)

Appendix A

Exhibit A-1: Services Provided to Persons with Hearing and Vision Disabilities and Funding for These Programs, Fiscal Years 2017-2019

State Agency	Program/Service	Program/Service Purpose	Funding Source	Total Funding (in thousands)
Commission of the Deaf, Deafblind, and Hard of Hearing	<ul style="list-style-type: none">Legislative Advocate	<ul style="list-style-type: none">Advocates for equal access to the services, programs, and opportunities available to others on behalf of deaf, deafblind, and hard of hearing Minnesotans	TAM Fund ^a	\$ 3,140
			General Fund	233
				Total
Department of Administration	<ul style="list-style-type: none">STAR program^b	<ul style="list-style-type: none">Provides loans of assistive technology to individuals to try out before purchasing or for temporary use while owned equipment is repaired; device demonstrations and trainings	Federal Fund	\$ 1,692
	<ul style="list-style-type: none">Accommodation Reimbursement Fund	<ul style="list-style-type: none">Centralized fund used to reimburse state agencies for reasonable accommodations for applicants and employees with disabilities	General Fund	600
			Total	\$ 2,292
Department of Commerce	<ul style="list-style-type: none">Minnesota Relay Program	<ul style="list-style-type: none">Allows individuals who are deaf, deafblind, hard of hearing, or speech disabled to place and receive telephone calls	TAM Fund ^a	\$ 4,367
			Total	
Department of Employment and Economic Development, State Services for the Blind	<ul style="list-style-type: none">Communication Center	<ul style="list-style-type: none">Provides accessible materials in braille, audio, and e-text; closed circuit Radio Talking Book that allows persons to hear published news; podcasts; rentals of radios and players; repairs of rental equipment	General Fund	\$ 7,990
			Special Revenue Fund	363
			Federal Fund	1,900
			Gift Fund	728
	<ul style="list-style-type: none">Workforce Development	<ul style="list-style-type: none">Employment and career support for people with vision disabilities	General Fund	6,635
			Federal Fund	30,763
	<ul style="list-style-type: none">Business Enterprise	<ul style="list-style-type: none">Vending business jobs for persons with vision disabilities	Special Revenue	1,546
	<ul style="list-style-type: none">Senior Services	<ul style="list-style-type: none">Helps seniors with vision loss stay in their home, remain active in their communities, and retain higher level of independence	General Fund	5,529
			Federal Fund	2,434
			Gift Fund	36
			Total	\$ 57,924

Continued on the next page.

Exhibit A-1: Services Provided to Persons with Hearing and Vision Disabilities and Funding for These Programs, Fiscal Years 2017-2019 (continued)

State Agency	Program/Service	Program/Service Purpose	Funding Source	Total Funding (in thousands)
Department of Employment and Economic Development, Vocational Rehabilitation	<ul style="list-style-type: none">Deaf and Hard of Hearing Grant Program	<ul style="list-style-type: none">Employment services for persons who are deaf, deafblind, or hard of hearing	General Fund	\$ 3,000
			Total	\$ 3,000
Department of Human Services, Deaf and Hard of Hearing Services Division	<ul style="list-style-type: none">Grants to local partners	<ul style="list-style-type: none">Services for persons who are deafblind, family mentor, community-based mental health, psychiatric services, culturally affirmative physiological assessments, other	General Fund	\$ 7,725
			Federal Fund	225
	<ul style="list-style-type: none">Closed Captioning Grants	<ul style="list-style-type: none">Grants to local TV stations for closed captioning	TAM Fund ^a	822
	<ul style="list-style-type: none">TED Program^c	<ul style="list-style-type: none">Loans of telecommunications devices to low-income individuals with disabilities	TAM Fund ^a	4,292
	<ul style="list-style-type: none">Regional Services	<ul style="list-style-type: none">Assistance to persons with disabilities, referrals, program administration	General Fund	8,694
			Gift Fund	5
				Total
Minnesota Department of Education	<ul style="list-style-type: none">Faribault Library for the Blind	<ul style="list-style-type: none">Provides library services to children and adults with vision, physical, and reading disabilities	Federal Fund	\$ 1,619
			General Fund	576
			Gift Fund	79
	<ul style="list-style-type: none">Minnesota Resource Center	<ul style="list-style-type: none">Provides information to families and educators to meet the educational needs of Minnesota children and youth who have a hearing loss	Federal Fund	561
			Total	\$ 2,835
Minnesota Department of Health	<ul style="list-style-type: none">Early Hearing Detection and Intervention Program	<ul style="list-style-type: none">Deaf Mentor and Parent-to-Parent Support Grants	General Fund	\$ 2,304
	<ul style="list-style-type: none">Local Public Health Grants	<ul style="list-style-type: none">To connect families of children newly identified as deaf or hard of hearing with resources and support and build the capacity to diagnose and care for these children	Federal Fund	612
	<ul style="list-style-type: none">Newborn Screening Program	<ul style="list-style-type: none">Follow up for children confirmed with a newborn screening condition including hearing loss	Special Revenue Fund	2,922
	<ul style="list-style-type: none">Hearing Aid Program	<ul style="list-style-type: none">Provides hearing aids to children with hearing loss	General Fund	207
			Total	\$ 6,045

