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OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

FINANCIAL AUDIT DIVISION REPORT

Department of Human Rights

Internal Controls and Compliance Audit

July 2011 through June 2013

June 5, 2014 **Report 14-15**

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June 5, 2014

Senator Roger J. Reinert, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Kevin Lindsey, Commissioner
Minnesota Department of Human Rights

This report presents the results of our internal controls and compliance audit of the Minnesota Department of Human Rights for the period from July 1, 2011, through June 30, 2013. The objectives of this audit were to determine if the department had adequate internal controls for its financial operations and complied with finance-related legal requirements.

We discussed the results of the audit with the department's staff at an exit conference on May 28, 2014. This audit was conducted by Scott Tjomsland, CPA, CISA (Audit Manager), Emily Wiant (Auditor-in-Charge), Jordan Bjonfald, CPA, and Daphne Fabiano.

We received the full cooperation of the department's staff while performing this audit.

James R. Nobles
Legislative Auditor

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

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Conclusion Classifications

The Financial Audit Division bases a conclusion on the number and nature of the findings in an audit report. In an audit that examines internal controls and compliance, we select a conclusion that most closely fits the following characteristics:

Conclusion	Characteristics
Adequate	**The department appropriately designed and effectively implemented internal controls to manage risks related to financial transactions, and the department complied with applicable legal requirements.**
Generally Adequate	**With some exceptions, the department appropriately designed and effectively implemented internal controls to manage risks related to financial transactions, and the department complied with legal requirements.**
Not Adequate	**The department had significant weaknesses in the design and/or operation of its internal controls or did not comply with significant legal requirements. The weaknesses or noncompliance indicated that the department had not effectively managed risks related to its financial transactions and legal requirements.**

Report Summary

The Department of Human Rights is a state agency with the primary purpose to investigate and resolve charges of discrimination. It also ensures that businesses seeking state contracts are in compliance with equal opportunity requirements by issuing certificates of compliance to those businesses that have an affirmative action plan approved by the commissioner of Human Rights.

The department did not have adequate internal controls over fees paid by entities to obtain certificates of compliance for approved affirmative action plans. For its expenditures and other receipts, the department had generally adequate internal controls to ensure that its financial operations were appropriate[1] and compliant with applicable legal requirements;[2] however, it had some internal control weaknesses and instances of noncompliance in these areas.

Key Findings

- The Department of Human Rights did not have fundamental internal controls to ensure that it safeguarded, deposited, and accurately recorded certificate of compliance fees. (Finding 1, page 7)

- The Department of Human Rights did not eliminate or mitigate the risk created by assigning employees incompatible security roles in the state's accounting system. (Finding 2, page 11)

- The Department of Human Rights did not have documentation to support its physical verification of assets in its inventory. (Finding 3, page 12)

[1] Appropriate financial operations would provide reasonable assurance that assets are safeguarded, payments to employees and vendors are accurate and authorized, and financial transactions are accurately recorded in the entity's accounting system.
[2] Applicable legal requirements generally include state statutes and laws, statewide policies and procedures, contracts, and grant agreements.

Department of Human Rights

Agency Overview

The Department of Human Rights was established by the Legislature in 1967 to enforce and administer the Minnesota Human Rights Act, as set forth in *Minnesota Statutes* 2013, 363A. The department's primary purpose is to investigate and resolve charges of discrimination.

The mission of the Department of Human Rights is to make Minnesota discrimination-free. The department pursues this mission through a coordinated program of law enforcement, prevention education, and community-based conflict resolution. Specifically, the department investigates charges of illegal discrimination, ensures that businesses seeking state contracts are in compliance with equal opportunity requirements, and strives to eliminate discrimination by educating Minnesotans about their rights and responsibilities under the state's Human Rights Act.

