

State of Minnesota



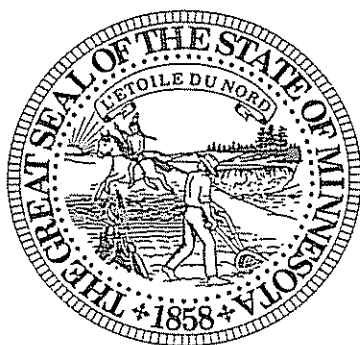
Minnesota Financial and Compliance Report on Federally Assisted Programs

For the Year Ended June 30, 2007

On the Cover:

Showy Lady's Slipper (Cypripedium reginae)

The showy lady's slipper is Minnesota's state flower. The showy lady's slipper is one of 43 orchid species that grow in Minnesota. The flowers bloom from early June to mid-July. It grows in spruce and tamarack bogs, swamps, wet meadows, wet prairies, and cool, damp woods. It may be found anywhere in Minnesota where these habitats exist.



Financial and Compliance Report on Federally Assisted Programs

For the Year Ended June 30, 2007

State of Minnesota

2007
**Minnesota Financial
and Compliance
Report on Federally
Assisted Programs**

The Minnesota Financial and Compliance Report on Federally Assisted Programs can be made available in alternative formats upon request, to ensure that it is accessible to people with disabilities. To obtain this document in an alternate format, contact:

Minnesota Department of Finance
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
651-201-8145

The Minnesota Relay service phone number is 1-800-627-3529.

The State of Minnesota Financial and Compliance Report on Federally Assisted Programs is available at the following website:

<http://www.finance.state.mn.us/>

State of Minnesota

State of Minnesota
Financial and Compliance Report on Federally Assisted Programs
Fiscal Year Ended June 30, 2007

Table of Contents

	<u>Page</u>
Transmittal Letter	1
Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With Circular A-133	5
Schedule of Expenditures of Federal Awards	
Major Programs.....	8
Nonmajor Programs	11
Notes to the Schedule of Expenditures of Federal Awards	27
Schedule of Findings and Questioned Costs	
Section I: Summary of Auditor's Results.....	33
Section II: Financial Statement Audit Findings	37
Section III: Schedule of Federal Program Audit Findings	38
Status of Prior Federal Program Audit Findings	117

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March 24, 2008

The Honorable Tim Pawlenty, Governor

Members of the Legislature

I am submitting the State of Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 2007. This report meets the requirements of the Federal Single Audit Act of 1984 as amended in 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

This single audit report includes all federal assistance received by the state agencies determined to be a part of the primary government and its blended component units. All federal program activity of this reporting entity was included under the state's single audit. Programs administered by discretely presented component units are reported in separate single audit reports issued by the individual component units. The criteria used to define the state's reporting entity are those established by the Governmental Accounting Standards Board.

For purposes of the single audit in Minnesota, the audited entity is the state rather than each state agency. With this approach, the single audit can be combined with the state's annual financial audit. This is an efficient approach for Minnesota because state agencies are all subject to the same centralized controls (accounting, personnel/payroll and procurement systems).

Management Responsibilities

The Department of Finance is responsible for the accuracy, fairness and completeness of the Schedule of Expenditures of Federal Awards, including all disclosures, presented in this report. The department is also responsible for the Minnesota Accounting and Procurement System (MAPS), which was used in preparing this report. I believe the schedule provides a fair representation of expenditures for federal programs for the year ended June 30, 2007.

The financial schedules presented are meant to provide a consistent basis for reporting on the expenditures of federal assistance received by state agencies. They are not meant to replace recipient financial reporting currently required for each individual program of federal assistance.

The Department of Finance is responsible for designing and applying statewide internal controls. State agencies are responsible for additional internal controls used for the administration of federal programs. These controls provide reasonable assurance that the state's assets are protected against loss, either intentional or unintentional; resource use is consistent with laws, regulations and policies; transactions are executed in accordance with management's authorization; and the accounting records from which financial schedules were prepared are reliable. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefit derived.

In addition, state agencies have specific responsibilities for federal programs. State agencies are required to manage and maintain adequate accounting records for their federal programs. They are required by the relevant federal departments and agencies to prepare periodic financial reports. State agencies are also responsible for assuring that organizations to which they subgrant federal funds have the required audits and promptly resolve federal program deficiencies reported as a result of those audits. The U.S. Department of Health and Human Services - Office of Inspector General - National External Audit Resources serves as the lead cognizant agency representing all federal agencies awarding federal assistance to the state of Minnesota.

Federal Financial Assistance to the State of Minnesota

In fiscal year 2007, the state of Minnesota received approximately \$7.7 billion in federal assistance for its many programs.

Audits

The Minnesota Office of the Legislative Auditor performs an annual statewide audit primarily for the purpose of expressing an audit opinion on the financial statements included in the state's Comprehensive Annual Financial Report prepared by the Department of Finance. Another purpose of the statewide audit is to provide information to the Governor, Legislature and heads of state agencies concerning financial and accounting issues involving the state and its agencies. The scope of the annual statewide audit also includes the federal requirements of the Single Audit Act and OMB Circular A-133.

The Office of the Legislative Auditor has audited the federal programs financial schedules and their report on them is included as part of this report. Also included is the Office of the Legislative Auditor report on compliance with requirements applicable to each major federal program and on internal control over compliance. The Office of the Legislative Auditor has also issued a report on internal control over financial reporting in conjunction with the audit of the state's Comprehensive Annual Financial Report.

All subrecipients receiving federal assistance from Minnesota state agencies have been required to have audits in accordance with OMB Circular A-133. State agencies are responsible for assuring that their subrecipients have audits and resolve audit recommendations resulting from these audits. Results of these audits are summarized in the Report on Audits of Subrecipients issued by the Office of the State Auditor.

Report

This Single Audit Report supplements the state's Comprehensive Annual Financial Report for the year ended June 30, 2007, and includes financial information for federal programs compiled by the Department of Finance.

The Office of the Legislative Auditor is responsible for preparing the auditor's report on compliance with requirements applicable to each major federal program and on internal control over compliance; the summary of auditor's results; and the schedules of audit findings and questioned costs for federal awards. The Department of Finance is responsible for preparing the schedules of expenditures for federal programs, and the status of prior federal program audit findings schedule.

In addition to this financial and compliance report, the single audit for the state of Minnesota includes the departmental audit reports issued by the Office of the Legislative Auditor and the Report on Audits of Subrecipients issued by the Office of the State Auditor.

Acknowledgments

Although the Department of Finance accepts final responsibility for this report, we would like to acknowledge the significant assistance provided by staff in the many state agencies receiving federal assistance. The financial schedules agencies prepared for each of their federal programs were used to compile these financial schedules.

Sincerely,

A handwritten signature in cursive script that reads "Tom J. Hanson".

Tom J. Hanson
Commissioner

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**Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

Members of the Legislature

The Honorable Tim Pawlenty, Governor

Mr. Tom Hanson, Commissioner of Finance

Compliance

We have audited the compliance of the State of Minnesota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2007. The State of Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Minnesota's management. Our responsibility is to express an opinion on the State of Minnesota's compliance based on our audit.

The State of Minnesota's basic financial statements include the operations of its discretely presented component units, which received approximately \$1.2 billion in federal awards. Those expenditures of federal awards are not included in the State of Minnesota's schedule of expenditures of federal awards for the year ended June 30, 2007. Our audit, described below, did not include the operations of the State of Minnesota's discretely presented component units because the component units engaged other auditors to perform their audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Minnesota's compliance with those requirements.

In our opinion, the State of Minnesota complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in Section III of the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of the State of Minnesota is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of Minnesota's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Minnesota's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the State of Minnesota's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in the State of Minnesota's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the State of Minnesota's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the State of Minnesota's internal control. We consider the deficiencies in internal control over compliance described in Section III of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the State of Minnesota's internal control. Of the significant deficiencies in internal control over compliance described in Section III of the accompanying Schedule of Findings and Questioned Costs, we consider Finding 08-02-11 to be a material weakness.

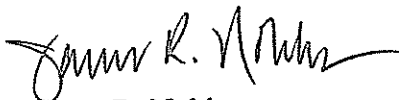
Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 7, 2007.

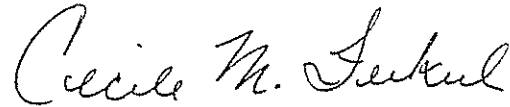
Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Minnesota's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The State of Minnesota's department responses to the findings identified in our audit are included in Section III of the accompanying Schedule of Findings and Questioned Costs. We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management of the State of Minnesota, the governor of the State of Minnesota, the Minnesota Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



James R. Nobles
Legislative Auditor



Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

March 3, 2008, except for Schedule of Expenditures of Federal Awards as to which the date is December 7, 2007

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Food Stamp Cluster			
10.551	FOOD STAMPS	HUMAN SERVICES	\$ 292,662,888
10.561	STATE ADMIN MATCH GRANT-FOOD STAMPS	HUMAN SERVICES	\$ 49,829,996
Food Stamp Cluster Total:			\$ 342,492,884
Child Nutrition Cluster			
10.553	SCHOOL BREAKFAST PROGRAM	CORRECTIONS	\$ 183,074
10.553	SCHOOL BREAKFAST PROGRAM	EDUCATION	\$ 23,709,758
10.555	NATIONAL SCHOOL LUNCH PROGRAM	EDUCATION	\$ 100,338,970
10.556	SPECIAL MILK PROGRAM FOR CHILDREN	EDUCATION	\$ 709,205
10.559	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	EDUCATION	\$ 2,514,719
Child Nutrition Cluster Total:			\$ 127,455,726
10.557	SPECIAL NUTRITION/WOMEN/INFANTS & CHILDREN (4)	HEALTH	\$ 80,002,051
10.558	CHILD & ADULT CARE FOOD PROGRAM	EDUCATION	\$ 55,706,248
U.S. DEPARTMENT OF DEFENSE			
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE	MILITARY AFFAIRS	\$ 28,092,523
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE	NATURAL RESOURCES	\$ 291,082
Program 12.401 Total:			\$ 28,383,605
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.228	COMMUNITY DEVELOPMENT BLOCK GRANTS-STATES	EMPLOYMENT & ECONOMIC DEV.	\$ 27,586,207
U.S. DEPARTMENT OF LABOR			
Workforce Investment Act (WIA) Cluster			
17.258	WIA ADULT PRORAM	EMPLOYMENT & ECONOMIC DEV.	\$ 8,641,031
17.259	WIA YOUTH ACTIVITIES	EMPLOYMENT & ECONOMIC DEV.	\$ 9,626,209
17.260	WIA DISLOCATED WORKERS	EMPLOYMENT & ECONOMIC DEV.	\$ 13,162,194
Workforce Investment Act (WIA) Cluster Total:			\$ 31,429,434

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF LABOR (Continued)			
Employment Services Cluster			
17.207	EMPLOYMENT SERVICE	EMPLOYMENT & ECONOMIC DEV.	\$ 19,331,923
17.801	DISABLED VETERANS OUTREACH PROGRAM	EMPLOYMENT & ECONOMIC DEV.	\$ 1,470,597
17.804	LOCAL VETERANS' EMPLOYMENT REPRESENTATIVE	EMPLOYMENT & ECONOMIC DEV.	\$ 1,296,031
Employment Services Cluster Total:			\$ 22,098,551
17.225	UNEMPLOYMENT INSURANCE (5)	EMPLOYMENT & ECONOMIC DEV.	\$ 774,871,295
U.S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Cluster			
20.205	HIGHWAY PLANNING & CONSTRUCTION	NATURAL RESOURCES	\$ 361,111
20.205	HIGHWAY PLANNING & CONSTRUCTION	PUBLIC SAFETY	\$ 199
20.205	HIGHWAY PLANNING & CONSTRUCTION	TRANSPORTATION	\$ 587,995,262
Highway Planning and Construction Cluster Total:			\$ 588,356,572
20.106	AIRPORT IMPROVEMENT	TRANSPORTATION	\$ 70,598,108
U.S. DEPARTMENT OF EDUCATION			
Student Financial Aid Cluster			
84.007	FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY	STATE COLLEGES & UNIVERSITIES	\$ 5,639,009
84.033	FEDERAL WORK-STUDY	STATE COLLEGES & UNIVERSITIES	\$ 6,309,125
84.063	FEDERAL PELL GRANT	STATE COLLEGES & UNIVERSITIES	\$ 107,663,237
Student Financial Aid Cluster Total:			\$ 119,611,371
Special Education Cluster (IDEA)			
84.027	SPECIAL EDUCATION STATE GRANTS	CORRECTIONS	\$ 46,884
84.027	SPECIAL EDUCATION-STATE GRANTS	EDUCATION	\$ 183,633,414
84.027	SPECIAL EDUCATION-STATE GRANTS	FARIBAUT ACADEMIES	\$ 228,017
84.173	SPECIAL EDUCATION-PRESCHOOL GRANTS	EDUCATION	\$ 7,331,897
84.173	SPECIAL EDUCATION-PRESCHOOL GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 101,311
Special Education Cluster (IDEA) Total:			\$ 191,341,523

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
84.010	TITLE 1 GRANTS TO LOCAL EDUCATIONAL AGENCIES	EDUCATION	\$ 111,930,972
84.126	REHABILITATION SERVICES-VOCATIONAL REHABILITATION	EMPLOYMENT & ECONOMIC DEV.	\$ 39,831,589
84.367	IMPROVING TEACHER QUALITY STATE GRANTS	EDUCATION	\$ 37,342,640
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Medicaid Cluster			
93.775	STATE MEDICAID FRAUD CONTROL UNITS	ATTORNEY GENERAL	\$ 764,188
93.777	STATE HEALTH CARE PROVIDERS SURVEY	HEALTH	\$ 6,424,422
93.777	STATE HEALTH CARE PROVIDERS SURVEY	HUMAN SERVICES	\$ 4,154,572
93.778	MEDICAL ASSISTANCE (4)	HUMAN SERVICES	\$ 3,288,100,358
Medicaid Cluster Total:			\$ 3,299,443,540
CCDF - Child Care Cluster			
93.575	CHILD CARE & DEVELOPMENT BLOCK	HUMAN SERVICES	\$ 80,364,165
93.596	CHILD CARE MANDATORY & MATCHING FUNDS	HUMAN SERVICES	\$ 45,416,427
CCDF - Child Care Cluster Total:			\$ 125,780,592
93.268	IMMUNIZATION GRANTS	HEALTH	\$ 25,433,625
93.283	CENTER FOR DISEASE CONTROL & PREVENTION	HEALTH	\$ 29,930,682
93.558	TEMPORARY AID FOR NEEDY FAMILIES	HUMAN SERVICES	\$ 227,200,338
93.563	CHILD SUPPORT ENFORCEMENT	HUMAN SERVICES	\$ 97,286,326
93.568	LOW INCOME HOME ENERGY ASSISTANCE	COMMERCE	\$ 109,978,383
93.658	FOSTER CARE	HUMAN SERVICES	\$ 46,180,111
93.659	ADOPTION ASSISTANCE	HUMAN SERVICES	\$ 24,347,391
93.667	SOCIAL SERVICES BLOCK GRANT	HUMAN SERVICES	\$ 34,267,689
93.767	STATE CHILDREN'S INSURANCE PROGRAM	HUMAN SERVICES	\$ 62,584,400
Major Program Total:			\$ 6,731,471,853

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Schools and Roads Cluster			
10.665	SCHOOLS AND ROADS-GRANTS TO STATES	FINANCE	\$ 1,868,915
		Schools and Roads Cluster Total:	\$ 1,868,915
Emergency Food Assistance Cluster			
10.568	EMERGENCY FOOD ASSISTANCE-ADMIN COSTS	HUMAN SERVICES	595,621
		Emergency Food Assistance Cluster Total:	\$ 595,621
10.001	AGRICULTURAL RESEARCH-BASIC AND APPLIED RESEARCH	AGRICULTURE	7,211
10.025	PLANT/ANIMAL DISEASE/ PEST CONTROLS	AGRICULTURE	601,618
10.025	PLANT/ANIMAL DISEASE/ PEST CONTROLS	ANIMAL HEALTH BOARD	1,821,923
10.025	PLANT/ANIMAL DISEASE/ PEST CONTROLS	NATURAL RESOURCES	369,293
10.028	WILDLIFE SERVICES	NATURAL RESOURCES	65,056
10.069	CONSERVATION RESERVE PROGRAM	NATURAL RESOURCES	195,218
10.077	LIVESTOCK COMPENSATION PROGRAM	AGRICULTURE	704,924
10.156	FEDERAL-STATE MARKETING IMPROVEMENT	AGRICULTURE	40,960
10.162	INSPECTION GRADING & STANDARDIZATION	AGRICULTURE	217,713
10.163	MARKET PROTECTION AND PROMOTION	AGRICULTURE	454,270
10.200	AGRICULTURE RESEARCH & SPECIAL RESEARCH	AGRICULTURE	56,713
10.221	TRIBAL COLLEGES EDUCATION EQUITY GRANTS	STATE COLLEGES & UNIVERSITIES	20,714
10.227	INSTITUTIONS RESEARCH PROGRAM	STATE COLLEGES & UNIVERSITIES	47,253
10.303	INTEGRATED PROGRAMS	AGRICULTURE	79,972
10.450	CROP INSURANCE	AGRICULTURE	102
10.456	PRTNSHP AGRMTS DEV NON-INS RISK MGMT TOOLS FOR PRDCS	AGRICULTURE	91,485
10.459	COMMODITY PRTNRSHPS FOR SMALL AG RISK MGMT ED	AGRICULTURE	4,900
10.459	COMMODITY PRTNRSHPS FOR SMALL AG RISK MGMT ED	STATE COLLEGES & UNIVERSITIES	25,606
10.475	INTRASTATE MEAT & POULTRY INSPECTION	AGRICULTURE	6,626
10.500	COOPERATIVE EXTENSION SERVICE	STATE COLLEGES & UNIVERSITIES	63,555
10.550	FOOD DONATION	EDUCATION	17,189,594
10.560	STATE ADMIN EXPENSES FOR CHILD NUTRITION	EDUCATION	2,596,100
10.565	COMMODITY SUPPLEMENTAL FOOD PROGRAM	HEALTH	808,972
10.572	WIC FARMERS' MARKET NUTRITION	AGRICULTURE	336,461
10.574	TEAM NUTRITION GRANTS	EDUCATION	24,913
10.576	SENIOR FARMERS MARKET NUTRITION PROGRAM	AGRICULTURE	76,373
10.580	FOOD STAMP PROGRAM OUTREACH GRANTS	HUMAN SERVICES	267,371

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE (Continued)			
10.603	EMERGING MARKETS PROGRAM	AGRICULTURE	\$ 60,228
10.652	FORESTRY RESEARCH	NATURAL RESOURCES	5,648
10.652	FORESTRY RESEARCH	STATE COLLEGES & UNIVERSITIES	11,547
10.664	COOPERATIVE FORESTRY ASSISTANCE	NATURAL RESOURCES	2,265,399
10.668	ADDITIONAL LANDS-GRANTS TO MINNESOTA	FINANCE	2,247,013
10.675	URBAN AND COMMUNITY FORESTRY PROGRAM	NATURAL RESOURCES	190,390
10.676	FOREST LEGACY PROGRAM	NATURAL RESOURCES	1,077,499
10.677	FOREST LAND ENHANCEMENT PROGRAM	NATURAL RESOURCES	95,408
10.678	FOREST STEWARDSHIP PROGRAM	NATURAL RESOURCES	351,445
10.680	FOREST HEALTH PROTECTION	NATURAL RESOURCES	65,092
10.902	SOIL & WATER CONSERVATION	AGRICULTURE	38,482
10.902	SOIL & WATER CONSERVATION	WATER & SOIL RESOURCES	35,250
10.903	SOIL SURVEY	STATE COLLEGES & UNIVERSITIES	3,555
10.912	ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	AGRICULTURE	76,114
10.950	AGRICULTURE STATISTICS REPORTS	AGRICULTURE	10,799
U.S. DEPARTMENT OF COMMERCE			
11.407	INTERJURISDICTIONAL FISHERIES ACT OF 1986	NATURAL RESOURCES	11,971
11.413	FISHERY PRODUCTS INSPECTION/CERTIFICATION	AGRICULTURE	13,293
11.419	COASTAL ZONE MANAGEMENT ADMIN AWARDS	NATURAL RESOURCES	1,540,588
U.S. DEPARTMENT OF DEFENSE			
12.104	FLOOD PLAIN MANAGEMENT SERVICES	FINANCE	6,451
12.113	REIMBURSEMENT OF TECHNICAL SERVICES	POLLUTION CONTROL AGENCY	221,675
12.300	BASIC & APPLIED SCIENTIFIC RESEARCH	STATE COLLEGES & UNIVERSITIES	8,911
12.404	NATIONAL GUARD CIVILIAN YOUTH OPPURTUNITIES	MILITARY AFFAIRS	560,000
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.231	EMERGENCY SHELTER GRANTS PROGRAM	HUMAN SERVICES	1,232,809
14.235	SUPPORTIVE HOUSING PROGRAM	VETERANS HOME BOARD	247,561
14.243	OPPURTUNITIES FOR YOUTH-YOUTHBUILD	EMPLOYMENT & ECONOMIC DEV.	71,816
14.246	CMNTY DEV BLOCK GRANTS/BROWNFIELDS ECONOMIC	STATE COLLEGES & UNIVERSITIES	114,277
14.512	COMMUNITY DEVELOPMENT WORK-STUDY	STATE COLLEGES & UNIVERSITIES	42,812

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF INTERIOR			
Fish & Wildlife Cluster			
15.605	SPORT FISH RESTORATION	NATURAL RESOURCES	\$ 12,889,028
15.611	WILDLIFE RESTORATION	NATURAL RESOURCES	8,796,919
15.611	WILDLIFE RESTORATION	STATE COLLEGES & UNIVERSITIES	8,032
Fish & Wildlife Cluster Total:			\$ 21,693,979
15.608	FISH & WILDLIFE MGMT ASSISTANCE	STATE COLLEGES & UNIVERSITIES	4,032
15.615	COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	NATURAL RESOURCES	138,515
15.616	CLEAN VESSEL ACT	NATURAL RESOURCES	29,206
15.622	SPORTFISHING AND BOATING SAFETY ACT	NATURAL RESOURCES	4,784
15.623	NORTH AMERICAN WETLANDS CONSERVATION FUND	NATURAL RESOURCES	272,404
15.626	HUNTER EDUCATION AND SAFETY PROGRAM	NATURAL RESOURCES	396,902
15.633	LANDOWNER INCENTIVE	NATURAL RESOURCES	700,031
15.634	STATE WILDLIFE GRANTS	NATURAL RESOURCES	2,115,126
15.634	STATE WILDLIFE GRANTS	STATE COLLEGES & UNIVERSITIES	2,689
15.637	MIGRATORY BIRD JOINT VENTURES	NATURAL RESOURCES	76,312
15.805	ASSIST STATE WATER RESOURCES RESEARCH INSTITUTES	STATE COLLEGES & UNIVERSITIES	537
15.808	GEOLOGICAL SURVEY - RESEARCH & DATA ACQ	ADMINISTRATION	11,022
15.809	NATIONAL SPATIAL DATA INFRASTRUCTURE AGREEMENTS	ADMINISTRATION	28,479
15.809	NATIONAL SPATIAL DATA INFRASTRUCTURE AGREEMENTS	NATURAL RESOURCES	11,045
15.912	NATIONAL HISTORIC LANDMARK	STATE COLLEGES & UNIVERSITIES	2,230
15.916	OUTDOOR RECREATION-ACQ, DEVP & PLANNING	NATURAL RESOURCES	1,676,315
15.978	UPPER MISSISSIPPI RIVER SYSTEM LTRMP	NATURAL RESOURCES	458,722
15.978	UPPER MISSISSIPPI RIVER SYSTEM LTRMP	STATE COLLEGES & UNIVERSITIES	15,506
15.FEB	ENDANGERED SPECIES PLANTS (7)	NATURAL RESOURCES	32,044
15.FFA	INTERIOR OF FISH & WILDLIFE SERVICE (7)	NATURAL RESOURCES	33,115
15.FFC	SCIENTIFIC & NATURAL AREAS (7)	NATURAL RESOURCES	9,123
U.S. DEPARTMENT OF JUSTICE			
16.004	NARCOTICS & DANGEROUS DRUGS TRAINING	PUBLIC SAFETY	49,416
16.202	OFFENDER REENTRY PROGRAM	CORRECTIONS	164,176
16.203	SEX OFFENDER MANAGEMENT DISCRETIONARY GRANT	CORRECTIONS	30,321
16.321	ANTITERRORISM EMERGENCY RESERVE	PUBLIC SAFETY	129,991
16.520	STATE JUSTICE STATS PRGM FOR STATISTICAL ANALYSIS CTRS	PUBLIC SAFETY	60,295

