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# **Telecommunications Access for Communications-Impaired Persons Board**

## **Financial Audit For the Three Years Ended June 30, 1995**

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**October 1995**

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

**95-46**





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Ann Rest, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Kris Sanda, Commissioner  
Department of Public Service

We have conducted an audit of the Telecommunications Access for Communication-Impaired Persons Board for the three years ended June 30, 1995, as further explained in Chapter 1. The following summary highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

We have conducted our audit in accordance with generally accepted government auditing standards. These standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the Telecommunications Access for Communication-Impaired Persons Board complied with provisions of laws, regulations, and contracts that are significant to the audit.

This report is intended for the information of the Legislative Audit Commission and the management of the Department of Public Service. This restriction is not intended to limit the distribution of the report, which was released as a public document on October 27, 1995.

We thank the former staff of the Telecommunications Access for Communication-Impaired Persons Board for their cooperation during this audit.

James R. Nobles  
Legislative Auditor

John Asmussen, CPA  
Deputy Legislative Auditor

End of Fieldwork: June 16, 1995

Report Signed On: October 19, 1995



# SUMMARY

State of Minnesota  
Office of the Legislative Auditor  
Centennial Office Building • St. Paul, MN 55155  
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## **Telecommunications Access for Communications-Impaired Persons Board**

**Financial Audit  
For the three years ended June 30, 1995**

Public Release Date: October 27, 1995

No. 95-46

### **Agency Background**

During its existence, the Telecommunications Access for Communications-Impaired Persons (TACIP) Board operated two programs that enabled communication-impaired individuals to access the state's telecommunications network. One programs was the equipment distribution program. This program distributed specialized telecommunication devices to eligible communication-impaired individuals. The other program was the Minnesota Relay Service. The relay service allowed communication between Telecommunications Device for the Deaf (TDD) individuals and hearing individuals. The TACIP Board was abolished by Laws of Minnesota 1995, Chapter 190. The law transferred responsibility for both of the TACIP Board's programs to the Department of Public Service as of July 1, 1995.

### **Audit Areas and Conclusions**

Our audit scope included a review of the board's surcharge revenues and significant board expenditures. We reviewed expenditures to the TACIP Board's major vendors, including the Deafness Education and Advocacy Foundation, the Department of Human Services, and the Department of Administration. We also examined the process used to close out the TACIP Board's financial activities and transfer its responsibilities to the Department of Public Service.

We concluded that the Department of Administration properly distributed and deposited the correct amount of telephone access line surcharge revenue into the TACIP Board's account. The surcharge amounts did not exceed the maximum amount outlined in Minn. Stat. Section 237.52, Subd. 2.

We found that the TACIP Board had properly executed agreements with its major vendors. We also found that the TACIP Board properly encumbered funds for these agreements prior to making any payments on the contracts and that it paid the vendors the proper amounts. Finally, we found that the TACIP Board complied with Minn. Stat. Section 237.52, Subd. 5(2), which limits TACIP Board administrative expenditures.

The TACIP Board properly concluded fiscal year 1995 financial activities and transferred its responsibilities to the Department of Public Service.

Contact the Financial Audit Division for additional information.

296-1235



# **Telecommunications Access for Communication-Impaired Persons Board**

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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
Sonya Hill, CPA	Auditor-In-Charge

### **Exit Conference**

We discussed this report with the following representatives of the Department of Public Service on October 18, 1995:

Ruth Grendahl	Deputy Commissioner
JoAnn Hanson	Assistant Commissioner
Mim Stohl	Accounting Supervisor
Jim Alan	Program Administrator
Sonya Guggemos	Administrative Assistant





# Telecommunications Access for Communication-Impaired Persons Board

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## Chapter 1. Introduction

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The Telecommunications Access for Communication-Impaired Persons (TACIP) Board was authorized by the Laws of Minnesota 1987, Chapter 308, and operated under Minn. Stat. Sections 237.50 to .56. During its existence, the TACIP Board operated two programs that enabled communication-impaired individuals to access the state's telecommunications network. One program was the Equipment Distribution Program. This program distributed specialized telecommunication devices to eligible communication-impaired individuals. The other program was the Minnesota Relay Service. The relay service allowed communication between Telecommunications Device for the Deaf (TDD) individuals and hearing individuals. As further discussed in Chapter 4 of this report, the TACIP Board was abolished by Laws of Minnesota 1995, Chapter 190. The law transferred responsibility for both of the TACIP Board's programs to the Department of Public Service as of July 1, 1995.