Continued on the next page.

Exhibit A-1: Services Provided to Persons with Hearing and Vision Disabilities and Funding for These Programs, Fiscal Years 2017-2019 (continued)

State Agency	Program/Service	Program/Service Purpose	Funding Source	Total Funding (in thousands)
Minnesota Information Technology	• Office of Accessibility	• Provides assistance to state agencies on how to make agencies information accessible	TAM Fund ^a	\$ 1,005
			Total	\$ 1,005
State Academies for the Deaf and Blind	• Educational Services	• Offers residential schools for students from across Minnesota with hearing and/or vision disabilities	General Fund	\$ 41,197
			Special Revenue	9,810
			Revolving Fund	744
			Federal Fund	702
			Gift Fund	253
			Agency Fund	240
			Total	\$ 52,946
			Grand Total	\$155,550

^a TAM Fund is the Telecommunications Access Minnesota Fund.

^b STAR is the System of Technology to Achieve Results program.

^c TED is the Telephone Equipment Distribution program.

SOURCE: Office of the Legislative Auditor.



June 15, 2020

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

Dear Mr. Nobles:

Thank you for the opportunity to respond to the findings and recommendations to your internal controls and compliance audit of the Department of Employment and Economic Development (DEED), State Services for the Blind (SSB) – Communication Center, for the period from July 2016 through February 2019.

This letter responds to the written findings and recommendations identified in the audit report.

Finding 1

The Department of Employment and Economic Development, State Services for the Blind did not deposit donations it received for the Communication Center in the state treasury, as required by state statute.

Auditor's Recommendation 1

The Department of Employment and Economic Development, State Services for the Blind should deposit all donations received for the Communication Center in the state treasury, as required by state statute, or work with the Legislature to amend this provision.

DEED's Response 1

We agree that donations received by the Communication Center were not deposited in the state treasury. The State Services for the Blind-Communication Center became aware of the state statute during the OLA Program Audit.

The Communication Center receives a state appropriation but relies heavily on the generosity of our donors in order to continue providing critical services to blind, visually impaired, Deaf-Blind, and print disabled Minnesotans, including Radio Talking Book, braille, and audio services. Without these donations, we would not have the ability to continue providing the same quality and level of services.

There are two avenues that donations are received for the Communication Center: donations are sent directly to SSB or they are sent by donors to the St. Paul and Minnesota Foundation (SPF). SSB has a long-standing relationship with the Foundation, since 1953. The SPF has raised funds on behalf of the Communication Center. Many of our donors trust the reputation and credibility of the Foundation, they can use many methods to donate (e.g. credit cards), and they prefer to have this organization steward their funds over State government. In 2003, SSB and the SPF entered into an agreement to support the implementation of a development office here at SSB. Two funds were created. One was for the development director's salary and expenses, and the other was the Gift Fund. Donations and contributions secured from the development office fundraising were to be deposited into this designated fund (SPF Gift fund) and administered by SPF for the benefit of the Communication Center. Distributions are also made from the Gift Fund to pay for the development director. We have been following this practice since then. In 2007, the OLA performed an inquiry related to the 21st Century project. This also involved a relationship with the SPF. The OLA found that we had an appropriate relationship with the SPF.

