

# Spanish Speaking Affairs Council

## Financial Audit

For the Two Years Ended June 30, 1995

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July 1996

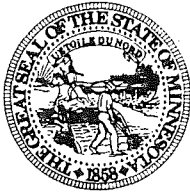
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Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota

96-27





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

CENTENNIAL BUILDING, 658 CEDAR STREET • ST. PAUL, MN 55155 • 612/296-4708 • TDD RELAY 612/297-5353

JAMES R. NOBLES, LEGISLATIVE AUDITOR

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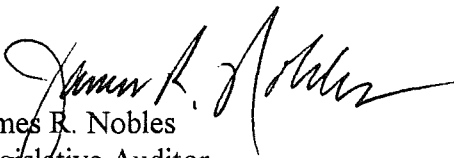
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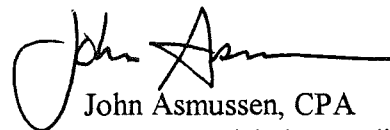
Margarita Zalamea, Executive Director  
Spanish Speaking Affairs Council

We have audited the Spanish Speaking Affairs Council for the period from July 1, 1993, through June 30, 1995, as further explained in Chapter 1. Our audit scope included a review of payroll, contractual services, and administrative expenditures, as well as gift and grant receipts. The following summary highlights the audit objectives and conclusions. We discuss these areas 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 Spanish Speaking Affairs Council complied with provisions of laws, regulations, and contracts that are significant to the audit. The management of the Spanish Speaking Affairs Council is responsible for establishing and maintaining the internal control structure and compliance with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of the Spanish Speaking Affairs Council. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 3, 1996.

  
James R. Nobles  
Legislative Auditor

  
John Asmussen, CPA  
Deputy Legislative Auditor

End of Fieldwork: April 18, 1996

Report Signed On: June 25, 1996



# SUMMARY

State of Minnesota

Office of the Legislative Auditor

Centennial Office Building • St. Paul, MN 55155

612/296-4708

## **Spanish Speaking Affairs Council**

### **Financial Audit**

**For the Two Years Ended June 30, 1995**

Public Release Date: July 3, 1996

No. 96-27

#### **Agency Background**

The primary mission of the Spanish Speaking Affairs Council is to promote the social, economic, and political development of Minnesota's Chicano/Latino community. The council consists of a seven member council of directors, appointed by the Governor. Roy Garza served as executive director during most of the audit period, from May 1993 through April 1995. The council chair served as acting executive director from April 1995 through October 1995. Margarita Zalamea was appointed and began serving as executive director in December 1995.

#### **Audit Areas and Conclusions**

Our audit scope included a review of payroll, contractual services, and administrative expenditures, as well as gift and grant receipts, for the period from July 1, 1993, through June 30, 1995.

We found two areas where the council did not handle certain payroll transactions properly. First, a council employee did not properly record compensatory time earned or taken. In addition, the council paid one employee an incorrect severance amount.

We found several instances where the council did not appropriately process or adequately manage contractual services. The council did not comply with certain legal requirements when setting up some contracts. The council paid two contractors more than the contract amount. In addition, the council did not require one contractor to complete a contract.

We also found that the council incorrectly reimbursed council members and staff for certain travel expenditures. Finally, the council did not complete certain projects for which it received grant funds.

Contact the Financial Audit Division for additional information.

296-1235



## Spanish Speaking Affairs Council

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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
Carl Otto, CPA	Auditor-in-Charge
Scott Tjomsland	Auditor

### Exit Conference

We discussed the findings and recommendations with the following staff of the Spanish Speaking Affairs Council at the exit conference held on June 14, 1996:

Margarita Zalamea	Executive Director
Brenda Maldonado	Office Manager





# Spanish Speaking Affairs Council

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## Chapter 1. Introduction

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The Minnesota Legislature established the Spanish Speaking Affairs Council in 1978 pursuant to Minn. Stat. Section 3.9223. The primary mission of the council is to promote the social, economic, and political development of Minnesota's Chicano/Latino community. The council encourages involvement of Chicano/Latino people in the state policy-making process. The council consists of a seven member board of directors, appointed by the Governor. Each council member represents a specific geographic area within the state. The council appoints an executive director, subject to the Governor's approval. Table 1-1 identifies the council executive directors during the audit period.