Until June 30, 1995, the TACIP Board consisted of a board chair and eleven individuals appointed by the governor. Table 1-1 shows the board membership as of December 31, 1994. Bill Lamson was the Program Administrator who handled daily operations of the TACIP Board.

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**Table 1-1 Board Membership  
as of December 31, 1994**

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Board Member	Represents
James Beutelspacher, Chair	Department of Administration
Sandra Morgan, Vice Chair	Metropolitan area consumer
Daniel Chellin	Outer metropolitan area consumer
Anyes deHorst Eames	Metropolitan area consumer
Douglas Morton	Minnesota Telephone Association
David Johnson	Communications impairment professional
Jeremy Nyquist	Outer metropolitan area consumer
Deborah Peterson	Metropolitan area consumer
Linda Sadler	Local exchange service
Ruby Vine	Metropolitan area consumer
Linda Wasilowski	Outer metropolitan area consumer
Randall Young	InterLATA interexchange phone service

Source: TACIP 1994 Annual Report.

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The TACIP Board's main funding source was a surcharge on all telephone access lines in the state. During fiscal year 1995, the access charge was \$.17 per line. The Department of Administration collected and deposited these fees during the audit period. The Department of Administration also provided other support services for the board during the audit period.

The board's main expenditures were the costs of operating the Message Relay Service through an agreement with the Deafness Education Advocacy Foundation (DEAF), the Equipment

# Telecommunications Access for Communication-Impaired Persons Board

Distribution Program through an interagency agreement with the Department of Human Services (DHS), and administrative costs paid to the Department of Administration (DOA).

Table 1-2 outlines the sources and uses of funds for the board for fiscal years 1993, 1994, and 1995.

**Table 1-2 Sources and Uses of Funds  
Fiscal Years 1993 through 1995**

Sources of Funds:	Fiscal Year		
	1993	1994	1995(1)
Balance Forwarded In	\$1,498,833	\$ 560,383	\$ 752,096
Surcharge Receipts	2,739,631	4,637,228	4,951,518
Other Receipts (2)	57,457	150,712	463,271
<b>Total Sources</b>	<b>\$4,295,921</b>	<b>\$5,348,323</b>	<b>\$6,166,885</b>
<b>Uses of Funds:</b>			
DEAF Expenditures	\$2,401,300	\$2,926,399	\$2,958,045 (3)
DHS Expenditures	751,589	875,145	863,230 (3)
DOA Expenditures	8,468	10,000	12,012
Other Expenditures	574,181	784,683	879,861 (3)
Balance Forwarded to Next Year	560,383	752,096	1,453,737 (4)
<b>Total Uses</b>	<b>\$4,295,921</b>	<b>\$5,348,323</b>	<b>\$6,166,885</b>

(1) As of August 31, 1995.

(2) Consists of interest earned as well as reimbursements from the National Carriers Exchange Association and the Minnesota Equal Access Network Services.

(3) Includes payments made as of August 31, 1995, plus valid open encumbrances as of that date.

(4) Consists of \$400,000 transferred to Public Services as of August 31, 1995, plus \$1,053,737 anticipated yet to be transferred.

Source: Statewide accounting appropriation analysis completed by the Department of Administration as of August 31, 1995.

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## Chapter 2. TACIP Board Surcharge Revenues

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### *Chapter Conclusions*

*The Department of Administration properly distributed and deposited the correct amount of telephone access line surcharge revenue to the TACIP Board's account. The surcharge amounts did not exceed the maximum amount outlined in Minn. Stat. Section 237.52, Subd. 2.*

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The TACIP Board's main source of revenue was a surcharge on telephone access lines. The surcharge receipts funded the board's activities. There is a statutory limit on the surcharge. The 1993 legislative session increased the statutory surcharge maximum, as outlined in Minn. Stat. Section 237.52, Subd. 2, from \$.10 to \$.20 effective July 1, 1993. For each of the three years of the audit period, the TACIP Board submitted an annual budget to the Public Utilities Commission and recommended the surcharge amount necessary to carry out board activities. The Public Utilities Commission annually determined if the budget was reasonable and approved the surcharge amount recommended by the TACIP Board. The surcharge amount of \$.17 became effective as of August 1, 1993. Previous to that date, the surcharge had been \$.10.