The Department respectfully disagrees with the OLA's interpretation of Minnesota Statutes 2019, section 116J.035, subdivision 6 as it relates to the Foundation's receipt of donations. Minnesota Statutes 2019, section 116J.035, subdivision 6 (b) specifically states, "Money received by the commissioner under this subdivision must be deposited in a separate account in the state treasury and invested by the State Board of

Investment.” The Department believes this statute only applies to donations received directly by the Department and does not apply to those donations received directly by the Foundation.

SSB submitted a Legislative policy change proposal, which if approved by the Legislature, would allow donations received by the Communication Center be deposited into the Foundation. Due to the pandemic, the policy change was not heard during the spring session. We will continue to submit the policy change proposal at future Legislative sessions.

Until the policy change proposal is heard by the Legislature, SSB will be modifying our policies and procedures to indicate that donations received by the Communication Center directly will be deposited into the State Treasury. SSB will work with the Foundation to determine impact on potential dollar-for-dollar Challenge Grants.

Person responsible for corrective action:

Natasha Jerde, SSB Director

Anticipated completion date for corrective action:

December 31, 2020

Finding 2

The Department of Employment and Economic Development, State Services for the Blind, Communication Center did not safeguard donations it received directly from donors.

Auditor's Recommendation 2

The Department of Employment and Economic Development, State Services for the Blind, Communication Center should strengthen its internal controls over donations to ensure it safeguards donations it receives directly from donors.

DEED's Response 2

State Services for the Blind- Communication Center acknowledges the need to further enhance our internal controls over incoming donations. We will be implementing a log that will be maintained by the employee opening mailed donations. A second employee will then receive the donations, and they will compare the donations with the log.

SSB has already done some strengthening of our internal controls since the audit, including updating our policies and procedures so all records associated with the donation are retained, including copies of the envelopes.

Person responsible for corrective action:

Natasha Jerde, SSB Director

Anticipated completion date for corrective action:

September 30, 2020

Finding 3

The Department of Employment and Economic Development, State Services for the Blind, Communication Center did not maintain complete and accurate donation records.

Auditor's Recommendation 3

- The Department of Employment and Economic Development, State Services for the Blind, Communication Center should strengthen its internal controls to ensure it maintains complete and accurate donation records.
- The Department of Employment and Economic Development, State Services for the Blind, Communication Center should resolve all discrepancies identified.

DEED's Response 3

SSB acknowledges the need for improved internal controls and policies regarding donation tracking and record-keeping, especially around reconciliation between the donation software tracking system (Raisers Edge), the Foundation, and the State Treasury.

SSB-Communication Center had a .002% error rate related to donations received. There were 7 errors out of the 3,348 donations received during the audit scope. However, we recognize there is an opportunity to strengthen our internal controls and compliance.

Our policies and procedures will reflect quarterly reconciliation, in addition to adding a check and balance sign-off process by the Deputy Director of the Communication Center.

All but one discrepancy has been addressed and resolved. The \$1,266 discrepancy included several anonymous lump sum donations, which are not able to be reconciled. Moving forward, we will work with the Foundation to modify the procedure to allow for one-to-one donation reconciliation.

Person responsible for corrective action:

Natasha Jerde, SSB Director

Anticipated completion date for corrective action:

September 30, 2020

Finding 4

The Department of Employment and Economic Development, State Services for the Blind, Communication Center did not always use donation receipts in accordance with the donor's intent.

Auditor's Recommendation 4

The Department of Employment and Economic Development, State Services for the Blind, Communication Center should design and implement internal controls to ensure donations are used in accordance with the donor's intent.

