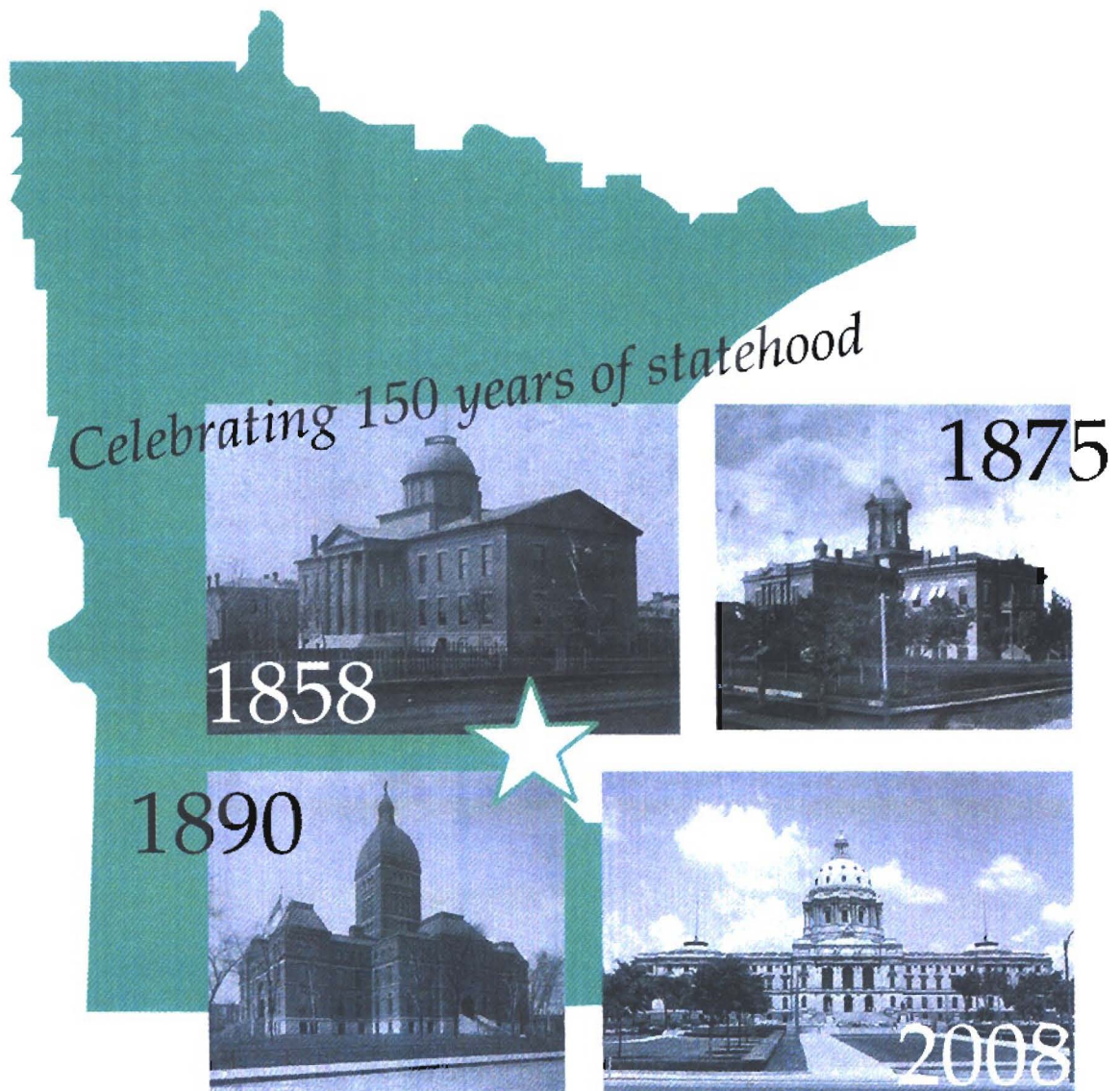


## State of Minnesota

# Financial and Compliance Report on Federally Assisted Programs



For the Year Ended June 30, 2008



150 YEARS  
of STATEHOOD  
1858 - 2008

On the cover:

Admitted to the union May 11, 1858, this year, Minnesota celebrates 150 years of statehood. In this time three buildings in St. Paul have served the state's citizens as the State Capitol.

The first was built at 10th and Cedar Streets in 1853, during the territorial period and underwent distinct remodeling in the 1870s. This structure was destroyed by fire in 1881.

The second Capitol, built on the same site, was completed in 1883. Immediately it was determined to be too small for the growing needs of the state government and in 1893 the legislature appropriated first funding to begin the construction of a new building.

Designed by famed architect, Cass Gilbert, the third and current Capitol Building opened its doors to all in 1905. Today it stands as an elegant and recognizable symbol of Minnesota.

