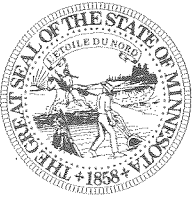


**STATEWIDE AUDIT  
DEPARTMENT OF HUMAN RIGHTS  
MANAGEMENT LETTER  
YEAR ENDED JUNE 30, 1985**

**MARCH 1986**

Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota





STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Ms. Linda Johnson, Commissioner  
Department of Human Rights  
Fifth Floor, Bremer Tower  
Seventh Place and Minnesota Street  
St. Paul, Minnesota 55101

Dear Commissioner Johnson:

We have reviewed certain accounting procedures and controls for your department as part of our statewide audit of the State of Minnesota's fiscal year 1985 financial statements and federal programs. The scope of our work has been limited to:

- the status of prior audit recommendations (CFDA #30.002).

We emphasize that this has not been a complete financial and compliance audit of all programs within your department. However, we are in the process of completing a financial and compliance audit of your department and we will issue a report on that audit work in April 1986. The work conducted in your department is a part of our annual Statewide Financial and Federal Compliance Audit (Single Audit). The Single Audit coverage satisfies the federal government's financial and compliance audit requirements for all federal programs administered by your department in fiscal year 1985. Since the federal government is ultimately responsible for determining resolution of Single Audit recommendations, they will notify you of their final acceptance of your corrective actions.

This management letter contains our recommendations developed during this audit. Attached to your letter is a summary of the progress on all audit recommendations developed during our fiscal year 1984 Single Audit. Prior audit recommendations 5, 6, 7, and 8 will be reviewed during the current departmental audit phase.

The recommendations included in the letter are presented to assist you in improving accounting procedures and controls. Progress on implementing these recommendations will be reviewed during our audit next year.

CURRENT FINDING AND RECOMMENDATION

Federal reimbursements are not transferred to the General Fund timely.

The Department of Human Rights entered into a contract for federal fiscal year (FFY) 1985, October 1, 1984 to September 30, 1985, with the Equal Employment Opportunity Commission (EEOC). The contract totalled approximately \$300,000 and included both New Charge Resolutions and Age Discrimination in Employment Act (ADEA) charges. Under the terms of the contract, Human Rights received about \$400 for each federal discrimination case closed. Throughout the year, Human Rights requested quarterly advances limited to 20 percent of the contract amount and a final reimbursement based on the actual number of cases closed for the period.

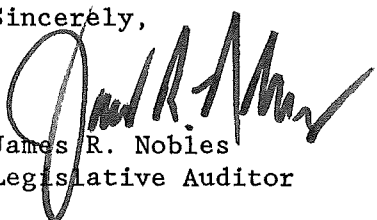
Human Rights requested and received state appropriations to cover all federal operating and case related expenditures for the state's fiscal years ended June 30, 1985 and 1986. Federal receipts for FFY 1985 were initially deposited into the Federal Fund by Human Rights to provide an adequate audit trail. Subsequently, all EEOC advances and final reimbursements were to be transferred by the department to the General Fund. Instead of immediately transferring this money to the General Fund, the advances received in January, April, and July 1985, accumulated to approximately \$239,000 before being transferred on September 16, 1985. Additional receipts of about \$135,000 deposited on September 23, 1985 and December 31, 1985 have not been transferred as of January 31, 1986. The General Fund is entitled to the money as soon as it is received. An immediate transfer after deposit would allow the General Fund to maximize its use of the funds. In addition, timely transfers are necessary for financial reporting purposes, so that the General Fund's accounting records properly reflect the reimbursement of expenditures by the federal government.

*RECOMMENDATION:*

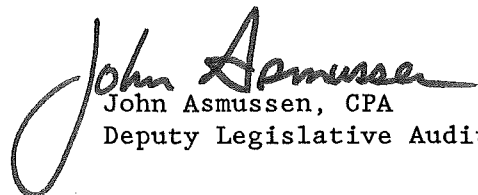
1. *Human Rights should transfer the EEOC deposits from the Federal Fund to the General Fund immediately upon receipt.*

Thank you for the cooperation extended to our staff during this audit.

Sincerely,

  
James R. Nobles  
Legislative Auditor

Attachment

  
John Asmussen, CPA  
Deputy Legislative Auditor

February 24, 1986

DEPARTMENT OF HUMAN RIGHTS

Attachment

STATUS OF PRIOR AUDIT RECOMMENDATIONS  
AND

PROGRESS TOWARD IMPLEMENTATION

Records are not completed or reconciled to the Statewide Accounting System (SWA) for Equal Employment Opportunity Commission funds received.

1. Human Rights should post all EEOC funds received to receipts records, reconcile receipts to SWA and to the EEOC contract closing reports.

*Recommendation Implemented. Human Rights posted EEOC funds received to receipts records, reconciled receipts to SWA and EEOC contract closing reports for FFY 85. The implementation of this recommendation has not received final acceptance by the federal government.*

2. Human Rights should finalize the correct closing amounts for FFY 1984 with the EEOC, considering the error of \$54,080.

