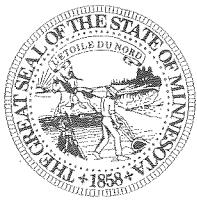


**COUNCIL ON ASIAN-PACIFIC MINNESOTANS
FINANCIAL AND COMPLIANCE AUDIT
FOR THE PERIOD NOVEMBER 6, 1985
THROUGH JUNE 30, 1986**

AUGUST 1987



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Phillip J. Riveness, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Duc Q. Lam, Chairman
Council on Asian-Pacific Minnesotans

Members of the Council on Asian-Pacific Minnesotans

Dr. Albert V. de Leon, Executive Director
Council on Asian-Pacific Minnesotans

Audit Scope

We have completed a financial and compliance audit of the Council on Asian-Pacific Minnesotans from its inception on November 6, 1985 through June 30, 1986. Section I provides a brief description of the Council's activities and finances. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and accordingly, included such audit procedures as we considered necessary in the circumstances. Field work was completed June 22, 1987.

The objectives of the audit were to:

- verify that financial transactions were made in accordance with applicable laws, regulations, and policies, including Minn. Stat. 3.9226, and 1985 First Special Session Chapter 13, Sec. 41, and other finance-related laws and regulations; and
- evaluate the recording and reporting of financial transactions in the statewide accounting system.

Management Responsibilities

The Department of Administration provides administrative support to the Council by depositing contributions received by the Council, entering the biweekly payroll on the state's payroll system, and processing invoices for payment after initial authorization by Council staff. The management of the Council on Asian-Pacific Minnesotans is ultimately responsible for the its financial operations.

The management of the Council on Asian-Pacific Minnesotans is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control

Representative Phillip J. Riveness, Chairman
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Dr. Albert V. de Leon, Executive Director
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procedures. The objectives of a system are to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of the Council on Asian-Pacific Minnesotans is also responsible for the Council's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs to obtain reasonable assurance that the Council had, in all material respects, administered their programs in compliance with applicable laws and regulations.

Conclusions


In our opinion, for the period from November 6, 1985 through June 30, 1986, except for the issues raised in Section II, recommendations 3 and 4, the Council on Asian-Pacific Minnesotans administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

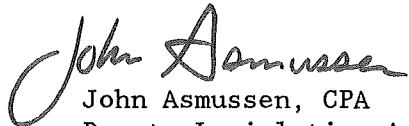
In our opinion, for the period from November 6, 1985 through June 30, 1986, the Council on Asian-Pacific Minnesotans properly recorded, in all material respects, its financial transactions in the statewide accounting system.

Although we have not expressed an opinion on the system of internal control, Section II, recommendations 1 and 2, discusses issues which we believe are important and should be addressed by the management.

The recommendations included in this audit report are presented to assist the Council in improving accounting procedures and controls. We will be monitoring and reviewing the Council's progress on implementing these recommendations during the upcoming months.

We would like to thank the staff and members of the Council on Asian-Pacific Minnesotans for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

August 13, 1987

COUNCIL ON ASIAN-PACIFIC MINNESOTANS

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AUDIT PARTICIPATION

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA	Audit Manager
Ellen Merlin	Auditor-in-Charge

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of the Council on Asian-Pacific Minnesotans and the Department of Administration on August 5, 1987:

Dr. Albert V. de Leon	Council Executive Director
Larry Dowdle	Department of Administration, Accounting Director

COUNCIL ON ASIAN-PACIFIC MINNESOTANS

I. INTRODUCTION

The Council on Asian-Pacific Minnesotans was created in 1985 to provide accessibility of services to and from Asians in the community and encourage involvement of Asians in the policy-making process of the state of Minnesota. The Council has thirteen members, nine appointed by the Governor, representing the Asian community, and the remaining non-voting members from the Minnesota Senate and the House of Representatives. The Council employs two full-time staff. Dr. Albert V. de Leon is the Executive Director.

The Council received a General Fund appropriation of \$75,000 for fiscal year 1986, of which 10 percent was available only upon demonstration of dollar for dollar match with nonstate contributions. The Council did not meet this match for fiscal year 1986, and was required to refund \$7,500 to the General Fund. The required match has been exceeded for fiscal year 1987.

The following is a summary of the Council's expenditures for fiscal year 1986:

Salaries	\$ 33,479
Rents and Leases	4,450
Advertising	6,891
Printing	868
Professional/Technical	4,770
Communications	1,389
Travel	1,294
Relocation Expense	7,032
Supplies	3,676
Equipment	<u>2,841</u>
TOTAL	<u>\$ 66,690</u>

COUNCIL ON ASIAN-PACIFIC MINNESOTANS

II. CURRENT FINDINGS AND RECOMMENDATIONS

Controls over Council receipts need to be strengthened.