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**Table 1-1**  
**Council Executive Directors**  
**1993 to 1995**

<u>Name</u>	<u>Dates Served</u>
Roy Garza	May 1993 to April 1995
James Carlson (acting)	April 1995 to October 1995
Vacant	November 1995
Margarita Zalamea	December 1995 to the present

Source: Council internal records.

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The council office consists of three full-time employees. They include the executive director, an office manager, and a community liaison. The office has experienced a complete turnover in the last two years. The current office manager began employment in May 1995.

The council holds monthly public board meetings throughout the state. Approximately 65,000 Chicano/Latinos reside in Minnesota. In addition, each year 15,000 - 17,000 migrant workers make Minnesota their temporary home. According to the 1990 census, Chicano/Latinos constitute the third largest ethnic minority group in the state.

Pursuant to statute, the Department of Administration provides the council with administrative services. These services include entering payroll, receipt, and disbursement transactions into the state's accounting system. Table 1-2 summarizes the significant financial activity of the council for fiscal years 1994 and 1995.

The council overspent its fiscal year 1993 appropriation by \$3,550. In fiscal year 1993, the council notified the Department of Finance of the shortfall, as required by state policy. With the permission of the Department of Finance, the council paid its remaining fiscal year 1993 liabilities from its fiscal year 1994 appropriation. The council did not exceed either its fiscal year 1994 or 1995 appropriations.

# Spanish Speaking Affairs Council

**Table 1-2**  
**Summary of Financial Activity**

	Fiscal Year	
	1994	1995
Sources:		
Operating Appropriations	\$249,000	\$248,000
Dropout Study Appropriation	0	50,000
Ombudsman Appropriation (1)	20,000	0
Department of Human Services Ombudsman Grant (1)	23,000	0
Grants and Gifts	69,367	37,220
Transfers and Balances In	<u>20,014</u>	<u>79,263</u>
Total Sources	<u>\$381,381</u>	<u>\$414,483</u>
Uses:		
Payroll	\$188,981	\$153,845
Contractual Services	4,537	126,189
State Vendor Payments	33,779	31,944
Travel and Per Diems	10,954	14,256
Other Administrative Expenditures	46,830	21,916
Total Uses (2)	<u>\$285,081</u>	<u>\$348,150</u>
(1)	Ombudsman for Families included in council activity for fiscal year 1994, but not included during fiscal year 1995.	
(2)	Total Uses does not include Transfers and Balances Out, nor cancellations.	
Note:	The council overspent its fiscal year 1993 operating appropriation by \$3,550. Fiscal year 1994 expenditures include the \$3,550 in fiscal year 1993 expenditures.	
Source:	Revenue and expenditure transactions recorded in the Statewide Accounting System from July 1, 1993, to June 30, 1995.	

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## Chapter 2. Payroll

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### *Chapter Conclusions*

*The council spent \$342,826 on payroll for the two years ended June 30, 1995. Generally, we found that the council paid staff the proper amounts according to applicable bargaining unit agreements. However, we found two areas where the council did not handle certain payroll transactions properly. First, a council employee did not properly record compensatory time earned or taken. In addition, the council paid one employee an incorrect severance amount.*

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The Spanish Speaking Affairs Council currently has three employees. The staff consists of the executive director, a community liaison representative, and an office manager. The council spent \$188,981 on payroll in fiscal year 1994 and \$153,845 in fiscal year 1995. Council staff are paid biweekly through the statewide payroll system. The Department of Administration assists the council with personnel support and payroll processing.

Our review of payroll focused on the following questions:

- Did the council pay staff at the proper amounts according to applicable bargaining unit agreements?
- Was time worked and leave requested adequately documented and approved?
- Did the council properly process and record severance payments?

The audit methodology used to evaluate the audit objectives over payroll included inquiries, analytical reviews, and sampling. We interviewed accounting staff to gain an understanding of the payroll process. We tested a sample of time sheets, leave requests, employee files, and payroll reports to ensure that the council properly authorized, adequately supported, and accurately recorded payroll.

Generally, we found that the council paid staff at the proper amounts according to applicable bargaining unit agreements. However, we found two instances where the council did not handle certain payroll transactions properly.

#### **1. One employee did not properly record compensatory time earned or used.**

One council employee maintained a manual record of compensatory time earned and taken. This employee was eligible for compensatory time according to the employee's bargaining agreement. However, the employee did not record the compensatory time on the state's payroll system.