DEED's Response 4

State Services for the Blind- Communication Center has strengthened our internal controls in this area since the audit visit. State Services for the Blind-Communication Center does not agree that some donations were not used in accordance with donor's intent; however, we understand 10 donations could not be substantiated due to lack of additional documentation. The previous policy indicated we retain a copy of the check but not the envelopes or reply cards, which more clearly indicated the intent of the funds. The new process requires retention of a copy of all associated documents and conversations, along with a copy of the check. This includes the envelopes and reply cards.

Person responsible for corrective action:

Natasha Jerde, SSB Director

Anticipated completion date for corrective action:

This has been resolved.

If you have any questions or need additional information, please contact Julie Freeman, CFO, at Julie.freeman@state.mn.us or 651-259-7085.

Regards,



Steve Grove
Commissioner





Minnesota Department of Human Services

Elmer L. Andersen Building

Commissioner Jodi Harpstead

Post Office Box 64998

St. Paul, Minnesota 55164-0998

June 16, 2020

James Nobles, Legislative Auditor

Office of the Legislative Auditor

Centennial Office Building

658 Cedar Street

St. Paul, Minnesota 55155

Dear Mr. Nobles:

Thank you for the opportunity to review and comment on your office's multi-agency report, titled *State Services for Persons with Hearing and Vision Disabilities*.

As detailed in your report, providing services to people with hearing and vision disabilities is a multi-agency effort in Minnesota. The Department of Human Services' role includes administering a program that distributes telecommunication devices to clients who are deaf, deafblind and hard of hearing and providing grants that fund sign language interpreter services, mentoring, support services and mental health services, in addition to closed captioning of live local news programs. We recognize the crucial role we play in providing these services and are intent in making efficient use of these limited resources.

Your report found that we generally did not manage grants in accordance with state policy, that we generally could not provide documentation to prove eligibility, and that we did not always safeguard or accurately record telecommunication equipment into inventory. We generally agree with your findings and have already made improvements to many of the identified weaknesses as part of our commitment to improving internal controls. Below are our responses to your specific findings and recommendations.

Finding 5

The Department of Human Services, Deaf and Hard of Hearing Services Division did not identify and mitigate grant reviewer conflicts of interest, monitor grant recipients, and conduct financial reconciliations of grant recipient expenditures, as required by state policy.

We agree with this finding.

1. We think it's important to note that Deaf and Hard of Hearing Division (Division) staff did the required conflict of interest attestations, but, as the report states, we did not retain the documentation in accordance with our own retention schedules. The Division has changed its retention practices and now grant managers keep the conflict of interest forms throughout the duration and life-cycles of the grants. The Division now also requires grant managers to document annually that they have the conflict of interest forms for the grants.
2. The Division will improve its documentation practices of the grants' site visits and will conduct in-person visits in accordance with the Office of Grants Management's policies and procedures. The Division is developing a formal grant site-visit document or form for all grant managers to use. Also, when the in-site visits are either not applicable or feasible the grant managers will document that and conduct a phone or video site-visit to discuss the grant's objectives and performance outcomes. Situations when this might happen include when a grantee consists of a single person or doesn't have a physical office, or when health concerns like the coronavirus impact our ability to conduct site visits.
3. The Division conducts its in-house financial reconciliations for grants on a monthly basis to ensure strict and consistent oversight of any approved payment(s) to a grantee but acknowledges that it needs to formalize its financial reconciliation procedures and protocols in accordance with the Office of Grant Management's policies and procedures. The Division is working with DHS' Internal Audits Office (IAO) to develop a standard financial reconciliation process. The Division will require that all grant managers take financial reconciliation training to ensure that they will be in compliance with the Office of Grants Management's policies and procedures in conducting financial reconciliations.

Finding 6

The Department of Human Services, Deaf and Hard of Hearing Services Division could not provide documentation to prove eligibility of telecommunication equipment recipients.

We also agree with this finding.

The Division will assess and develop procedures that would allow the staff to re-verify previous recipients' eligibility. The Division will enhance its internal controls and record-keeping to ensure the necessary documentation is obtained and retained to support the recipients'

eligibility throughout the life-cycle of the equipment distribution. The Division staff will review client files on a quarterly basis and report inaccurate or missing documentation to the Program Administrator.