The Council on Asian-Pacific Minnesotans solicits contributions as required under the Laws of Minnesota 1985, First Special Session, Chapter 13, Sec. 41 which reads in part:

"Ten percent of the appropriation for each year is available for allotment only upon the demonstration of dollar for dollar match with nonstate contributions."

Contributions are received at the Council office and then forwarded to the Department of Administration for deposit. During fiscal year 1986, no contributions were received. As of May 30, 1987, \$26,586 in receipts were collected for fiscal year 1987.

Controls over incoming receipts at the Council office are weak in two areas. First, the Council does not maintain a comprehensive log of incoming receipts. Because of this, there is not an adequate record of when checks arrived which can be used to verify that all incoming checks were deposited. In addition, checks are not promptly forwarded to Administration for deposit. Based on the dates shown on the checks, contributions received between March 11 and May 29, 1987 were held as much as three months before a deposit was made. These delays do not comply with Minn. Stat. Section 16A.275, which generally requires receipts exceeding \$250 be deposited daily. To assure the security of receipts, and to maximize interest earned on money collected, deposits should be made promptly.

RECOMMENDATIONS:

1. The Council should maintain a log of all incoming checks. This log should be periodically compared to deposit records to verify that all checks have been deposited.
2. The Council should promptly forward all checks to the Department of Administration for deposit.

The Council should work with the Department of Administration to determine what costs must be paid for administrative services.

The Department of Administration provides administrative support to the Council for disbursement, receipt, and payroll processing. In accordance with Minn. Stat. 3.9226, Subd.5(b) provides:

"The commissioner of administration shall provide the council with necessary administrative services, for which the council shall reimburse the commissioner."

The Council has not made any payments for administrative services provided by Administration since its inception. The costs of these services have

COUNCIL ON ASIAN-PACIFIC MINNESOTANS

not been determined nor has the Department of Administration billed the Council. The Council should determine what liability, if any, they have for these services. If the Council and Administration agree that Administration should absorb these costs, the Council should seek a statutory change exempting them from paying for these services.

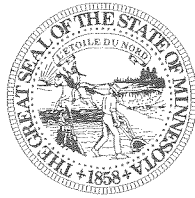
RECOMMENDATION:

3. The Council should work with the Department of Administration to establish what administrative costs will be reimbursed. If necessary, a statutory change should be made to properly reflect the Council's liability for administrative services provided by Administration.

LEGISLATIVE AUDITOR'S COMMENTS ON AGENCY RESPONSE

On the following pages, the Council on Asian-Pacific Minnesotans has responded to our audit report. We believe that the portion of their response on page six requires clarification.

In the introduction on page one of this report, we noted the nonstate contribution matching requirement imposed on the Council by the Legislature. Our comments were included for informational purposes only and were not intended to infer any recommendations to the Council or the Legislature. The Council, however, has chosen to respond to these comments. Their response concerning the matching requirement is found on page six of this report.



Council on Asian-Pacific Minnesotans

August 13, 1987

James R. Nobles
Legislative Auditor
State of Minnesota
Veterans Service Building
St. Paul, MN 55155

Dear Mr. Nobles:

We are pleased to transmit to you our formal written response relative to the comments and recommendations of the financial and compliance audit of the Council from its inception on November 6, 1985 through June 30, 1986.

Please accept our sincere thanks for the opportunity accorded by your Office to review our financial operations and for the exemplary performance of your staff - Ellen Merlin, Auditor-in-Charge and Jeanine Leifeld Audit Manager.

If you have any questions or wish additional information please do not hesitate to call me at 296-0538.

Sincerely,

A handwritten signature in cursive script, appearing to read "de Leon".

Dr. Albert V. de Leon
Executive Director

Enclosures

cc: Duc Q. Lam, Chairperson
Council Members
Larry Dowdle, Department of Administration

Summit National Bank Building
205 Aurora Avenue, Suite 100
St. Paul, Minnesota 55103

612-296-0538



Council on Asian-Pacific Minnesotans

FORMAL WRITTEN RESPONSE TO THE LEGISLATIVE AUDIT REPORT
OF THE COUNCIL FOR THE PERIOD NOVEMBER 6, 1985 THROUGH
JUNE 30, 1986

A. Audit Report Page 1 (2nd paragraph)

"The Council received a General Fund appropriation of \$75,000 for the fiscal year 1986, of which 10 percent was available only upon demonstration of dollar for dollar match with nonstate contributions. The Council did not meet this match for fiscal year 1986, and was required to refund \$7,500 to the General Fund. The required match has been exceeded for fiscal year 1987."

Agency Response

The permanent Executive Director was appointed on March 17, 1986, only less than 3 months prior to the close of the fiscal year (June 30, 1986). In view of this the Agency was unable to raise the required match and, therefore, should not be penalized to do so.