## Spanish Speaking Affairs Council

Instead, the employee maintained a manual sheet of compensatory time, showing hours earned and taken. In the five months the employee worked for the council, the manual sheet showed that the employee earned and took about 126 hours of compensatory time. Because the employee did not record hours earned on the timesheet, there was no formal approval for the time earned. In addition, the employee showed regular hours worked whenever taking compensatory time off. The state payroll system is set up to record compensatory time earned and taken by employees. Using the system would ensure accuracy and allow the council executive director a method for approving compensatory time earned and taken.

### *Recommendation*

- *Eligible employees should properly record compensatory time earned and taken on the state's payroll system.*

## **2. The council overpaid one employee's severance upon termination.**

The council overpaid one employee 4.5 hours upon termination. The council paid the employee for vacation hours the employee accrued during the final pay period. According to the employee's bargaining agreement, employees cannot use vacation hours during the paid period they are accrued. The employee received payment for 80 regular hours and 4 accrued vacation hours. The employee was eligible for 76 regular hours and 3.5 vacation hours. This resulted in a 4.5 hour, or \$69.71 overpayment to the employee.

### *Recommendation*

- *The council should request reimbursement for the \$69.71 overpayment.*

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## Chapter 3. Contractual Services

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### *Chapter Conclusions*

*We found several instances where the council did not appropriately process or adequately manage contractual services during the audit period. We found weaknesses in the following areas:*

- The council did not comply with certain legal requirements when setting up some professional/technical contracts.*
  - The council paid two contractors more than the contract amount.*
  - The council did not require one contractor to complete a contract.*
- 

The Spanish Speaking Affairs Council disbursed a total of \$130,726 representing 12 contracts during the period from July 1, 1993, through June 30, 1995. Funding for some of the contracts came from private donors as discussed in Chapter 5. The council used contractual agreements for program projects, such as the study of Chicano/Latino high school dropouts living in Minnesota, a needs and resource assessment of Chicano/Latinos living in Minnesota communities, a plan for finding alternative housing for Chicanos living in Willmar, a foster care adoptive program, and a three to five year strategic plan for the council.

We focused our review of contractual service payments on the following objectives:

- Did the council follow contract policies and procedures, including all applicable legal requirements?
- Did the council properly administer its contracts?

During our audit, we gained an understanding of the consultant and professional/technical contract cycle through interviews with key personnel. We performed a review of consultant and professional/technical payments made throughout the audit period. We performed testing to ensure that all payments were accurate and supported by properly executed contracts, as well as properly recorded on the statewide accounting system.

As discussed in Findings 3 and 4, we found several instances where the council did not follow established policies and procedures to ensure the proper authorization and payment of contracts.

### **3. PRIOR FINDING NOT RESOLVED: The council did not comply with certain legal requirements when setting up some professional/technical contracts.**

The council did not follow legal requirements for many of its professional/technical contracts. The council often allowed contractors to begin working before finalizing the contracts and

## Spanish Speaking Affairs Council

encumbering the necessary funds. In some cases, the council chair did not sign the contract, as required by Minn. Stat. Section 3.9223.

For five contracts totaling about \$70,500 during the audit period, the council did not encumber funds nor authorize the contract until after the contractor began working. Minn. Stat. Section 16A.15, Subd. 3, specifies that agencies may not incur an obligation until the Department of Finance encumbers the necessary funds. It is important that the council obtain the necessary approvals to ensure that all parties agree to the terms of the contract and to ensure that sufficient funds are on hand to pay the contract. For one contract, there were delays in approving the contract after the contractor began working. The contractor worked for three weeks and then quit. Even though there never was a final contract, the contractor sued the council for time spent on the project. The council ultimately had to pay that contractor, as well as hire another contractor to perform the work.

In addition, the council chair did not approve all council contracts, as required by law. Minn. Stat. Section 3.9223, Subd. 5, requires that the council chair and the executive director execute all contracts. In three cases, the vice-chair, rather than the chair, signed the contracts. We saw no evidence that the chair had delegated this authority to the vice-chair.

### *Recommendations*

- *The council should obtain required signatures and encumber funds before contractors begin working on the project.*
- *The council chair should sign all contracts, as required by Minn. Stat. Section 3.9223, Subd. 5.*

#### **4. PRIOR FINDING NOT RESOLVED: The council paid two contractors more than the contract amount.**

In two cases, the council paid contractors more than the contract required. The amount paid on one contract exceeded the line item amount specified in the contract. The council amended the amount on another contract to accommodate the contractor.