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (Continued)			
16.523	JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT	PUBLIC SAFETY	\$ 1,278,561
16.527	SUPERVISED VISITATION, SAFE HAVENS FOR CHILDREN	PUBLIC SAFETY	44,435
16.540	JUVENILE JUSTICE AND DELINQUENCY PREVENTION	CORRECTIONS	38,745
16.540	JUVENILE JUSTICE AND DELINQUENCY PREVENTION	PUBLIC SAFETY	961,128
16.541	E-DEVPNG, TESTING AND DEMONSTRATING PROMISING NEW PRGM	STATE COLLEGES & UNIVERSITIES	331,823
16.548	TITLE V-DELINQUENCY PREVENTION PROGRAM	PUBLIC SAFETY	226,379
16.550	STATE JUSTICE STATISTICS	PUBLIC SAFETY	22,445
16.560	NTL. INST. OF JUSTICE RES., EVAL & DEVEL. PROG. GRANTS	PUBLIC SAFETY	71,300
16.575	CRIME VICTIM ASSISTANCE	PUBLIC SAFETY	6,273,810
16.576	CRIME VICTIM COMPENSATION	PUBLIC SAFETY	844,921
16.579	EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	CORRECTIONS	121,127
16.579	EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	PUBLIC SAFETY	3,381,077
16.579	EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	SUPREME COURT	79,724
16.580	BYRNE STATE/LOCAL LAW ENFORCEMENT	STATE COLLEGES & UNIVERSITIES	180,780
16.582	CRIME VICTIM ASSISTANCE/DISCRETIONARY	PUBLIC SAFETY	66,292
16.585	DRUG COURT DISCRETIONARY GRANT PROGRAM	TRIAL COURTS	141,271
16.586	VIOLENT OFFENDER INCARC-TRUTH-IN SENTENCING	CORRECTIONS	1,002,776
16.588	VIOLENCE AGAINST WOMEN FORMULA GRANTS	PUBLIC SAFETY	1,497,396
16.592	LOCAL LAW ENFORCEMENT BLOCK	PUBLIC SAFETY	9,144
16.593	SUBSTANCE ABUSE-TREAT PRISONERS	CORRECTIONS	126,441
16.593	SUBSTANCE ABUSE TREAT-STATE PRISONERS	PUBLIC SAFETY	186,586
16.595	COMMUNITY CAPACITY DEVELOPMENT OFFICE	PUBLIC SAFETY	913,812
16.606	STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	CORRECTIONS	816,519
16.607	BULLETPROOF VEST PARTNERSHIP PROGRAM	CORRECTIONS	19,483
16.607	BULLETPROOF VEST PARTNERSHIP PROGRAM	PUBLIC SAFETY	107,009
16.609	COMM. PROSECUTION & PROJECT SAFE NEIGHBORHOODS	CORRECTIONS	84,272
16.609	COMM. PROSECUTION & PROJECT SAFE NEIGHBORHOODS	PUBLIC SAFETY	336,360
16.710	PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING	PUBLIC SAFETY	240,697
16.712	POLICE CORPS	PUBLIC SAFETY	618
16.727	ENFORCE UNDERAGE DRINKING LAWS	NATURAL RESOURCES	1,391
16.727	ENFORCE UNDERAGE DRINKING LAWS	PUBLIC SAFETY	367,113
16.735	PROTECTING INMATES AND SAFEGUARDING COMMUNITIES	CORRECTIONS	102,645
16.738	E. BYRNE MEMORIAL JUSTICE ASST GRANT PROGRAM	PUBLIC SAFETY	2,259,048
16.743	FORENSIC CASEWORK DNA BACKLOG REDUCTION PRGM	PUBLIC SAFETY	6,802
16.744	ANTI-GANG INITIATIVE	PUBLIC SAFETY	74,080

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
17.002	LABOR FORCE STATISTICS	EMPLOYMENT & ECONOMIC DEV.	1,762,956
17.005	COMPENSATION & WORKING CONDITIONS	LABOR AND INDUSTRY	160,018
17.235	SENIOR COMMUNITY SERVICE EMPLOYMENT	EMPLOYMENT & ECONOMIC DEV.	2,041,850
17.245	TRADE ADJUSTMENT ASSISTANCE-WORKERS	EMPLOYMENT & ECONOMIC DEV.	7,293,666
17.261	WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	EMPLOYMENT & ECONOMIC DEV.	895,448
17.266	WORK INCENTIVE GRANTS	EMPLOYMENT & ECONOMIC DEV.	257,375
17.267	INCENTIVE GRANTS-WIA SECTION 503	EMPLOYMENT & ECONOMIC DEV.	1,059,961
17.502	OCCUPATIONAL SAFETY AND HEALTH-SUSAN HARWOOD	STATE COLLEGES & UNIVERSITIES	96,181
17.503	OCCUPATIONAL SAFETY & HEALTH-STATE PROGRAM	LABOR AND INDUSTRY	7,888,968
17.504	CONSULTATION AGREEMENTS	LABOR AND INDUSTRY	1,517,552
17.600	MINE HEALTH & SAFETY GRANTS	STATE COLLEGES & UNIVERSITIES	257,184
17.720	DISABILITY EMPLOYMENT POLICY DEVELOPMENT	EMPLOYMENT & ECONOMIC DEV.	154,861
U.S. DEPARTMENT OF STATES			
19.300	PRGM FOR STUDY OF E. EUR & THE IND STATES OF FRM SOVIET UNI	STATE COLLEGES & UNIVERSITIES	23,293
U.S. DEPARTMENT OF TRANSPORTATION			
Highway Safety Cluster			
20.600	STATE & COMMUNITY HIGHWAY SAFETY	PUBLIC SAFETY	7,874,324
20.601	ALCOHOL TRAFFIC SAFETY/DRUNK DRIVING PREVENTION	PUBLIC SAFETY	1,446,648
20.603	FED HWY SAFETY DATA IMPRVNTS INCENTIVE GRANTS	PUBLIC SAFETY	4,200
20.604	SAFETY INCENTIVE GRANTS FOR USE OF SEATBELTS	PUBLIC SAFETY	57,525
20.610	STATE TRAFFIC SFTY INF SYST IMPRMNT GRANTS	PUBLIC SAFETY	91,970
20.612	INCTV GRANT PRG TO INCREASE MOTORCYCLIST SAFETY	PUBLIC SAFETY	106,916
Highway Safety Cluster Total: \$			9,581,583
Federal Transit Cluster			
20.500	FEDERAL TRANSIT CAPITAL IMPROVEMENT	TRANSPORTATION	6,332,000
20.507	FEDERAL TRANSIT FORMULA GRANT	PUBLIC SAFETY	59,747
20.507	FEDERAL TRANSIT FORMULA GRANT	TRANSPORTATION	381,523
Federal Transit Cluster Total: \$			6,773,270
20.200	HIGHWAY RESEARCH AND DEVELOPMENT PROGRAM	TRANSPORTATION	446,338
20.218	MOTOR CARRIER SAFETY ASSISTANCE PROGRAM	PUBLIC SAFETY	5,152,595
20.219	RECREATIONAL TRAILS PROGRAM	NATURAL RESOURCES	1,449,730

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION (Continued)			
20.232	COMMERCIAL DRIVER LICENSE STATE PROGRAMS	PUBLIC SAFETY	\$ 237,686
20.505	FEDERAL TRANSIT METROPOLITAN PLANNING GRANTS	TRANSPORTATION	3,573,530
20.509	FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS	TRANSPORTATION	10,648,732
20.513	CAP ASSIST FOR ELDERLY AND DISABLED	TRANSPORTATION	1,449,333
20.608	MIN PENALTIES FOR REPEAT OFFENDERS FOR DWI	PUBLIC SAFETY	1,014,562
20.700	PIPELINE SAFETY	PUBLIC SAFETY	889,250
20.703	INTERAGENCY HAZARD MATERIALS TRAINING	PUBLIC SAFETY	222,633
20.703	INTERAGENCY HAZARD MATERIALS TRAINING	STATE COLLEGES & UNIVERSITIES	43,722
U.S. NATIONAL AERONAUTICS & SPACE ADMINISTRATION			
43.001	AEROSPACE EDUCATION SERVICES	STATE COLLEGES & UNIVERSITIES	66,973
U.S. NATIONAL FOUNDATION ARTS & HUMANITIES			
45.024	PROMOTION OF THE ARTS-ORGANIZATIONAL/INDIVIDUALS	ARTS BOARD	9,987
45.025	PROMOTION OF THE ARTS-STATE/REGIONAL	ARTS BOARD	655,866
45.025	PROMOTION OF THE ARTS-STATE/REGIONAL	STATE COLLEGES & UNIVERSITIES	753
45.129	PROMOTION OF THE HUMANITIES-FEDERAL/STATE PRTRNSHP	STATE COLLEGES & UNIVERSITIES	6,645
45.164	PROMOTION OF THE HUMANITIES-PUBLIC PROGRAMS	STATE COLLEGES & UNIVERSITIES	1,567
45.310	STATE LIBRARY PROGRAM	EDUCATION	2,760,835
45.310	STATE LIBRARY PROGRAM	STATE COLLEGES & UNIVERSITIES	108,002
U.S. NATIONAL SCIENCE FOUNDATION			
47.041	ENGINEERING GRANT	STATE COLLEGES & UNIVERSITIES	328,414
47.049	MATHEMATICAL & PHYSICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	44,091
47.050	GEOSCIENCES	STATE COLLEGES & UNIVERSITIES	14,322
47.070	COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	STATE COLLEGES & UNIVERSITIES	130,788
47.074	BIOLOGICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	159,094
47.075	SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES	STATE COLLEGES & UNIVERSITIES	105,568
47.076	EDUCATION & HUMAN RESOURCES	NATURAL RESOURCES	16,417
47.076	EDUCATION & HUMAN RESOURCES	STATE COLLEGES & UNIVERSITIES	1,036,843
47.078	POLAR PROGRAMS	STATE COLLEGES & UNIVERSITIES	3,038
U.S. SMALL BUSINESS ADMINISTRATION			
59.037	SMALL BUSINESS DEVELOPMENT CENTER	EMPLOYMENT & ECONOMIC DEV.	1,426,814
59.037	SMALL BUSINESS DEVELOPMENT CENTER	STATE COLLEGES & UNIVERSITIES	949,167

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF VETERANS AFFAIRS			
64.124	ALL-VOLUNTEER FORCE EDUCATION ASSISTANCE	LABOR AND INDUSTRY	40,208
U.S. ENVIRONMENTAL PROTECTION AGENCY			
66.032	STATE INDOOR RADON GRANTS	HEALTH	606,244
66.034	SPECIAL PURPOSE ACTIVITIES RELATING TO THE CLEAN AIR ACT	COMMERCE	4,000
66.034	SPECIAL PURPOSE ACTIVITIES RELATING TO THE CLEAN AIR ACT	HEALTH	32,701
66.034	SPECIAL PURPOSE ACTIVITIES RELATING TO THE CLEAN AIR ACT	POLLUTION CONTROL AGENCY	323,452
66.202	CONGRESSIONALLY MANDATED PROJECTS	NATURAL RESOURCES	1
66.419	WATER POLLUTION CONTROL-STATE/INTERSTATE	HEALTH	112,082
66.419	WATER POLLUTION CONTROL-STATE/INTERSTATE	NATURAL RESOURCES	14,002
66.419	WATER POLLUTION CONTROL-STATE/INTERSTATE	POLLUTION CONTROL AGENCY	32,334
66.432	STATE PUBLIC WATER SYSTEM SUPERVISION	HEALTH	2,278,783
66.436	TRNG GRANTS-SECTION 104(B)(3) OF THE CLEAN WATER ACT	POLLUTION CONTROL AGENCY	55,958
66.436	TRNG GRANTS-SECTION 104(B)(3) OF THE CLEAN WATER ACT	STATE COLLEGES & UNIVERSITIES	15,067
66.454	WATER QUALITY MANAGEMENT PLANNING	POLLUTION CONTROL AGENCY	160,614
66.460	NONPOINT SOURCE IMPLEMENTATION	AGRICULTURE	166,238
66.460	NONPOINT SOURCE IMPLEMENTATION	POLLUTION CONTROL AGENCY	6,527,129
66.460	NONPOINT SOURCE IMPLEMENTATION	STATE COLLEGES & UNIVERSITIES	71,006
66.461	REGIONAL WETLAND PROGRAM DEVELOPMENT GRANTS	NATURAL RESOURCES	11,250
66.461	REGIONAL WETLAND PROGRAM DEVELOPMENT GRANTS	POLLUTION CONTROL AGENCY	76,669
66.463	WATER QUALITY COOPERATIVE AGREEMENTS	AGRICULTURE	27,893
66.463	WATER QUALITY COOPERATIVE AGREEMENTS	POLLUTION CONTROL AGENCY	77,460
66.467	WASTEWATER OPERATOR TRAINING	POLLUTION CONTROL AGENCY	12,244
66.468	DRINKING WATER STATE REVOLVING FUND	AGRICULTURE	684
66.468	DRINKING WATER STATE REVOLVING FUND	HEALTH	3,366,333
66.469	GREAT LAKES PROGRAM	HEALTH	1,997
66.469	GREAT LAKES PROGRAM	NATURAL RESOURCES	23,283
66.469	GREAT LAKES PROGRAM	POLLUTION CONTROL AGENCY	205,603
66.471	STATE GRANTS TO OPERATORS - SMALL WATER SYSTEMS	HEALTH	873,623
66.471	STATE GRANTS TO OPERATORS - SMALL WATER SYSTEMS	STATE COLLEGES & UNIVERSITIES	19,101
66.472	BEACH MONITORING AND NOTIFICATION PROGRAM	POLLUTION CONTROL AGENCY	208,272
66.474	WATER PROTECTION GRANTS TO THE STATES	HEALTH	120,861

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY (Continued)			
66.479	WETLAND PROGRAM GRANTS - STATE/TRIBAL	NATURAL RESOURCES	\$ 234,692
66.479	WETLAND PROGRAM GRANTS-STATE/TRIBAL	POLLUTION CONTROL AGENCY	234,961
66.480	ASSMNT AND WATERSHED PROTECTION PRG GRANTS	POLLUTION CONTROL AGENCY	1,959
66.509	SCIENCE TO ACHIEVE RESULTS RSCH PRG	STATE COLLEGES & UNIVERSITIES	342,526
66.511	OFFICE OF RSCH AND DEV CONSOLIDATED RSCH	NATURAL RESOURCES	73,446
66.605	PERFORMANCE PARTNERSHIP GRANT	POLLUTION CONTROL AGENCY	10,641,533
66.608	ENVIRONMENTAL/INFORMATION EXCHANGE NETWORK	ADMINISTRATION	165,682
66.608	ENVIRONMENTAL/INFORMATION EXCHANGE NETWORK	POLLUTION CONTROL AGENCY	374,262
66.609	PROTECTION OF CHILDREN AND ELDERLY FROM ENVIRONMENT	HEALTH	39,481
66.611	ENVIRONMENTAL POLICY AND INNOVATION GRANTS	POLLUTION CONTROL AGENCY	37,945
66.700	CONSOLIDATED PESTICIDE ENFORCEMENT	AGRICULTURE	628,586
66.700	CONSOLIDATED PESTICIDE ENFORCEMENT	NATURAL RESOURCES	37,510
66.707	CERTIFICATION OF LEAD-BASED PAINT PROFS	HEALTH	274,142
66.708	POLLUTION PREVENTION GRANTS	POLLUTION CONTROL AGENCY	155,952
66.709	MULTI-MEDIA CAPACITY BLDG GRANTS FOR STATES & TRIBES	POLLUTION CONTROL AGENCY	47,291
66.717	SOURCE REDUCTION ASSISTANCE	POLLUTION CONTROL AGENCY	19,063
66.802	SUPERFUND STATE SITE-COOP AGREEMENTS	POLLUTION CONTROL AGENCY	687,194
66.805	LEAKING UNDERGROUND STORAGE TANK TRUST FUND	POLLUTION CONTROL AGENCY	1,024,094
66.809	SUPERFUND STATE AND INDIAN TRIBE CORE PROGRAM	POLLUTION CONTROL AGENCY	487,937
66.814	BROWNSFIELD TRG RESEARCH & TECH ASSIST GRANTS	AGRICULTURE	61,986
66.817	STATE & TRIBAL RESPONSE PROGRAM GRANTS	POLLUTION CONTROL AGENCY	908,560
66.818	BROWNFIELD CLEANUP	EMPLOYMENT & ECONOMIC DEV.	14,786
U.S. DEPARTMENT OF ENERGY			
81.041	STATE ENERGY PROGRAM	COMMERCE	810,171
81.042	WEATHERIZATION ASSISTANCE-LOW INCOME	COMMERCE	10,101,574
81.049	OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	STATE COLLEGES & UNIVERSITIES	237,030
81.117	ENGY EFFIC & RENEWABLE ENERGY INFO	COMMERCE	323,409
81.119	STATE ENERGY PROGRAM SPECIAL PROJECTS	ADMINISTRATION	4,400
81.119	STATE ENERGY PROGRAM SPECIAL PROJECTS	STATE COLLEGES & UNIVERSITIES	39,886
U.S. DEPARTMENT OF EDUCATION			
TRIO Cluster			
84.042	TRIO-STUDENT SUPPORT SERVICES	STATE COLLEGES & UNIVERSITIES	5,689,368
84.044	TRIO_TALENT SEARCH	STATE COLLEGES & UNIVERSITIES	1,284,730

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
84.047	TRIO-UPWARD BOUND	STATE COLLEGES & UNIVERSITIES	\$ 4,460,911
84.066	TRIO-EDUCATIONAL OPPORTUNITY CENTERS	STATE COLLEGES & UNIVERSITIES	724,987
84.217	TRIO_MCNARE POST-BACCALAUREATE ACHIEVEMENT	STATE COLLEGES & UNIVERSITIES	229,192
TRIO Cluster Total:			\$ 12,389,188
84.002	ADULT EDUCATION-STATE GRANT	CORRECTIONS	410,163
84.002	ADULT EDUCATION-STATE GRANT	EDUCATION	8,979,057
84.002	ADULT EDUCATION-STATE GRANT	STATE COLLEGES & UNIVERSITIES	17,806
84.011	MIGRANT EDUCATION-BASIC STATE GRANT	EDUCATION	3,131,157
84.013	TITLE I-NEGLECTED & DELINQUENT CHILDREN	CORRECTIONS	150,209
84.013	TITLE I-NEGLECTED & DELINQUENT CHILDREN	EDUCATION	183,266
84.031	HIGHER EDUCATION-INSTITUTIONAL AID	STATE COLLEGES & UNIVERSITIES	172,611
84.048	VOCATIONAL EDUCATION-BASIC STATE GRANTS	CORRECTIONS	6,909
84.048	VOCATIONAL EDUCATION-BASIC STATE GRANTS	STATE COLLEGES & UNIVERSITIES	20,401,279
84.069	LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	HIGHER EDUCATION	4,614,658
84.101	VOCATIONAL EDUCATION-INDIANS SET-ASIDE	STATE COLLEGES & UNIVERSITIES	245,341
84.116	IMPROVEMENT OF POSTSECONDARY EDUCATION	STATE COLLEGES & UNIVERSITIES	65,794
84.129	REHABILITATION LONG-TERM TRAINING	STATE COLLEGES & UNIVERSITIES	113,449
84.132	CENTERS FOR INDEPENDENT LIVING	EMPLOYMENT & ECONOMIC DEV.	989,530
84.169	INDEPENDENT LIVING	EMPLOYMENT & ECONOMIC DEV.	1,015,746
84.176	PAUL DOUGLAS TEACHER SCHOLARSHIP PROGRAM	HIGHER EDUCATION	20,294
84.177	OLDER BLIND INDIVIDUALS INDEPENDENT LIVING	EMPLOYMENT & ECONOMIC DEV.	495,629
84.181	INFANTS & FAMILIES WITH DISABILITIES	EDUCATION	8,097,057
84.184	SAFE & DRUG FREE SCHOOLS & COMMUNITIES	EDUCATION	549,884
84.184	SAFE & DRUG FREE SCHOOLS & COMMUNITIES	STATE COLLEGES & UNIVERSITIES	82,032
84.185	BYRD HONORS SCHOLARSHIPS	EDUCATION	585,003
84.186	SAFE & DRUG-FREE SCHOOLS-STATE GRANTS	EDUCATION	6,494,637
84.187	SUPPORTED EMPLOYMENT SERVICES-DISABLED	EMPLOYMENT & ECONOMIC DEV.	415,771
84.196	EDUCATION FOR HOMELESS CHILDREN & YOUTH	EDUCATION	617,240
84.213	EVEN START-STATE EDUCATION AGENCIES	EDUCATION	1,067,643
84.215	FUND FOR THE IMPROVEMENT OF EDUCATION	STATE COLLEGES & UNIVERSITIES	86,850
84.224	ASSISTIVE TECHNOLOGY STATE GRANTS	ADMINISTRATION	531,470
84.243	TECH-PREP EDUCATION	STATE COLLEGES & UNIVERSITIES	1,877,470
84.255	LITERACY PROGRAMS FOR PRISONERS	CORRECTIONS	47,782
84.265	STATE VOC REHAB UNIT IN-SERVICE TRAINING	EMPLOYMENT & ECONOMIC DEV.	129,899

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
84.276	GOALS 2000-STATE & LOCAL ED IMPROVEMENT	EDUCATION	\$ 7
84.282	CHARTER SCHOOLS	EDUCATION	8,838,326
84.283	COMPREHENSIVE CENTERS	STATE COLLEGES & UNIVERSITIES	68,304
84.287	TWENTY-FIRST CENTURY COMMUNITY LEARNING	CORRECTIONS	93,970
84.287	TWENTY-FIRST CENTURY COMMUNITY LEARNING	EDUCATION	8,226,456
84.293	FOREIGN LANGUAGE ASSISTANCE	EDUCATION	115,994
84.298	STATE GRANTS FOR INNOVATIVE PROGRAMS	EDUCATION	3,274,444
84.318	EDUCATION TECHNOLOGY STATE GRANTS	EDUCATION	5,415,322
84.323	SPECIAL ED-STATE PERSONNEL DEVELOPMENT	EDUCATION	776,501
84.323	SPECIAL ED-STATE PERSONNEL DEVELOPMENT	STATE COLLEGES & UNIVERSITIES	20,930
84.324	RESEARCH IN SPECIAL EDUCATION	STATE COLLEGES & UNIVERSITIES	1,049,479
84.325	SPECIAL ED-PERSONNEL PREP FOR DISABLED CHILDREN	STATE COLLEGES & UNIVERSITIES	239,763
84.326	SPECIAL ED-TECH ASSISTANCE CHILDREN WITH DISABILITIES	EDUCATION	171,944
84.331	GRANTS TO STATES-INCARCERATED YOUTH OFFENDERS	CORRECTIONS	129,937
84.332	COMPREHENSIVE SCHOLL REFORM DEMONSTRATION	EDUCATION	2,285,911
84.335	CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	STATE COLLEGES & UNIVERSITIES	75,793
84.336	TEACHER QUALITY ENHANCEMENT GRANTS	EDUCATION	35,428
84.336	TEACHER QUALITY ENHANCEMENT GRANTS	STATE COLLEGES & UNIVERSITIES	757,649
84.344	TRIO DISSEMINATION PARTNERSHIP	STATE COLLEGES & UNIVERSITIES	92,492
84.346	OCCUPATIONAL & EMPLOYEMENT INFORMATION GRANT	STATE COLLEGES & UNIVERSITIES	75,817
84.351	ARTS IN EDUCATION	CENTER FOR ARTS EDUCATION	336,910
84.353	TECH-PREP DEMONSTRATION GRANTS	STATE COLLEGES & UNIVERSITIES	113,456
84.357	READING FIRST STATE GRANTS	EDUCATION	10,145,210
84.358	RURAL EDUCATION	EDUCATION	89,863
84.360	DROPOUT PREVENTION PROGRAMS	EDUCATION	349,354
84.361	VOLUNTARY PUBLIC SCHOOL CHOICE	EDUCATION	2,814,906
84.365	ENGLISH LANGUAGE ACQUISITION GRANTS	EDUCATION	10,338,175
84.366	MATHEMATICS AND SCIENCE PARTNERSHIPS	EDUCATION	3,196,761
84.366	MATHEMATICS AND SCIENCE PARTNERSHIPS	STATE COLLEGES & UNIVERSITIES	40,559
84.369	GRANTS FOR STATE ASSESSMENTS & RELATED ACTIVITIES	EDUCATION	9,125,044
84.372	STATEWIDE DATA SYSTEMS	EDUCATION	837,160
84.373	SPCL EDUCATION TECH ASST ON STATE DATA COLLECTION	EDUCATION	67,435
84.375	ACADEMIC COMPETITIVENESS PROGRAMS	STATE COLLEGES & UNIVERSITIES	1,366,021
84.376	NTL SCIENCE & MATHEMATICS ACCESS TO RETAIN TLNT (SMART)	STATE COLLEGES & UNIVERSITIES	994,667
84.938	HURRICANE EDUCATION RECOVERY	EDUCATION	507,998