Finding 7

The Department of Human Services Deaf and Hard of Hearing Services Division did not safeguard or accurately record into inventory telecommunication equipment located at the central office.

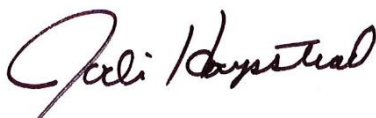
We partially agree with this finding.

The Division requires all Telephone Equipment Distribution (TED) Specialists to reconcile their regional inventory on a monthly basis. The TED Program views all equipment distributed as the property of the state of Minnesota. However, some smaller, less expensive equipment items are considered supplies or accessories and should be identified as such. If the device does not have a serial number or cannot be returned or reused due to sanitary reasons (i.e. headsets), it will be identified as an accessory and not tracked as an asset. Accordingly, we have clarified our procedures to reflect that.

The Division will work to improve its inventory record-keeping and documentation through its new cloud data management system and will require each staff to inform the Program Administrator of any inventory discrepancies on a monthly basis. In addition, the Division staff will implement the Division's office protocols to ensure that all equipment will be locked in secured locations.

We appreciated the opportunity to work with your staff, and for their professional and dedicated efforts during this audit. Our policy is to follow up on all findings to evaluate progress made to resolve them. If you have further questions, please contact Gary L. Johnson, Internal Audit Director, at (651) 431-3623.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jodi Harpstead", written in a cursive style.

Jodi Harpstead
Commissioner



June 19, 2020

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

Dear Mr. Nobles,

Thank you for the opportunity to review and comment on the findings and recommendations from the recent audit of a System of Technology to Achieve Results (STAR) program and the Accommodation Fund for the period of July 1, 2016 through February 28, 2019. We would like to thank the OLA for the time and attention they put into the audit report.

The Department of Administration (Admin) takes its responsibility to ensure adequate internal controls and compliance with financial and legal requirements seriously. We appreciate the opportunity to work with the OLA and identify areas in which STAR/Admin could improve policies and procedures and strengthen internal controls.

We are pleased that the report identifies that we “generally complied” with legal requirements. We do not believe, however, that the report’s conclusion that internal controls were “generally not adequate” is supported by the evidence given the small dollars amounts of errors in relation to the size of the testing populations. Per our recalculations, the error rates of approximately three percent for the STAR assistive technology purchases and less than 3/10ths of a percent for the Accommodation Fund would fall within a reasonable margin of error of five percent. Our responses to the specific findings are detailed below.

FINDING 8.

The Department of Administration did not safeguard and maintain accurate records of its STAR Program assistive technology equipment.

We disagree with this finding. While the OLA did find errors in their testing, we believe that the policies and procedures in place were generally adequate considering the de minimus value of errors compared to the total amount of technology that was purchased and managed during the timeframe and the small team member size of the STAR program. We provided the OLA with corrections to the reported procedures in place, so it is unclear if there was an understanding of STAR’s controls during testing. STAR also provided the OLA with supporting documents that negated \$11,097 in issues noted in their testing, but these were dismissed. Given the challenging nature of tracking equipment that is not subject to the state asset policy, we feel that STAR has done an adequate job in determining how to manage and track inventory in compliance with limited Federal guidelines. However, we agreed that there was room for improvement and STAR examined their policies and procedures in order to find additional controls and processes that could help mitigate the risks identified in the audit. STAR relies on the compliance of their partners to ensure the success of the program and is looking into ways to better manage those partners who fail to keep adequate track of borrowed equipment.

Recommendation: The Department of Administration should locate missing STAR Program assistive technology equipment and correct its inventory records.

Response: STAR has worked with partners to locate missing inventory and corrected its inventory records.

June 19, 2020

Page Two

Recommendation: The Department of Administration should establish effective internal controls to safeguard and maintain accurate records of its STAR Program assistive technology equipment.