The department received General Fund appropriations of $3.171 million per year for fiscal years 2012 and 2013.[3] In addition, the department received money from the following sources:

- **Certificate of Compliance Fees.** During fiscal years 2012 and 2013, the department deposited $114,225 that it received through $75 fees paid by businesses to obtain certificates of compliance required to do business with the state.[4] A certificate of compliance indicates that the business's affirmative action plan met the statutory requirements. State statute allows the department to use certificate of compliance fees to pay for the cost of issuing the certificates and investigating grievances.[5]

- **St. Cloud Regional Office Funding.** Starting in fiscal year 2011, the department received $110,000 annually under a joint powers and service agreement with the St. Cloud Regional Human Rights Joint Powers Board to operate a regional office in St. Cloud, Minnesota.[6]

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[3] *Laws of Minnesota* 2011, 1st special session, chapter 1, article 1, section 14.
[4] Under the Minnesota Human Rights Act, *Minnesota Statutes* 2013, 363A.36, organizations that have more than 40 full-time employees in Minnesota on a single working day during the previous 12 months, must have a certificate of compliance issued by the Commissioner of the Department of Human Rights before a state contract or agreement for goods or services in excess of $100,000 can be executed.
[5] *Minnesota Statutes* 2013, 363A.36.
[6] The parties signed a five-year agreement in June 2010, and the St. Cloud regional office opened in September 2010.

- **Payments for Contracted Services.** In fiscal year 2013, the department received $513,950 for services it provided under a contract with the U.S. Equal Employment Opportunity Commission. Because the department did not have statutory authority to retain these receipts for its operations, it transferred them to the state's General Fund.

- **Other Receipts.** In fiscal year 2012, the department received $5,750 for reimbursements of litigation and hearing costs ordered by administrative law judges.

Table 1 summarizes the department's expenditures for fiscal years 2012 and 2013.

Table 1
Department of Human Rights
Expenditures by Fiscal Year
Fiscal Years 2012 through 2013

Expenditures	2012	2013
Payroll	$2,275,946	$2,344,954
Space Rental and Utilities[1]	69,127	304,467
Professional/Technical Services[1]	27,259	54,301
Other Purchased Services	144,867	206,135
Supplies/Equipment/Repairs	73,566	102,569
Employee Travel	9,933	13,147
Other	13,773	35,819
Total Expenditures	$2,614,471	$3,061,392

[1] The variance between fiscal years was caused by the department not promptly paying rent in fiscal years 2012 and 2013, as discussed in Finding 6. In addition, for purposes of this table, we reclassified the rent payments to correct the department's erroneous classification of these payments as Professional/Technical Services, as also discussed in Finding 6.

Source: State of Minnesota's accounting system.

In October 2012, two legislators asked our office to assess the legality of state officials (including the commissioner of Human Rights) using public money or other public resources to advocate against proposed constitutional amendments. In a memorandum dated January 23, 2013, we concluded that state law does not establish a clear standard for determining whether it is legal for a state official to use public resources to support or oppose a proposed amendment once it is approved by the Legislature and becomes a ballot question. We recommended that the Legislature consider establishing a clear standard in law.[7]

[7] Office of the Legislative Auditor memorandum, January 23, 2013, *Use of Public Money and Resources for Advocacy on Ballot Questions*.

Objective, Scope, and Methodology

The objective of our audit of the Department of Human Rights, for the period of July 2011 through June 2013, was to answer the following questions:

- Did the Department of Human Rights have adequate internal controls to ensure that it safeguarded its financial resources, accurately paid employees and vendors in accordance with management's authorizations, complied with finance-related legal provisions, and created reliable financial data?

- Did the Department of Human Rights comply with significant finance-related legal requirements?

- Did the Department of Human Rights resolve prior audit findings?[8]

To answer these questions, we 1) gained an understanding of the department's financial policies and procedures; 2) considered the risk of errors in the accounting records and potential noncompliance with relevant legal requirements; 3) obtained and analyzed the department's accounting data to identify unusual trends or significant changes in financial operations; and 4) examined samples of financial transactions and reviewed supporting documentation to test whether the department's controls were effective and if the transactions complied with laws, regulations, policies, and contract provisions.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective.