The council paid a larger salary amount for the foster care contract than the contract required. The contract specified a line item salary amount of \$14,760. However, the council paid the contractor an actual salary amount of \$16,563 for an excess of \$1,803. The funding for this contract came from the Department of Human Services. The council had an interagency agreement with Human Services, stating a line item budget for salaries. The interagency agreement stated, "Any overrun on line items within the current Department of Human Services approved budgets listed above requires prior approval from the Department of Human Services and must include budget justifications." Although the council could have sought approval from the Department of Human Services for this overrun, we saw no evidence that the council requested a contract amendment.

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In another case, the contract specified \$2,500 for compensation and \$300 for travel and subsistence, for a total of \$2,800. The contract did not specify an hourly rate of pay. The contractor, however, submitted bills charging \$50 per hour. The contractor submitted a total of \$3,847 in charges to the council. The council amended the contract to the amount billed by the contractor, even though there did not appear to be any change in the scope of the contract.

### *Recommendations*

- *The council should work with the Department of Human Services to review the foster care contract and determine whether any repayment of funds is required.*
- *The council should adhere to the terms specified in the contracts.*

### **5. The council did not require one contractor to complete a contract.**

The council did not require the Wilder Foundation Community Services Group to complete the strategic plan contract with the council. The council hired the Wilder Foundation to prepare a three to five year strategic plan. The council received a \$6,050 grant from the St. Paul Foundation for this purpose. The St. Paul Foundation paid \$3,645 to the council. The council then paid this amount to the Wilder Foundation. Wilder never completed the contract and never issued a report to the council. In addition, the council never issued a report to the St. Paul Foundation as required by the terms of the grant agreement.

### *Recommendations*

- *The council should work with the St. Paul Foundation to review the status of the grant agreement to determine if a repayment is necessary.*
- *The council should work with the Wilder Foundation to either obtain the strategic plan approved by the contract agreement or seek repayment for \$3,645.*

## Spanish Speaking Affairs Council

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## Chapter 4. Administrative Expenditures

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### *Chapter Conclusions*

*The Spanish Speaking Affairs Council properly processed payments to state vendors. The council paid all council member per diems properly. However, we found that the council incorrectly reimbursed council members and staff for certain travel expenditures.*

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Council staff process expenditures through the statewide accounting system. The council prepares the invoices for payment and then forwards the invoices to the Department of Administration for processing.

In order to audit administrative expenditures, we made inquiries, performed analytical reviews, and conducted sampling. We interviewed personnel to gain an understanding of the disbursement process. We tested a sample of disbursement transactions and tested compliance with applicable legal provisions.

Table 4-1 summarizes the council's administrative expenditures during the audit period.

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**Table 4-1**  
**Summary of Administrative Expenditures**

	<u>Fiscal Years Ending June 30</u>	
	<u>1994</u>	<u>1995</u>
State Vendor Payments	\$ 33,778	\$ 31,944
Travel and Per Diems	10,953	14,256
Other	<u>46,833</u>	<u>21,915</u>
Total	<u>\$ 91,564</u>	<u>\$ 68,115</u>

Source: Revenue and expenditure transactions recorded in the Statewide Accounting System from July 1, 1993 to June 30, 1995.

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### **State Vendor Payments**

The Council disbursed a total of \$65,722 to state vendors during the audit period. These payments were for rent, copy and print services, attorney general services, computer services, postal services, telecommunications, office supplies, and car rentals through the state's central motor pool.

We focused our review of state vendor expenditures on the following objectives:

- Did the council follow the terms of the rent agreement?

## Spanish Speaking Affairs Council

- Were expenditures reasonable, properly authorized, and properly recorded?

We found that the council complied with the terms of the rent agreement. We also found that payments to state vendors were reasonable, properly authorized, and accurately recorded.

### Travel and Per Diem Payments

During the audit period, the council held board meetings at different locations throughout the state. Council members and office staff are eligible for travel expenditures for meals, lodging, motor pool expenses, private car mileage, and certain other miscellaneous expenditures. Council members are also eligible for a daily per diem of \$55.