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. ELECTION ASSISTANCE COMMISSION			
90.401	HELP AMERICA VOTE ACT REQUIREMENTS PAYMENTS	SECRETARY OF STATE	865,065
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Aging Cluster			
93.044	SPEC PROG-AGING-GRANTS FOR SUPPORT SVCS & SR CENTER	HUMAN SERVICES	7,565,382
93.045	SPEC PROG-AGING-NUTRITION SERVICES	HUMAN SERVICES	7,453,354
93.053	NUTRITION SERVICES INCENTIVE PROGRAM	HUMAN SERVICES	2,150,321
Aging Cluster Total: \$			17,169,057
93.006	STATE RESPONSE HIV/AIDS IN MINORITY COMMUNITIES	HEALTH	170,343
93.041	SPCL PROG FOR THE AGING-TITLE VII, CHAPTER 3-PRG FOR PREV	HUMAN SERVICES	1,590
93.042	SPEC PROG-AGING-LONG TERM CARE OMBUDSMAN SERVICES	HUMAN SERVICES	224,055
93.043	SPEC PROG-AGING-DESEASE PREVENTION & HEALTH PROMOT	HUMAN SERVICES	323,553
93.048	SPEC PROG-AGING-DISCRETIONARY PROJECTS	HUMAN SERVICES	197,930
93.051	ALZHEIMER'S DISEASE DEMONSTRATION GRANTS TO STATES	HUMAN SERVICES	278,285
93.052	NATIONAL FAMILY CAREGIVER SUPPORT	HUMAN SERVICES	2,122,579
93.103	FOOD & DRUG ADMINISTRATION RESEARCH	AGRICULTURE	413,550
93.110	MATERNAL & CHILD HEALTH-FEDERAL	HEALTH	881,458
93.116	TUBERCULOSIS CONTROL PROGRAMS	HEALTH	847,224
93.127	EMERGENCY MEDICAL SERVICES FOR CHILDREN	EMERGENCY MEDICAL SERVICES	126,845
93.130	PRIMARY CARE SERVICES	HEALTH	185,017
93.136	INJURY PREVENTION & CONTROL RESEARCH	HEALTH	852,806
93.150	PROJ FOR ASST IN TRANSITION FROM HOMELESSNESS	HUMAN SERVICES	672,000
93.161	TOXIC SUBSTANCES & DISEASE REGISTRY	HEALTH	442,503
93.165	GRANTS FOR STATE LOAN REPAYMENTS	HEALTH	99,338
93.184	DISABILITIES PREVENTION	HEALTH	145,992
93.185	IMMUNIZATION RESRCH, DEMONSTRATN, CLINICAL SKILLS	HEALTH	320,779
93.197	CHILDHOOD LEAD POISONING PREVENTION	HEALTH	604,314
93.204	SURVEILLANCE OF HAZ SUBSTANCE EMERG EVENTS	HEALTH	87,482
93.217	FAMILY PLANNING SERVICES	HEALTH	99,792
93.230	CONSOLIDATED KNOWLEDGE DEV & APPLICATION	STATE COLLEGES & UNIVERSITIES	9,472
93.234	TRAUMATIC BRAIN INJURY	CORRECTIONS	68,621
93.234	TRAUMATIC BRAIN INJURY	HUMAN SERVICES	68,621
93.235	ABSTINENCE EDUCATION	HEALTH	430,992

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.241	STATE RURAL HOSPITAL FLEXIBILITY PROGRAM	HEALTH	\$ 572,892
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	HUMAN SERVICES	342,147
93.251	UNIVERSAL NEWBORN HEARING SCREENING	HEALTH	150,054
93.256	STATE PLANNING - HEALTH CARE ACCESS FOR UNINSURED	HEALTH	147,609
93.259	RURAL ACCESS TO EMERGENCY DEVICES	EMERGENCY MEDICAL SERVICES	128,776
93.273	ALCOHOL RESEARCH PROGRAMS	STATE COLLEGES & UNIVERSITIES	299,523
93.286	DSCV & APPLIED RSCH FOR TECHN INNOV TO IMP HUM HEALTH	STATE COLLEGES & UNIVERSITIES	26,778
93.299	ADVANCED EDUCATION NURSING GRANT PROGRAM	STATE COLLEGES & UNIVERSITIES	1,581
93.301	SMALL RURAL HOSPITAL IMPROVEMENT GRANTS	HEALTH	705,021
93.310	TRANS-NIH RESEARCH SUPPORT	STATE COLLEGES & UNIVERSITIES	50,181
93.358	ADVANCED EDUCATION NURSING TRAINEESHIPS	STATE COLLEGES & UNIVERSITIES	97,914
93.359	NURSE EDUCATION, PRACTICE AND RETENTION GRANTS	STATE COLLEGES & UNIVERSITIES	1,865
93.361	NURSING RESEARCH	STATE COLLEGES & UNIVERSITIES	7,346
93.380	SEXUAL VIOLENCE PREVENTION AND EDUCATION PROGRAM	HEALTH	392,768
93.393	CANCER CAUSE & PREVENTION RESEARCH	HEALTH	91,311
93.395	CANCER TREATMENT RESEARCH	HEALTH	96,736
93.399	CANCER CONTROL	HEALTH	459,064
93.448	FOOD SAFETY AND SECURITY MONITORING PROJECT	AGRICULTURE	458,134
93.449	RUMINANT FEED BAN SUPPORT PROJECT	AGRICULTURE	319,725
93.556	PROMOTING SAFE & STABLE FAMILIES	HUMAN SERVICES	3,193,488
93.564	CHILD SUPPORT ENFORCEMENT RESEARCH	HUMAN SERVICES	17,044
93.566	REFUGEE & ENTRANT ASSISTANCE-STATE ADMIN	HUMAN SERVICES	11,835,036
93.569	COMMUNITY SERVICES BLOCK GRANT	HUMAN SERVICES	6,684,484
93.570	COMMUNITY SERVICES BLOCK GRANT-DISCRETIONARY AWARDS	HUMAN SERVICES	14,940
93.571	COMMUNITY FOOD & NUTRITION	HUMAN SERVICES	13,315
93.576	REFUGEE & ENTRANT ASSISTANCE	HEALTH	226,310
93.576	REFUGEE & ENTRANT ASSISTANCE	HUMAN SERVICES	1,123,877
93.584	REFUGEE & ENTRANT ASSISTANCE	HUMAN SERVICES	1,850,752
93.586	STATE COURT IMPROVEMENT PROGRAM	SUPREME COURT	248,494
93.590	COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	HUMAN SERVICES	1,539,145
93.597	ACCESS & VISITATION GRANT	HUMAN SERVICES	134,671
93.599	CHAFEE EDUCATION AND TRAINING VOUCHERS	HUMAN SERVICES	518,093
93.600	HEAD START	EDUCATION	127,546
93.600	HEAD START	STATE COLLEGES & UNIVERSITIES	48,527
93.630	DEVELOPMENTAL DISABILITIES-BASIC SUPPORT	ADMINISTRATION	998,747

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.631	DEVELOPMENTAL DISABILITIES-NATIONAL SIGNIFICANCE	ADMINISTRATION	\$ 267,224
93.643	CHILDREN'S JUSTICE-GRANTS TO STATES	HUMAN SERVICES	297,126
93.645	CHILD WELFARE SERVICES-STATE GRANTS	HUMAN SERVICES	4,462,268
93.647	SOCIAL SERVICES RESEARCH & DEMONSTRATION	HUMAN SERVICES	747
93.648	CHILD WELFARE SERVICES TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	108,411
93.652	ADOPTION OPPORTUNITIES	HUMAN SERVICES	329,932
93.669	CHILD ABUSE & NEGLECT GRANT	HUMAN SERVICES	409,780
93.671	FAMILY VIOLENCE PREVENTION & SERVICES	PUBLIC SAFETY	1,537,430
93.674	CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	HUMAN SERVICES	1,566,976
93.768	EMPLOYMENT OF PEOPLE WITH DISABILITIES	HUMAN SERVICES	1,946,678
93.769	DEMONSTRATION TO MAINTAIN INDP & EMPLOYMENT	HUMAN SERVICES	1,944,788
93.779	CENTERS FOR MEDICARE & MEDICAID SVCS (CMS) RESEARCH	HUMAN SERVICES	851,044
93.786	STATE PHARMACEUTICAL ASSISTANCE PROGRAMS	HUMAN SERVICES	132,121
93.856	MICROBIOLOGY INFECTIOUS DISEASES RESEARCH	STATE COLLEGES & UNIVERSITIES	39,676
93.888	SPECIALLY SELECTED HEALTH PROJECTS	STATE COLLEGES & UNIVERSITIES	82,587
93.889	NTL BIOTERRORISM HOSPITAL PREPAREDNESS PRG	EMERGENCY MEDICAL SERVICES	91,009
93.889	NTL BIOTERRORISM HOSPITAL PREPAREDNESS PRG	HEALTH	8,241,327
93.913	RURAL HEALTH OPERATION OFFICES	HEALTH	148,778
93.917	HIV CARE FORMULA GRANTS	HUMAN SERVICES	4,502,439
93.919	BREAST & CERVICAL CANCER EARLY DETECTION	HEALTH	4,822,799
93.938	PREVENTION OF HIV & OTHER HEALTH PROBLEMS	EDUCATION	296,626
93.940	HIV PREVENTION ACTIVITIES-HEALTH DEPT	HEALTH	3,273,563
93.944	HIV/AIDS SURVEILLANCE	HEALTH	351,534
93.945	CHRONIC DISEASE PREVENTION AND CONTROL	HEALTH	602,373
93.946	COOP AGREEMENTS SAFE MOTHERHOOD & INFANT HEALTH	HEALTH	128,558
93.952	TRAUMA CARE SYSTEMS PLANNING AND DEVELOPMENT	HEALTH	4,826
93.958	COMMUNITY MENTAL HEALTH SERVICES BLOCK	HUMAN SERVICES	7,613,466
93.959	SUBSTANCE ABUSE PREVENTIVE TREATMENT	HUMAN SERVICES	20,646,068
93.969	GERIATRIC EDUCATION CENTERS	STATE COLLEGES & UNIVERSITIES	15,713
93.977	SEXUALLY TRANSMITTED DISEASES CONTROL	HEALTH	1,342,066
93.988	STATE DIABETES CONTROL & SURVEILLANCE	HEALTH	1,151,327
93.989	INTERNATIONAL RESEARCH AND RESEARCH TRAINING	STATE COLLEGES & UNIVERSITIES	35,725
93.991	PREVENTIVE HEALTH & SERVICES BLOCK GRANT	HEALTH	1,705,104
93.991	PREVENTIVE HEALTH & SERVICES BLOCK GRANT	PUBLIC SAFETY	2,082
93.994	MATERNAL & CHILD HEALTH SERVICES BLOCK	HEALTH	9,013,192

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. CORPORATION FOR NATIONAL & COMMUNITY SERVICE			
94.004	LRN AND SERVE AMERICA-SCHOOL AND CMTY BASED PRG	EDUCATION	308,105
94.005	LEARN & SERVE AMERICA-HIGHER EDUCATION	HIGHER EDUCATION	300,839
94.005	LEARN & SERVE AMERICA-HIGHER EDUCATION	STATE COLLEGES & UNIVERSITIES	3,959
94.006	AMERICORPS	STATE COLLEGES & UNIVERSITIES	273,682
94.007	PLANNING & PROGRAM DEVELOPMENT GRANTS	STATE COLLEGES & UNIVERSITIES	17,245
U.S. SOCIAL SECURITY ADMINISTRATION			
Disability Insurance/SSI Cluster			
96.001	SOCIAL SECURITY-DISABILITY INSURANCE	EMPLOYMENT & ECONOMIC DEV.	21,197,331
Disability Insurance/SSI Cluster Total: \$			21,197,331
96.008	SOCIAL SECURITY-BENEFITS PLANNING, ASSIST, OUTREACH	EMPLOYMENT & ECONOMIC DEV.	41,838
U.S. DEPARTMENT OF HOMELAND SECURITY			
Homeland Security Cluster			
97.004	STATE DOMESTIC PREPAREDNESS EQUIP. SUPPORT PROG.	AGRICULTURE	180,856
97.004	STATE DOMESTIC PREPAREDNESS EQUIP. SUPPORT PROG.	PUBLIC SAFETY	2,898,890
97.067	HOMELAND SECURITY GRANT PROGRAM	EMERGENCY MEDICAL SERVICES	48,537
97.067	HOMELAND SECURITY GRANT PROGRAM	OFFICE OF ENTERPRISE	300,000
97.067	HOMELAND SECURITY GRANT PROGRAM	PUBLIC SAFETY	17,721,825
Homeland Security Cluster Total: \$			21,150,108
97.008	URBAN AREAS SECURITY INITIATIVE	PUBLIC SAFETY	7,916,616
97.012	BOATING SAFETY FINANCIAL ASSISTANCE	NATURAL RESOURCES	3,883,304
97.017	PRE-DISASTER MITIGATION (PDM) COMPETITIVE GRANTS	PUBLIC SAFETY	1,173,939
97.020	HAZARDOUS MATERIALS TRAINING PROGRAM	STATE COLLEGES & UNIVERSITIES	10,354
97.023	COMMUNITY ASSISTANCE	NATURAL RESOURCES	169,704
97.036	DISASTER GRANTS-PUBLIC ASSISTANCE (PRES. DECLARED)	NATURAL RESOURCES	43,421
97.036	DISASTER GRANTS-PUBLIC ASSISTANCE (PRES. DECLARED)	PUBLIC SAFETY	15,231,408
97.039	HAZARD MITIGATION GRANT	PUBLIC SAFETY	2,739,583
97.041	NATIONAL DAM SAFETY PROGRAM	NATURAL RESOURCES	49,421
97.042	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	PUBLIC SAFETY	3,093,689
97.043	STATE FIRE TRAINING SYSTEMS GRANTS	STATE COLLEGES & UNIVERSITIES	1,800
97.044	ASSISTANCE TO FIREFIGHTERS GRANT	PUBLIC SAFETY	74,287
97.045	COOPERATING TECHNICAL PARTNERS	NATURAL RESOURCES	723,410

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY (Continued)			
97.047	PRE-DISASTER MITIGATION	PUBLIC SAFETY	\$ 56,400
97.070	MAP MODERNIZATION MANAGEMENT SUPPORT	NATURAL RESOURCES	109,851
97.075	RAIL AND TRANSIT SECURITY GRANT PROGRAM	PUBLIC SAFETY	453,825
97.078	BUFFER ZONE PROTECTION PLAN (BZPP)	PUBLIC SAFETY	823,856
Non Major Program Total:			\$ 570,299,708

The notes (referenced in parentheses) are an integral part of these statements.

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State of Minnesota
Financial and Compliance Report on Federally Assisted Programs
Fiscal Year Ended June 30, 2007

Notes to the Schedule of Expenditures of Federal Awards

These notes provide disclosures relevant to the Schedule of Expenditures of Federal Awards presented on the preceding pages.

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

The reporting policies for fiscal year 2007 conform to the Federal Single Audit Act of 1984 as amended in 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The required Schedule of Expenditures of Federal Awards is presented for the state's fiscal year ended June 30, 2007. The Schedule of Expenditures of Federal Awards is divided into two sections: major and nonmajor federal programs.

The auditor uses a risk-based approach as defined in the OMB Circular A-133 to determine which federal programs are major programs. Programs expending \$21.9 million or more in federal awards are Type A programs and are considered major programs. Type B programs are programs expending less than \$21.9 million in federal awards. If the auditor assesses Type A programs as low-risk, the auditor may replace Type A programs by higher risk Type B programs as major programs.

For purposes of financial reporting, the Catalog of Federal Domestic Assistance (CFDA) number from the June 2007 basic edition catalog identifies federal programs. The schedules are presented in numeric CFDA order within each federal agency.

Financial Reporting Entity of the State of Minnesota

The financial reporting entity for the state of Minnesota includes all state departments, agencies, institutions, and organizational units, which are controlled by or dependent upon the Minnesota Legislature and/or its constitutional officers. The state, a primary government, has considered for inclusion all potential component units for which it may be financially accountable or other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the report to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be used in determining financial accountability. These criteria include the state's ability to appoint a voting majority of an organization's governing body and either the ability of the state to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state.

The federal programs included in the schedule of expenditures of federal awards in this report are part of the state's primary government. The federal programs administered by discretely presented component units are not presented in this report, but in single audit reports issued by these entities.

Minnesota State Colleges and Universities (MnSCU), which is part of the primary government, consists of the following education institutions:

Alexandria Technical College	Minnesota State University, Moorhead
Anoka-Ramsey Community College	Minnesota West Community & Tech. College
Anoka Technical College	Normandale Community College
Bemidji State University	North Hennepin Community College
Central Lakes College	Northland Community & Technical College
Century College	Northwest Technical College
Dakota County Technical College	Pine Technical College
Fond du Lac Tribal & Community College	Rainy River Community College
Hennepin Technical College	Ridgewater College
Hibbing Community College	Riverland Community College
Inver Hills Community College	Rochester Community & Technical College
Itasca Community College	St. Cloud State University
Lake Superior College	St. Cloud Technical College
Mesabi Range Community & Technical College	Saint Paul College
Metropolitan State University	South Central College
Minneapolis Community & Technical College	Southwest Minnesota State University
Minnesota State College – Southeast Technical	Vermilion Community College
Minnesota State Community & Technical College	Winona State University
Minnesota State University, Mankato	

Basis of Accounting

The state's Comprehensive Annual Financial Report and these supplemental schedules are presented in accordance with generally accepted accounting principles, following the accrual or modified accrual basis of accounting, as appropriate for the fund structure. Most federal activity is accounted for in the Federal Fund (a major governmental fund), but several other nonmajor special revenue funds (Trunk Highway, Municipal State-Aid Street, County State-Aid Highway, Natural Resources, Game and Fish, and Miscellaneous Special Revenue funds), major proprietary funds (State Colleges and Universities and Unemployment Insurance funds), and the General Fund (a major governmental fund), include federal activity. The Minnesota Accounting and Procurement System is the primary source of financial information. Some state agencies maintain additional manual records or separate cost accounting systems to provide additional information.

Classification of Statement Information

Expenditures are presented for all federal programs and include amounts subgranted to other state or local governmental units, nongovernmental organizations, or individuals. Subgrant expenditures are recognized by the primary state agency subgranting the funds, not by the state agency receiving a subgrant from the primary state agency, except for portions of Temporary Aid for Needy Families (TANF) (CFDA 93.558). TANF subgrants, which are transferred into the Social Services Block Grant (CFDA 93.667) and the Child Care Development Block Grant (CFDA 93.575), are included in those programs and not TANF.

Note 2 – Perkins and Nursing Student Loan Programs

The amount reported on the financial statements for the Perkins Loans (CFDA 84.038) for MnSCU is the administrative and collection costs. Below is a summary of the loan activity for the Perkins Loans and Nursing Student Loans (NSL) program (CFDA 93.364) during fiscal year 2007.

	Perkins	NSL
Loans Receivable, Beginning	\$ 35,208,849	\$ 38,216
Loan Repayments	(6,468,356)	(17,116)
Loan Cancellations	(652,351)	—
New Loans Issued	6,111,822	—
Loans Receivable, Ending	<u>\$ 34,199,964</u>	<u>\$ 21,100</u>

Note 3 – Federal Family Education Loan Programs

MnSCU financial records provide information on various federal higher education student loan programs for which the state does not manage the federal funds.

Under the Federal Family Education Loans (FFEL) program (CFDA 84.032), financial institutions make loans to students attending institutions of higher education. The Federal Direct Student Loan (FDSL) program (CFDA 84.268) operates similarly to the FFEL program except that the federal government, rather than a private lender, provides the loan principal to the student. MnSCU distributed the following FFEL and FDSL loans to students attending state colleges or universities during fiscal year 2007.

Federal Family Education Loans Issued:	
Federal Subsidized Stafford	\$ 160,430,784
Federal Unsubsidized Stafford	143,366,549
Federal Parent Loans for Undergraduate Students	14,981,692
Total Federal Family Education Loans	<u>\$ 318,779,025</u>
Federal Direct Student Loans	<u>\$ 48,373,203</u>

Note 4 – Rebates

The Supplemental Food Program for Women, Infants, and Children (WIC) Program (CFDA 10.557), administered through the Minnesota Department of Health, receives cash rebates from infant formula manufacturers. The rebates are used to offset program costs and are reported as expenditure reductions. During fiscal year 2007, the state of Minnesota received a total rebate of \$30,197,831 on sales of formula to participants in the WIC program.

The Medical Assistance Program (CFDA 93.778), administered through the Minnesota Department of Human Services, receives cash rebates from drug labelers. The rebates are used to offset program costs and are reported as expenditure reductions. During fiscal year 2007, the state of Minnesota received a total rebate of \$76,962,216 on sales of drugs to participants in the Medical Assistance Program.

Note 5 – Unemployment Insurance Program

For fiscal year 2007, expenditures for the Unemployment Insurance Program (CFDA 17.225) include federal and state unemployment insurance grant expenditures as well as federal administrative expenditures. The federal unemployment insurance grant expenditures were \$13,946,610 and the state unemployment insurance grant expenditures were \$722,040,422. The federal administrative expenditures were \$44,150,146. The Unemployment Insurance Program serves workers who are unemployed through no fault of their own and are seeking reemployment. To receive benefits, claimants must be able to work, available for work, and actively seeking work. For audits and reporting under OMB Circular A-133, the U.S. Department of Labor requires that both federal and state unemployment insurance funds be considered federal awards for determining Type A (major) federal programs and for reporting expenditures of federal awards.

Note 6 – Water Quality Capitalization Grants

Water quality capitalization grants (CFDA 66.458) are used by states to create revolving funds to provide financing for construction of wastewater treatment facilities and implementation of other water quality management activities. Loans are administered from these funds by the departments of Employment and Economic Development, Agriculture, and Pollution Control. The state's loan programs are Tourism Septic Loan (TLP), Small Cities (SCDP), Agriculture Best Management Practices (AG BMP) and Clean Water Partnership (CWP). A summary of the loan activity for fiscal year 2007 is shown below.

	<u>TLP</u>	<u>SCDP</u>	<u>AG BMP</u>	<u>CWP</u>
Loans Receivable, Beginning	\$194,918	\$ 346,874	\$43,662,448	\$15,404,728
Loan Repayments	(75,873)	(116,850)	(2,619,593)	(1,601,968)
New Loans Issued	—	—	3,497,883	3,252,736
Interest Capitalized	—	—	—	100,890
Loans Receivable, Ending	<u>\$119,045</u>	<u>\$ 230,024</u>	<u>\$44,540,738</u>	<u>\$17,156,386</u>

Note 7 – CFDA Numbers

For certain programs, the correct CFDA number could not be determined. At times, state agencies receive federal grant funds from a federal agency with a program number instead of a CFDA number. When possible, a CFDA number was obtained for the program. Certain CFDA numbers presented are no longer operating programs. These programs resulted in funds being carried over from previous years. In other cases, the Department of Finance assigned a number. State agencies using the number assigned by the Department of Finance in fiscal year 2007 were asked to work with the federal granting agency to obtain a valid CFDA number for the grant program.

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**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2007**

Section I:

Summary of Auditor's Results

Financial Statements

Type of independent auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? ☐ Yes ☒ No

Significant deficiencies identified
not considered to be material weaknesses? ☒ Yes ☐ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Schedule of Expenditures of Federal Awards

Internal control over financial reporting:

Material weakness identified? ☒ Yes ☐ No

Significant deficiencies identified
not considered to be material weaknesses? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness identified? ☐ Yes ☒ No

Significant deficiencies identified
not considered to be material weaknesses? ☒ Yes ☐ No

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with Circular A-133, Section .510(a)? ☒ Yes ☐ No

Identification of Major Programs

Dollar threshold used to distinguish between
Type A and Type B programs: \$21.9 Million

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2007**

Section I: (continued)

Major Programs Audited

<u>Federal Agency and Major Program Name</u>	<u>CFDA#</u>
U. S. Department of Agriculture	
<i>Food Stamp Cluster</i>	
Food Stamps	10.551
State Administrative Match Grant - Food Stamps	10.561
<i>Child Nutrition Cluster</i>	
School Breakfast	10.553
National School Lunch	10.555
Special Milk for Children	10.556
Summer Food Service for Children	10.559
Special Nutrition for Women, Infants and Children	10.557
Child and Adult Care Food Program	10.558
U. S. Department of Defense	
National Guard Bureau	12.401
U. S. Department of Housing and Urban Development	
Community Development Block Grants	14.228
U. S. Department of Labor	
<i>Employment Services Cluster</i>	
Employment Service	17.207
Disabled Veterans Outreach Program	17.801
Local Veterans Employment Representative	17.804
<i>Workforce Investment Act (WIA) Cluster</i>	
WIA - Adult Program	17.258
WIA - Youth Activities	17.259
WIA - Dislocated Workers	17.260
Unemployment Insurance	17.225
U. S. Department of Transportation	
<i>Highway Planning and Construction Cluster</i>	
Highway Planning and Construction	20.205
Airport Improvement	20.106

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2007**

Section I: (continued)

U. S. Department of Education

Special Education Cluster

Special Education - State Grants	84.027
Special Education - Preschool Grants	84.173

Student Financial Assistance Cluster

Supplemental Education Opportunity Grant	84.007
Federal Family Education Loans	84.032
Federal Work-Study	84.033
Federal Perkins Loan	84.038
Federal Pell Grant	84.063
Federal Direct Student Loans	84.268
Nursing Student Loans	93.364

Title 1 Grants to Local Education Agencies	84.010
Rehabilitation Services - Vocational Rehabilitation Grants	84.126
Improving Teacher Quality State Grants	84.367

U. S. Department of Health & Human Services

Child Care Cluster

Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds	93.596

Medicaid Cluster

State Medicaid Fraud Control Units	93.775
Hurricane Katrina Relief Program	93.776
State Health Care Providers Survey	93.777
Medical Assistance	93.778

Childhood Immunization Grants	93.268
Center For Disease Control & Prevention	93.283
Temporary Assistance for Needy Families	93.558
Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
Foster Care Title IV-E	93.658
Adoption Assistance	93.659
Social Services Block Grant	93.667
State Children's Insurance Program	93.767

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**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2007**

Section II:

Financial Statement Audit Findings

We have separately issued our Report on Internal Control Over Statewide Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, as of February 11, 2008 (Legislative Audit Report 08-02). This report may also be accessed electronically at:

www.auditor.leg.state.mn.us/fad/pdf/fad0802.pdf

The report contains eleven findings related to controls over the preparation of the State of Minnesota's financial statements that are required to be reported in accordance with *Government Auditing Standards*. Two of those findings related to federal awards.

Finding 8 related to a lack of controls to prevent a payment to an incorrect vendor and Finding 11 identified weaknesses in preparing the Schedule of Expenditures of Federal Awards. These findings are also presented in *Section III: Federal Program Audit Findings*, in Findings 08-02-8 and 08-02-11, respectively.