We used various criteria to evaluate internal controls and compliance. We used, as our criteria to evaluate agency controls, the guidance contained in the *Internal Control-Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission.[9] We used state and federal laws, regulations, and contracts, as well as policies and procedures established by the departments of Management and Budget and Administration and the department's internal policies and procedures as evaluation criteria over compliance.

[8] Office of the Legislative Auditor's Financial Audit Division, Report 05-22, *Department of Human Rights*, issued March 24, 2005.

[9] The Treadway Commission and its Committee of Sponsoring Organizations were established in 1985 by the major national associations of accountants. One of their primary tasks was to identify the components of internal control that organizations should have in place to prevent inappropriate financial activity. The resulting *Internal Control-Integrated Framework* is the accepted accounting and auditing standard for internal control design and assessment.

Conclusion

The Department of Human Rights did not have adequate internal controls over fees paid by entities to obtain certificates of compliance for approved affirmative action plans. For its expenditures and other receipts, the department had generally adequate internal controls to ensure that its financial operations were appropriate[10] and compliant with applicable legal requirements;[11] however, it had some internal control weaknesses and instances of noncompliance in these areas.

The following *Findings and Recommendations* section further explains the exceptions noted above.

[10] Appropriate financial operations would provide reasonable assurance that assets are safeguarded, payments to employees and vendors are accurate and authorized, and financial transactions are accurately recorded in the entity's accounting system.
[11] Applicable legal requirements generally include state statutes and laws, statewide policies and procedures, contracts, and grant agreements.

Findings and Recommendations

Finding 1

The Department of Human Rights did not have fundamental internal controls to ensure that it safeguarded, deposited, and accurately recorded certificate of compliance fees.

The department lacked fundamental internal controls to safeguard, deposit, and record fees it received from businesses for certificates of compliance. Businesses paid the $75 fee[12] when they submitted their affirmative action plans[13] for review and approval by the department. For a business to be able to contract with the state for goods or services over $100,000, state statutes require the business to have a certificate of compliance to show that their affirmative action plan complied with statutory requirements.[14] In fiscal years 2012 and 2013, certificate of compliance fee receipts recorded on the state's accounting system totaled $114,225.

The department's internal control deficiencies created an unacceptably high risk for these receipts of error or fraud occurring without detection. The fundamental purpose of internal controls for receipts is to reduce the risk of loss between the point of receipt and the point of deposit in the bank. Additionally, if loss should occur, internal controls should detect the loss and identify who had custody of the receipts when the loss occurred.

The department had the following significant internal control weaknesses:

- **No Initial Record of Fees Received.** The department did not make a record of the fees received when it opened the mail.[15] A record was later made by staff in the compliance unit; however, without an initial record, the department would not detect the loss of fees during the period between when it opened the mail and when the compliance unit later recorded the receipt. The department could not ensure that all fees received through the mail were eventually deposited in the bank. It also could not ensure that it recorded all fees in the state's accounting system and the compliance unit's compliance certificate system.

[12] *Laws of Minnesota* 2013, chapter 86, article 3, sections 7 and 8, amended *Minnesota Statutes* 2012, 363A.36, subds. 1 and 2, to increase the fee from $75 to $150 and extend the validity of the certificate of compliance from two years to four years (effective August 1, 2013).
[13] *Minnesota Rules* 5000.3420 defines an affirmative action plan as the business's policies, practices, and procedures to, "…take affirmative action to employ and advance in employment qualified minority, female, and disabled persons at all levels of employment, including the executive level."
[14] *Minnesota Statutes* 2013, 363A.36.
[15] The department generally received fees for compliance certificates through the mail.

- **Inadequate Security.** The department moved the fees between offices using unsecured and unattended mail slots in the department's common area. All department employees had access to this area. Department staff put mail (including compliance certificate fees) in the mail slots for pick up by staff from the compliance unit, located in another building. Later, compliance unit staff put the fees in the mail slots for pick up by business office staff.

- **No Accountability for Custody of Fees.** The department did not have staff document the transfer of custody for fees between the point of receipt and the point of deposit. Allowing multiple employees to handle receipts and moving the fees between multiple locations increased the risk of those receipts being lost or stolen. Without documentation to show who had possession of the receipts prior to deposit, the department was unable to know that it deposited all receipts or identify who to hold accountable if loss or theft occurred.