We focused our review of travel and per diems on the following objectives:

- Did the council properly approve and adequately document expenditures?
- Were expenditures reasonable and in compliance with applicable bargaining agreement limits and state travel policies?

The council properly approved and adequately documented travel disbursements. We found that the council paid all council member per diems properly. However, we found that the council incorrectly reimbursed council members and staff for certain travel expenditures.

#### **6. PRIOR FINDING NOT RESOLVED: The council overpaid council members and staff for certain travel expenses.**

The council incorrectly reimbursed employees and council members for meals when they were not in travel status. The council reimbursed both employees and council members for meals when they were within 35 miles of the council work station or, technically, not in travel status. Pursuant to Department of Finance Policy and Procedure 06:05:15, employees must be in travel status to be eligible for meal reimbursements. The council overpaid meals by a total of \$108.

In addition, the former executive director claimed excessive local mileage. The former executive director received \$1,070 in mileage reimbursements during the audit period. For example, the former executive director routinely charged between 8 miles and 14 miles round-trip from the council offices to the Neighborhood House. Actual round trip mileage is 5 miles. The former director claimed at least 20 trips to the Neighborhood House between February 1994 and February 1995. He claimed 215 miles, or a total of \$58.05 for these trips. At 5 miles per round-trip, the executive director should have only received \$27 for the trips, resulting in an overpayment of \$31.05. After reviewing the former executive director's mileage reimbursement requests, we believe other mileage claims made by the former executive director are also overstated.

## Spanish Speaking Affairs Council

### *Recommendations*

- *The council should seek reimbursements from employees and council members who were incorrectly reimbursed.*
- *The council should monitor travel reimbursements for correct mileage in accordance with applicable guidelines established by the Department of Finance.*
- *The council should reimburse meal expenditures only when employees and council members are in travel status.*

### **Other Payments**

During fiscal year 1994, council staff purchased \$32,000 in computer equipment for the council office. The former executive director purchased the equipment through the state authorized vendor. On the basis of an inventory taken of the computer equipment purchased, the council correctly recorded the equipment and attached fixed asset stickers. The council was not initially aware of the computer purchase. As a result of the purchase, the council debated putting a limit on the executive director's spending authority. However, the council ultimately never established a spending limit.

During fiscal year 1995, the council held "A Day at the Capital" for Chicano/Latino communities throughout Minnesota. The council authorized the event which took place on December 10, 1994. The council brought in speakers, served food, and bussed in participants from around the state. The event cost approximately \$6,200. The council raised private funding for the event. Specifically, the Otto Bremer Foundation provided \$4,275, and the Minnesota AFL/CIO provided \$300. The remaining funding came from the council's gift fund. A discussion of grant and gift fund receipts is in Chapter 5.

## Spanish Speaking Affairs Council

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## Chapter 5. Revenues

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### *Chapter Conclusions*

*The Spanish Speaking Affairs Council received \$106,587 in grants and gifts between July 1, 1993, through June 30, 1995. We found that the council generally used the grant funds properly. However, we could not determine the source and intended use of certain grant funds. In addition, the council did not complete certain projects for which it had received grants.*

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During the audit period, the council solicited and received \$106,587 in grants and gifts. Table 5-1 shows the source of gifts and grants received during the audit period.

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**Table 5-1: Grants and Gifts  
Fiscal Years 1994 and 1995**

<u>Source</u>	<u>Amount</u>
McKnight Foundation	\$ 50,000
MN Dept. of Human Services	30,000
Bob Evans Farms	9,267
Honeywell Foundation	5,000
Otto Bremer Foundation	4,275
St. Paul Foundation	3,645
St. Paul Foundation	3,575
National Council of La Raza	500
MN AFL/CIO	300
Private Gift	25
Total	<u>\$106,587</u>

Source: Council internal records.

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Our objectives in reviewing gifts and grants were to determine whether the council used the funds in accordance with the grantors stipulated purposes. We found that the council generally used the grant funds properly. However, as noted in Finding 7, we could not determine the source and intended use of certain grant funds carried forward into the audit period from past years. In addition, as noted in Findings 5 and 7, the council did not complete certain projects for which it had received grants.

#### **7. The council did not complete certain projects for which it received grants.**

The council has not spent all of the funds granted to it for specific projects. In addition, the council has been unable to identify the sources and intended use of some of its grants.