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SECTION III
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2007

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT	CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Agriculture									
10.551	Food Stamps	Human Services	08-02	11	M			Inaccurate reporting of spending on draft schedule of expenditures.	P
10.551	Food Stamps	Human Services	08-12	1	S		B	Salary allocations not sufficiently documented.	P
10.551	Food Stamps	Human Services	08-12	5	S		L	Inaccurate quarterly reporting of program activity.	P
10.561	Food Stamp Administration	Human Services	08-02	11	M			Inaccurate reporting of spending on draft schedule of expenditures.	P
10.561	Food Stamp Administration	Human Services	08-12	1	S		B	Salary allocations not sufficiently documented.	P
10.561	Food Stamp Administration	Human Services	08-12	5	S		L	Inaccurate quarterly reporting of program activity.	P
10.553	School Breakfast Program	Education	08-02	11	M			Inaccurate reporting of spending on draft schedule of expenditures.	P
10.555	National School Lunch Program	Education	08-02	11	M			Inaccurate reporting of spending on draft schedule of expenditures.	P
10.556	Special Milk Program for Children	Education	08-02	11	M			Inaccurate reporting of spending on draft schedule of expenditures.	P
10.558	Child and Adult Care Food Program	Education	08-02	11	M			Inaccurate reporting of spending on draft schedule of expenditures.	P
10.559	Summer Food Service Program for Children	Education	08-02	11	M			Inaccurate reporting of spending on draft schedule of expenditures.	P
10.557	Special Nutrition for Women, Infant, & Children	Health	08-02	11	M			Inaccurate reporting of spending on draft schedule of expenditures.	P
10.557	Special Nutrition for Women, Infant, & Children	Health	08-10	2	S		M	Lack of monitoring of subrecipient activity.	P
U.S. Department of Housing and Urban Development									
14.228	Community Development Block Grant	Employment & Economic Development	08-11	1	S			Inadequate security and data integrity controls over payroll and travel.	P
14.228	Community Development Block Grant	Employment & Economic Development	08-11	2	S		M	Inconsistent monitoring of subrecipient audits.	P
14.228	Community Development Block Grant	Employment & Economic Development	08-11	3	S		L	Inaccurate reporting of project expenditures.	P
U.S. Department of Labor									
17.207	Employment Services	Employment & Economic Development	08-11	1	S			Inadequate security and data integrity controls over payroll and travel.	P
17.801	Disabled Veterans Outreach	Employment & Economic Development	08-11	1	S			Inadequate security and data integrity controls over payroll and travel.	P
17.804	Local Veterans Employment Representative	Employment & Economic Development	08-11	1	S			Inadequate security and data integrity controls over payroll and travel.	P
17.258	Workforce Investment Act Adult Program	Employment & Economic Development	08-02	11	M			Inaccurate reporting of spending on draft schedule of expenditures.	P
17.258	Workforce Investment Act Adult Program	Employment & Economic Development	08-11	1	S			Inadequate security and data integrity controls over payroll and travel.	P
17.259	Workforce Investment Act Youth Activities	Employment & Economic Development	08-02	11	M			Inaccurate reporting of spending on draft schedule of expenditures.	P
17.259	Workforce Investment Act Youth Activities	Employment & Economic Development	08-11	1	S			Inadequate security and data integrity controls over payroll and travel.	P
17.260	Workforce Investment Act Dislocated Worker	Employment & Economic Development	08-02	11	M			Inadequate security and data integrity controls over payroll and travel.	P
17.260	Workforce Investment Act Dislocated Worker	Employment & Economic Development	08-11	1	S			Inadequate security and data integrity controls over payroll and travel.	P
17.225	Unemployment Insurance	Employment & Economic Development	08-11	1	S			Inadequate security and data integrity controls over payroll and travel.	P
U.S. Department of Transportation									
20.205	Highway Planning and Construction	Transportation	08-13	1	S		A,B,M,N	Project oversight procedures not adequately followed.	\$18,869,000
20.205	Highway Planning and Construction	Transportation	08-13	2	S		A,B	Miscoded payments as participating in federal funding.	\$579,000
20.6XX	Highway Safety Cluster	Public Safety	08-08	2	S		K	Inadequate safeguarding of fixed assets.	P
20.6XX	Highway Safety Cluster	Public Safety	08-08	3	S		B	Insufficient evidence to support some of its purchases.	P
U.S. Department of Education									
various	Federal Financial Aid Cluster	Saint Paul College	KDV-07	4	S		N	Calculation of Title IV funds to be returned not done timely.	\$10,323
various	Federal Financial Aid Cluster	Ridgewater College	KDV-07	5	S		C,N	Colleges did not return loan funds to lenders timely.	P
various	Federal Financial Aid Cluster	Winona State University	KDV-07	5	S		C,N	Colleges did not return loan funds to lenders timely.	P

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SECTION III
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2007

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Education (continued)								
various	Federal Financial Aid Cluster	Saint Paul College	KDV-07	5	S	C, N	Colleges did not return loan funds to lenders timely.	P
various	Federal Financial Aid Cluster	State Colleges and Universities (MnSCU)	KDV-07	6	S	N	Changes in student enrollment status not updated within 30 days.	P
84.063	Federal Pell Grant	Minnesota State University, Moorhead	KDV-07	7	S	L	Failed to report program disbursements within 30 days.	P
84.063	Federal Pell Grant	Saint Paul College	KDV-07	7	S	L	Failed to report program disbursements within 30 days.	P
various	Federal Financial Aid Cluster	State Colleges and Universities (MnSCU)	KDV-07	8	S	E, N	Inadequate notification of disbursement of loan proceeds.	P
various	Federal Financial Aid Cluster	Rainy River Community College	KDV-07	9	S	H, L	Accounting system records did not always agree with federal reports.	P
various	Federal Financial Aid Cluster	Rochester Community & Tech College	KDV-07	9	S	H, L	Accounting system records did not always agree with federal reports.	P
various	Federal Financial Aid Cluster	Saint Cloud State University	KDV-07	9	S	H, L	Accounting system records did not always agree with federal reports.	P
various	Federal Financial Aid Cluster	State Colleges and Universities (MnSCU)	KDV-07	10	S	N	No written policies for verification of applicant information.	P
84.027	Special Education State Grants	Saint Paul College	KDV-07	11	S	E, N	Satisfactory academic progress policy differs from actual practice.	P
84.173	Special Education Preschool Grants	Education	08-02	11	M		Inaccurate reporting of spending on draft schedule of expenditures.	P
84.010	Title 1 Grants to Local Education Agencies	Education	08-02	11	M		Inaccurate reporting of spending on draft schedule of expenditures.	P
84.126	Vocational Rehabilitation	Employment and Economic Development	08-11	1	S		Inaccurate reporting of spending on draft schedule of expenditures.	P
84.367	Improving Teacher Quality State Grants	Education	08-02	11	M		Inadequate security and data integrity controls over payroll and travel.	P
							Inaccurate reporting of spending on draft schedule of expenditures.	P
U.S. Department of Health & Human Services								
93.268	Immunization Grants	Health	08-02	11	M		Inaccurate reporting of spending on draft schedule of expenditures.	P
93.268	Immunization Grants	Health	08-10	1	S	B	Salary allocations not sufficiently documented.	P
93.263	CDC-Investigations and Technical Assistance	Health	08-10	1	M		Inaccurate reporting of spending on draft schedule of expenditures.	P
93.263	CDC-Investigations and Technical Assistance	Health	08-10	1	S	B	Salary allocations not sufficiently documented.	P
93.523	CDC-Investigations and Technical Assistance	Health	08-10	2	S	M	Lack of monitoring of subrecipient activity.	P
93.528	Temporary Assistance for Needy Families	Human Services	08-02	11	M		Inaccurate reporting of spending on draft schedule of expenditures.	P
93.558	Temporary Assistance for Needy Families	Human Services	08-12	1	S	B	Salary allocations not sufficiently documented.	P
93.558	Temporary Assistance for Needy Families	Human Services	08-12	4	S	C	Excessive federal cash balances.	P
93.558	Temporary Assistance for Needy Families	Human Services	08-12	8	S	E, N	Untimely resolution of discrepancies identified by IEVS.	NQ
93.558	Temporary Assistance for Needy Families	Human Services	08-12	H-1	S	E, N	Untimely resolution of discrepancies identified by IEVS.	NQ
93.558	Temporary Assistance for Needy Families	Human Services - Hennepin County	08-12	R-1	S	E, N	Untimely resolution of discrepancies identified by IEVS.	NQ
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	08-12	Sc-1	S	E, N	Untimely resolution of discrepancies identified by IEVS.	NQ
93.558	Temporary Assistance for Needy Families	Human Services - Scott County	08-12	W-1	S	E, N	Untimely resolution of discrepancies identified by IEVS.	NQ
93.558	Temporary Assistance for Needy Families	Human Services - Washington County	08-12	W-1	S	E, N	Untimely resolution of discrepancies identified by IEVS.	NQ
93.563	Child Support Enforcement	Human Services	08-02	11	M		Inaccurate reporting of spending on draft schedule of expenditures.	P
93.575	Child Care and Development - Discretionary	Human Services	08-12	1	S	B	Salary allocations not sufficiently documented.	P
93.575	Child Care and Development - Discretionary	Human Services	08-12	2	S	B	Allocated indirect payroll costs to incorrect federal program.	P
93.575	Child Care and Development - Discretionary	Human Services	08-12	3	S	B	Inadequate control over data input into accounting system.	P
93.575	Child Care and Development - Discretionary	Human Services	08-12	3	S	B	Salary allocations not sufficiently documented.	P
93.596	Child Care and Development - Mandatory and Match	Human Services	08-12	2	S	B	Allocated indirect payroll costs to incorrect federal program.	P
93.596	Child Care and Development - Mandatory and Match	Human Services	08-12	3	S	B	Inadequate control over data input into accounting system.	P
93.596	Child Care and Development - Mandatory and Match	Human Services	08-12	3	S	B	Inadequate reporting of spending on draft schedule of expenditures.	P
93.659	Adoption Assistance	Human Services	08-02	11	M		Inadequate control over data input into accounting system.	P
93.659	Adoption Assistance	Human Services	08-12	3	S	B	Salary allocations not sufficiently documented.	P
93.659	Adoption Assistance	Human Services	08-12	1	S	B	Inadequate reporting of spending on draft schedule of expenditures.	P
93.667	Social Services Block Grant	Human Services	08-02	11	M		Did not submit quarterly reports timely.	P
93.767	State Children's Health Insurance Program	Human Services	08-12	6	S	L	Insufficient citizenship documentation to verify eligibility.	NQ
93.767	State Children's Health Insurance Program	Human Services	08-12	9	S	E	Inaccurate reporting of spending on draft schedule of expenditures.	P
93.767	State Children's Health Insurance Program	Human Services	08-12	11	M		Inadequate reporting of spending on draft schedule of expenditures.	P
93.776	Hurricane Katrina	Health	08-02	11	M		Inadequate quarterly reporting of program activity.	P
93.777	State Health Care Provider Survey	Human Services	08-12	5	S	L	Did not submit quarterly reports timely.	P
93.777	State Health Care Provider Survey	Human Services	08-12	6	S	L	Did not submit quarterly reports timely.	P

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SECTION III
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2007

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Health & Human Services (continued)								
93.778	Medical Assistance	Human Services	08-02	8	S	B	Payment to incorrect vendor.	\$1,300,000
93.778	Medical Assistance	Human Services	08-02	11	M	B	Inaccurate reporting of spending on draft schedule of expenditures.	P
93.778	Medical Assistance	Human Services	08-12	2	S	B	Allocated indirect payroll costs to incorrect federal program.	P
93.778	Medical Assistance	Human Services	08-12	5	S	L	Inaccurate quarterly reporting of program activity.	P
93.778	Medical Assistance	Human Services	08-12	6	S	L	Did not submit quarterly reports timely.	P
93.778	Medical Assistance	Human Services	08-12	7	S	M	Lack of monitoring of contract requirements.	P
93.778	Medical Assistance	Human Services - Hennepin County	08-12	8	S	E, N	Un timely resolution of discrepancies identified by IEVS.	NQ
93.778	Medical Assistance	Human Services - Ramsey County	08-12	H-1	S	E, N	Un timely resolution of discrepancies identified by IEVS.	NQ
93.778	Medical Assistance	Human Services - Scott County	08-12	R-1	S	E, N	Un timely resolution of discrepancies identified by IEVS.	NQ
93.778	Medical Assistance	Human Services - Washington County	08-12	Wa-1	S	E, N	Un timely resolution of discrepancies identified by IEVS.	NQ
93.778	Medical Assistance	Human Services - Hennepin County	08-12	H-2	S	E	Insufficient citizenship documentation to verify eligibility.	NQ
93.778	Medical Assistance	Human Services - Ramsey County	08-12	R-2	S	E	Insufficient citizenship documentation to verify eligibility.	NQ
93.778	Medical Assistance	Human Services - Dakota County	08-12	D-1	S	E	Insufficient citizenship documentation to verify eligibility.	NQ
93.778	Medical Assistance	Human Services - Rice County	08-12	RI-1	S	E	Insufficient citizenship documentation to verify eligibility.	NQ
93.778	Medical Assistance	Human Services - St. Louis County	08-12	SL-1	S	E	Insufficient citizenship documentation to verify eligibility.	NQ
93.778	Medical Assistance	Human Services - Freeborn County	08-12	F-1	S	E	Non-compliance with eligibility criteria.	NQ
Social Security Administration								
96.001	Social Security Disability Insurance	Employment and Economic Development	08-11	1	S		Inadequate security and data integrity controls over payroll and travel.	P
U. S. Department of Homeland Security								
97.004	State Domestic Preparedness Equipment Program	Public Safety	08-08	2	S	K	Inadequate safeguarding of fixed assets	P
97.004	State Domestic Preparedness Equipment Program	Public Safety	08-08	3	S	B	Insufficient evidence to support some of its purchases.	P
97.067	Homeland Security Grant Program	Public Safety	08-08	1	S	L	Inaccurate reporting of spending on schedule of expenditures.	P
97.067	Homeland Security Grant Program	Public Safety	08-08	3	S	B	Insufficient evidence to support some of its purchases.	P
97.067	Homeland Security Grant Program	Public Safety	08-08	4	S	N	Improperly obligating funds to its subgrantees.	P

Notes:

This summary schedule highlights federal program audit findings presented in the Minnesota Office of the Legislative Auditor's reports to the applicable state agencies. These reports may be accessed at www.auditor.leg.state.mn.us.
The "RPT NO" column shows the report numbers in the format 0X-XX, and identifies individual agency reports; and the "FIND NO" are finding numbers within those reports.
The finding identifies whether the internal control (INT CONT) is a Material (M) weakness or a Significant (S) deficiency and/or compliance (COMP REQ) requirement addressed (A-N).
The financial impact of a finding is shown as procedural (P), non-quantifiable (NQ) or as a questioned cost.

Kern-DeWenter-Viere (KDV) audited the Minnesota State Colleges and Universities financial statements and federal financial aid cluster. The "RPT NO" for KDV federal program findings are reported in KDV-07; and the "FIND NO" are finding numbers within KDV's report.

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2007**

**Index of Section III
Federal Program Audit Findings**

<u>Report Number</u>	<u>State Agency</u>	<u>Page</u>
Report 08-02	Statewide Financial Reporting	42
Report 08-08	Department of Public Safety	49
Report 08-10	Department of Health	55
Report 08-11	Department of Employment and Economic Development.....	60
Report 08-12	Department of Human Services.....	65
Report 08-13	Department of Transportation	99
Report KDV-07	Minnesota State Colleges and Universities	103

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

Report 08-02

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance

Questioned Costs: \$1,300,000

Finding 08-02-8 *Payment to incorrect vendor*

8. The Department of Human Services did not have controls in place to prevent or detect payments to incorrect vendors.

The department's lack of adequate internal controls resulted in a \$2.6 million payment to the wrong vendor. The error occurred when an employee entered the wrong vendor number into the state's accounting system. Although the department had properly approved the payment, it did not have a process to ensure that the correct vendor was actually paid.

In addition, the department did not have controls in place to detect its error. The department only found out about the error when the recipient contacted the department to question the payment after receiving and cashing the check. Although the department performs periodic payment reconciliations after it processes payments, these comparisons verify the total payment amounts for a given date range and would not detect a payment to an incorrect vendor. The expense was allocated equally between the General Fund and the Federal Fund (Medical Assistance CFDA #93.778). As of December 2007, the department had not recovered the \$2.6 million erroneous payment.

Because the department processes billions of dollars of assistance payments to individuals, vendors, and other governmental entities, it is imperative to have a strong system of internal controls that ensures the accuracy of vendor payments.

Recommendations

- *The Department of Human Services should develop internal controls to ensure that payments are made to the correct vendors.*
- *The Department of Human Services should recover the \$2.6 million paid to the incorrect vendor.*

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Minnesota Department of Human Services Response:

The department agrees with the recommendations. After the incident, the Department of Finance modified state-wide payment controls to prevent this type of mistake from happening again. After their review, our internal auditors recommended that the department adopt the new procedures. The department has implemented the enhanced payment controls.

We are working with the Office of the Attorney General (civil action) and the Hennepin County Attorneys Office (criminal action). They are coordinating the civil and criminal proceedings.

Person Responsible:	Martin Cammack
Estimated Completion Date:	Completed

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-02

State Agencies: Minnesota Department of Finance
Minnesota Department of Human Services
Minnesota Department of Health
Minnesota Department of Education
Minnesota Department of Employment & Economic Development

Federal Agencies: U. S. Department of Agriculture
U. S. Department of Labor
U. S. Department of Education
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Food Stamps
10.561	Food Stamp Administration
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
10.557	Special Nutrition for Women, Infants and Children
17.258	Workforce Investment Act Adult Program
17.259	Workforce Investment Act Youth Activities
17.260	Workforce Investment Act Dislocated Worker
84.010	Title 1 Grants to Local Education Agencies
84.027	Special Education State Grants
84.173	Special Education School Grants
84.367	Improving Teacher Quality State Grants
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.659	Adoption Assistance
93.767	State Children's Health Insurance Program
93.776	Hurricane Katrina
93.778	Medical Assistance
93.268	Childhood Immunization Grants
93.283	CDC-Investigations and Technical Assistance
93.777	State Health Care Provider Survey

Questioned Costs: None – Procedural Finding Only

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Finding 08-02-11 *Inaccurate reporting of spending on draft schedule of expenditures*

11. The state's procedures for preparing the Schedule of Expenditures of Federal Awards resulted in significant audit adjustments to the draft schedules and delays in determining the major programs to be audited under the Single Audit Act.

Similar to the state's financial statements, Finance is responsible for preparing the Schedule of Expenditures of Federal Awards that is included in the *Minnesota Financial and Compliance Report on Federally Assisted Programs*. As in the financial reporting process, the accounting system cannot generate the schedule. Finance relies on other state agencies, such as Human Services, Education, Health, and Employment and Economic Development to provide additional accruals or adjustments that are not accurately recorded in the state's accounting system. In the following cases, we identified significant errors in the draft Schedule of Expenditures of Federal Awards submitted for audit. These errors could have been identified by the Department of Finance and applicable agencies by comparing variances in amounts between fiscal years and following up on significant differences.

- The Department of Human Services erroneously adjusted the draft schedule of federal expenditures received from Finance. The department's adjustment understated expenditures in the draft schedule for the Medical Assistance program by \$394 million.
- Finance recorded \$46 million in administrative expenditures for the Food Stamp cluster in the wrong federal program. The administrative expenditures should be reported in CFDA #10.561 rather than CFDA #10.551 as recorded on the draft federal schedules.
- Finance did not always adjust prior year agency accruals for the major federal programs. In preparing the 2007 schedules, although the Department of Education had backed out \$82 million in prior year accrued liabilities, that activity had not been eliminated from the draft schedules submitted for audit. If not adjusted, these amounts would have significantly overstated the Schedule of Expenditures of Federal Awards.
- The Department of Health did not include \$21 million of immunizations received from the Centers for Disease Control and Prevention on its draft schedule of federal expenditures for the childhood immunization program. Per the compliance supplement, the value of commodities needs to be reported as federal grant expenditures. A comparison of the draft schedule amount of \$4.5 million compared to the fiscal year 2006 reported expenditures of \$19.1 million would have detected the error.
- The Department of Employment and Economic Development improperly measured fiscal year 2007 liabilities, totaling \$1.3 million for three federal programs.

The following table identifies, by state agency, all of the federal programs impacted by the errors in the draft Schedule of Expenditures of Federal Awards.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Table of Federal Programs Affected by Financial Reporting Errors
Schedule of Expenditures of Federal Awards
Fiscal Year 2007

State Agency	Federal Program Name	CFDA #
Human Services	Food Stamps	10.551
Human Services	Food Stamp Administration	10.561
Human Services	Temporary Assistance for Needy Families	93.558
Human Services	Child Support Enforcement	93.563
Human Services	Adoption Assistance	93.659
Human Services	State Children's Health Insurance Program	93.767
Human Services	Hurricane Katrina	93.776
Human Services	Medical Assistance	93.778
Education	School Breakfast Program	10.553
Education	National School Lunch Program	10.555
Education	Special Milk Program for Children	10.556
Education	Child and Adult Care Food Program	10.558
Education	Summer Food Service Program for Children	10.559
Education	Improving Teacher Quality State Grants	84.367
Education	Special Education State Grants	84.027
Education	Special Education Preschool Grants	84.173
Education	Title I Grants to Local Education Agencies	84.010
Health	Special Nutrition/Women/Infants & Children	10.557
Health	Childhood Immunization Program	93.268
Health	Centers for Disease Control and Prevention	93.283
Health	State Health Care Provider Survey	93.777
Employment/Economic Dev.	Workforce Investment Act Adult Program	17.258
Employment/Economic Dev.	Workforce Investment Act Youth Activities	17.259
Employment/Economic Dev.	Workforce Investment Act Dislocated Worker	17.260

Source: Auditor prepared.

Finance committed limited resources to the preparation of the draft Schedule of Expenditures until after the state's financial statements were completed. Because the schedules require significant manual adjustments and the involvement of various agencies, Finance did not provide the draft schedules to us until January 2008. Errors in the schedules further delayed their finalization. The Single Audit Act requires that the state's major programs be determined based on the final schedules. Changes in the determination of major federal programs may result in the need for additional audit work before the state can issue its Financial and Compliance Report on Federally Assisted Programs, possibly risking its ability to issue the report by March 31, as required by the federal government.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Recommendations

- *Finance and applicable state agencies should ensure that prior and current year accruals are properly reflected in the draft federal expenditure schedules and should perform analytical procedures of current year schedules to prior year amounts and follow up on significant differences.*
- *Finance should review significant adjustments and reclassifications to the federal expenditure schedules submitted by the agencies.*
- *Finance should more promptly prepare the Schedule of Expenditures of Federal Awards to allow an earlier determination of major programs.*

Minnesota Department of Finance Response:

As federal programs may change each year, we have historically relied on agencies to provide accurate information as they are in the best position to ensure information is reported correctly. In the past year, significant improvements were made in the process for capturing federal expenditures by providing agencies with a better tool to identify expenditures and accurately report this information to the department. We will continue to work with agencies and refine the process to ensure the federal expenditures are reported accurately. This includes analyzing the review processes both at agencies and within our department.

We will also provide your staff with the preliminary schedule of federal expenditures that is provided to agencies for review. We understand the major programs are determined based on the final schedule of federal expenditures, but this can be used as a preliminary view of changes in federal programs instead of relying on prior year information. We will also review the process of the completion of the federal expenditure report and work with agencies to improve the timing of the final report.

Person Responsible: Barb Ruckheim, Financial Reporting Director
Estimated Completion Date: March 31, 2008

Minnesota Department of Human Services Response:

The department will work with the Department of Finance to implement the necessary procedures to properly state prior and current accruals to the federal expenditure schedules.

Person Responsible: Martin Cammack
Estimated Completion Date: December 31, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Minnesota Department of Health Response:

The Department of Health concurs with the finding that financial statements were not adjusted correctly by the Department for CFDA numbers 10.557, 93.268, 93.283 and 93.777 to reflect additional accruals or adjustments in these federal grant programs. While we concur with this finding, it is important to note that this only relates to the reporting of the financial value of the vaccine in the state's financial statements and does not pertain to the administration of the vaccine itself.

As you are aware regarding the federal Vaccines for Children (VFC) program, the Department does not directly receive either the funding for vaccines or the vaccines themselves. Vaccines are requested from and distributed directly to health care providers across Minnesota, with the Department of Health providing administration of the program. As a result, the value of these vaccines is not included in the state's accounting system and is instead tracked through a different federal system. Recent changes in Financial Management staffing in this agency resulted in the oversight of including the value of these commodities in the federal Schedule of Expenditures as per the updated 2007 OMB A-133 compliance supplement.

To date, Department of Health Financial Management staff that prepare these financial statements have been briefed on the errors that were made, documentation has been included in the appropriate reference files for use next year, and additional staff have been identified as back-ups for this activity to ensure proper completion of future financial statements. By April 1, 2008, current and back-up staff will have reviewed prior federal expenditure schedules for accuracy and be trained in the process to ensure proper completion of future financial statements.

Person Responsible: Craig Acomb, Chief Financial Officer
Estimated Completion Date: April 1, 2008

Minnesota Department of Employment and Economic Development Response:

We agree with the recommendation. The department will establish deadlines that will allow for the adequate manager review of the Federal Schedule of Expenditures prior to submission to the Department of Finance. In addition, the Department of Finance will be consulted regarding the level of detail that is required to be reported.

