

**TELECOMMUNICATIONS ACCESS
FOR COMMUNICATION IMPAIRED PEOPLE BOARD
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1990**

OCTOBER 1991

**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

91-75

TELECOMMUNICATIONS ACCESS FOR COMMUNICATION IMPAIRED PEOPLE BOARD

FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1990

Public Release Date: October 18, 1991

No. 91-75

OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: professional/technical services; purchased services; and board and employee travel and subsistence.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

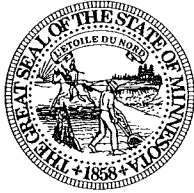
CONCLUSIONS:

We did not express an opinion on the internal control structure due to the limited staff size at the board office.

We found one area where the board had not complied with finance-related legal provisions:

- The TACIP Board improperly advanced funds to a vendor.

Contact the Financial Audit Division for additional information.
(612) 296-1730



STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Ann Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Robert Cook, Chair
Telecommunications Access for Communication-Impaired People Board

Audit Scope

We have conducted a financial related audit of the Telecommunications Access for Communication-Impaired People Board as of and for the three years ended June 30, 1990. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Telecommunications Access for Communication-Impaired People Board as discussed in the Introduction.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transaction of the Telecommunications Access for Communication-Impaired People Board are free of material misstatements.

We performed tests of the Telecommunications Access for Communication-Impaired People Board's transactions to obtain reasonable assurance that the board had, in all material respects, administered its operations in compliance with applicable laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Telecommunications Access for Communication-Impaired People Board is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;

- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- professional/technical service,
- purchased services,
- employee and board travel and subsistence expenditures.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures. To achieve our objective, we reviewed selected financial policies and practices in effect as of May 1991. We will not express an opinion on the internal control structure taken as a whole due to the limited staff size at the board office.

Conclusions

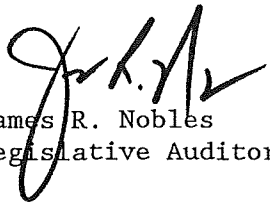
The results of our tests indicated that, except for the issue discussed in finding 1, with respect to the items tested, the Telecommunications Access for Communication-Impaired People Board complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Telecommunications Access for Communication-Impaired People Board had not complied, in all material respects, with those provisions.

We also noted other matters involving the activities of the Telecommunications Access for Communication-Impaired People Board that we reported to its management at the exit conference held on September 5, 1991.

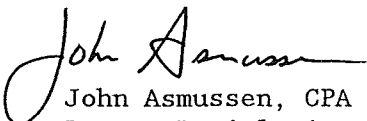
This report is intended for the information of the Legislative Audit Commission and management of the Telecommunications Access for Communication-Impaired People Board. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 18, 1991.

Representative Ann Rest, Chair
Members of the Legislative Audit Commission
Mr. Robert Cook, Chair
Page 3

We would like to thank the Telecommunications Access for Communication-Impaired People Board staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: July 1, 1991

REPORT SIGNED ON: October 11, 1991

TELECOMMUNICATIONS ACCESS FOR
COMMUNICATION-IMPAIRED PEOPLE BOARD

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. CURRENT FINDING AND RECOMMENDATION	2
AGENCY RESPONSE	3

AUDIT PARTICIPATION

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

John Asmussen, CPA	Deputy Legislative Auditor
Margaret Jenniges, CPA	Audit Manager
Mary G. L. Jacobson, CPA	Auditor-in-Charge

EXIT CONFERENCE

The finding and recommendation in this report were discussed with the following staff from the Telecommunications Access for Communication-Impaired People Board on September 5, 1991:

Robert Cook	Board Chair
Mim Stohl	Department of Public Service
	Accounting Supervisor
Beth Aaron	Interpreter

TELECOMMUNICATIONS ACCESS FOR
COMMUNICATION-IMPAIRED PEOPLE BOARD

INTRODUCTION

The Telecommunications Access for Communication-Impaired People (TACIP) Board was established in October of 1987, pursuant to Minn. Stat. Sections 237.50-.55. The board consists of ten members appointed by the Governor and two ex-officio members. The program administrator, Herb Pickell, under the direction of the TACIP Board, is responsible for the development, delivery and evaluation of statewide programs to distribute communication devices to eligible communicatively impaired people and create and maintain a message relay service. The Department of Public Service provides support services.