  Because of our concerns about the department's inadequate internal controls over the custody of receipts, we requested all fees in the custody of the business office and the compliance unit on August 27 and 28, 2013, respectively. On those dates, fees provided to us by business office staff totaled $1,500, and fees provided to us by compliance unit staff totaled $150. About two weeks later, the department deposited nearly $14,000 of receipts. Our examination of the documentation supporting that deposit showed that the department had collected the fees before our cash count. Business office staff told us they had forgotten about them when we requested all fees on hand for our count.

- **No Assurance of Deposit.** The department did not reconcile fees deposited in the bank and recorded in the state's accounting system back to the fees recorded by compliance unit staff. Although the compliance unit's record of fees received might not have been complete (because there may have been a loss of fees between when the mail was opened and when the compliance unit made its record), reconciliation between the compliance unit's records and the fees deposited would ensure that all recorded fees were deposited. If the reconciliation identified discrepancies, the department could determine whether the missing fees were lost or stolen.

  We compared receipts recorded by the compliance unit during fiscal years 2012 and 2013 to the receipts deposited in the department's bank account through September 2013. The compliance unit's records included 133 checks, totaling $10,575, that did not have evidence of deposit into the department's bank account and did not include 44 checks, totaling $3,300, that were included in the department's deposit records.

Because the risk of financial wrong-doing was greater for the 133 checks not deposited into the department's bank account, we expanded our testing to determine if those checks had been cashed or deposited in another bank account. For 74 of these checks, we contacted the businesses that issued the checks to determine if any of the checks had cleared the businesses' bank accounts. In all cases, the checks had not cleared the businesses' bank account and were still outstanding.[16] While this test did not find evidence of financial wrong-doing, it clearly showed that the department's receipt process was alarmingly ineffective to detect lost checks or to ensure that it deposited all receipts.

The department also did not reconcile the compliance unit's record of fees to the compliance certificates issued. Without this reconciliation, the department cannot ensure that it only issued certificates to businesses that paid the fee, or that it deposited all fees related to issued certificates.

- **Lack of Separation of Incompatible Duties.** The department did not separate incompatible duties within its receipt process and did not implement internal controls to mitigate the risks created by the incompatibilities. In its compliance unit, the department allowed one employee to have custody of compliance certificate fee receipts, record those receipts on a check log, and record those receipts in the department's compliance certificate database. The department had not considered the risks created by allowing this employee to have these incompatible duties and had not designed internal controls to mitigate those risks, such as independently reconciling the receipt log to the compliance certificates issued or the amounts deposited in the bank.

  Separation of incompatible duties is a fundamental internal control to ensure that one person is not responsible for, 1) the custody of assets, 2) the authorization or approval of related transactions affecting those assets, and 3) the recording or reporting of related transactions. These duties are incompatible because when they are performed by one employee, they allow that employee to both perpetrate and conceal errors or fraud in the normal course of their duties. State policy requires that agencies either separate key duties so that one employee is not in control of an entire process or establish effective mitigating controls.[17]

- **Noncompliance with Statutory Prompt Deposit Requirements.** The department did not deposit receipts daily when they accumulated to $1,000 or more, as required by state law. *Minnesota Statutes* 2013,

[16] Because we found no evidence of financial wrongdoing after testing 74 of the 133 checks recorded by the compliance unit but not included in the department's bank deposits, we did not contact businesses about the remaining 59 checks.
[17] Department of Management and Budget Policy 0602-03, *Recording and Depositing Receipts*.

16A.275 states, "…*an agency shall deposit receipts totaling $1,000 or more in the state treasury daily*."

During fiscal years 2012 and 2013, the department made 27 deposits of compliance certificate fees and other receipts;[18] the amount deposited exceeded $1,000 on 19 of those days. For each of those 19 days, we used the date from the compliance unit's records as an estimate of the date that the department received each check included in the deposits, estimated the date that the accumulated amount of checks would have exceeded $1,000, and calculated the number of business days that elapsed between that date and the deposit date.[19] None of these deposits complied with the statutory requirement; staff deposited the receipts from 12 to 240 days after the receipts in the deposit accumulated to $1,000 or more.