Agency Recommendation

1. By legislative policy no agency shall be compelled to raise the required match during its first year of operations, especially with a staff of 2. It should be noted that the first year of any agency's operations is primarily devoted towards developing strategies and public support to secure potential donors and contributors from foundations and corporations.
2. That the Agency should be credited the amount of \$7,500 which was critically needed for operational expenses during the first year of its operations.

Person Responsible for Implementation - we recommend that the members of the Minnesota Senate and the Minnesota House of Representatives serving on the Council assist the Council in implementing these recommendations.

Project Completion Date - 1988 Legislative Session

Summit National Bank Building
205 Aurora Avenue, Suite 100
St. Paul, Minnesota 55103

612-296-0538

- more -

B. Audit Report Page 2

Recommendation No. 1 - The Council should maintain a log of all incoming checks. This log should be periodically compared to deposit records to verify that all checks have been deposited.

Agency Response

The Council is in full compliance with this recommendation. The Council's present Administrative Procedure provides the following processes:

1. For each fund raising project and/or event, the Agency maintains a record of incoming receipts indicating "Date Received".
2. Upon completion of the project and/or event, a "Summary of Receipts" is prepared showing the - a) Name of the Contributor; b) Address; c) Telephone Number; d) Dollar Amount.
3. A formal memorandum is transmitted to the Fiscal Services, Minnesota Department of Administration, transmitting the revenues received with a copy furnished to the Finance Agency Controller.
4. Finally, a "Record of Deposits-Revenue (Private Contributions)" is maintained "current to date" showing the "Date of Deposit" and the "Total Amount Deposited".

Implementation of Auditor's Recommendation

We have implemented the recommendation to maintain a "Comprehensive Log of Incoming Receipts and Deposits" for all non-state revenues which includes the following information - a) Date Received; b) Name of Contributor; c) Address; d) Telephone No.; e) Project/Event; f) Amount Received; g) Date of Deposit.

Person Responsible for Implementation - Jovita Bjoraker
Clerk Typist

Date Completed - August 5, 1987 - See Attachment No. 1

C. Audit Report Page 2

Recommendation No. 2 - The Council should promptly forward all checks to the Department of Administration for deposit.

Agency Response

The Agency's Administrative Procedure in handling non-state

revenues covers the following steps:

1. Determine whether or not the contribution is in accordance with the Legislative Mandates and the Strategic Plan;
2. If necessary, the Executive Director shall confer with the contributor to determine the purpose of the donation;
3. Submit a written report to the Fund Raising Committee and the Council prior to depositing the contributions;
4. In the case of conferences, seminars and/or workshops sponsored by the Council, deposit the fees after all payments and/or bills (registration fees, facilities, meals, honoraria, printing, purchase orders, etc.) are all accounted for and a complete report submitted to the Fund Raising Committee and the Council.

It should be noted that registered participants to Council-sponsored conferences have the right to cancel their reservations and request that their checks be returned.

In addition, billings submitted by vendors for services rendered may be received 30 days after the event. The entire process outlined above may delay the final report for revenues received and expenses incurred by as much as 2-3 months.

Implementation of the Auditor's Recommendations

We have implemented the following administrative procedure -

All revenues by the Council shall be forwarded promptly to the Department of Administration for deposit. All receipts exceeding \$250 shall be deposited daily.

Person Responsible for Implementation - Dr. Albert V. de Leon
Executive Director

Effective Date - August 5, 1987

D. Audit Report Page 3

Recommendation No. 3 The Council should work with the Department of Administration to establish what administrative costs will be reimbursed. If necessary, a statutory change should be made to properly reflect the Council's liability for administrative services provided by administration.

FORMAL WRITTEN RESPONSE TO THE LEGISLATIVE AUDIT - PAGE 4

Agency Response

The Council and the State Department of Administration are currently discussing this recommendation. If necessary, at the next legislative session, the appropriate statutory change, in consultation with the other Minority Councils, will be initiated relative to this matter.

Person Responsible for Implementaion - The Council
Dr. Albert V. de Leon
State Department of
Administration


Completion Date - 1988 Legislative Session

Conclusions

1. We wish to thank the Office of the Legislative Auditor for conducting this financial and compliance audit of the Council on Asian-Pacific Minnesotans from its inception on November 6, 1985 through June 30, 1986.
2. We appreciate the recommendations which will undoubtedly improve our Council operations and provide effective accountability..
3. We commend the professionalism demonstrated by Ellen Merlin, Auditor-in-Charge and the managerial competence of Jeanine Leifeld, Audit Manager.

If you wish additional information or have any questions please do not hesitate to call me at 296-0538.

Respectfully submitted:



Dr. Albert V. de Leon
Executive Director

August 13, 1987

cc: Duc Q. Lam, Chairperson
Council Members
Larry Dowdle, Department of Administration