Our audit objectives concerning the surcharge revenue were to answer the following questions:

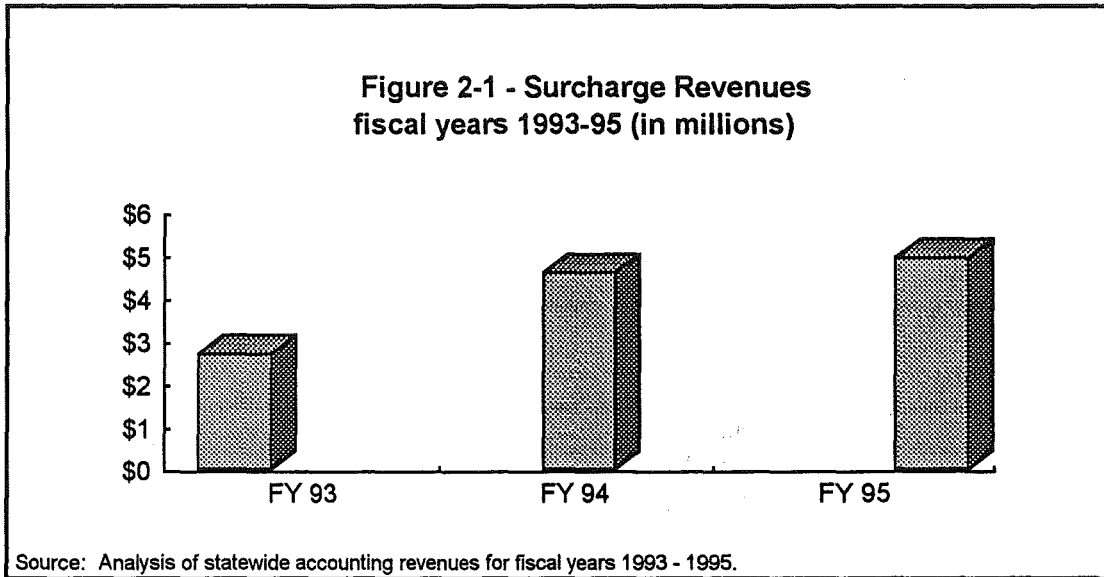
- Did the Department of Administration properly distribute and deposit the correct amount of telephone access line surcharges to the TACIP Board's account?
- Did the surcharge amounts comply with the limit outlined in Minn. Stat. Section 237.52, Subd. 2?

Minn. Stat. Section 237.49 requires that telephone companies collect the surcharges on the access lines from their customers and remit these amounts to the Department of Administration. Administration distributes these amounts proportionally among various state programs, including the TACIP Board. The Department of Administration collects the surcharges and deposits the TACIP Board's share into a specific account set up for TACIP Board operations.

The TACIP Board recommended a continuation of the \$.17 surcharge for fiscal year 1996 and the Public Utilities Commission has approved the continuation of the previous surcharge rate.

## Telecommunications Access for Communication-Impaired Persons Board

Figure 2-1 outlines the revenues deposited into the TACIP Board's surcharge account during the audit period.



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## Chapter 3. TACIP Board Expenditures

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### *Chapter Conclusions*

*During the audit period, the board's main expenditures were the costs of operating the Message Relay Service through an agreement with the Deafness Education Advocacy Foundation (DEAF), the Equipment Distribution Program, through an interagency agreement with the Department of Human Services (DHS), and administrative costs paid to the Department of Administration (DOA). We found that the TACIP Board had properly executed agreements with all of these vendors. We also found that the TACIP Board properly encumbered funds for these agreements prior to making any payments on the contracts and that it paid the vendors the proper amounts. Finally, we found the TACIP Board complied with Minn. Stat. Section 237.52, Subd. 5(2), which limits TACIP Board administrative expenditures.*

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The largest expenditure category of the TACIP Board during the audit period was contractual and purchased services. The TACIP Board had agreements with the Deafness Education and Advocacy Foundation to operate the Message Relay Service, with the Department of Human Services to distribute certain specialized telecommunications devices, and with the Department of Administration to provide the board with administrative support.

