

DEPARTMENT OF HUMAN RIGHTS

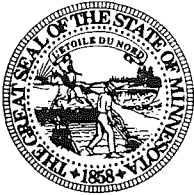
FINANCIAL AUDIT

FOR THE THREE YEARS ENDED JUNE 30, 1993

JULY 1994

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

94-36



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

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

David Beaulieu, Commissioner
Department of Human Rights

Audit Scope

We have completed a financial related audit of the Department of Human Rights for the period July 1, 1990 to June 30, 1993 as outlined below, and as further discussed in the Introduction. We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we consider the internal control structure in order to plan our audit, and that we perform tests of the department's compliance with certain material provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on the internal control structure or on overall compliance with finance-related legal provisions.

Internal Control Structure

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

- Federal grant revenue
- Other agency revenue
- Personnel services
- Professional, technical and consultant services
- Travel expenditures

For the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Management Responsibilities

Management of the Department of Human Rights is responsible for establishing and maintaining the 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 internal control 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.

Noncompliance Issues Previously Disclosed

We previously reviewed two noncompliance matters related to our audit scope. We issued the following documents with our conclusions.

- Special Review of Employee Appreciation Dinner Expenses, dated October 1991. We questioned former Commissioner Frank Gallegos' authority to use state funds for alcoholic beverages at the appreciation dinner.
- Letter to the Governor dated June 3, 1992. We questioned Commissioner David Beaulieu's use of state time and resources for private consulting work.

The department has substantially resolved these matters.

Conclusions

We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control

Senator Phil Riveness, Chair
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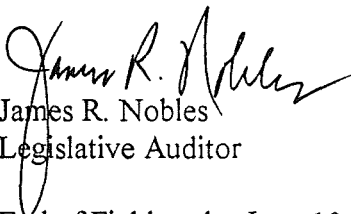
structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

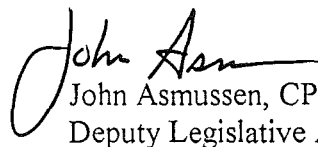
The results of our tests of compliance indicate that, with respect to the items tested, the Department of Human Rights complied, in all material respects, with the provisions referred to in the audit scope paragraphs. Other than the matters discussed in the preceding section, with respect to the items not tested, nothing else came to our attention that caused us to believe that the Department of Human Rights had not complied, in all material respects, with those provisions.

We also noted other matters involving the internal control structure and its operation and/or compliance with laws and regulations that we reported to the management of the Department of Human Rights at the exit conference held on June 21, 1994.

This report is intended for the information of the Legislative Audit Commission and management of the Department of Human Rights. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 29, 1994.

We thank the Department of Human Rights staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 10, 1994

Report Signed On: July 21, 1994

Department of Human Rights

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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
Renee Redmer, LPA	Audit Manager
Rhonda Regnier, CPA	Auditor-in-Charge
Mark Johnson	Senior Auditor
Fubara Dapper	Staff Auditor

Exit Conference

The report was discussed with the following staff and associates to the Department of Human Rights on June 21, 1994:

Tracy Elftmann	Deputy Commissioner
Dolores Fridge	Enforcement Division Director
Richard Burke	Fiscal Manager
Virginia Davis	Department of Finance

Department of Human Rights

Background Information

The Department of Human Rights, established in 1967, operates under Minn. Stat. Chapter 363. The department is a service and regulatory agency that is responsible for the administration and enforcement of the Minnesota Human Rights Act. The department's primary mission is investigation and resolution of charges of discriminatory practices as set forth in the Human Rights Act. The department also provides public education aimed at eliminating and preventing discrimination. The department serves citizens that allege violations of their human rights in areas such as employment, housing, credit, public accommodations, public service, and education.

The department has one division, Enforcement. The Enforcement Division resolves charges of discriminatory practices, provides education to prevent discrimination, and administers the contract compliance provisions of the Act. Under a work-sharing agreement with the U.S. Equal Employment Opportunity Commission (EEOC), the department investigates jointly filed cases. The EEOC federal grant funds reimburse the General Fund for the department's costs when investigating these cases.

The department's current commissioner, Mr. David L. Beaulieu, succeeded Mr. A.F. Gallegos. Mr. Beaulieu became Commissioner in July 1991.

The department's financial activities for the three fiscal years ended June 30, 1993 are in Table 1-1.

Table 1-1
Financial Activity
For the Three Fiscal Years Ended June 30, 1993

Nondedicated resources:	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
Federal grants	<u>\$ 450,190</u>	<u>\$ 365,445</u>	<u>\$ 173,805</u>
Resources available for expenditures:			
General Fund appropriation	\$2,842,000	\$3,194,000	\$3,307,000
Carry forward	242,077		
Revenues:			
Other agency deposits	101,071	15,894	16,000
Other revenues	<u>46,506</u>	<u>13,906</u>	<u>72,933</u>
Total resources available	<u>\$3,227,283</u>	<u>\$3,223,800</u>	<u>\$3,395,933</u>
Expenditures:			
Personnel services	\$2,679,317	\$2,655,677	\$2,450,612
Professional, technical and consultant services	168,655	135,092	132,450
Travel expenditures	22,950	26,173	20,101
Other expenditures	<u>182,284</u>	<u>394,706</u>	<u>645,319</u>
Total expenditures	<u>\$3,053,206</u>	<u>\$3,211,648</u>	<u>\$3,248,482</u>

Source: Statewide Accounting System, Estimated Actual Receipts Reports and Manager's Financial Reports as of August 31, 1991, September 5, 1992, and September 3, 1993.