Person Responsible: Cindy Farrell, Chief Financial Officer
Estimated Completion Date: June 30, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-08

State Agency: Minnesota Department of Public Safety

Federal Agency: U. S. Department of Homeland Security

CFDA Numbers/Program Names:

97.067 Homeland Security Grant Program

Questioned Costs: None – Procedural Finding Only

Finding 08-08-1 *Inaccurate reporting of spending on draft schedule of expenditures*

1. The Department of Public Safety erroneously included expenditures in the Homeland Security Grant Program (CFDA 97.067).¹

In preparing its draft schedule of federal expenditures, the department erroneously included \$3,069,751 of expenditures in the schedule for the Homeland Security Grant Program that should have been reported in a different federal program. Although corrected by an audit adjustment, the error would have resulted in an overstatement in the federal expenditures reported in the *Minnesota Financial and Compliance Report on Federally Assisted Programs*² for fiscal year 2007. Last year, in preparing the federal expenditure schedule for fiscal year 2006, the department made the same error, initially overstating the program's expenditure by \$1,002,543. The department's fiscal and administrative unit, which reviews the expenditure schedules for accuracy, did not identify that expenditures were incorrectly recorded.

Recommendation

- *The department's financial and administrative services unit should work with the program personnel to ensure accurate reporting of federal expenditures.*

Minnesota Department of Public Safety Response:

Homeland Security Emergency Management division will provide the correct CFDA number from the grant guidance when preparing Policy Notes, budget and supporting documentation (award) to the Office of Fiscal & Administrative Services (FAS) to be established in MAPS.

Person Responsible: Jon Huspek, Business Manager HSEM

Estimated Completion Date: September 2008

¹ The Homeland Security Grant Program is part of the federal government's Homeland Security Cluster.

² The *Minnesota Financial and Compliance Report on Federally Assisted Programs* is prepared by the Department of Finance and details federal program expenditures and program findings by CFDA number.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-08

State Agency: Minnesota Department of Public Safety

Federal Agencies: U. S. Department of Transportation
U. S. Department of Homeland Security

CFDA Numbers/Program Names:

20.600	State & Community Highway Safety
20.601	Alcohol Traffic Safety/Drunk Driving Prevention
20.603	Federal Highway Safety Data Improvements Incentive Grant
20.604	Safety Incentive Grants For Use of Seatbelts
20.610	State Traffic Safety Information System Improvement Grant
20.612	Incentive Grant Program to Increase Motorcyclist Safety
97.004	State Domestic Preparedness Equipment Program

Questioned Costs: None – Procedural Finding Only

Finding 08-08-2 *Inadequate safeguarding of fixed assets*

2. The department did not adequately safeguard fixed assets purchased with federal program funds.

The department did not safeguard its fixed assets, including those purchased with federal program funds. The department's fixed asset inventory system did not contain certain information required by the state's Department of Administration.³ This information is essential because it allows the department to accurately identify the asset and its location. The department's inventory records lacked key information for 8 of 14 sample items. Fixed asset purchases totaled about \$228,000 for the Homeland Security Cluster and \$271,000 for the Highway Safety Cluster in fiscal year 2007.

For example, the missing inventory information made it difficult for the department to locate radio communication equipment purchased for \$35,734 with State Domestic Preparedness (CFDA 97.004) funds and sensitive computer equipment purchased for \$4,082 with the State and Community Highway Safety (CFDA 20.600) funds.

³ Department of Administration's User Guide to State Property Management requires state agencies to use a capital asset tracking system for capital assets costing \$5,000 or more and sensitive assets.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Our recent audit report⁴ identified several weaknesses in this area, including a lack of periodic physical inventories. Without complete and accurate inventory records, the department is unable to adequately manage, track, and report its fixed assets.

Recommendation

- *The department should maintain an up-to-date record of its fixed assets and conduct periodic physical inventories to ensure that its fixed asset records are accurate.*

Minnesota Department of Public Safety Response:

Three of the seven items identified are HSEM's and were not recorded properly in the Fixed Asset Inventory System. The other four were not retained by HSEM and were purchased for and became the ownership of local Hazardous Material Teams and Bomb Squads.

The Office of Fiscal and Administrative Services (FAS) developed a comprehensive training program, which was presented to managers and supervisors in August '07 and all agency asset coordinators and their immediate supervisors in February '08. FAS is working with divisions to develop physical inventory schedules. FAS will develop a strategic plan for improvement to include the following processes or changes:

- Comprehensive training for division asset coordinators. This training addresses all state and agency policies and requirements associated with asset tracking, including property dispositions and reporting requirements using the Stolen, Lost, Damaged, or Recovered Property Reports.
- System requirements
- All divisions are required to complete a new physical inventory by June 30, 2008.
- Physical inventory documentation & tracking requirements
- Physical inventory certification process now is in place
- Full and spot audits
- Ongoing status and training meetings with the division asset coordinators
- Develop tracking procedures when purchases are made for direct ownership to locals and other entities who receive products through the grant or federal programs. This will include requiring the purchasers to include more information on the purchase order at the time of purchase.

Person Responsible:	Rita Wurm, Assistant Director FAS
Estimated Completion Date:	June 2008

⁴ Office of the Legislative Audit Report 07-29.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-08

State Agency: Minnesota Department of Public Safety

Federal Agencies: U. S. Department of Transportation
U. S. Department of Homeland Security

CFDA Numbers/Program Names:

20.600	State & Community Highway Safety
20.601	Alcohol Traffic Safety/Drunk Driving Prevention
20.603	Federal Highway Safety Data Improvements Incentive Grant
20.604	Safety Incentive Grants For Use of Seatbelts
20.610	State Traffic Safety Information System Improvement Grant
20.612	Incentive Grant Program to Increase Motorcyclist Safety
97.004	State Domestic Preparedness Equipment Program
97.067	Homeland Security Grant Program

Questioned Costs: None – Procedural Finding Only

Finding 08-08-3 *Insufficient evidence to support some of its purchases*

3. The department did not always have sufficient evidence to support some purchases.

The department did not always retain supporting documentation, such as packing slips or invoices for its purchases. In 4 of 15 Homeland Security (CFDA 97.004 and 97.067) sample items and 3 of 18 Highway Safety (CFDA 20.600 – 20.612) sample items, the department did not have the proper supporting documentation on file, as required by state and department policies.⁵ For example, the department paid one vendor from the “sales order” rather than the invoice. Without retaining the required documentation, the department could not ensure that it only paid for goods it received. A good control involves a three-way match between the purchase order, packing slip, and invoice, ensuring that the purchase was authorized and the goods were received before making payment.

Recommendation

- *The department should retain appropriate documentation to support the receipt of goods and to ensure that it only pays for authorized goods that it has received.*

⁵ Department of Public Safety Policy 3505 – Purchasing: General Requirements VIII states, “Purchasers must maintain a purchasing file for each purchase consisting of the following documents: a copy of the purchase order, written specifications, documentation of telephone bids, and vendor bid response in writing if over \$500, vendor complaint forms, purchasing violation forms, certification forms and packing slips.”

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Minnesota Department of Public Safety Response:

The agency found that only 2 out of 18 Highway Safety Cluster Program samples did not have proper supporting documentation on file. After reviewing the samples pulled, we found the 3-way match documentation for one order. We agree the 4 of 15 in HSEM was missing a packing slip in the purchasing file. We concur that one payment was paid from a sales order form, not the invoice. Public Safety has a policy 3505 directing purchasers to retain supporting receiving documentation. Policy 3202 directs payables to use an invoice for payment.

FAS will develop a procedure under policy 3505 that will require the purchasing division to contact the vendor for a copy of the missing packing slip, or for the division to complete a memo in lieu of a packing slip, and to retain a copy in the purchasing file. FAS will communicate these procedural changes to the purchasers, supervisors, and managers accordingly.

Person Responsible:	Marlys Gardner, Accounts Payable Supervisor FAS
Estimated Completion Date:	September 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-08

State Agency: Minnesota Department of Public Safety

Federal Agency: U. S. Department of Homeland Security

CFDA Numbers/Program Names:

97.067 Homeland Security Grant Program

Questioned Costs: None – Procedural Finding Only

Finding 08-08-4 *Improperly obligating funds to its subgrantees*

4. The department did not properly obligate funds to subgrantees for the Homeland Security Grant Program (CFDA 97.067).

The department did not comply with federal regulations⁶ to obligate funds for subgrants within 60 days after the date of the program's grant award. The department received federal funds to provide grants to local entities for the administration of various program provisions. The federal government required the department to obligate the funds within 60 days after the state received the grant award. The federal government defined obligate as "an action by the state to establish a firm commitment, the commitment must be unconditional on the part of the state, there must be documentary evidence of the commitment, the award terms must be communicated to the subgrantee and, if applicable, accepted by the subgrantee." Although the department obligated the funds in total, it did not obligate them to specific subgrantees. There were no unconditional, firm commitments established or communicated to many subgrantees.

Recommendation

- *The department should properly obligate funds to its subgrantees within the 60-day requirement.*

Minnesota Department of Public Safety Response:

Homeland Security Emergency Management will obligate/award within 45 days of the grant award by sending a letter notifying each sub-grantee of their award. HSEM will keep copies of all award letters on file for documentation meeting the new requirement of 45 days for the Homeland Security Grant Program.

Person Responsible: Kris Eide, Director HSEM
Estimated Completion Date: September 2008

⁶ OMB A-133 Compliance Supplement, Homeland Security Cluster, Part 4, Compliance Requirement N – Special Tests and Provisions.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-10

State Agency: Minnesota Department of Health

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.268	Immunization Grants
93.283	CDC- Prevention, Investigations and Technical Assistance

Questioned Costs: None – Procedural Finding On

Finding 08-10-1 *Salary allocations not sufficiently documented*

- 1. PRIOR FINDING PARTIALLY RESOLVED:** The department did not adequately oversee compliance with federal and state requirements for documenting time charged to federal programs. (Prior Findings 07-05-1, 06-07-1, and 05-16-1)

The department did not provide sufficient oversight or adequately document the basis for payroll costs charged to the Childhood Immunization (CFDA 93.268) and Centers for Disease Control technical assistance (CFDA 93.283) programs. While the department did make improvements since our last audit in its process for reviewing key payroll documents, it did not always comply with federal and state requirements and department policy for supporting time charged to federal programs.

First, the department continued to have problems supporting its payroll charges to specific federal programs. Payroll charges to federal programs must be supported by evidence that employees, in fact, worked on those programs. Federal regulations⁷ require employees who work on multiple programs to support the allocation of their salaries among funding sources with personnel activity reports or equivalent documentation. This documentation must reflect the actual activity of each employee and account for the total activity for which each employee is compensated. Additionally, when employees are assigned to work on only one federal program, charges for their salaries must be supported by periodic certifications that the employee worked solely on that program. Testing a sample of the department's documentation of time charged to the childhood immunization and CDC federal programs showed numerous problems. Eight of eighteen sample items did not have the required time studies or certifications completed. In addition, there were funding discrepancies on 33 percent of the sampled items. The department's documentation also had the following weaknesses:

⁷ U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

- Many employees completed a single program certification when, in fact, they should have completed time studies because they worked on multiple federal grants. OMB Circular A-87 requires employees who work on more than one federal award to have their time supported by personnel activity reports and requires adjustment of payroll charges to the individual federal award, if necessary. In order to correctly allocate costs to each federal funding source, these employees should document their time spent on each federal award.
- Nine employees either had actual time charged to federal funding sources that did not match information provided on the time studies, or we were unable to determine the correct percentages due to lack of documentation. In some cases, the percentages differed by more than 20 percent.

Based on our initial results, we expanded our testing to include all employees of the Immunization Tuberculosis and International Health Section of the department, many of whom had salaries funded by both the childhood immunization and CDC grants. The section did not comply with federal requirements for payroll allocation as follows:

- Sixty-one percent of the 70 employees within the section did not complete any time studies or certifications during fiscal year 2007. This section was unaware of the need to complete certifications for student workers or employees funded by a single source.
- Thirty-seven percent of the employees of this section had not completed the required time studies or certifications for part of the year. Many completed this documentation for the time period of July through December 2006, but did not meet the requirement for the time period of January through June 2007. Some employees completed time studies for the latter time frame, but did not submit them to the payroll area for adjustment.

Second, the department continued to make significant expense transfers to its payroll transactions in order to accurately report its federal funding allocations. State policy⁸ states that mass expense transfers are not intended as a means to correct a recurring problem. When employees submit time studies, the department adjusts the default funding allocations to more accurately account for time charged to federal programs. This process involves manual calculations that create additional workload for the department and increase the risk of error. The department should set the personnel/payroll system's default allocations to more closely match employees' assignments. The department did record fewer expense transfers in fiscal year 2007 than in past years.

⁸ State personnel/payroll policy PAY0029.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Recommendation

- *The department should provide oversight of its payroll process to ensure compliance with federal and state requirements for documenting time charged to specific programs by:*
 - *Educating all supervisors, federal grant program managers, and employees about the requirements for documenting time charged to federal programs;*
 - *Stressing the need for time studies or certifications for employees whose salaries are federally funded, and defining the differences, and when each type is appropriate according to federal requirements;*
 - *Monitoring that all employees, as required, complete time studies and certifications timely and provide sufficient federal payroll documentation to the central accounting unit; and*
 - *Exploring ways to identify and record significant payroll funding changes as they occur each pay period, rather than continuing to make numerous retroactive adjustments.*

Minnesota Department of Health Response:

The department concurs with this finding and is in the process of designing and implementing new activities that will achieve this goal. Recently the department adopted updated policies and procedures that clarify responsibilities for ensuring time studies and certifications are completed on a timely basis. In addition, the department is planning to provide additional education and training on compliance requirements at new employee orientations, departmental meetings and with specific programs utilizing federal funds.

Staff from the Financial Management unit will meet with the Department of Finance Central Payroll staff to explore options for reducing the number of retroactive payroll adjustments that are needed. The department will also examine the applicability of systems currently being used at other state agencies to provide payroll cost accounting as an alternative to the current time study and certification process.

Person Responsible:	Craig Acomb, Chief Financial Officer
Estimated Completion Date:	June 1, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-10

State Agency: Minnesota Department of Health

Federal Agencies: U. S. Department of Agriculture
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.557	Special Nutrition for Women, Infants & Children
93.283	CDC- Prevention, Investigations and Technical Assistance

Questioned Costs: None – Procedural Finding On

Finding 08-10-2 *Lack of monitoring of subrecipient activity*

2. The department did not monitor subrecipient activity, as required by federal regulations.

The department did not adequately review federal grant expenditures of subrecipients and did not review subrecipient audit reports for the WIC (CFDA 10.557) and Centers for Disease Control technical assistance (CFDA 93.283) programs.

First, the department does not have a standard process for reviewing and monitoring subrecipient expenditures for the CDC program. Federal regulations require the department to monitor federal funds passed on to a subrecipient to provide reasonable assurance that the subaward is administered in compliance with laws, regulations, and provisions of contracts or grant agreements. To provide assurance that the expenditures were necessary in achieving the goals of the grant agreement, we contacted some subrecipients directly and validated certain expenditures for which the department did not have adequate supporting documentation.

Second, the department does not have effective controls in place to review subrecipient audit reports for the WIC and CDC programs. OMB Circular A-133 requires that subrecipients expending over \$500,000 annually submit an independent audit report within nine months of their year end to their pass through entity. The department did not obtain or review audit reports for their five subrecipients who met the threshold. Department management indicated the task was not a priority, and there are no staff officially assigned to perform this function.

Recommendation

- *The department should comply with federal requirements by:*
 - *Monitoring subrecipient expenditures for compliance with laws, regulations, or provisions of contracts or grant agreements; and*

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

- *Obtaining and reviewing subrecipient audit reports timely and ensuring corrective action on all audit findings.*

Minnesota Department of Health Response:

The department agrees with these recommendations and is in the process of revising the department's grant oversight procedures to be consistent with the Office of the Legislative Auditor's recommendations outlined in the January 2007 report entitled "State Grants to Non-Profits Organizations." The department plans to require grantees to submit supporting documentation with their requests for reimbursement of expenditures at least once during each two year agreement.

The department will also assign staff to regularly review reports from the Department of Finance to determine which grantees meet the audit threshold, ensure that the department has received a current audit report from those organizations, and provide follow-up on any audit findings identified in those reports for grantees or their subrecipients.

Person Responsible:	Craig Acomb, Chief Financial Officer
Estimated Completion Date:	June 1, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-11

State Agency: Minnesota Department of Employment and Economic Development

Federal Agencies: U. S. Department of Housing and Urban Development
U. S. Department of Labor
U. S. Department of Education
U. S. Social Security Administration

CFDA Numbers/Program Names:

14.228	Community Development Block Grant
17.207	Employment Services
17.225	Unemployment Insurance
17.258	Workforce Investment Act Adult Program
17.259	Workforce Investment Act Youth Activities
17.260	Workforce Investment Act Dislocated Workers
17.801	Disabled Veterans' Outreach Program
17.804	Local Veterans' Employment Representative Program
84.126	Rehabilitation Services- Vocational Rehabilitation Grants
96.001	Social Security Disability Insurance

Questioned Costs: None – Procedural Finding Only

Finding 08-11-1 *Inadequate security and data integrity controls over payroll and travel*

- 1. The Department of Employment and Economic Development did not effectively control access to personnel functions and accuracy of data supporting payroll and travel transactions charged to its federal programs.⁹**

The department did not adequately restrict incompatible access to update both personnel and payroll functions and allowed some accounting staff unnecessary access to update personnel records. In addition, the department did not detect errors in the data entry of timesheet hours and travel claims in the state's payroll system. The federal government requires adequate controls over costs charged to federal programs.

- The department did not restrict access to the state's personnel/payroll system to allow segregation of duties between the personnel and payroll functions. The department allowed one employee excessive access to update both functions and provided two additional accounting staff unnecessary access to update personnel records. Only department human resources staff have job responsibilities justifying the need for access to update personnel

⁹ These internal control weaknesses affect all federal programs managed by the department, including CFDA's 14.228, 17.207, 17.225, 17.258, 17.259, 17.260, 17.801, 17.804, 84.126, and 96.001.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

data. State policies¹⁰ do not allow incompatible access and require agencies to limit employee access to those who need it to perform their job duties.

- The department did not have effective controls to detect data entry errors of hours reported on employee timesheets or reimbursement of travel claims. The department misrecorded hours worked and leave taken for seven employees tested and misrecorded reimbursement data for two travel reimbursements. To detect these kinds of errors, state policies¹¹ require an independent review of a payroll transaction report for accuracy. The policy allows either a complete review of all employees or the review of a statistical sample of transactions. The department verifies its payroll transactions on a sample basis, but its sample selection is not statistical. The errors identified in the audit suggest that the department's sample selection method does not result in the review of a sufficient number of transactions.

Recommendation

- *The Department of Employment and Economic Development should improve internal control over federal payroll transactions by:*
 - *eliminating incompatible access to update personnel and payroll functions and restricting personnel access to those assigned human resources duties; and*
 - *verifying a statistical sample of timesheet hours and travel reimbursements to ensure the accuracy of data entered into the payroll system.*

Minnesota Department of Employment and Economic Development Response:

We agree with the recommendation. The department will eliminate incompatible and unnecessary access to update personnel and payroll functions by March 31, 2008. In addition, the department will implement new processes to improve its review of timesheet hours and travel reimbursements by June 30, 2008.

Person Responsible:	Cindy Farrell, Chief Financial Officer
Estimated Completion Date:	June 30, 2008

¹⁰ SEMA4 Operating Policy and Procedure HR045.

¹¹ SEMA4 Operating Policy and Procedure PAY0028 requires a review of the payroll register report.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-11

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U. S. Department of Housing and Urban Development

CFDA Numbers/Program Names:

14.228 Community Development Block Grant

Questioned Costs: None – Procedural Finding Only

Finding 08-11-2 *Inconsistent monitoring of subrecipient audits*

- 2. PRIOR FINDING PARTIALLY RESOLVED: The Department of Employment and Economic Development did not consistently monitor subrecipient expenditures for the federal Community Development Block Grant Program. (Prior Findings 07-07-3 and 06-09-3)**

Department staff assigned to monitor subrecipient compliance with Community Development Block Grant Program requirements did not ensure that subrecipients had an audit of housing and urban development funds. The program provides federal grants to small cities for housing and economic improvement projects. Under federal authority, the state has issued rules to govern grant application, awarding, and monitoring. Department staff monitors projects' progress and verifies that cities complied with federal grant requirements. As reported in our 2005 and 2006 audits, the department's program monitors were not consistent in their monitoring practices.

The department continued to have some monitoring weaknesses. The department did not ensure subrecipients had compliance audits of their federal grant money. Although one city had a federal compliance audit for calendar year 2006, the audit did not include the city's Community Development Block Grant totaling \$591,916. More significantly, the department failed to identify the audit deficiency for two consecutive years. Federal guidelines require that organizations who receive over \$500,000 annually submit an independent *Office of Management and Budget's Circular A-133* audit report within nine months of their year end. Subrecipient audits are a key way that the state and federal governments assure that funds are used in accordance with program requirements. Without effective monitoring and oversight of audits completed, ineligible costs and noncompliance with federal regulations could occur without detection.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Recommendation

- *The Department of Employment and Economic Development should comply with federal Community Development Block Grant Program requirements and ensure that grant recipients have an OMB A-133 compliance audit.*

Minnesota Department of Employment and Economic Development Response:

We agree with the recommendation. The audit received from one city did not include CDBG funding. DEED staff will be more conscientious when obtaining and reviewing audits submitted to make sure that CDBG funds are included. If CDBG funds are not listed in the independent audit, staff will require the city to timely resubmit a revised audit report.

Person Responsible:	Reed Erickson, Small Cities Development Program Director
Estimated Completion Date:	Completed

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-11

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U. S. Department of Housing and Urban Development

CFDA Numbers/Program Names:

14.228 Community Development Block Grant

Questioned Costs: None – Procedural Finding Only

Finding 08-11-3 *Inaccurate reporting of project expenditures*

3. PRIOR FINDING PARTIALLY RESOLVED: The Department of Employment and Economic Development did not accurately report project expenditures for the federal Community Development Block Grant Program. (Prior Findings 07-07-3 and 06-09-3)

As reported in 2005 and 2006, the department continued to have problems with timely and accurate filings of the program's key federal financial report submitted to the federal government. The department again submitted inaccurate data on its Community Development Block Grant 2006 *Performance and Evaluation Report* to the federal Housing and Urban Development Agency. On the report for the period ending September 30, 2006, the department incorrectly included several expenditures that were paid from October 2006 through January 11, 2007; these expenditures should have been included in the 2007 federal reporting period. In addition, it submitted the report two weeks after the December 31, 2006, due date. The department has been working with federal officials to resolve the issue for its September 30, 2007, report that was due on December 31, 2007.

Recommendation

- *The Department of Employment and Economic Development should comply with federal Community Development Block Grant Program requirements by submitting a timely and accurate Performance and Evaluation Report to the federal Housing and Urban Development Agency.*

Minnesota Department of Employment and Economic Development Response:

We agree with the recommendation. The department is now in compliance with federal CDBG requirements with its submission of the 2007 Performance and Evaluation Report (PER). The federal fiscal year 2007 PER report was submitted timely and did not include obligations incurred after September 30th.

Person Responsible: Reed Erickson, Small Cities Development Program Director

Estimated Completion Date: Completed

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services

Federal Agencies: U. S. Department of Agriculture
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Food Stamps
10.561	Food Stamp Administration
93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development – Discretionary
93.596	Child Care and Development-Mandatory and Match
93.667	Social Services Block Grant

Questioned Costs: None – Procedural Finding Only

Finding 08-12-1 *Salary allocations not sufficiently documented*

1. PRIOR FINDING NOT RESOLVED: The Department of Human Services had significant deficiencies in its process for certifying federal payroll costs. (Prior Finding 07-08-6)

The department did not design adequate internal controls over its certification process for federal payroll costs and was unable to provide sufficient evidence that it adequately monitored the activity. Federal requirements¹² state that employees working solely on a single federal award or cost objective will have their salaries or wages supported by periodic certifications. The department combines an electronic and manual system to produce certification forms for federally funded employees on a quarterly basis. Employees and their supervisors provide an electronic signature to finalize the process. The certification process affects the following federal programs: Food Stamps Cluster (CFDA 10.551 and CFDA 10.561), Temporary Assistance to Needy Families (CFDA 93.558), Child Care Development Cluster (CFDA 93.575 and CFDA 93.596), and Social Services Block Grant (CFDA 93.667).

The department had the following significant deficiencies in its federal payroll certification process:

- The department did not sufficiently monitor employee access to the certification process. The department gave unlimited access to two financial management employees responsible for the oversight of the department's certification process and two

¹² U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

information system employees who assist the financial management employees with underlying technology needs. These employees had the ability to manipulate the system without an approval or review process, and the department did not monitor these employees' activities. We noted in our prior report¹³ that these financial management staff had inappropriately signed certifications for employees and their supervisors in order to clear certifications for three former employees. Since we reported these issues, the department has not taken any action to resolve this weakness.

- The department did not retain documentation to support federal payroll charges it certified. For three quarters of fiscal year 2007, the department did not retain a table it created from the state's payroll system that listed all employees paid with federal funds. The department used this table as a basis for identifying employees who are required to submit certifications. Without this information, the department could not support that it had obtained certifications for all employees subject to the certification process.

Recommendation

- *The department should monitor and review the certification process to decrease the potential for inaccurate federal payroll certifications and retain adequate documentation to support federal payroll charges.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation. System changes have already been made to retain comprehensive supporting documentation at the end of each quarter's federal payroll certification. The department is reviewing all procedures and documentation and will improve internal controls over the certification process by enforcing system edits and controls.

Person Responsible: Martin Cammack, Financial Operations Director
Estimated Completion Date: April 30, 2008

¹³ Legislative Audit Report 07-08, Department of Human Services, issued March 23, 2007.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.575	Child Care and Development – Discretionary
93.596	Child Care and Development-Mandatory and Match
93.778	Medical Assistance

Questioned Costs: None – Procedural Finding Only

Finding 08-12-2 *Allocated indirect payroll costs to incorrect federal program*

2. The Department of Human Services incorrectly allocated indirect payroll costs to two federal programs.

The department made errors when it allocated payroll costs to the Child Care and Development Cluster (CFDA 93.575 and CFDA 93.596) and the Medical Assistance Program (CFDA 93.778). The department entered incorrect percentages into its cost allocation plan that resulted in the Child Care and Development Cluster being overcharged and the Medical Assistance Program being undercharged by \$192,000, respectively, during fiscal year 2007. The department did not have adequate procedures to ensure that it used the authorized allocation rates or to detect an error if it occurs.