Our objective in auditing the TACIP Board's agreements with these vendors were the following:

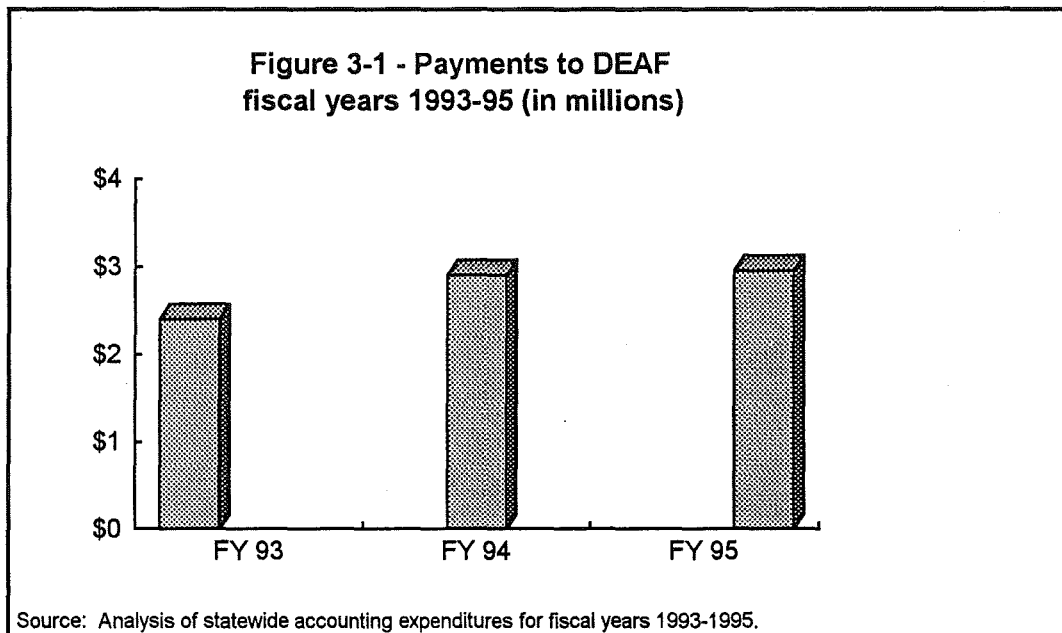
- Did the TACIP Board pay the proper amounts for these services, in compliance with the applicable agreements?
- Did the TACIP Board comply with the terms of Minn. Stat. Section 237.52, Subd. 5(2), which limits TACIP Board administrative expenditures?

### **Deafness Education and Advocacy Foundation Contract**

The Deafness Education and Advocacy Foundation (DEAF) is the operator of the Minnesota Relay Service. The relay service allows for a communication-impaired individual to communicate with any other individual through the use of a special telecommunication device. The relay service also works in reverse, allowing communication between individuals that lack a telecommunication device and those that do have a device. The DEAF provides the communication assistants that relay these calls through a central location.

## Telecommunications Access for Communication-Impaired Persons Board

Minn. Stat. Section 237.54 states that the TACIP Board "shall contract with a local consumer organization for operation of the telecommunication relay system." The DEAF has been the vendor for the relay service since the board's inception. DEAF continues to be the vendor for the relay service as they were the only respondents to the TACIP Board's July 1993 request for proposal. The contract with DEAF expired on June 30, 1995, with the option to extend the contract until June 30, 1996, contingent upon certain requirements. Figure 3-1 shows the expenditures made to the DEAF throughout the audit period.



Each year, DEAF submitted a line item budget to the TACIP Board for their approval of specific program expense categories and budgeted program costs. Once the board approved the budget and a contract was in place, DEAF submitted vendor invoice forms accompanied by itemized billings that documented relay service expenditures. The TACIP Board program administrator reviewed the invoices and the accompanying detail for propriety of expenses claimed before approving the invoices for payment. The invoices went to the support service staff at the Department of Administration for processing through the statewide accounting system. DEAF also submitted expenditure reports which accounted for program funds as well as monthly statistical reports that outlined relay service performance.