## Spanish Speaking Affairs Council

The council planned to spend approximately \$50,000 to create a youth leadership program. The council received grants totaling \$14,267 from Bob Evans Farms and the Honeywell Foundation for this purpose. Another grantor pledged \$25,000 in matching funds if the council could raise \$31,500 for the program. The council did not raise the \$31,500 in order to receive the conditional matching grant. The youth leadership program never took place. The \$14,267 in grants received for the program remain in the council's gift fund account.

We could not determine the purpose of the remaining \$6,007 in grants and gifts carried forward to the council's fiscal year 1996 gift fund account. These grants may pertain to money received prior to fiscal year 1994. In order to ensure that these gifts and grants are used for their intended purpose, the council should research the sources and intended uses of this money.

### *Recommendations*

- *The council should contact the youth leadership program donors to determine the disposition of the funds received for that purpose.*
- *The council should research the sources and intended uses of the remaining \$6,007 in the gift fund account.*



STATE OF MINNESOTA

## SPANISH SPEAKING AFFAIRS COUNCIL

DEPT. OF ADMINISTRATION, G-4  
50 SHERBURNE AVE., ST. PAUL, MN 55155  
(612) 296-9587  
FAX (612) 297-1297

June 21, 1996

James R. Nobles  
Legislative Auditor  
Office of the Legislative Auditor  
Centennial Building  
658 Cedar Street  
Saint Paul, MN 55155

Dear Mr. Nobles:

This serves as a response to the legislative audit conducted by your office of the Spanish Speaking Affairs Council for the period from July 1, 1993 through June 30, 1995. I have served as the Executive Director of this organization since December of 1995; therefore, I was not a member of the Spanish Speaking Affairs Council staff during the period for which the audit was conducted. Further, the office has experienced a complete turnover in the last two years. The current office manager, who has been on staff the longest, began employment in May of 1995, only a month before the end of the audit period. In addition, the majority of board members who now serve on the Council were not board members during the period for which the audit was conducted.

These facts are pertinent because the responses provided herein are presented without the advantage of having been a member of the Council's staff during the time in which the events described in your legislative audit allegedly occurred. In spite of those logistical limitations, enclosed please find my response to the legislative auditor's report.

Sincerely,

Margarita Zalamea  
Executive Director

## 1. INTRODUCTION

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The Introduction section of the auditor's report briefly mentions the Department of Administration and its duties to the Council. I think it is necessary to elaborate on this point. The Department of Administration provides the Council with services from the Human Resources, Materials Management, and Fiscal Services Divisions. Each division provides the Council with information regarding the appropriate forms to be completed for transactions to take place. The Council works with said divisions to process invoices, set up purchase orders, approve contracts, and process time cards and expense reports. Further, the Department of Administration provides accounting services to the Council.

## 2. PAYROLL

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*(a) Background:* The current staff was not present during the audit period; and therefore, has no knowledge regarding how payroll transactions were handled at that time. However, since the current office manager began working for the Council the appropriate forms for compensatory time requested and taken, as well as vacation requests, have been filled out and submitted to the Human Resources Division with the corresponding time cards. Currently, the office manager assures that the appropriate signatures are on the time cards and are submitted to the Human Resources Division biweekly according to the Statewide Payroll system. It is important to note that none of the council staff were instructed by the Department of Administration regarding these procedures at the time they commenced employment. The office manager eventually learned about these procedures. The Council respectfully recommends that the Department of Administration be required to provide an orientation for all new employees which includes training on the above-mentioned procedures.

*(b) Findings and Response:* The legislative auditor's report states that during the audit period (July 1, 1993 - June 30, 1995) one employee did not properly record compensatory time earned or used. That person is no longer employed by the Council. Further, current Council staff have no personal knowledge of this, since current staff were not employed by the Council at the time of this alleged occurrence. Current staff follow appropriate procedures as outlined above in 2(a).

The auditor's report further states that the Council overpaid one employee's severance upon termination. Again, current Council staff have no personal knowledge of this incident. However, the Council will follow the auditor's recommendation to request reimbursement for the \$69.71 overpayment by writing a letter to said employee. If this proves to be insufficient, the Council will refer the matter to the Attorney General's Office Collections Division.