Recommendations

- *The department should reallocate \$192,000 between the Child Care and Development Cluster and the Medical Assistance Program.*
- *The department should verify the accuracy of all data used for federal payroll cost allocation.*

Minnesota Department of Human Services Response:

Department Response #2-1

The department agrees with the recommendation. Necessary adjustments were made during the quarter ended September 30, 2007.

Department Response #2-2

The department agrees with the recommendation. Data used for federal payroll cost allocation is reviewed for accuracy by the lead worker.

Person Responsible: Martin Cammack, Financial Operations Director

Estimated Completion Date: April 30, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.575	Child Care and Development – Discretionary
93.596	Child Care and Development-Mandatory and Match
93.659	Adoption Assistance

Questioned Costs: None – Procedural Finding Only

Finding 08-12-3 *Inadequate control over data input into accounting system*

3. The Department of Human Services did not have adequate internal controls over some data input into the state's accounting system.

The department coded \$1.2 million of federal expenditures for the Adoption Assistance Program (CFDA 93.659) to state fiscal year 2008 instead of the fiscal year to which the activity related. Generally accepted accounting principles require that expenditures be recognized when the liability is incurred or when the services were provided. The department's controls did not identify the inaccurate and inconsistent reporting of financial activity.

In addition, the department incorrectly coded some payments made to individuals as expenditures for repairs, alterations, and maintenance within the Child Care and Development Cluster Program (CFDA 93.575 and CFDA 93.596). This resulted in an over-reporting of \$242,000 for repairs, alterations, and maintenance and an under-reporting of \$242,000 for payments to individuals. The error was not detected by the department's staff even though building related expense is not an expected activity in this federal program. Although the actual payment was a valid expenditure, a weakness in the department's internal controls existed because procedures did not include verification of authorized and approved transactions after they were entered into the system.

Recommendation

- *The department should design and implement internal controls that include a review of the completeness and reasonableness of the recorded financial activity.*

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Minnesota Department of Human Services Response:

The department agrees with the recommendation. Internal controls for manual payments have been reviewed and enhanced. Manual payment procedures have also been documented and reviewed with accounts payable staff. To assure continuity, the procedures are maintained on an internal web page.

Person Responsible:	Martin Cammack, Financial Operations Director
Estimated Completion Date:	Completed

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558 Temporary Assistance for Needy Families

Questioned Costs: None – Procedural Finding Only

Finding 08-12-4 *Excessive federal cash balances*

4. The Department of Human Services was not in compliance with federal cash management requirements for one federal program.

The department did not comply with its Treasury-State Agreement for the Temporary Assistance for Needy Families (TANF) Program (CFDA 93.558). In accordance with the federal Cash Management Improvement Act, the department agreed to minimize the time it holds federal cash. For the TANF Program, the department agreed to a one-day clearing pattern between draws and expenditures of federal funds. On five occasions in fiscal year 2007, the department exceeded its one-day limit and had excess cash on hand. The number of days in which the program had positive cash balances ranged from 4 to 32 days, and the positive federal cash amounts per day were from \$206,000 through \$11 million. The average daily balance during those periods was approximately \$5.2 million. The department requests TANF funds on a reimbursement basis and normally does not maintain a positive balance. However, the department periodically adjusted TANF expenditures eligible for federal reimbursement, which impacted the cash balances on hand. In prior years, the department returned excess funds by making several “negative” draws, but discontinued this practice in fiscal year 2007.

Recommendation

- *The department should comply with the federal Cash Management Improvement Act and its Treasury-State Agreement by maintaining minimum program cash balances.*

Minnesota Department of Human Services Response:

The department agrees with this recommendation and will monitor the TANF program cash balances more closely. The department will perform negative draws when necessary to adjust cash balances, as permitted by the federal letter of credit system.

Person Responsible: Martin Cammack, Financial Operations Director
Estimated Completion Date: April 30, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services

Federal Agencies: U. S. Department of Agriculture
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Food Stamps
10.561	Food Stamp Administration
93.777	State Health Care Provider Survey
93.778	Medical Assistance

Questioned Costs: None – Procedural Finding Only

Finding 08-12-5 *Inaccurate quarterly reporting of program activity*

5. PRIOR FINDING NOT RESOLVED: The Department of Human Services submitted some inaccurate reports to the federal government.

The department did not have sufficient internal controls to ensure the accuracy of reports for three of its federal programs – Food Stamps Cluster (CFDA 10.551 and CFDA 10.561), Medical Assistance (CFDA 93.778), and State Survey and Certification of Health Care Providers and Suppliers (CFDA 93.777).

- The department submitted reports¹⁴ for three quarters of fiscal year 2007 that did not accurately summarize the Food Stamps Cluster’s financial activity. Due to the vacancy of a key position, department staff did not detect errors in the reports before they were submitted to the federal government. The types of errors included data entry mistakes, incorrect formulas, and incomplete reporting of program activity. For example, the department understated “total unobligated balances of federal awards” by \$600,000, \$3.3 million, and \$900,000, respectively, for the first, second, and third quarter of federal fiscal year 2007. The federal oversight agency also questioned why it could not directly compare individual row and column entries on the reports with award draws on the federal tracking system.
- The department understated its MinnesotaCare tax receipts on the June 30, 2007, quarterly report¹⁵ for the Medical Assistance Cluster by \$3.7 million. The department

¹⁴ Quarterly Financial Status Report for the Food Stamps Program (SF-269). This report shows certain federal grant activity, including awards and expenditures.

¹⁵ Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64). This report shows certain federal grant activity, including awards and expenditures.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

neglected to update the template for the report and resubmitted the April 30, 2007, amount. In addition, the department understated its drug rebate offset by \$247,000. The department was unable to determine or explain the drug rebate differences.

- The department overstated its expenditures on the June 30, 2007, quarterly report⁵ for the Medical Assistance Cluster by approximately \$372,000. This error occurred because the department double counted the traumatic brain injury waiver amount. The federal regulators changed the reporting methodology and format for the waiver in fiscal year 2007. The department appropriately added a separate line for the traumatic brain injury waiver, but neglected to subtract the waiver amount from the program total previously reported.

Recommendations

- *The department should improve internal controls over federal reporting to ensure accurate reporting for all of its federal reports.*
- *The department should correct the inaccuracies in its fiscal year 2007 federal reports.*

Minnesota Department of Human Services Response:

Department Response #5-1

The department agrees with the recommendation. The department is in the process of documenting existing procedures for completing these federal reports, and will review and re-engineer the procedures to improve accuracy of reporting. The technical Food Stamps reporting process has been converted to a spreadsheet.

This change will reduce the risk of inaccuracies, and will increase the time for additional review prior to report submission.

Department Response #5-2

The department agrees with the recommendation and has made the necessary adjustments to its fiscal year 2007 federal reports.

Person Responsible:	Martin Cammack, Financial Operations Director
Estimated Completion Date:	Completed

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.767	State Children's Health Insurance Program
93.777	State Health Care Provider Survey
93.778	Medical Assistance

Questioned Costs: None – Procedural Finding Only

Finding 08-12-6 *Did not submit quarterly reports timely*

6. PRIOR FINDING NOT RESOLVED: The Department of Human Services submitted reports late to the federal government for three federal programs. (Prior Finding 07-08-5)

The department did not maintain sufficient internal controls to ensure the timeliness of reports for three of its federal programs - Medical Assistance Program (CFDA 93.778), State Children's Health Insurance Program (CFDA 93.767), and the State Survey and Certification of Health Care Providers and Suppliers Program (CFDA 93.777). The department did not submit its quarterly reports¹⁶ to the federal government within 30 days after the end of the quarter, as required by federal regulations. During fiscal year 2007, the department electronically filed each initial quarterly report late. The department submitted the reports from 30 to 64 days after the due dates.

Recommendation

- *The department should improve its reporting process to ensure timely completion of all of its federal reports.*

Minnesota Department of Human Services Response:

The Department agrees with the recommendation. The department will identify the specific factors contributing to late submission, and will address those factors within its control. Each quarter, department staff coordinate and plan report submission with their contacts at CMS.

Person Responsible: Martin Cammack, Financial Operations Director

Estimated Completion Date: June 30, 2008

¹⁶ Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64) and State Children's Health Insurance Program (CMS-21). These reports show certain federal grant activity, including awards and expenditures.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance

Questioned Costs: None – Procedural Finding Only

Finding 08-12-7 *Lack of monitoring of contract requirements*

7. The Department of Human Services did not adequately monitor a vendor in the federal Medical Assistance Program.

The department did not adequately monitor the activity for one Medical Assistance Program (CFDA 93.778) vendor. Federal grant agreements require management to monitor that vendors appropriately use federal funds. The department developed specific reporting requirements in the contract to allow it to actively monitor the quality and extent of this vendor's services. However, the department did not obtain all of the contractually required reports. At our request, the department obtained copies of the vendor's annual audited financial statements and call center activity reports. The department paid approximately \$18 million for special transportation and other medical assistance services to this vendor in fiscal year 2007.

Recommendation

- *The department should more carefully monitor its special transportation services vendor to ensure that it complies with contractual requirements.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation that the monitoring of the MTM contract is critical and increased attention needs to be paid to it. The reporting requirements put into the contract were added as general oversight and not because of the vendor's past performance in other states. We have obtained the requested reports and will forward them to your office.

Person Responsible: Jeff Schiff, M.D.
Health Services and Medical Management Director

Estimated Completion Date: June 30, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Questioned Costs: Non-quantifiable

Finding 08-12-8 *Untimely resolution of discrepancies identified by IEVS*

- 8. The Department of Human Services did not adequately oversee county human service agencies that are responsible for eligibility determination for public assistance programs.**

The department needs to improve its oversight of counties that determine eligibility for certain public assistance programs. The counties' human service agencies are responsible for application intake and determination of eligibility for certain federal programs, including Temporary Assistance for Needy Families (TANF - CFDA 93.558) and Medical Assistance (CFDA 93.778).

The department identifies income discrepancies through the Income Eligibility and Verification System. The income verification process compares the information submitted by applicants with income and tax information obtained from other state and federal sources, such as the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service. Discrepancies occur when the income amounts recorded in the state's eligibility determination system differs by more than a pre-established target amount from these other data sources. The department communicates discrepancy information to county human service agencies. The federal government requires the state to resolve at least 80 percent of income discrepancies within 45 days. The state delegates the responsibility to resolve the discrepancies to the county and expects the counties to resolve 80 percent of their cases in order for the state to meet the federal requirement.

The data for the period May 1, 2006, to April 30, 2007, indicated that several counties had not resolved at least 80 percent of their discrepancies in a timely manner. In that period, there were 20 counties below the 80 percent threshold, with resolution rates ranging from 64.36 to 79.94

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

percent.¹⁷ For the 12 months ended April 30, 2006, 15 counties did not meet the federal requirement, with resolution rates ranging from 59.16 to 79.52 percent

Recommendation

- *The department should work with counties to ensure the timely resolution of discrepancies identified by the Income Eligibility Verification System.*

Minnesota Department of Human Services Response:

Based on data from InfoPac Report FN750301 – IEVS Quarterly Timeliness Report, the department believes that for the period May 1, 2006 to April 2007 Minnesota was in compliance with the federal requirement to resolve at least 80% of IEVS matches statewide within 45 days. However, we do agree with the auditors that for the state to meet this federal requirement, counties need to be resolving matches timely. We share the auditors' concern that for the time period May 1, 2006 to April 2007, 20 counties had more than 20% of IEVS matches overdue and that this was an increase from the previous year. A goal for all counties should be to resolve 80% of their matches within the 45 day timeframe.

The Department does agree with the recommendation and plans to continue working with the counties to insure timely resolution of IEVS matches.

Person Responsible:	Ramona Scarpace, Program Assessment and Integrity Division Director
Estimated Completion Date:	June 30, 2008

¹⁷ We also reported this noncompliance to specific counties included in our eligibility verification testing, as reported in the attached letters.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.767 State Children's Health Insurance Program

Questioned Costs: Non-quantifiable

Finding 08-12-9 *Insufficient citizenship documentation to verify eligibility*

9. The Department of Human Services did not comply with citizenship verification requirements for one federal healthcare program.

The Department of Human Services' MinnesotaCare (MnCare) Division did not comply with federal regulations that require that the department retain documentation to substantiate applicants' citizenship as a condition of initial and continued eligibility for certain federal health care programs. According to the Center for Medicare and Medicaid Services' regulations, as of July 1, 2006, applicants must provide U.S. citizenship and identity documentation.¹⁸ In 5 of 49 cases tested for the State Children's Health Insurance Program (CFDA 93.767), the department did not have evidence of citizenship documentation in the files.

Recommendation

- *The department should ensure that it properly documents evidence of citizenship for federal health program applicants.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation. We feel that most of the errors identified occurred within the first year of the requirement, while we were dealing with new processes for both staff and applicants. We will do a thorough review of the cases with errors to ensure that there are not gaps in our processes.

We have implemented a number of policies and procedures in our MinnesotaCare Operations area to ensure that we properly document citizenship for all applicants and enrollees subject to

¹⁸ As reported in the attached letters, county human service offices also did not maintain adequate documentation of recipients' citizenship when making eligibility determinations for the Medical Assistance Program (CFDA 93.778).

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

that provision. We've developed the tools listed below for our staff; we will review these tools and make sure that our staff is aware of and are using them:

- Application and Renewal processing procedures related to citizenship located in the MinnesotaCare Operations Manual (M.O.M.).
- Citizenship documentation Quick Reference Guides for New Apps and Renewals processing.
- Standardized case note formats that we have programmed into all programmable keyboards (used by all MinnesotaCare Operations staff) that help indicate if cit/ID is verified and if a worker checklist has been completed.
- A tracking database to assist with timelines, such as sending out a second request for verifications.
- A Birth Record Request database to assist workers with completing in-state and out-state birth verification requests for people who have requested the agency's assistance in obtaining the verifications.

Also, MinnesotaCare Operations has designated a supervisor to function as a resource in the area of citizenship and identity policies and procedures.

Person Responsible:	Stephanie Radtke, Health Care Eligibility and Access Director
Estimated Completion Date:	May 1, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services – Hennepin County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Questioned Costs: Non-quantifiable

Finding 08-12-H-1 *Untimely resolution of discrepancies identified by IEVS*

- 1. PRIOR FINDING NOT RESOLVED: Hennepin County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations. (Prior Findings 07-08-H-1, 06-10-H-2, 05-18-H-2)**

Hennepin County has continued to make improvements to its income discrepancy resolution process. However, it still did not resolve income discrepancies identified by the Income Eligibility and Verification System (IEVS) at the level required by federal regulations. In order to comply with federal requirements, the state Department of Human Services (DHS) coordinates data exchanges with other sources for the Temporary Assistance for Needy Families (CFDA 93.558) and the Medical Assistance (93.778) programs. This data exchange, called IEVS, includes comparing income information submitted by applicants with income and tax information obtained from other state and federal sources, such as the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service.

Discrepancies occur when the income amounts recorded in MAXIS, the state's eligibility determination system, differ by more than a pre-established target amount. DHS relies on county human services offices to review and resolve these discrepancies. Federal law requires the state to resolve at least 80 percent of the case discrepancies within 45 days. For the period May 1, 2006, through April 30, 2007, Hennepin County's overall resolution rate was 76.6 percent. The county's resolution rates in fiscal years 2006 and 2005 were 69.6 and 59 percent, respectively.

Recommendation

- *Hennepin County should continue to make improvements toward resolving all Income Eligibility Verification System (IEVS) discrepancies in a timely manner.*

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

OLA's Rebuttal to Hennepin County's Response

In the following response to our Finding 1 about inadequate resolution of income eligibility verification discrepancies within the Temporary Assistance for Needy Families (CFDA 93.558) and Medical Assistance (CFDA 93.778) programs, Hennepin County indicated that the state Department of Human Services' monthly data showed that the county's resolution rate was 96.3 percent and that it met the federal guidelines. This contradicted our audit conclusion that Hennepin County was below the 80 percent federally required resolution rate.

We followed up on this inconsistency with the Department of Human Services. They found that the data they had provided to Hennepin County was in error and did not accurately represent the county's resolution rate. The department stated that it would contact Hennepin County with revised data.

Minnesota Department of Human Services – Hennepin County Response:

Action Plan:

1. *Please describe what action you plan to take to implement the recommendation or identify alternative corrective actions that may be employed. The action plan must state the name of the contact person responsible for the corrective action.*

Hennepin County continued to make steady and encouraging strides in this area during 2007. After the OLA audit in July 2006, an additional four full time positions were approved for hiring to process IEVS matches in the Debt Establishment Unit. Two new hires were in place by July 2007. One new hire was in place December 2007.

2. *Please include an anticipated completion date for the corrective action. If you have already implemented the corrective action, please give the implementation date.*
The Debt Establishment Unit should be fully staffed by March 31, 2008.

3. *Please provide a brief description of the procedures that you have done or will do for resolution of any questioned costs related to the findings, if applicable.*
See #1 above.

Based on the monthly data we receive from DHS, the calculations for the same time period show that Hennepin County received 34,384 matches and 1,274 were not resolved timely. Based on these figures, Hennepin County's resolution rate from May 1, 2006 to April 30, 2007 was 96.3% which meets the federal guidelines. Barb Martin, IEVS Coordinator for DHS, has the monthly breakdowns and documentation should you need to review it.

Person Responsible:	Maureen Headbird, Supervisor, Debt Establishment Unit
Estimated Completion Date:	March 10, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services – Hennepin County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance

Questioned Costs: Non-quantifiable

Finding 08-12-H-2 *Insufficient citizenship documentation to verify eligibility*

2. Hennepin County did not comply with citizenship verification requirements.

Hennepin County did not comply with federal regulations that require, as a condition of eligibility, all applicants to furnish citizenship documentation when applying for Medical Assistance (CFDA 93.778) and other health care programs. According to regulations provided by the Center for Medicare and Medicaid Services, as of July 1, 2006, applicants must provide U.S. citizenship and identity documentation as a condition of original and continued eligibility for federal medical assistance benefits, which also impacts eligibility for the state's MinnesotaCare program for families with children, and the Minnesota Family Planning Program (MFPP).

Hennepin County did not have evidence of citizenship documentation in the files for two of thirteen cases selected for testing. Not having citizenship documentation, as required by federal regulations, could make applicants ineligible for program benefits.

Recommendation

- *Hennepin County should ensure that proper citizenship documentation is obtained for all health program applicants.*

Minnesota Department of Human Services – Hennepin County Response:

Action Plan:

1. *Please describe what action you plan to take to implement the recommendation or identify alternative corrective actions that may be employed. The action plan must state the name of the contact person responsible for the corrective action.*
HSR Teams will be reminded about the importance of obtaining proper citizenship verification for all health program applicants. This will be accomplished in a variety of ways

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

including reminder e-mails regarding the policy, personal visits to Team meetings by members of the Quality Assurance Team to discuss the policy and random case reviews of selected cases to ensure the policy is being adhered to. Contact person for this corrective action will be Mary McDowell, Quality Assurance Supervisor, HSPHD.

2. *Please include an anticipated completion date for the corrective action. If you have already implemented the corrective action, please give the implementation date.*

An e-mail reminder to Teams about this policy was sent on 3/11/08 by Hennepin's Health Care Policy Committee. Quality Assurance staff will visit Team meetings during March and April to review the policy.

3. *Please provide a brief description of the procedures that you have done or will do for resolution of any questioned costs related to the findings, if applicable.*

In July and November 2007, supervisors performed random audits (total of 460) which specifically targeted whether cases had proper documentation of citizenship. The few cases found in error were corrected. Additional audits will be completed in months yet to be determined.

Original policy directives from DHS were not clear about the actions required on cases when birth verifications were lacking. In July 2007, DHS policy was further clarified. Some of the cases found in the audit may have been processed in the interim when DHS was attempting to refine the procedures.

Person Responsible:	Mary H. McDowell, Supervisor, Quality Assurance Team
Estimated Completion Date:	March 12, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services – Ramsey County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Questioned Costs: Non-quantifiable

Finding 08-12-R-1 *Untimely resolution of discrepancies identified by IEVS*

1. PRIOR FINDING NOT RESOLVED: Ramsey County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations.

Ramsey County has not attained the level required by federal regulations for income discrepancies identified by the Income Eligibility and Verification System (IEVS). The state Department of Human Services (DHS) coordinates data exchanges with other sources for the Temporary Assistance for Needy Families (CFDA 93.558) and the Medical Assistance (CFDA 93.778) programs. This data exchange, called IEVS, includes comparing income information submitted by applicants with income and tax information obtained from other state and federal sources, such as the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service.

Discrepancies occur when the income amounts recorded in MAXIS, the state's eligibility determination system, differ by more than a pre-established target amount. DHS relies on county human services offices to review and resolve these discrepancies. Federal law requires the state to resolve at least 80 percent of the case discrepancies within 45 days. For the period May 1, 2006, through April 30, 2007, Ramsey County's overall resolution rate was 67.8 percent. The county's resolution rates in fiscal years 2006 and 2005 were 71.6 and 70.5 percent, respectively.

Recommendation

- *Ramsey County should continue to work with the Department of Human Services to resolve Income Eligibility Verification System (IEVS) discrepancies in a timely manner.*

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Minnesota Department of Human Services – Ramsey County Response:

Ramsey County acknowledges that we have not met the standard for IEVS processing and that our performance has not improved in this aspect. We did implement a plan of increased monitoring of individual staff performance and of using some overtime to help improve processing of these matches. Unfortunately those efforts were not enough to redress the performance issues. We have analyzed what has and what has not worked and why. Looking across our organization we find that:

- Our Intake and Adult Case Management areas generally resolve IEVS matches in a timely manner up to standard.
- The Family Case Management (FCM) area has struggled in completing their IEVS matches. Performance on IEVS matches in FCM has been impacted by a 39% turnover in casework staff over the past two years. This has been primarily due to promotions into other areas of Ramsey County Human Service, taking some of the best staff off of caseloads in FCM. This turnover has meant redirecting much of our coverage resources into training and development of new staff. Priority has been given to accomplishing the most basic functions of casework. Given the complexity of the job new staff do not get trained on IEVS until they have proven competency in other areas of work.
- Most of our overtime resources were directed to basic case work but we did have one person specialize in IEVS processing. Unfortunately that person focused on volume processing initial matches, which negatively impacted our processing statistics for overdue matches. We corrected that situation but too late to be able to improve our statistics.
- Monitoring of matches was lax in our closed records area.

Ramsey County is dedicated to improving its IEVS processing but two trends will continue to impact this effort. We are in a resource tight environment so use of overtime as a fix will not be available. An analysis of our staffing shows that we will continue to have turnover as experienced staff retire and case management staff promote to take those positions. Given these issues we have developed the following strategies for improving our IEVS performance.

1. Data Specialist Positions. We have developed two data specialist positions whose function is to improve agency performance on employment related programs. As part of that work these positions will review and process IEVS matches for caseloads with new staff, focusing on resolving overdue matches and those matches that better reflect the employed status of our clients.
2. Revised New Worker Training. Given that staff turnover will be a reality for the foreseeable future we are revising our new worker training to get people to desks more quickly and more quickly develop the full set of case processing skills. This includes earlier training on IEVS and other message processing
3. Biweekly Process Reports. We've instituted biweekly reporting on IEVS and other caseload processing in the FCM area to enhance tracking and early targeting of performance issues, including IEVS processing.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

4. Closed File Monitoring. Resolving matches on closed files is a simple process and this function will be accomplished monthly.

It is our belief that this plan will result in Ramsey County significantly improving our processing of IEVS in 2008.

Person(s) Responsible:	Cristy Hong and Nancy Cincotta
Estimated Completion Date:	Completed and ongoing

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services – Ramsey County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance

Questioned Costs: Non-quantifiable

Finding 08-12-R-2 *Insufficient citizenship documentation to verify eligibility*

2. Ramsey County did not comply with citizenship verification requirements.

Ramsey County did not comply with federal regulations that require, as a condition of eligibility, all applicants to furnish citizenship documentation when applying for Medical Assistance (CFDA 93.778) and other health care programs. According to regulations provided by Center for Medicare and Medicaid Services, as of July 1, 2006, applicants must provide U.S. citizenship and identity documentation as a condition of original and continued eligibility for federal medical assistance benefits, which also impacts eligibility for the state's MinnesotaCare program for families with children, and the Minnesota Family Planning Program (MFPP).

Ramsey County did not have evidence of citizenship documentation in the file for a particular applicant that was selected for testing. Not having citizenship documentation as required by federal regulations could make applicants ineligible for program benefits.

Recommendation

- *Ramsey County should ensure that proper citizenship documentation is obtained for all health care program applicants.*

Minnesota Department of Human Services – Ramsey County Response:

We recognize that as part of processing all federal Medical Assistance applications we are required to obtain citizenship documentation, and without such documentation we have not proven eligibility. The documentation should be in every file for applications processed after the new regulations were implemented. We believe that although the appropriate documentation was not found in one of the cases that was tested we have made every effort to ensure that we are in compliance. To that end we have taken the following actions since 2006 and will continue to do what is needed to ensure compliance.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

1. Starting in 2006 all Minnesota Department of Human Services bulletins and updates have been copied and distributed to staff.
2. Our internal Health Care Policy Work Group has discussed the policies on numerous occasions and have issued memos and instructions as needed.
3. Policies and procedures have been reviewed as needed at unit meetings.
4. The Case Review Check List that on-going workers use to review cases from intake was updated effective 9/06 and a checkpoint for citizenship and identity was added.
5. The Eligibility Review Check List was also updated 9/06 and a citizenship and identity check point was added. This was more critical in late and 2006 and most of 2007, as we needed to verify citizenship and identity at the time of the annual review for cases approved before the July 2006 change.
6. We are finalizing an on-line Supervisor Case Review Form that includes a review point for citizenship and identity.
7. New staff receives training on this topic as part of the state training they receive and the training we do.
8. When necessary we obtain the needed verification for the applicant. We believe the fact that our spending for birth certificates in 2007 was \$50,500 compared to the \$10,000-\$11,000 we were spending in prior years indicates that staff are using this option.