We found that a properly executed contract existed between the TACIP Board and the Deafness Education and Advocacy Foundation (DEAF) for operation of the Minnesota Relay Service. We also found that the TACIP Board complied with the financial terms of the contract.

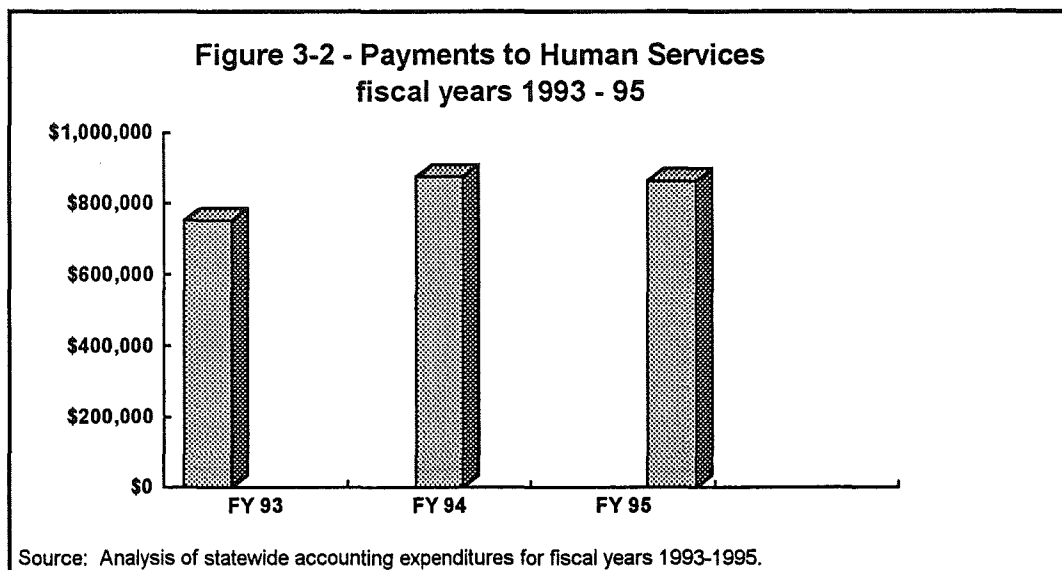
# Telecommunications Access for Communication-Impaired Persons Board

## Department of Human Services Agreement

The Department of Human Service's Deaf and Hard of Hearing Services Division operated the Equipment Distribution Program throughout the audit period. The purpose of this program is to distribute communication devices to eligible recipients. Through an interagency agreement between the Department of Human Services and the TACIP Board, Human Services purchased and maintained the communication equipment. Human Services also provided training to the users of the equipment. Minn. Stat. Section 237.53, Subd 3, designates Human Services as the agency to purchase and distribute the communication devices. As outlined in the agreement, the TACIP Board reimburses the department for its program costs.

Each year, the Department of Human Services submitted a line item budget for the operation of the program just as DEAF did. Human Services also submitted invoices for payment of services rendered and supplied documentation for costs incurred. This documentation included items such as payroll posting audit reports, payment by aid reports, and other program expenditure reports. Similar to the DEAF contract, the program administrator reviewed and approved the invoices and forwarded them to the Department of Administration for processing.

The agreement with the Department of Human Services expired on June 30, 1995. Figure 3-2 shows the total payments the TACIP Board made to Human Services under the interagency agreements during the audit period.