*Recommendation Substantially Implemented. Human Rights requested and received a revised closing report for FFY 84 from the EEOC. Human Rights has contacted the regional EEOC office in Milwaukee on several occasions in an attempt to correct the overpayment. We also contacted the Milwaukee office and were told that this issue has been referred to the Washington D.C. office for resolution. Therefore, we believe that Human Rights has fulfilled its responsibility and that the federal government will need to take the necessary corrective actions. We will correspond with our federal contacts to follow-up resolution of this recommendation.*

Funding arrangements and cash management procedures are inadequate.

3. Human Rights should work with EEOC to establish adequate funding arrangements and cash management procedures.

*Recommendation Implemented. During state fiscal year 1985, Human Rights submitted advance requests to EEOC for funds by the tenth of the last month before the quarterly advance was payable. We found that EEOC advance funds were deposited within 19 to 28 days after the beginning of the quarter, representing more timely payment. This recommendation has not received final acceptance by the federal agency.*

Proper documentation of EEOC rejected case closure is not on file.

4. Human Rights should work with EEOC to ensure all documentation regarding EEOC action on submitted case closures is sent to Human Rights per EEOC Order 916, Appendix A.

DEPARTMENT OF HUMAN RIGHTS

Attachment

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4. (con't)

*Recommendation Substantially Implemented. Human Rights has corresponded with the Milwaukee office expressing the department's concern about this issue. At the regional meeting in May 1985, EEOC informed Human Rights that they did not have time to send form 471 to the state agencies as required by EEOC Order 916, Appendix A. Furthermore, EEOC said that Order 916 was being revised. The agencies were instructed to resolve rejected cases by telephone. We believe it would be more reliable to relay this information in writing as specified in EEOC Order 916. We will correspond with our federal contacts to follow-up resolution of this issue, since additional corrective action will be required by the federal government to resolve this problem area.*

There is a lack of separation of duties in the areas of receipts, purchases, and disbursements at Human Rights.

5. The accounting clerk for Human Rights should not be responsible for all aspects of receipts, purchases, and disbursements. Specifically, the following steps should be taken:

- the receptionist should log in all incoming checks; and
- payments should be approved by someone other than the accounting clerk.

*We will review this recommendation during the current departmental phase of our audit.*

Purchase orders are not completed for all goods or supplies purchased at Human Rights.

6. Purchase orders should be completed and authorized for all applicable goods and supplies purchased at Human Rights.

*We will review this recommendation during the current departmental phase of our audit.*

Human Rights does not retain receiving reports to document the receipt of goods to the department.

7. Human Rights should complete and retain receiving reports for all applicable purchases.

*We will review this recommendation during the current departmental phase of our audit.*

Documentation to support payroll at Human Rights is not always complete.

8. Human Rights should maintain documentation to support payroll expenditures including:
  - signed timesheets and leave request slips for each employee for each pay period; and
  - leave request slips supporting the actual leave taken.

*We will review this recommendation during the current departmental phase of our audit.*

The records retention schedule for Human Rights is incomplete.

9. Human Rights should work with the Department of Administration's Records Management Division to complete their records retention schedules to include records required by their contracts with the EEOC.

*Recommendation Implemented. Human Rights included departmental financial records on their record retention schedule completed in January 1986. The financial records will be retained for the current fiscal year, as well as the three prior years. This implementation has not received final acceptance by the federal agency.*





DEPARTMENT of Human Rights

*Office Memorandum*

TO: Ms. Renee Redmer, Audit Manager  
Office of the Legislative Auditor

DATE: February 24, 1986

FROM: *Linda C. Johnson 6/9/86*  
Linda C. Johnson, Commissioner  
Department of Human Rights

PHONE: 296-5665

SUBJECT: Response to Draft Management Letter  
dated February 10, 1986

Following is the Department of Human Rights' response to the sole finding and recommendation in the above draft management letter.

## RECOMMENDATION:

1. Human Rights should transfer the EEOC deposits from the Federal Fund to the General Fund immediately upon receipt.

## DEPARTMENT RESPONSE:

Fiscal Year FY85 was the first year the Department had authority to treat State appropriations and Federal funds in the manner described. It was our understanding that it was the Department of Human Rights' responsibility to deposit receipts to the Federal Fund and the Department of Finance's responsibility to transfer those receipts to the Federal Fund. Also, we had previously been told that it was the Department of Finance's practice to make transfers such as this once a year. The statute is moot on these points.

As a result of questions asked during this audit, we had further discussions with Thomas Casey, Supervisor of General Accounting, and William Kelley, Executive Budget Officer, of the Department of Finance. They both viewed the current practice as reasonable and acceptable. They did not see the necessity of changing the procedure and pointed out possible problems with the recommendation. However, they are willing to grant the Department of Human Rights authority to initiate the transfer and will work with us to develop proper procedures and controls.

We will implement this recommendation by March 30, 1986. Gary Belisle, Director of Management Services, will be responsible for implementation.

We look forward to a cooperative effort as we strive to improve the financial management capability for our department.

LCJ/gld