The state shutdown in July 2011 created an unusual situation. The department had limited staff working and made no deposits during the shutdown. However, following the shutdown, which ended on July 20, 2011, the department did not deposit any compliance certificate fees in the bank for nearly five months, and the first deposit after the shutdown was on December 16, 2011. Between that date and the end of December 2011, the department made four deposits totaling $17,850, two of which exceeded $1,000. Our review of documentation supporting those two deposits showed that the department had received the fees during the previous months. Department management told us that business office staff did not deposit compliance certificate fees until December because of the staff's additional duties related to the department's move to new office space and the state's implementation of a new accounting system. However, department management also told us that they were unaware that deposits had not been made until we brought it to their attention.

In addition to the internal control weaknesses in its receipt process, the department did not use compliance certificate fees to offset the cost of operating the compliance certificate program. *Minnesota Statutes* 2013, 363A.36, subd. 2, states,

> *The proceeds of the fee must be deposited in a human rights fee special revenue account. Money in the account is appropriated to the commissioner* [of the Department of Human Rights] *to fund the cost of issuing certificates and investigating grievances.*

[18] In addition to compliance certificate fees, the deposits we examined included $110,000 it received annually from the St. Cloud Regional Human Rights Joint Powers Board to fund the department's St. Cloud regional office and other miscellaneous receipts for reimbursements of litigation and hearing costs ordered by administrative law judges.

[19] This calculation did not include the 44 checks totaling $3,300 that were deposited but not recorded in the compliance unit's records, as noted on page 8.

Although the department deposited compliance certificate fees into a Special Revenue Fund account, it only used $691 from the account in fiscal years 2012 and 2013. At the end of fiscal year 2013, it carried $274,177 forward into fiscal year 2014. The department could have used the fees to pay for additional accounting staff needed to better manage its receipts.

These internal control weaknesses in its receipts process demonstrate that the department had not sufficiently designed, implemented, and maintained effective internal controls, as required by state statute and the state's policy on internal controls.[20]

Recommendations

- *The Department of Human Rights should design, implement, and maintain effective internal controls for its receipts process to ensure that it adequately safeguards and deposits receipts. Those internal controls should include:*
  - *Safeguarding and promptly depositing receipts in accordance with state statute.*
  - *Separating incompatible duties with effective mitigating controls when separation is not possible.*
  - *Reconciling receipt documentation to bank deposits and the state's accounting system.*
- *The Department of Human Rights should use money in its Special Revenue Fund account for compliance certificate fees to improve its operations.*

Finding 2

The Department of Human Rights did not eliminate or mitigate the risk created by assigning employees incompatible security roles in the state's accounting system.

The department did not have documented internal controls designed to mitigate the risk of having two employees with incompatible combinations of security roles to access the state's accounting system.[21] Incompatible combinations of security roles would allow an employee to complete a transaction without the review and approval of another employee. For example, the system access security role combinations would be incompatible if it allowed an employee to

[20] *Minnesota Statutes* 2013, 16A.057, and Department of Management and Budget Policy 0102-01, *Internal Controls*.
[21] The Department of Management and Budget determined and identified for state agencies the security role combinations that resulted in incompatible access to the state's accounting system.

initiate, authorize, and execute a transaction and record it in the state's accounting system.

State policy requires agencies to eliminate incompatible system access security role combinations or, if elimination is not possible, have documented internal controls in place to mitigate the risk created by the incompatible access.[22] In 2013 and 2014 the department certified to the Department of Management and Budget that it had internal controls in place to mitigate the risk created by the incompatible duties, but the department had not documented those internal controls.

Recommendation

- *The Department of Human Rights should either eliminate employees' incompatible security roles or document its internal controls designed to mitigate the risk created by the incompatible access.*

Finding 3

The Department of Human Rights did not have documentation to support its physical verification of assets in its inventory.