Response: STAR has worked to update its policies and procedures in order to ensure segregation of duties and more detailed documentation for tracking and recording assistive technology equipment. These updated policies and procedures are already in place.

FINDING 9.

The Department of Administration did not accurately reimburse state agencies for the cost of reasonable accommodations, as required by state statutes.

We agree with this finding. Admin launched an Accommodation Fund (AF) Continuous Improvement (CI) project in October of 2019. This four-month project was a thorough evaluation of the AF with the OLA's initial findings in mind. The CI team included one STAR team member and five additional state employees from Admin, Minnesota Management and Budget and Department of Human Services. Changes that were made include an updated tracking system to prevent duplicate invoice submissions and validation of dollar amounts approved, processed, and date paid. An updated online grant submission process was implemented, which will decrease the possibility of entry errors and will allow for better reporting. The team also updated the Accommodation Fund website to make more information available to submitters. The project team is finalizing work on the online portal and is working with the Admin's Communications Team to update an existing training video which is scheduled for release on July 1, 2020.

Recommendation: The Department of Administration should strengthen its internal controls to ensure it accurately reimburses state agencies for the cost of reasonable accommodations, as required by state statutes.

Response: Admin has updated their internal controls over the AF.

Recommendation: The Department of Administration should correct inaccurate reimbursements, if feasible.

Response: Although we understand the recommendation, the amounts of these corrections are de minimus and it would not be cost effective to make the corrections.

Recommendation: The Department of Administration should obtain clarification from the Legislature regarding reimbursement of late fees.

Response: Admin agrees that late fees should not be reimbursed and is no longer reimbursing them.

Thank you for the work your Office did preparing this report and we appreciate the opportunity to respond to the findings. The work we have done over the last year fulfills the recommendations and resolves the findings that were identified. We value the work of your office and the professionalism of your staff. If you have any questions or need additional information, please contact Deputy Commissioner Lenora Madigan at lenora.madigan@state.mn.us.

Sincerely,



Alice Roberts-Davis
Commissioner

June 15, 2020

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

Dear Mr. Nobles,

I would like to thank the Office of Legislative Auditor and your financial audit team for reviewing the Minnesota Relay Program for fiscal years 2017, 2018, and a portion of 2019. Your team provided a professional review of the Department's statutory and compliance requirements related to this program, and provided valuable recommendations based on the review. I welcome the opportunity to take positive action on your recommendations.

As Commerce Commissioner, I take internal controls and continuous improvement seriously. This audit will assist the Department's efforts to further strengthen controls related to the Minnesota Relay Program.

Specific responses to the audit findings follow. Responses are included in this letter only if Commerce was specifically identified in the finding or recommendation.

Finding 10:

The Department of Commerce did not document its performance of internal controls designed to ensure the vendor accuracy of fees paid for the relay services.

Response:

As noted in the audit report, the Department tracks and reviews monthly call activity, costs, and usage trends. The Department lacked the documentation outlining the analysis and review of the tracked data. The Department will work to further document the current monthly review process, and steps taken to identify any anomaly or variance, as well as identify variance thresholds and follow up.

James R. Nobles, Legislative Auditor

June 15, 2020

Page Two

Thank you again for the work of you and your staff to identify opportunities for improvement within Commerce. The Department has a strong history of correcting audit findings and implementing a strong internal control framework. We are committed to taking appropriate action to further strengthen our programs and internal controls.

Sincerely,

A handwritten signature in black ink that reads "Steve Kelley". The signature is written in a cursive, flowing style.

Steve Kelley
Commissioner

cc: Tracy Gebhard, Audit Director
Aditya Ranade, Deputy Commissioner
Tim Jahnke, Admin Services Director/CFO

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To offer comments about our work or suggest an audit, evaluation, or special review, call 651-296-4708 or email legislative.auditor@state.mn.us.

To obtain printed copies of our reports or to obtain reports in electronic ASCII text, Braille, large print, or audio, call 651-296-4708. People with hearing or speech disabilities may call through Minnesota Relay by dialing 7-1-1 or 1-800-627-3529.



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