Person(s) Responsible: Cristy Hong and Nancy Cincotta
Estimated Completion Date: Completed and ongoing

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services – Scott County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Questioned Costs: Non-quantifiable

Finding 08-12-Sc-1 *Untimely resolution of discrepancies identified by IEVS*

- 1. Scott County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations.**

Scott County did not resolve income discrepancies identified by the Income Eligibility and Verification System (IEVS) at the level required by federal regulations. In order to comply with federal requirements, the state Department of Human Services (DHS) coordinates data exchanges with other sources for the Temporary Assistance for Needy Families (CFDA 93.558) and the Medical Assistance (CFDA 93.778) programs. This data exchange, called IEVS, includes comparing income information submitted by applicants with income and tax information obtained from other state and federal sources, such as the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service.

Discrepancies occur when the income amounts recorded in MAXIS, the state's eligibility determination system, differ by more than a pre-established target amount. DHS relies on county human services offices to review and resolve these discrepancies. Federal law requires the state to resolve at least 80 percent of the case discrepancies within 45 days. For the period May 1, 2006, through April 30, 2007, Scott County's overall resolution rate was 76.6 percent. The county's resolution rate in fiscal year 2006 was 67.2 percent.

Recommendation

- *Scott County should work with the Department of Human Services to resolve all Income Eligibility Verification System (IEVS) discrepancies within the timeframes outlined in federal regulations.*

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Minnesota Department of Human Services – Scott County Response:

Upon review it was discovered that one worker was responsible for the majority of the overdue IEVS cases. This individual is no longer employed at Scott County. We continue to strive towards meeting State guidelines for the timely processing of IEVS.

Monthly listings of the IEVC report will be reviewed by each Supervisor. This is one area we routinely monitor for our Scott County Performance Measures.

Based on the recommendation by the Office of Legislative Auditor, Scott County will work with the Department of Human Services in an attempt to resolve all Income Eligibility Verification System (IEVS) discrepancies within the timeframes outlined in federal regulations.

Person Responsible:	Jan Busch-Koehnen, Economic Assistance Manager
Estimated Completion Date:	Completed and ongoing

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services – Washington County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Questioned Costs: Non-quantifiable

Finding 08-12-Wa-1 *Untimely resolution of discrepancies identified by IEVS*

- 1. Washington County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations.**

Washington County did not resolve income discrepancies identified by the Income Eligibility and Verification System (IEVS) at the level required by federal regulations. In order to comply with federal requirements, the state Department of Human Services (DHS) coordinates data exchanges with other sources for the Temporary Assistance for Needy Families (CFDA 93.558) and the Medical Assistance (CFDA 93.778) programs. This data exchange, called IEVS, includes comparing income information submitted by applicants with income and tax information obtained from other state and federal sources, such as the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service.

Discrepancies occur when the income amounts recorded in MAXIS, the state's eligibility determination system, differ by more than a pre-established target amount. DHS relies on county human services offices to review and resolve these discrepancies. Federal law requires the state to resolve at least 80 percent of the case discrepancies within 45 days. For the period May 1, 2006, through April 30, 2007, Washington County's overall resolution rate was 76.3 percent. The county's resolution rate in fiscal year 2006 was 84.17 percent.

Recommendation

- *Washington County should make improvements toward resolving all Income Eligibility Verification System (IEVS) discrepancies in a timely manner.*

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Minnesota Department of Human Services – Washington County Response:

This is in response to the Office of the Legislative Auditor letter dated March 3, 2008 which summarizes the review of Washington County's internal controls and compliance with federal recipient eligibility requirements applicable to the State Children's Health Insurance (CFDA 93.767), Medical Assistance (CFDA 93.778), and Temporary Assistance for Needy Families (CFDA 93.558) programs, as described in the U.S. Office of Management and Budget's Circular A-133 Compliance Supplement for the period from July 1, 2006, through June 30, 2007.

Washington County does not dispute the finding that the County did not resolve income discrepancies identified by the Income Eligibility and Verification System (IVES) as part of the benefit eligibility process in the timeframes required by federal regulations. Specifically, Washington County had an overall resolution rate of 76.3 percent, which is below the federally required 80 percent standard.

Washington County accepts the recommendation that the County should make improvements toward resolving all Income Verification System (IVES) discrepancies in a timely manner.

Person Responsible:	Patrick Singel, Community Services Deputy Director
Estimated Completion Date:	March 31, 2009

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services – Dakota County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance

Questioned Costs: Non-quantifiable

Finding 08-12-D-1 *Insufficient citizenship documentation to verify eligibility*

1. Dakota County did not comply with citizenship verification requirements.

Dakota County did not comply with federal regulations that require all applicants, as a condition of eligibility, to furnish citizenship documentation when applying for Medical Assistance (CFDA 93.778) and other health care programs. According to regulations provided by Center for Medicare and Medicaid Services, as of July 1, 2006, applicants must provide U.S. citizenship and identity documentation as a condition of original and continued eligibility for federal medical assistance benefits, which also impacts eligibility for the state's MinnesotaCare Program for families with children and the Minnesota Family Planning Program.

Dakota County did not have evidence of citizenship documentation in the file for a particular applicant that was selected for testing. The county had a notation in the case notes that they had requested this documentation; however, there was no evidence in the file to show that the requested documentation had been obtained. Not having citizenship documentation as required by federal regulations could make applicants ineligible for program benefits.

Recommendation

- *Dakota County should ensure that proper citizenship documentation is obtained for all health care program applicants.*

Minnesota Department of Human Services – Dakota County Response:

The draft included one finding: "Dakota County did not comply with citizenship verification requirements." The letter referenced one particular individual. After receipt of the draft letter, our office reviewed the case to determine what had taken place since the file was audited. The draft letter indicated that there was no evidence in the file to show that documentation requested earlier had been received.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

The recommendation in the draft management letter is “Dakota County should ensure that proper citizenship documentation is obtained for all health care program applicants.” Following is our response to both the findings, for the particular individual, and Dakota County’s compliance with this federal requirement in general:

Implementation of the requirements to verify both citizenship and identity were effective in early State Fiscal Year 2007. The requirement, based on federal law, was new. During the implementation phase of the new policy, there was a short transition period during which verification requirements were handled differently for program recipients and program applicants.

Our recent review of the case record cited, reflects that the individual was closed for failure to provide verification. However, at the same time eligibility was terminated, the agency did receive verification of citizenship, which confirmed the individual’s eligibility. Benefits did however remain closed at that time because of a change in both needs and household composition.

Dakota County program staff do follow federal and state policies which require verification of both identity and citizenship for health care programs referenced in your letter. Staff are trained on these policies using both written internal procedures as well as instructions provided by the Department of Human Services.

Person Responsible:	Susan Krey, Program Supervisor
Estimated Completion Date:	Completed and ongoing

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services – Rice County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance

Questioned Costs: Non-quantifiable

Finding 08-12-Ri-1 *Insufficient citizenship documentation to verify eligibility*

1. Rice County did not comply with citizenship verification requirements.

Rice County did not comply with federal regulations that require all applicants, as a condition of eligibility, to furnish citizenship documentation when applying for Medical Assistance (CFDA 93.778) and other health care programs. According to regulations provided by Center for Medicare and Medicaid Services, as of July 1, 2006, applicants must provide U.S. citizenship and identity documentation as a condition of original and continued eligibility for federal medical assistance benefits, which also impacts eligibility for the state's MinnesotaCare Program for families with children and the Minnesota Family Planning Program (MFPP).

Rice County did not have evidence of citizenship documentation in the file for a particular applicant that was selected for testing. Not having citizenship documentation, as required by federal regulations, could make applicants ineligible for program benefits.

Recommendation

- *Rice County should ensure that proper citizenship documentation is obtained for all health care program applicants.*

Minnesota Department of Human Services – Rice County Response:

This letter constitutes Rice County's response to your comments and recommendations made as a result of your audit of the State of Minnesota's major federal programs for the year ended June 30, 2007. Rice County was found to be in noncompliance with the federal regulation that requires all applicants, as a condition of eligibility, to furnish citizenship documentation when applying for Medical Assistance and other health care programs.

Upon receiving notification of Rice County's noncompliance with federal requirements, Financial Supervisors Michele Evans and Nedra VanDam reviewed Minnesota Department of Human Services Instructional Bulletin # 06-21-09C, Citizenship and Identity Documentation

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Requirements for Certain Minnesota Health Care Programs Applicants and Enrollees, with all Rice County employees involved in eligibility determination for Medical Assistance and other Minnesota Health Care programs. Additionally, since that time and on an ongoing basis, Ms. Evans and Ms. VanDam will assure that citizenship documentation is included in all client case files that undergo internal review.

Person(s) Responsible:	Michele Evans and Nedra VanDam
Estimated Completion Date:	Completed and ongoing

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services – Saint Louis County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance

Questioned Costs: Non-quantifiable

Finding 08-12-SL-1 *Insufficient citizenship documentation to verify eligibility.*

1. Saint Louis County did not comply with citizenship verification requirements.

Saint Louis County did not comply with federal regulations that require all applicants, as a condition of eligibility, to furnish citizenship documentation when applying for Medical Assistance (CFDA 93.778) and other health care programs. According to regulations provided by the Center for Medicare and Medicaid Services, as of July 1, 2006, applicants must provide U.S. citizenship and identity documentation as a condition of original and continued eligibility for federal medical assistance benefits, which also impacts eligibility for the state's MinnesotaCare Program for families with children, and the Minnesota Family Planning Program (MFPP).

Saint Louis County did not have evidence of citizenship documentation in the file for a particular applicant that was selected for testing. Not having citizenship documentation as required by federal regulations makes applicants ineligible for program benefits.

Recommendation

- *Saint Louis County should ensure that proper citizenship documentation is obtained for all health care program applicants.*

Minnesota Department of Human Services – St. Louis County Response:

This letter is our formal written response to comments and recommendations from the Review of St. Louis County's internal control and compliance with recipient eligibility requirements applicable to the State Children's Health Insurance, Medical Assistance, and TANF programs for the year ended June 30, 2007. As was discussed with us at the conclusion of the audit, we were found weak in one area as follows:

St. Louis County did not comply with citizenship verification requirements: in one client file selected for testing, evidence of citizenship documentation was not present.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Resolution:

- a.) Citizenship documentation was entered into the selected file.
- b.) St. Louis County financial workers will ensure that proper citizenship documentation is obtained for all health care applicants; DHS Form 4842 will serve as verification and be maintained in the record.
- c.) Date completed: August 10, 2007.

Person Responsible:	Shelley M. Saukko, Division Director
Estimated Completion Date:	August 10, 2007, and ongoing

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-12

State Agency: Minnesota Department of Human Services – Freeborn County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance

Questioned Costs: Non-quantifiable

Finding 08-12-F-1 *Noncompliance with eligibility criteria*

1. Freeborn County did not document the cost effectiveness of other health insurance.

For two of the cases tested, the state paid for the recipients' health insurance even though Freeborn County had not determined the cost effectiveness of the other insurance compared to typical Medical Assistance coverage. Although still eligible for the Medical Assistance Program (CFDA 93.778), recipients with other health insurance options may be required to enroll in or maintain group or private health insurance if that coverage is deemed to be cost effective. Cost effective coverage is coverage that provides services at a lower premium than the costs the state Department of Human Services would incur if the client was not enrolled in the coverage. Without determining the cost effectiveness of other insurance, neither the state nor the county can determine the most cost effective way to deliver services.

Recommendation

- *Freeborn County should ensure that it determines and documents the cost effectiveness of other health insurance in all cases where the applicant notifies them that other health insurance is available.*

Minnesota Department of Human Services – Freeborn County Response:

In response to the 2007 Audit review, Freeborn County staff received training in September 2007, on the importance of determining and documenting the cost effectiveness of other health insurance for applicants of our public assistance.

Person Responsible: Dennis Roelfsema, Financial Supervisor II

Estimated Completion Date: Completed and ongoing

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-13

State Agency: Minnesota Department of Transportation

Federal Agency: U. S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

Questioned Costs: \$18,869,000

Finding 08-13-1 *Project oversight procedures not adequately followed*

1. Prior Audit Finding Not Resolved: MnDOT did not adequately follow certain project oversight procedures. (Prior Findings 07-09-1 and 06-12-2)

The MnDOT Office of Audit's federal compliance report for fiscal year 2007 identified various concerns and issues where project management oversight could be strengthened or improved. The MnDOT Office of Audit's report also describes some best practices for making improvements in compliance from the previous fiscal year. The office identified the following issues for the Federal Highway Construction and Planning Grants Program (CFDA 20.205), based on 19 highway construction projects audited:

- The MnDOT Office of Audit continues to report concerns over materials control. Three of its six findings address a lack of planning, conducting, or documenting the testing of concrete, bituminous, or grading and base materials to ensure they will perform as designed. A total of 12 out of 19 state projects audited were cited for issues related to materials control. The report identified one project concerning concrete production documentation and materials testing requirements; five projects concerning bituminous production documentation and materials testing requirements; and ten projects concerning grading and base production documentation and materials testing requirements. For the above projects, the MnDOT Office of Audit's report questioned approximately \$15.6 million.
- Although some best practices were noted, compliance with state and federal environmental requirements is a continuing problem. MnDOT Office of Audit identified environmental concerns in 68.4 percent or 13 of 19 state projects it reviewed. For example, the MnDOT Office of Audit identified eight projects where contractors did not complete and submit all required erosion control inspection logs to project personnel every two weeks. The MnDOT Office of Audit also identified six projects where MnDOT project personnel did not withhold retainage from contractor payments to ensure erosion control. For one asbestos disposition project and two lead paint removal and disposition projects, MnDOT Office of Audit determined that supporting documentation

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

was not available in project files and could not be located. For the above projects, the MnDOT Office of Audit's report questioned \$469,000.

- MnDOT Office of Audit also questioned one project where seven executed change orders reflecting a net reduction in payments (credit) of \$1.5 million to MnDOT were not applied at the time the change orders were executed. For another project, the audit report questioned \$1.3 million spent for repairs on a newly milled bituminous road after being driven on by bituminous delivery trucks and milling machines.

Recommendation

- *The department should continue to strengthen its project oversight procedures to ensure compliance with federal and state requirements.*

Minnesota Department of Transportation Response:

Mn/DOT's Response: Mn/DOT recognizes the importance of following project oversight procedures and the necessity of complying with federal and state regulations. In addition to being responsible for its transportation projects, Mn/DOT is also responsible, through the State Aid for Local Transportation (SALT) division, for sub-recipient monitoring of city and county projects as well. Strengthening project oversight procedures is a continuous, ongoing effort within the agency. Some of the actions we are implementing in response to this finding include the following.

Materials Control, Environmental Compliance:

- Just-in-time training for cities and counties to identify potential risk areas that may arise.
- SALT communications to cities and counties communicating non-compliance issues and reinforcing the need to comply.
- Training of district staff in the importance of material control testing and reporting.
- Reinforcement of best practices regarding material control and environmental requirements (lead paint removal) issues.
- Contractor hired additional staff to deal with erosion control.

Person(s) Responsible:	Robert Winter, Operations Division Director; Rick Arnebeck, Engineering Services Division Director; Julie Skallman, State Aid for Local Transportation Division Director
Estimated Completion Date:	March 2008 and ongoing

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 08-13

State Agency: Minnesota Department of Transportation

Federal Agency: U. S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

Questioned Costs: \$579,000

Finding 08-13-2 *Miscoded payments as participating in federal funding*

2. Prior Audit Finding Not Resolved: MnDOT erroneously coded change orders as participating in federal funding. (Prior Finding 07-09-2)

The MnDOT Office of Audit's report for fiscal year 2007 identified payments totaling \$579,000 for four change orders that were coded as participating in federal funding and should have been coded as nonparticipating in federal funding. Department files clearly showed that the \$579,000 should have been coded as nonparticipating in federal funding.

Recommendation

- *The department should ensure that highway construction costs are coded correctly.*

Minnesota Department of Transportation Response:

Mn/DOT's response: Mn/DOT's Office of Finance relies on payment vouchers to describe costs as participating or non-participating. Change orders should have been coded as non-participating but were coded as participating.

Actions implemented in response to this finding include:

- Office of Construction and Innovative Contracting (OCIC) has developed a process to ensure that design-build projects are properly coded as federal participating/non-participating.
- Supplemental agreements and design-build change orders will be properly coded for participation based on reasonableness and necessity of costs in accordance with A-133 Compliance Supplement.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Person(s) Responsible:	Robert Winter, Operations Division Director; Rick Arnebeck, Engineering Services Division Director; Kevin Gray, Finance and Administration Division Director
Estimated Completion Date:	March 2008. The process created by OCIC is developed and will be implemented for the upcoming construction season.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report KDV-07

State Agency: Saint Paul College

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.007	Federal Supplemental Educational Opportunity Grant
84.063	Federal Pell Grant
84.032	Federal Family Education Loans (FFEL)
84.038	Federal Perkins Loans

Questioned Costs: \$10,323, of which all has been repaid

Finding KDV-07-4 *Calculation of Title IV funds to be returned not done timely*

Condition:

Saint Paul College did not perform timely calculations of return to Title IV funds for some students receiving both "W" - withdrawals and "F" - failing grades during fiscal year 2007. The impact of not calculating these funds in a timely manner resulted in \$10,323 being refunded late. In January 2008, the College paid the U.S. Department of Education and applicable lenders \$10,323. This condition affected the following aid awards:

<u>CFDA</u>	<u>Description</u>	<u>Fiscal Year</u>	<u>Total</u>
84.063	Federal Pell Grant	2007	\$ 4,175
84.032	Subsidized FFEL	2007	1,022
84.032	Unsubsidized FFEL	2007	<u>5,126</u>
Total			<u>\$ 10,323</u>

Criteria:

The *OMB Compliance Supplement* requires an institution to properly calculate and determine the return of Title IV funds for all students that receive financial aid and either officially or unofficially withdraw.

Effect:

Saint Paul College was not in compliance with the federal requirements regarding return of Title IV funds. Specifically, funds were returned late to the U.S. Department of Education.

Recommendation:

Saint Paul College should improve the methodology used to identify students and perform timely and accurate return of Title IV fund calculations.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Minnesota State Colleges and Universities Response:

The College agrees with the auditor's recommendation and has reviewed and revised their process and procedure to better identify students and perform timely and accurate return of Title IV calculations.

Person Responsible:	Susan Prater, Financial Aid Director
Estimated Completion Date:	March 31, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report KDV-07

State Agencies: Winona State University
Ridgewater College
Saint Paul College

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.007	Federal Supplemental Educational Opportunity Grant
84.063	Federal Pell Grant
84.032	Federal Family Education Loans (FFEL)
84.038	Federal Perkins Loans

Questioned Costs: None – Procedural Finding Only

Finding KDV-07-5 *Colleges did not return loan funds to lenders timely*

Condition:

The following Colleges and Universities did not always return loan funds to the lenders within the required time frame; Ridgewater College (1 loan), Winona State University (4 loans) and Saint Paul College (1 loan). These loan funds were returned between 1 and 31 days late. Regulations require the timely repayment of loan funds to lenders for students who do not accept the loans after receipt by the College or University.

Criteria:

The *OMB Compliance Supplement* requires an institution to properly calculate and return undisbursed funds on a timely basis for students who decline approved loans.

Effect:

The above Colleges and Universities were not in compliance with the federal requirements regarding return of Title IV funds. Specifically, funds were returned late to the applicable lenders.

Recommendation:

The above Colleges and Universities should improve the methodology used to identify loan returns and perform timely and accurate return of these loans.

Minnesota State Colleges and Universities Response:

The Colleges and Universities agree with the auditor's recommendation and have reviewed their methodology for identifying loan returns to ensure that there are no systemic weaknesses. Saint Paul College is also shortening their appeal review process to better guarantee timely and accurate return of loans.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Person(s) Responsible:

Ridgewater College
Winona State University
Saint Paul College

Jim Rice, Financial Aid Director
Greg Peterson, Financial Aid Director
Susan Prater, Financial Aid Director

Estimated Completion Date:

April 30, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report KDV-07

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.032 Federal Family Education Loans (FFEL)

84.268 Federal Direct Student Loans (FDSL)

Questioned Costs: None – Procedural Finding Only

Finding KDV-07-6 *Changes in student enrollment status not updated within 30 days*

Condition:

During our sampling of student enrollment status changes, we noted that MnSCU does not have consistent practices to ensure timely and accurate reporting of enrollment changes in accordance with federal enrollment reporting requirements. Colleges and Universities submit enrollment status changes to the National Clearinghouse, an enrollment reporting service provider who subsequently submits to lenders and guaranty agencies and to NSLDS based on the institution's NSDLS Roster File schedule. During our testing, we specifically noted inconsistencies related to reporting deadlines and reporting enrollment status for students who graduate or withdraw in 9 of 60 students sampled.

Criteria:

Under the requirements for the Federal Family Education Loan and Federal Direct Student Loan Programs, changes in student status must be reported to lenders and guaranty agencies within 30 days, unless the institution expects to submit the data on a Roster File received within 60 days of the change.

Effect:

MnSCU may not have been in compliance with enrollment status change reporting requirements.

Recommendation:

The Office of the Chancellor needs to review and revise its process to ensure accurate and timely reporting of student enrollment status changes in accordance with federal regulations.

Minnesota State Colleges and Universities Response:

The Office of the Chancellor agrees with the auditor's recommendations and will review institutional reporting schedules and processes, and continue to work with institutions to ensure accurate and timely reporting of student enrollment status changes.

Person Responsible: Chris Halling, System Director for Student Financial Aid
Estimated Completion Date: June 30, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report KDV-07

State Agencies: Minnesota State University, Moorhead
Saint Paul College

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.063 Federal Pell Grant

Questioned Costs: None – Procedural Finding Only

Finding KDV-07-7 *Failed to report program disbursements within 30 days*

Condition:

The above College and University did not report Federal Pell Grant Program (Pell) disbursements within 30 days. The College and University reported late twice during the year.

Criteria:

Under the requirements for the Federal Pell Grant Program, the College must report student payment data within 30 calendar days after the institution makes a payment to students or becomes aware of the need to make an adjustment to previously reported or expected student payment data.

Effect:

The above College and University are not in compliance with the reporting requirements specified by federal program guidelines.

Recommendation:

The above College and University should ensure that Federal Pell Grant expenditures are reported to the U.S. Department of Education within 30 days of being disbursed.

Minnesota State Colleges and Universities Response:

The Colleges and Universities agree with the auditor's recommendation and have reviewed their procedures to ensure that Federal Pell Grant expenditures are reported to the U.S. Department of Education within 30 days of being disbursed.

Person(s) Responsible: Carolyn Zehren, Financial Aid Director
Susan Prater, Financial Aid Director

Estimated Completion Date: March 31, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report KDV-07

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.032	Federal Family Education Loans (FFEL)
84.038	Federal Perkins Loans
84.268	Federal Direct Student Loans (FDSL)

Questioned Costs: None – Procedural Finding Only

Finding KDV-07-8 Inadequate notification of disbursement of loan proceeds

Condition:

Northland Community College and Rainy River Community College did not notify students or parents in writing when disbursing loan proceeds to the students as required by federal regulations.

MnSCU's three direct lending institutions also did not provide the required notification. Rather, these institutions relied on the disbursement disclosure sent by the direct lending loan origination center of the U.S. Department of Education.

Several other institutions send information to the student or parent, but this information is missing various disbursement dates or amounts. In addition, many institutions did not retain related documentation to verify that students or parents were notified.

Criteria:

Code of Federal Regulations (CFR) Section 668.165 requires if an institution credits a students account at the institution with direct loans, FFEL, or federal Perkins program funds, the institution must notify the student or parent in writing of the date and amount of the loan disbursement and the students or parents right to cancel all or a part of the loan proceeds.

Effect:

The above Colleges and Universities were not in compliance with CFR Section 668.165 relating to notification of loan disbursements information.

Recommendation:

The Office of the Chancellor should work with Colleges and Universities to develop a process to ensure proper notifications are completed when loan proceeds are disbursed.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Minnesota State Colleges and Universities Response:

The named Colleges and Universities and the Office of the Chancellor agree with the auditor's recommendations. Northland Community College and Rainy River Community College will implement procedures to notify students and parents in writing when disbursing loan proceeds as required by federal regulations.

Person(s) Responsible:

Northland Community College Donna Quam, Financial Aid Director

Rainy River Community College Scott Riley, Financial Aid Director

Estimated Completion Date: June 30, 2008

The Office of the Chancellor will work with institutions and system IT staff to develop a process to ensure that proper notifications are completed when loan proceeds are disbursed.