The department did not retain evidence to show that it verified the existence and location of assets in its inventory records. Most of the assets in the department's inventory records are those that the state classifies as sensitive items. Sensitive items cost less than the minimum threshold for fixed assets ($5,000) but are easily sold and are most often subject to pilferage or misuse. Examples of sensitive items include computers and computer accessories, cell phones, cameras, and televisions. Conducting periodic physical inventories is a fundamental internal control to safeguard assets against theft and loss.

State policy requires a complete physical inventory of the department's fixed assets at least biennially,[23] and the related *Fixed Assets Records Retention Schedule* requires that physical inventory and spot check records be retained for the current year plus three fiscal years.[24] The department asserted that it regularly conducted physical inventories, most recently in June 2013; however, the department had no documentation to substantiate that assertion. Without documentation, department management cannot show that the inventory procedures were effective to identify any missing items, or staff adequately resolved any discrepancies between the inventory records and the items counted.

[22] Department of Management and Budget Statewide Procedure 1101-07.02, *Compensating Controls.*
[23] State of Minnesota Property Management User's Guide, section 5 III.B.
[24] Retention Schedule 014-037.

Recommendation

- *The Department of Human Rights should retain documentation of physical inventories performed.*

Finding 4

The Department of Human Rights did not adequately monitor and review timesheet data recorded by employees in the state's payroll system.

The department did not review the self service time entry audit report, a key payroll system report designed to ensure the accuracy and authorization of hours employees reported in the state's automated time reporting system.[25] The report provides a list of employees that did not personally complete their time entry or whose time entry was approved by a backup approver. Because the department was not reviewing the self service time entry audit report, it did not identify instances when employees or approvers strayed from the internal controls designed to ensure the integrity of time reported through the self service time entry system and used as a basis for payroll transactions.

According to state policy:

> *The best control over the integrity of employees' payroll information is achieved when employees prepare their own timesheets and supervisors, who have direct knowledge of employees' work, review and approve timesheets.*
>
> *Use of backup approvers and payroll staff to modify or approve employee timesheets is permitted, but should be strictly limited. When backup approvers and payroll staff modify or approve timesheets, they should document the reason for the modification or approval… and notify the primary supervisor/manager to ensure that the timesheet modification or approval was appropriate.*[26]

The policy requires payroll staff to:

> *Complete a comprehensive review of the report each pay period. If a comprehensive review is not possible, review a representative sample each pay period. A comprehensive review must be completed on a quarterly basis. Audited sections or samples from the report must be kept with documented explanations.*[26]

The department was not performing this review.

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[25] Department employees used the state's automated self service time entry system to enter and authorize payroll hours. Payroll hours entered by employees and authorized by approvers through the self service time entry system are uploaded into the state's payroll system.
[26] Department of Management and Budget Policy PAY0017, *Self Service Time Entry*.

In addition, the department assigned three employees as backup approvers for their own timesheets. The same state policy also states, "*Employees should not approve their own timesheets.*" Being assigned as a backup approver gives these employees the ability to approve their own time. We identified one instance where one of the employees approved her own timesheet. A review of the time entry audit report would have identified this instance and allowed the department to obtain timesheet approval from the employee's supervisor.

Recommendations

- *The Department of Human Rights should review the payroll system time entry audit report in compliance with state policy.*

- *The Department of Human Rights should review its self service time entry approval assignments and eliminate the ability for employees (as approvers or backup approvers) to approve their own timesheets.*

Finding 5

The Department of Human Rights did not require timely payments to fund its regional human rights office.

The department did not ensure the St. Cloud Regional Human Rights Joint Powers Board complied with payment terms of its agreement to fund the department's St. Cloud regional office. The agreement between the department and the board required the board to pay $110,000 to the department by January 2nd each year; however, the department did not obtain the 2012 payment until March 2012, and did not deposit it until May 2012.[27] In addition, although the department had no record of when it obtained the 2013 payment, it did not deposit the payment until August 2013. By not requiring compliance with the payment terms of the agreement, the department may have temporarily used other resources to pay for the regional office's operations.