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Photos used with permission from the MN State Historical Society

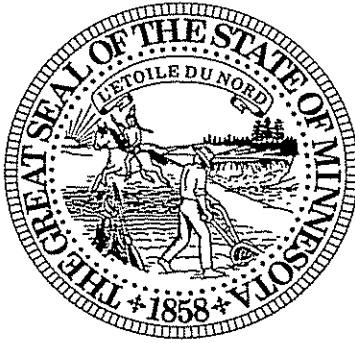
State Capitol, MSHS Photograph Collection, Carte-de-visite ca. 1865

State Capitol after first remodeling, St. Paul, MSHS Photograph Collection ca. 1875

State Capitol building, MSHS Photograph Collection ca. 1900

State Capitol, MSHS Photograph Collection ca. 1962

150 Years of Statehood logo used with permission from The Minnesota Sesquicentennial Commission



# Financial and Compliance Report on Federally Assisted Programs

For the Year Ended June 30, 2008

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State of Minnesota

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**2008**  
**Minnesota Financial**  
**and Compliance**  
**Report on Federally**  
**Assisted Programs**

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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 Management & Budget  
400 Centennial Office Building  
658 Cedar Street  
Saint Paul, Minnesota 55155-1489  
651-201-8000

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.mmb.state.mn.us/>

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State of Minnesota

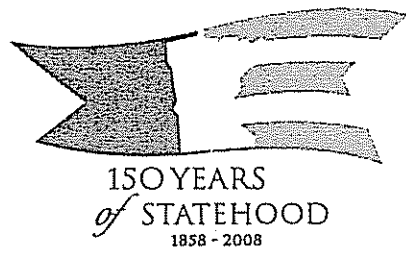


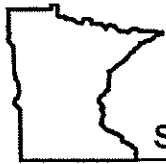
**State of Minnesota**  
**Financial and Compliance Report on Federally Assisted Programs**  
**Fiscal Year Ended June 30, 2008**

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State of Minnesota

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## 2008 Financial and Compliance Report on Federally Assisted Programs Transmittal Letter from the Commissioner of Finance

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March 25, 2009

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, 2008. 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 State of Minnesota's primary government. Programs administered by the state's 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, 2008.

The financial schedules presented are meant to provide a consistent basis for reporting on the expenditures of federal assistance received by state agencies. The schedules 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 2008, the state of Minnesota received approximately \$8.4 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 state's major federal programs identified in this single audit report, including the federal program expenditure schedules. The auditor's report on compliance with requirements applicable to each major federal program and on internal control over compliance is included as part of this report. 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 for the year ended June 30, 2008.

All subrecipients receiving federal assistance from Minnesota state agencies have been required to have audits in accordance with OMB Circular A-133. Results of these audits are summarized in the Report on Audits of Subrecipients issued by the Minnesota Office of the State Auditor.

## **Report**

This single audit report supplements the state's Comprehensive Annual Financial Report for the year ended June 30, 2008, 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.

## **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.

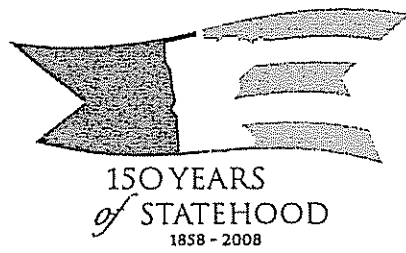
## **Department Merger**

During fiscal year 2008, the departments of Finance and Employee Relations merged. The combined new department is in the process of seeking legislation approving a name change to Minnesota Management and Budget.

Sincerely,

A handwritten signature in black ink that reads "Tom J. Hanson". The signature is written in a cursive, flowing style.

Tom J. Hanson  
Commissioner







## OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

### **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, 2008. 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, 2008. 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

Members of the Legislature  
The Honorable Tim Pawlenty, Governor  
Mr. Tom Hanson, Commissioner of Finance  
Page 2

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.

As described in item 09-10-3 in the accompanying Schedule of Findings and Questioned Costs, the State of Minnesota did not comply with requirements regarding subrecipient monitoring requirements that are applicable to its Medical Assistance (CFDA 93.778), Temporary Assistance to Needy Families (CFDA 93.558), Child Support Enforcement (CFDA 93.563) and Food Stamp Administration (CFDA 10.561) programs. Compliance with such requirements is necessary, in our opinion, for the State of Minnesota to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2008. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which we are required to report in accordance with OMB Circular A-133 and which we describe 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 Findings 09-10-2, 09-10-3, and 09-14-1 to be material weaknesses.

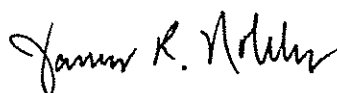
#### **Schedule of Expenditures of Federal Awards**

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, 2008, and have issued our report thereon dated December 9, 2008.

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.