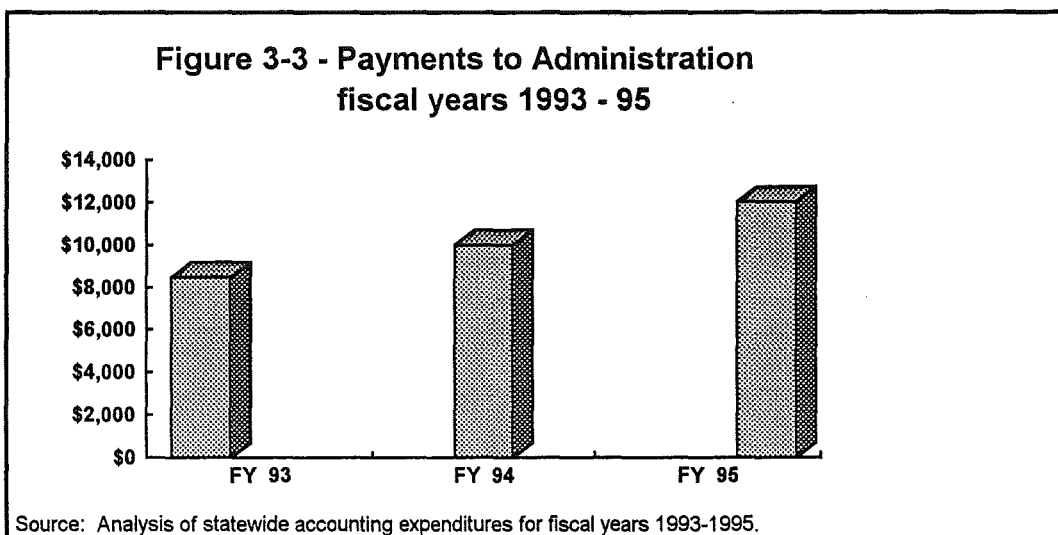
We found that properly executed interagency agreements existed between the TACIP Board and the Department of Human Services for the operation of the Equipment Distribution Program, and that the TACIP Board complied with the financial terms of the agreement during the audit period.

# Telecommunications Access for Communication-Impaired Persons Board

## Department of Administration Agreement

Minn. Stat. Section. 237.51, Subd. 6, mandated that the Department of Administration provide staff assistance, administrative services, and office space to the TACIP Board under a contract with the board. During the audit period, the TACIP Board and Administration operated under an interagency agreement that outlined the services Administration would perform and the conditions under which the TACIP Board would reimburse the department for those services. Administration provided administrative support services in areas such as accounting, facsimile and copying, as well as postal services for the TACIP Board. The TACIP Board also paid for office space from the Department of Administration for a specified amount. The interagency agreement between Administration and the TACIP Board expired on June 30, 1995.

Administration submitted a quarterly invoice for the services rendered to the TACIP Board. The program administrator reviewed and approved each invoice for payment. Figure 3-3 outlines the payments made to the Department of Administration under the interagency agreements over the audit period.



An appropriate interagency agreement existed between the TACIP Board and the Department of Administration for the provision of support services. The TACIP Board complied with the terms of Minn. Stat. Section 237.52, Subd. 5(2), which did not allow the TACIP Boards administrative expenses to exceed 20 percent of total program costs.



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## Chapter 4. Abolishment of the TACIP Board

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### *Chapter Conclusions*

*The TACIP Board properly concluded fiscal year 1995 financial activities and transferred its responsibility to the Department of Public Service.*

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Minnesota Laws of 1995, Chapter 190, abolished the TACIP Board effective July 1, 1995. In compliance with the law, former TACIP Board responsibilities became part of the Department of Public Service. Public Service will administer the fund and operate the Equipment Distribution Program in conjunction with the Department of Human Services. Human Services will determine the eligibility of individuals who are to receive communication devices. Human Services has the option to establish an advisory board to advise both Human Services and Public Service in the operation of the relay service portion of the program.

We examined the process used to close out the TACIP Board's financial activities and transfer its responsibilities to the Department of Public Service. Our audit objectives in this area were to determine the following:

- Did the TACIP Board properly pay any remaining outstanding obligations to the Board?
- Did all former TACIP Board employees receive proper final payroll payments, in accordance with the applicable labor agreements?
- Was the outstanding TACIP Board appropriation balance properly transferred to the Department of Public Service?

As part of our review, we examined TACIP Board payments between July 1 and August 31, 1995. As of August 31, all TACIP Board disbursements during fiscal year 1996 were for valid obligations of the board.

We verified the accuracy of the final payroll payments the TACIP Board made to its three employees. Two of the employees transferred to other state agencies and one employee terminated state employment. The Department of Public Service will pay for any unemployment compensation due the terminated employee from the balance of the fund.

Finally, as shown in Table 1-2, the TACIP Board had transferred \$400,000 to the Department of Public Service as of July 31, 1995. We anticipate that, after the TACIP Board liquidates its remaining outstanding encumbrances, it will have \$1,053,737 in an additional appropriation balance to transfer to the Department of Public Service.