Recommendation

- *The Department of Human Rights should collect annual payments from the St. Cloud Regional Human Rights Joint Powers Board in accordance with the terms of its agreement.*

[27] This is another example of noncompliance with statutory prompt deposit requirements, which is discussed in Finding 1 on page 9.

Finding 6

The Department of Human Rights did not accurately classify certain payments in the accounting system and did not record those payments to the correct fiscal year. (This is a repeat finding.[28])

The department did not accurately classify rent payments in the state's accounting system. In fiscal years 2012, 2013, and 2014, the department miscoded $412,241 in rent payments for the St. Paul office as professional/technical services. In addition, the department did not promptly pay rent; the late payments resulted in rent expenditures not being recorded in the correct fiscal year on the state's accounting system. The state's accounting system showed $173,565 paid in fiscal year 2013 that was for fiscal year 2012 rent and $103,060 paid in fiscal year 2014 that was for fiscal year 2013 rent. Properly recording expenditures in the accounting system is necessary to ensure accurate financial reporting.

Recommendation

- *The Department of Human Rights should properly record rent payments in the state's accounting system and promptly pay rent.*

[28] Office of the Legislative Auditor's Financial Audit Division Report 05-22, *Department of Human Rights*, issued March 24, 2005 (Finding 3).

June 3, 2014

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

Dear Mr. Nobles:

Thank you for the opportunity to review and respond to the findings in the Department of Human Rights Internal Controls and Compliance Audit for the period of July 2011 through June 2013. The Department of Human Rights (hereinafter "The Department") is committed to continuous improvement and has already begun to implement some changes to its policies.

Below please find the department's responses to the findings and recommendations in the report.

Agency Response to Audit Recommendation #1
The Department has begun to implement a new process by which all checks from state contractors requesting a certificate from the Department will be sent to the Freeman office building. Additionally, a report will be generated by staff for review by the Commissioner at the bi-weekly management team meeting as to when checks from state contractors have cleared.

Person responsible: Deputy Commissioner
Estimated Completion Date: August 1, 2014

Agency Response to Audit Recommendation #2
The Department will create additional duties for an existing staff position or create a new position in the Department to provide mitigating controls and eliminate identified incompatible access and duties.

Person responsible: Deputy Commissioner
Estimated Completion Date: September 1, 2014

Agency Response to Audit Recommendation #3
During the relevant audit period, the Department's employee who had asset control and inventory duties was transferred to MN.IT. When the employee was transferred, (the employee is currently assigned by MN.IT to provide CIO services to the Department) the asset inventory list also went to

MN.IT. The Department has subsequently received the asset inventory list from MN.IT and will update the asset inventory list by August 30, 2014.

Person responsible: Fiscal Analyst
Estimated Completion Date: August 30, 2014

Agency Response to Audit Recommendation #4
This issue has been resolved. Managers, in the rare instances where they fill out an employee time sheet because of an employee's absence, have been reminded of the importance of noting such occurrences in the payroll system. The Deputy Commissioner will continue to review reports to ensure compliance.

Persons responsible: Deputy Commissioner and Human Resources
Estimated Completion Date: Immediate

Agency Response to Audit Recommendation #5
The Department has been and will continue to work with its primary local governmental partner to address issues of concern among all local governmental partners thereby ensuring prompt payment of funds.

Person responsible: Commissioner, Deputy Commissioner
Estimated Completion Date: September 1, 2014

Agency Response to Audit Recommendation #6
This issue has been corrected. Incorrect coding occurred after the migration from the MAPS accounting system to the SWIFT accounting system due to the employee's unfamiliarity with the selection of codes available. The employee has been made aware of the proper coding to ensure proper coding of payments going forward.

Person responsible: Fiscal Analyst
Estimated Completion Date: Immediate

I hope that our response assures your office of our desire to comply with all rules, regulations and your audit recommendations as well as our commitment to excellence.

Sincerely,

Kevin M. Lindsey
Commissioner