The board administers two programs to promote telephone accessibility. The first is an equipment distribution program. Through an interagency agreement between the Department of Human Services Deaf Services Division, eligible communicatively impaired Minnesotans are being supplied with the special equipment necessary to access the telephone system. The second program is the Minnesota Relay Service. The service enables a direct communication between people who use telecommunication devices for the deaf to communicate over the telephone with the hearing community.

The board finances its activities through a TACIP surcharge. All telephone companies in the state assess a \$.10 charge on residential and business telephone lines, which is collected by the Department of Administration. The department collected \$2,301,490 in surcharges for fiscal year 1990.

The summary below shows expenditures of the board for the year ended June 30, 1990.

Expenditures:

Professional/Technical Services	\$1,100,931
Purchased Services	619,235
Travel and Subsistence Expenditures	4,544
Contract Advance*	65,000
Other Expenditures	<u>219,735</u>
Total Expenditures	<u>\$2,009,445</u>

* The contract advance was miscoded on the statewide accounting system as a grant.

Source: Manager's Financial Report for Fiscal Year 1990 as of September 1, 1990.

TELECOMMUNICATIONS ACCESS FOR
COMMUNICATION-IMPAIRED PEOPLE BOARD

II. CURRENT FINDING AND RECOMMENDATION

1. The TACIP Board improperly advanced funds to a vendor.

The TACIP advanced funds to the vendor whom they have a contract with to operate the Message Relay Service (MRS). The original MRS contract amount was \$1,533,000 for fiscal year 1989. The fiscal year 1991 contract amount was \$1,727,029. The advance was processed as a grant agreement with the vendor. The agreement was originally intended to provide a mechanism of advancing funds for personnel costs incurred by the vendor. At an October 1988 meeting, the board members agreed to facilitate the vendor's need for an advance of funds. According to board members, the amount of the contract would be reduced by the advanced amount. However, the TACIP failed to reduce the contract amount. Minn. Stat. Section 16A.065 provides for advance payment for certain services. Contract services are not included in this provision. The TACIP amended the agreement twice since its inception, and has increased the amount from \$79,000 to \$173,175. The formula for the current grant is 1/12 of the budget established for the MRS.

A condition of the agreement requires the vendor to account for the money on a quarterly basis. The board has not required the vendor to account for the money. Also, at the end of the agreement period, any funds not expended are to be returned to TACIP. The board should discontinue this advance agreement with the vendor and require the vendor to account for the funds under the terms of the agreement.

RECOMMENDATION

- The board should discontinue advancing funds and enforce the provisions of the contract.



State of Minnesota
Telecommunications Access
for Communication Impaired People Board

790 American Center Building
150 East Kellogg Boulevard
St. Paul, MN 55101
Phone: (612) 296-0412 Voice
(612) 296-9863 TDD

October 4, 1991

James R. Nobles
Legislative Auditor
Centennial Office Building
St. Paul, MN 55155

Dear Mr. Nobles,

Enclosed is the response of the Telecommunications Access for Communication Impaired People Board to the audit report submitted September 18, 1991 for the three years ended June 30, 1990.

Also enclosed is a list of names and addresses of the Board members. I plan to send a copy of the audit report and this response to the TACIP Board members.

If you have any questions, please call me at 296-4850 TDD only.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert Cook", is written over the word "Sincerely,".

Robert Cook
TACIP Board Chair

enclosure

cc: TACIP Board Members

Mim Stohl
Accounting Supervisor
Department of Public Service

TELECOMMUNICATIONS ACCESS FOR COMMUNICATION IMPAIRED PEOPLE BOARD
RESPONSE TO AUDITOR'S REPORT RECEIVED SEPTEMBER 18, 1991

Recommendation #1. "A condition of the agreement requires the vendor to account for the money on a quarterly basis. The Board has not required the vendor to account for the money."

Response: #1 The Board will require the quarterly reports from the vendor as required by the contract. The acting executive director will be responsible for implementing this requirement by December, 1991.

Recommendation #2. "The Board should discontinue advancing funds to the vendor and at the end of the agreement period, require funds not expended to be returned to TACIP."

Response: #2. The Board will discontinue advancing funds to the vendor in the future unless advancement of funds is authorized by law. The Board will consult with legal counsel in the Attorney General's Office to evaluate our options regarding possible cancellation of the pending grant agreement and possible recovery of unexpended funds for the past fiscal periods. The full Board is responsible for making this decision with the legal advice of counsel, and this matter will be on the agenda at the next board meeting in December, 1991.