### 3. CONTRACTUAL SERVICES

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*(a) Background:* The Council currently prepares contracts with the assistance of the Attorney General's Office, and obtains the necessary signatures to make contracts valid. The Fiscal Services Division is the body which is responsible for encumbering state funds. The Council works with the Fiscal Services Division to ensure that monies are encumbered under the Government Financial System (GFS) before work on a contract can begin. The Council is aware that contracts are not valid until the monies have been encumbered and necessary signatures have been obtained.

*(b) Findings and Response:* The auditor's report states that the Council allowed contractors to begin working before finalizing the contracts and encumbering the necessary funds. Although current staff members were not employed by the Council at the time of these alleged incidents, it is important to note that the Fiscal Services Division of the Department of Administration has a responsibility to the Council to inform and/or keep the Council updated regarding the details and timing of encumbrances. Current staff has no first-hand knowledge of what problems arose regarding contracts and encumbrances during the audit period; however, the Fiscal Services Division should inform the Council whether or not monies will be encumbered by the date contractors are expected to start work.

The auditor's report also found that the Council chair did not sign contracts as required by law. Current staff is not aware of the circumstances surrounding this allegation; however, current staff assures that all contracts are signed by the Council chair and the executive director as required by law.

In addition, the report states that the Council paid two contractors more than the contract amount. Again, current staff has no first-hand knowledge of these occurrences; however, current staff will work hard to assure that this kind of incident does not occur again. The Council will follow the auditor's recommendation to contact the Department of Human Services to review the foster care contract and determine whether any repayment of funds is required.

The last finding in this section of the report states that the Council did not require one contractor to complete a contract. The St. Paul Foundation granted money to the Council to obtain strategic planning services from the Wilder Foundation. The Council has requested and been granted an extension by the St. Paul Foundation, the grantor of the money, to complete the contract with the Wilder Foundation, the contractor. The Council will be working with the original facilitator from the Wilder Foundation. The grant termination date has now been extended to December 31, 1996. The final report is to be submitted to the St. Paul Foundation by March 31, 1997. The strategic planning retreat will take place on July 26 and 27, 1996 in St. Paul.

#### 4. ADMINISTRATIVE EXPENDITURES

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*(a) Background:* The Council works with the Materials Management Division and the Fiscal Services Division of the Department of Administration to prepare purchase orders, pay invoices, and process expense reports through the new statewide accounting system, MAPS. Currently, expense reports are submitted by board members and staff to the office manager, who reviews them to make sure mileage reimbursements, per diems, and meals are accurate. The office manager also makes sure that all of the appropriate information is on expense reports: addresses, dates of travel, social security numbers, etc. After reviewing them, the office manager submits the expense reports to the Fiscal Services Division to be processed. The Council staff is aware that board members and staff must be in travel status to be eligible for meal reimbursements.

*(b) Findings and Response:* The auditor's report states that the Council properly processed payments to state vendors, and paid all board member per diems properly; however, the Council incorrectly reimbursed Council members and staff for certain travel expenses. The people who were board members during the audit period are no longer with the Council. Council staff can only report on how administrative expenditures are processed currently as stated in 4(a). The Council will write letters to board members and staff who were incorrectly reimbursed to seek repayment. The current staff will make sure that board members and staff do not get reimbursed for meals when not in travel status as per the Department of Finance.

The auditor's report also states that the former Executive Director claimed excessive local mileage. The Council will seek repayment from this person for excessive mileage reimbursements. In addition, the Council will ensure that board members and staff receive accurate mileage reimbursements as per the Department of Finance mileage log. The Council staff will also put together a mileage log for locations to which Council staff travel frequently. The office manager will carefully review all expense reports before submitting them to Fiscal Services for processing.

#### 5. REVENUES

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*(a) Background:* The council may apply for, receive, and expend in its own name grants and gifts of money.... Minn. Stat. Section 3.9223. The current staff was not employed by the Council at the time the alleged grants were received. Currently, the Council is working on completing some of the projects for which it received grants.

*(b) Findings and response:* The auditor's report states that the Council received money from Bob Evans Farms and the Honeywell Foundation to create a youth leadership

program. This was never done. The Council will write a letter to Bob Evans Farms and Honeywell Foundation in order to request an extension to implement the youth leadership program for which the money was donated.

In addition, the auditor's report states that there are \$6,007 in grants and gifts in the Council's gift account which purpose has not been determined. The Council will ask for the assistance of the Fiscal Services Division to determine the sources and intended uses of this money.