Person Responsible: Chris Halling, System Director for Student Financial Aid

Estimated Completion Date: June 30, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report KDV-07

State Agencies: Rainy River Community College
Rochester Community and Technical College
Saint Cloud State University

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.007	Federal Supplemental Educational Opportunity Grant
84.033	Federal Work Study
84.063	Federal Pell Grant
84.268	Federal Direct Student Loans (FDSL)
84.032	Federal Family Education Loans (FFEL)
84.038	Federal Perkins Loans

Questioned Costs: None – Procedural Finding Only

Finding KDV-07-9 *Accounting system records did not always agree with federal reports*

Condition:

Various Colleges and Universities accounting systems did not always match the applicable drawdown reports or FISAP reports as follows:

Rainy River Community Colleges FISAP report did not match their accounting system for the SEOG program by \$6,675, SEOG administrative allowance by \$288 and Federal Workstudy administrative allowance by \$5,755 due to certain accounting transactions not being posted in a timely manner.

Rochester Community and Technical College FISAP report did not match their accounting system for the Pell program by \$3,967, the SEOG program by \$750 and the Federal Workstudy program by \$9,698 due to certain accounting transactions not being posted in a timely manner.

St. Cloud State University's Federal Workstudy accounting system records did not always match the applicable drawdown reports and/or FISAP reports by \$34,678 due to not drawing down funds for the applicable federal award program.

Criteria:

The *OMB Compliance Supplement* requires accurate and timely reporting of federal grant information.

Effect:

The above Colleges and Universities were not in compliance with the OMB Compliance Supplement relating to period of availability and reporting of federal funds.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Recommendation:

The above Colleges and Universities should implement procedures to review and reconcile activity and resolve any differences prior to filing the applicable FISAP for federal grants to ensure compliance with OMB Provisions.

Minnesota State Colleges and Universities Response:

The Colleges and Universities agree with the auditor's recommendations. Board Procedure 7.3.16 Guideline for Finance Exception Reporting has been significantly upgraded for financial aid reconciliation requirements as of January 7, 2008. The prior language simply called for quarterly reconciliations. The new requirements provide the colleges and universities with more specific procedural language as follows:

Colleges and universities will reconcile quarterly the G5 (formerly GAPS) system award letter, EDGAPS, ISRS reporting, and FA0012CP. The September 30 reconciliation will also include the FISAP. The reconciliations must be completed within 30 days after the end of each quarter and submitted to campus assistance. Campus assistance will review and determine if reconciliations are correct.

Person Responsible:	Tim Stoddard, Associate Vice Chancellor Financial Reporting
Estimated Completion Date:	January 7, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report KDV-07

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.063	Federal Pell Grant
84.268	Federal Direct Student Loans (FDSL)
84.032	Federal Family Education Loans (FFEL)
84.038	Federal Perkins Loans

Questioned Costs: None – Procedural Finding Only

Finding KDV-07-10 *No written policies for verification of applicant information*

Condition:

The following Colleges did not have all the required policies and procedures in place for verifying applicant information as required by 34 CFR Sections 668.51 through 668.61.

Minnesota State College - Southeast Technical – insufficient detail in written verification policy
Rainy River Community College – no written verification policy available
Anoka Technical College – no written verification policy available

Criteria:

Under the requirements of 34 CFR Sections 668.51 through 668.61, an institution not participating under an ED-approved QAP is required to establish written procedures that incorporate the above provisions for verifying applicant information, including number of family members, number of family members attending post secondary education institutions, dependency status, adjusted gross income, U.S. taxes paid and untaxed income.

Effect:

The above Colleges are not in compliance with the verification requirements specified by federal program guidelines.

Recommendation:

The above Colleges should develop complete written policies for verification procedures as required by 34 CFR 668.51 through 668.61.

Minnesota State Colleges and Universities Response:

The Colleges agree with the auditor's recommendations and will develop complete written policies for verification procedures.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Person(s) Responsible:

Minnesota State College – Southeast Technical

Rainy River Community College

Anoka Technical College

Anne Dahlen, Financial Aid Director

Scott Riley, Financial Aid Director

Susan Rumpca, Financial Aid Director

Estimated Completion Date:

June 30, 2008

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report KDV-07

State Agency: Saint Paul College

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.007	Federal Supplemental Educational Opportunity Grant
84.033	Federal Work Study
84.063	Federal Pell Grant
84.268	Federal Direct Student Loans (FDSL)
84.032	Federal Family Education Loans (FFEL)
84.038	Federal Perkins Loans
93.364	Nursing Student Loans

Questioned Costs: None – Procedural Finding Only

Finding KDV-07-11 *Satisfactory academic progress policy differs from actual practice*

Condition:

Saint Paul College's Satisfactory Academic Progress published policy did not accurately reflect the practice being required of students. Specifically, the published policy did not state that students would be continued on probation if they performed well and met the term standards during their probation, but had not yet meet cumulative standards. This specific provision was set up in the system being used to monitor progress and funds were disbursed accordingly. The College has corrected this language on its website and will correct the next edition of its printed materials.

Criteria:

The *OMB Compliance Supplement* requires an institution to establish and publish an academic progress policy in compliance with OMB requirements. These requirements are explained in more detail in the SFA Handbook.

Effect:

Unclear policies may cause financial aid recipients to not understand requirements for maintaining aid eligibility.

Recommendation:

Saint Paul College needs to ensure that the Satisfactory Academic Progress policy published to students accurately reflects the practices in place.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Minnesota State Colleges and Universities Response:

The College agrees with the auditor's recommendations and has updated their policies posted on the institutional web site, and has updated the written policy distributed in the college's publications.

Person Responsible:	Susan Prater, Financial Aid Director
Estimated Completion Date:	June 30, 2008

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL PROGRAM AUDIT FINDINGS
AS OF JUNE 30, 2007

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT. NO.	FINDING NO.	AUDIT REPORT FISCAL YR.
U. S. Department of Agriculture							
10.551	Food Stamps	Human Services	Inappropriate security clearances to MAXIS.	1	02-53	2	02
10.551	Food Stamps	Human Services	Inappropriate security clearance to change IEVS data.	1	05-13	5	04
10.551	Food Stamps	Human Services	Inaccurate reporting of spending on schedule of expenditures.	2	07-08	1	06
10.557	Special Nutrition for Women, Infants and Children	Health	Salary allocations not sufficiently documented.	1	05-16	1	04
10.557	Special Nutrition for Women, Infants and Children	Health	Salary allocations not sufficiently documented.	1	09-07	1	05
10.557	Special Nutrition for Women, Infants and Children	Health	Salary allocations not sufficiently documented.	1	07-05	1	06
10.558	Child and Adult Care Food Program	Education	Inadequate review of severance payments charged to program.	1	06-26	3	06
U.S. Department of Housing and Urban Development							
14.228	Community Development Block Grant-States	Employment and Economic Development	Inconsistent monitoring and reporting of project expenditures.	2	06-09	3	05
14.228	Community Development Block Grant-States	Employment and Economic Development	Inconsistent monitoring and reporting of project expenditures.	2	07-07	3	06
U. S. Department of Labor							
17.225	Unemployment Insurance	Employment and Economic Development	Inadequate data integrity controls over employer rate calculations.	1	05-17	2	04
17.225	Unemployment Insurance	Employment and Economic Development	Inadequate control over employer tax account adjustments and refunds.	1	07-07	1	06
17.225	Unemployment Insurance	Employment and Economic Development	Wage verification documents inappropriately discarded.	1	07-07	2	06
U. S. Department of Transportation							
20.205	Highway Planning and Construction	Transportation	Project oversight procedures need improvement.	2	06-12	2	05
20.205	Highway Planning and Construction	Transportation	Project oversight procedures need improvement.	2	07-09	1	06
20.205	Highway Planning and Construction	Transportation	Miscoded payment as participating in federal funding.	2	07-09	2	06
U. S. Department of Education							
84.010	Title 1 Grants to Local Educational Agencies	Education	Inadequate review of severance payments charged to program.	1	06-26	3	06
84.027	Special Education-Grants to States	Education	Inadequate review of severance payments charged to program.	1	06-26	3	06
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Some institutions did not timely report changes in student status.	1	KDV-05	3	05
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Title IV funds to be returned were not correctly calculated or returned.	1	KDV-05	6	05
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Excessive security rights to the financial aid systems.	2	KDV-05	9	05
Various	Financial Aid Cluster	MN West Community and Technical College	Calculations of Title IV funds to be returned not done timely.	1	KDV-06	1	06
Various	Financial Aid Cluster	Inver Hills Community College	Calculations of Title IV funds to be returned not done timely.	1	KDV-06	1	06
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Changes in student enrollment status not updated timely.	1	KDV-06	2	06
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Accounting system records did not always agree with federal reports.	1	KDV-06	6	06
84.032	Federal Family Education Loans	Inver Hills Community College	Inadequate monitoring of satisfactory academic progress.	1	KDV-06	4	06
84.032	Federal Family Education Loans	MN West Community and Technical College	Students received loans in excess of permitted amounts.	1	KDV-06	5	06
84.032	Federal Family Education Loans	Anoka Technical College	Students received loans in excess of permitted amounts.	1	KDV-06	5	06
84.063	Federal Pell Grant	South Central College	Failed to report program disbursements within 30 days.	1	KDV-06	3	06
84.126	Vocational Rehabilitation Grants to States	Employment and Economic Development	Subrecipient suspension and debarment certification not obtained.	1	07-07	4	06

*CATEGORY OF CORRECTIVE ACTION TAKEN

- 1 - Findings have been fully corrected.
- 2 - Findings not corrected or only partially corrected.
- 3 - Corrective action taken is significantly different than previously reported.
- 4 - Audit findings are no longer valid or do not warrant further action.

For Categories 2-3, reference Rpt. No. and Finding No. on the Status of Statewide Audit Findings supplemental information for more detail.

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL PROGRAM AUDIT FINDINGS
AS OF JUNE 30, 2007

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT. NO.	FINDING NO.	AUDIT REPORT FISCAL YR.
U.S. Department of Energy							
81.042	Weatherization Assistance-Low Income Persons	Commerce	Ineffective monitoring of local service providers. Federal CFDA numbers not identified in accounting system.	1	07-03	1	06
81.042	Weatherization Assistance-Low Income Persons	Commerce		1	07-03	2	06
U. S. Department of Health and Human Services							
93.268	Immunization Grants	Health	Salary allocations not sufficiently documented	2	07-05	1	06
93.263	CDC - Investigations and Technical Assistance	Health	Salary allocations not sufficiently documented.	2	05-16	1	04
93.263	CDC - Investigations and Technical Assistance	Health	Salary allocations not sufficiently documented.	2	06-07	1	05
93.263	CDC - Investigations and Technical Assistance	Health	Salary allocations not sufficiently documented.	2	07-05	1	06
93.558	Temporary Assistance for Needy Families	Human Services	Inappropriate security clearance to change IEVS data.	1	05-13	5	04
93.558	Temporary Assistance for Needy Families	Human Services - Hennepin County	Unimely resolution of discrepancies identified by IEVS.	2	05-18	H-2	04
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Unimely resolution of discrepancies identified by IEVS.	2	05-18	R-2	04
93.558	Temporary Assistance for Needy Families	Human Services	Inappropriate security clearances to MAXIS.	2	02-53	2	02
93.558	Temporary Assistance for Needy Families	Human Services - Hennepin County	Unimely resolution of discrepancies identified by IEVS.	2	06-10	H-2	05
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Unimely resolution of discrepancies identified by IEVS.	2	06-10	R-2	05
93.558	Temporary Assistance for Needy Families	Human Services	Inaccurate reporting of spending on schedule of expenditures.	2	07-08	1	06
93.558	Temporary Assistance for Needy Families	Human Services - Hennepin County	Unimely resolution of discrepancies identified by IEVS.	2	07-08	H-1	06
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Unimely resolution of discrepancies identified by IEVS.	2	07-08	R-1	06
93.563	Child Support Enforcement	Human Services	Inaccurate reporting of spending on schedule of expenditures.	2	07-08	1	06
93.568	Low Income Home Energy Assistance	Commerce	Federal program numbers not identified in accounting system.	2	07-06	2	05
93.568	Low-Income Home Energy Assistance	Commerce	Federal CFDA numbers not identified in accounting system.	1	06-06	2	05
93.568	Low-Income Home Energy Assistance	Commerce	Federal CFDA numbers not identified in accounting system.	1	07-03	2	06
93.575	Child Care and Development - Directory	Commerce	Inaccurate measurement of federal expenditures.	1	07-03	3	06
93.596	Child Care and Development - Mandatory and Match	Human Services	Salary allocations not sufficiently documented.	2	07-08	6	06
93.658	Foster Care	Human Services	Salary allocations not sufficiently documented.	2	07-08	6	06
93.659	Adoption Assistance	Human Services	Inaccurate reporting of spending on schedule of expenditures.	2	07-08	1	06
93.659	Adoption Assistance	Human Services	Inadequate eligibility documentation.	1	06-10	2	05
93.659	Adoption Assistance	Human Services	Inaccurate reporting of spending on schedule of expenditures.	2	07-08	1	06
93.767	State Children's Health Insurance Program	Human Services	Insufficient eligibility documentation.	2	07-08	1	06
93.767	State Children's Health Insurance Program	Human Services	Inadequate documentation for certain eligibility criteria.	1	05-18	5	04
93.767	State Children's Health Insurance Program	Human Services	Inadequate eligibility documentation.	1	06-10	2	05
93.767	State Children's Health Insurance Program	Human Services	Inaccurate reporting of spending on schedule of expenditures.	2	07-08	1	06
93.767	State Children's Health Insurance Program	Human Services	Insufficient eligibility documentation.	1	07-08	2	06
93.767	State Children's Health Insurance Program	Human Services	Non-compliance with eligibility criteria.	1	07-08	3	06
93.767	State Children's Health Insurance Program	Human Services	Did not submit quarterly reports timely.	2	07-08	5	06
93.767	State Children's Health Insurance Program	Human Services	Inaccurate reporting of spending on schedule of expenditures.	2	07-08	1	06
93.776	State Children's Health Insurance Program	Human Services	Did not submit quarterly reports timely.	2	07-08	5	06
93.776	Hurricane Katrina	Human Services	Inappropriate security clearance to change IEVS data.	1	07-08	5	06
93.777	State Survey and Certification of Health Care Provider	Human Services	Inaccurate reporting of spending on schedule of expenditures.	2	07-08	5	06
93.778	Medical Assistance	Human Services	Did not submit quarterly reports timely.	2	07-08	5	06
93.778	Medical Assistance	Human Services	Inappropriate security clearance to change IEVS data.	1	05-13	5	04
93.778	Medical Assistance	Human Services	Inaccurate reporting of spending on schedule of expenditures.	2	07-08	1	06
93.778	Medical Assistance	Human Services	Federal funds used to pay for state's share of transportation fees.	2	07-08	4	06
93.778	Medical Assistance	Human Services	Did not submit quarterly reports timely.	2	07-08	5	06
93.778	Medical Assistance	Human Services - Hennepin County	Unimely resolution of discrepancies identified by IEVS.	2	05-18	H-2	04
93.778	Medical Assistance	Human Services - Ramsey County	Unimely resolution of discrepancies identified by IEVS.	2	05-18	R-2	04
93.778	Medical Assistance	Human Services - Hennepin County	Unimely resolution of discrepancies identified by IEVS.	2	06-10	H-2	05
93.778	Medical Assistance	Human Services - Ramsey County	Unimely resolution of discrepancies identified by IEVS.	2	06-10	R-2	05
93.778	Medical Assistance	Human Services - Hennepin County	Unimely resolution of discrepancies identified by IEVS.	2	07-08	H-1	06
93.778	Medical Assistance	Human Services - Ramsey County	Unimely resolution of discrepancies identified by IEVS.	2	07-08	R-1	06
93.778	Medical Assistance	Human Services - Cass County	Non-compliance with eligibility criteria.	1	07-08	C-1	06

*CATEGORY OF CORRECTIVE ACTION TAKEN

- 1 - Findings have been fully corrected.
- 2 - Findings not corrected or only partially corrected.
- 3 - Corrective action taken is significantly different than previously reported.
- 4 - Audit findings are no longer valid or do not warrant further action.

For Categories 2-3, reference Rpt. No. and Finding No. on the Status of Statewide Audit Findings supplemental information for more detail.

State of Minnesota
Financial and Compliance Report on Federally Assisted Programs
Fiscal Year Ended June 30, 2007

Index of Prior Federal Program Audit Findings

<u>Report Number</u>	<u>State Agency</u>	<u>Page</u>
Report 05-16	Department of Health	120
Report 05-18	Department of Human Services.....	121
Report 06-07	Department of Health	123
Report 06-09	Department of Employment and Economic Development.....	124
Report 06-10	Department of Human Services.....	125
Report 06-12	Department of Transportation	127
Report KDV-05	Minnesota State Colleges and Universities	128
Report 07-05	Department of Health	129
Report 07-07	Department of Employment and Economic Development.....	130
Report 07-08	Department of Human Services.....	131
Report 07-09	Department of Transportation	136

**Status of Prior Federal Program Audit Findings
Supplemental Information**

Below are explanations for findings not fully corrected or the corrective action taken differs significantly from the previously stated corrective action plan.

Report 05-16

State Agency: Minnesota Department of Health

Federal Agencies: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.283 CDC – Investigations and Technical Assistance

Finding 05-16-1 *Salary allocations not sufficiently documented.*

- 1. PRIOR FINDING NOT RESOLVED:** The department did not comply with federal and state requirements for documenting time charged to programs, including the transfer of payroll costs between programs. (Prior Finding 04-26-2)

This finding is repeated in the current audit report. See Section III, Report 08-10, Finding 1, for the Department of Health's response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 05-18

State Agency: Minnesota Department of Human Services – Hennepin County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Finding 05-18-H-2 *Untimely resolution of discrepancies identified by IEVS.*

2. Hennepin County did not resolve income discrepancies identified as part of the benefit eligibility process in a timely manner.

This finding is repeated in the current audit report. See Section III, Report 08-12, Finding H-1, for Hennepin County's response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 05-18

State Agency: Minnesota Department of Human Services – Ramsey County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Finding 05-18-R-2 *Untimely resolution of discrepancies identified by IEVS.*

- 2. Ramsey County did not resolve income discrepancies identified as part of the benefit eligibility process in a timely manner.**

This finding is repeated in the current audit report. See Section III, Report 08-12, Finding R-1, for Ramsey County's response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 06-07

State Agency: Minnesota Department of Health

Federal Agencies: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.283 CDC - Prevention, Investigations and Technical Assistance

Finding 06-07-1 *Salary allocations not sufficiently documented.*

- 1. PRIOR FINDING NOT RESOLVED:** The department did not comply with federal and state requirements for documenting time charged to programs, including the transfer of payroll costs between programs. (Prior Finding 05-16-1 and 04-26-02)

This finding is repeated in the current audit report. See Section III, Report 08-10, Finding 1, for the Department of Health's response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 06-09

State Agency: Minnesota Department of Employment & Economic Development

Federal Agency: U. S. Department of Housing and Urban Development

CFDA Number/Program Name:

14.228 Community Development Block Grant - States

Finding 06-09-3 *Inconsistent monitoring and reporting of project expenditures.*

- 3. The department did not consistently monitor and report project expenditures for the federal Community Development Block Grant Program.**

This finding is repeated in the current audit report. See Section III, Report 08-11, Findings 2 and 3, for the Department of Employment and Economic Development's response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 06-10

State Agency: Minnesota Department of Human Services – Hennepin County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Finding 06-10-H-2 *Untimely resolution of discrepancies identified by IEVS.*

- 2. PRIOR FINDING NOT RESOLVED: Hennepin County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations. (Prior Finding 05-18-H-2)**

This finding is repeated in the current audit report. See Section III, Report 08-12, Finding H-1, for Hennepin County's response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 06-10

State Agency: Minnesota Department of Human Services – Ramsey County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Finding 06-10-R-2 *Untimely resolution of discrepancies identified by IEVS.*

- 2. PRIOR FINDING NOT RESOLVED: Ramsey County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations. (Prior Finding 05-18-R-2)**

This finding is repeated in the current audit report. See Section III, Report 08-12, Finding R-1, for Ramsey County's response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 06-12

State Agency: Minnesota Department of Transportation

Federal Agency: U. S. Department of Transportation

CFDA Number/Program Name:

20.205 Highway Planning and Construction Program

Finding 06-12-2 *Project oversight procedures need improvement.*

- 2. PRIOR AUDIT FINDING NOT RESOLVED: The department did not adequately follow certain project oversight procedures.**

This finding is repeated in the current audit report. See Section III, Report 08-13, Finding 1, for the Department of Transportation's response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report KDV-05

State Agency: Minnesota State Colleges and Universities

Federal Agencies: U. S. Department of Education
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

84.007	Federal Supplemental Educational Opportunity Grant
84.033	Federal Work Study
84.063	Federal Pell Grant
84.268	Federal Direct Student Loans (FDSL)
84.032	Federal Family Education Loans (FFEL)
84.038	Federal Perkins Loans
93.364	Nursing Student Loans

Finding KDV-05-9 *Excessive security rights to the financial aid system.*

Many colleges and universities had excessive security access rights granted to individuals to the financial aid system, including setup access for the financial aid system and deleting and changing holds.

Recommendation

MnSCU Colleges and Universities should ensure that access to the financial aid system is limited to appropriate levels based on job responsibilities to reduce unnecessary security risks.

Minnesota State Colleges and Universities Response:

The System Director of Financial Aid has directed each institution to limit its security clearances for financial aid set-up to only two persons per institution, unless additional cases may be justified for extraordinary circumstances. Additional follow-up is needed to ensure that corrective actions have occurred at each institution.

Person Responsible: Christopher Halling, System Director for
Student Financial Aid

Estimated Completion Date: March 2008

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 07-05

State Agency: Minnesota Department of Health

Federal Agencies: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.268 Childhood Immunization Grants

93.283 CDC-Prevention, Investigations and Technical Assistance

Finding 07-05-1 *Salary allocations not sufficiently documented.*

- 1. PRIOR FINDING PARTIALLY RESOLVED:** The department did not adequately oversee compliance with federal and state requirements for documenting time charged to programs. (Prior Findings 06-07-1 and 05-16-1)

This finding is repeated in the current audit report. See Section III, Report 08-10, Finding 1, for the Department of Health's response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 07-07

State Agency: Minnesota Department of Employment & Economic Development

Federal Agency: U. S. Department of Housing & Urban Development

CFDA Number/Program Name:

14.228 Community Development Block Grant - States

Finding 07-07-3 *Inconsistent monitoring and reporting of project expenditures.*

- 3. PRIOR FINDING PARTIALLY RESOLVED: The Department of Employment and Economic Development did not consistently monitor and report project expenditures for the federal Community Development Block Grant Program. (Prior Finding 06-09-3)**

This finding is repeated in the current audit report. See Section III, Report 08-11, Findings 2 and 3, for the Department of Employment and Economic Development's response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 07-08

State Agency: Minnesota Department of Human Services

Federal Agencies: U. S. Department of Agriculture
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Food Stamp Program
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.658	Foster Care
93.659	Adoption Assistance Program
93.767	State Children's Health Insurance Program
93.776	Hurricane Katrina Relief Program
93.778	Medical Assistance

Finding 07-08-1 *Inaccurate reporting of spending on schedule of expenditures.*

- 1. PRIOR FINDING NOT RESOLVED: The Department of Human Services did not accurately report federal spending in the state's federal financial reports. (Prior Finding 06-10-3)**

This finding is addressed in the current audit report to the Department of Finance (report 08-02). That report was issued separately on February 11, 2008. See Section IIII, Report 08-02, Finding 11, for the Department of Finance response and the Department of Human Services response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 07-08

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.767	State Children's Health Insurance Program
93.777	State Survey and Certification of Health Care Provider
93.778	Medical Assistance

Finding 07-08-5 *Did not submit quarterly reports timely.*

- 5. Some reports the Department of Human Services submitted to the federal government were inaccurate and late.**

This finding is repeated in the current audit report. See Section III, Report 08-12, Finding 6, for the Department of Human Services response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 07-08

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match

Finding 07-08-6 *Salary allocations not sufficiently documented.*

- 6. The Department of Human Services did not comply with federal regulations when allocating salaries to one federal program.**

This finding is repeated in the current audit report. See Section III, Report 08-12, Finding 1, for the Department of Human Services response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 07-08

State Agency: Minnesota Department of Human Services - Hennepin County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Finding 07-08-H-1 *Untimely resolution of discrepancies identified by IEVS.*

- 1. PRIOR FINDING NOT RESOLVED: Hennepin County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations. (Prior Findings 06-10-H2 and 05-18-H-2)**

This finding is repeated in the current audit report. See Section III, Report 08-12, Finding H-1, for Hennepin County's response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 07-08

State Agency: Minnesota Department of Human Services - Ramsey County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Finding 07-08-R-1 *Untimely resolution of discrepancies identified by IEVS.*

- 4. PRIOR FINDING NOT RESOLVED:** Ramsey County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations. (Prior Findings 06-10-R-2 and 05-18-R-2)

This finding is repeated in the current audit report. See Section III, Report 08-12, Finding R-1, for Ramsey County's response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 07-09

State Agency: Minnesota Department of Transportation

Federal Agency: U. S. Department of Transportation

CFDA Number/Program Name:

20.205 Highway Planning and Construction Program

Finding 07-09-1 *Project oversight procedures need improvement.*

1. **Prior Audit Finding Partially Resolved: The Department of Transportation did not adequately follow certain project oversight procedures. (Prior Finding 06-12-2)**

This finding is repeated in the current audit report. See Section III, Report 08-13, Finding 1, for Department of Transportation's response.

**Status of Prior Federal Program Audit Findings
Supplemental Information – Continued**

Report 07-09

State Agency: Minnesota Department of Transportation

Federal Agency: U. S. Department of Transportation

CFDA Number/Program Name:

20.205 Highway Planning and Construction Program

Finding 07-09-2 Miscoded payment as participating in federal funding.

2. The department erroneously coded a payment under a supplemental agreement as participating in federal funding.

This finding is repeated in the current audit report. See Section III, Report 08-13, Finding 2, for Department of Transportation's response.

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