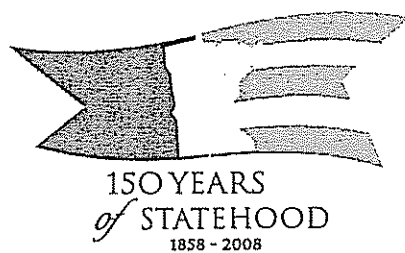


James R. Nobles  
Legislative Auditor



Cecile M. Ferkul, CPA  
Deputy Legislative Auditor

March 6, 2009, except for Schedule of Expenditures of Federal Awards as to which the date is December 9, 2008



STATE OF MINNESOTA  
MAJOR FEDERAL PROGRAMS  
SCHEDULE OF EXPENDITURES  
YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Food Stamp Cluster</b>			
10.551	SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	HUMAN SERVICES	\$ 322,454,717
10.561	STATE ADMIN MATCHING GRANTS FOR SUPP. NUTRITION	HUMAN SERVICES	\$ 52,226,018
Food Stamp Cluster Total:			\$ 374,680,735
<b>Child Nutrition Cluster</b>			
10.553	SCHOOL BREAKFAST PROGRAM	EDUCATION	\$ 25,343,145
10.555	NATIONAL SCHOOL LUNCH PROGRAM	EDUCATION	\$ 105,838,267
10.556	SPECIAL MILK PROGRAM FOR CHILDREN	EDUCATION	\$ 843,848
10.559	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	EDUCATION	\$ 2,870,160
Child Nutrition Cluster Total:			\$ 134,895,420
10.557	SPECIAL SUPP. NUTRITION WOMEN, INFANTS, CHILDREN (4)	HEALTH	\$ 93,925,312
10.558	CHILD & ADULT CARE FOOD PROGRAM	EDUCATION	\$ 57,327,782
<b>U.S. DEPARTMENT OF DEFENSE</b>			
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MNTC	MILITARY AFFAIRS	\$ 62,429,178
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MNTC	NATURAL RESOURCES	\$ 34,591
Program 12.401 Total:			\$ 62,463,769
<b>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			
14.228	COMM DEV BLOCK GRANTS/STATE'S PRG AND NON-ENTITLEM	EMPLOYMENT & ECONOMIC DEV.	\$ 26,093,942
<b>U.S. DEPARTMENT OF INTERIOR</b>			
<b>Fish and Wildlife Cluster</b>			
15.605	SPORT FISH RESTORATION	NATURAL RESOURCES	\$ 14,945,846
15.611	WILDLIFE RESTORATION	NATURAL RESOURCES	\$ 9,148,458
15.611	WILDLIFE RESTORATION	STATE COLLEGES & UNIVERSITIES	\$ 8,570
Fish and Wildlife Cluster Total:			\$ 24,102,874

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, 2008

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF LABOR</b>			
<b>WIA Cluster</b>			
17.258	WIA ADULT PROGRAM	EMPLOYMENT & ECONOMIC DEV.	\$ 7,714,808
17.259	WIA YOUTH ACTIVITIES	EMPLOYMENT & ECONOMIC DEV.	\$ 8,482,801
17.260	WIA DISLOCATED WORKERS	EMPLOYMENT & ECONOMIC DEV.	\$ 14,170,912
<b>WIA Cluster Total:</b>			<b>\$ 30,368,521</b>
17.225	UNEMPLOYMENT INSURANCE (5)	EMPLOYMENT & ECONOMIC DEV.	\$ 863,530,678
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Highway Planning and Construction Cluster</b>			
20.205	HIGHWAY PLANNING & CONSTRUCTION	TRANSPORTATION	\$ 763,198,237
<b>Highway Planning and Construction Cluster Total:</b>			<b>\$ 763,198,237</b>
<b>Federal Transit Cluster</b>			
20.500	FEDERAL TRANSIT_CAPITAL INVESTMENT GRANTS	TRANSPORTATION	\$ 58,933,599
20.507	FEDERAL TRANSIT FORMULA GRANT	PUBLIC SAFETY	\$ 45,588
20.507	FEDERAL TRANSIT FORMULA GRANT	TRANSPORTATION	\$ 371,625
<b>Federal Transit Cluster Total:</b>			<b>\$ 59,350,812</b>
20.106	AIRPORT IMPROVEMENT PROGRAM	TRANSPORTATION	\$ 58,345,478
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Student Financial Aid Cluster</b>			
84.007	FEDERAL SUPP EDUCATIONAL OPPORTUNITY GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 5,754,583
84.033	FEDERAL WORK-STUDY PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 7,186,522
84.063	FEDERAL PELL GRANT PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 127,076,942
84.375	ACADEMIC COMPETITIVENESS GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 2,065,888
84.376	NATIONAL SCIENCE AND MATHEMATICS ACCESS TO RETAIN T	STATE COLLEGES & UNIVERSITIES	\$ 979,076
<b>Student Financial Aid Cluster Total:</b>			<b>\$ 143,063,011</b>

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, 2008

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>			
<b>Special Education Cluster (IDEA)</b>			
84.027	SPECIAL EDUCATION_GRANTS TO STATES	EDUCATION	\$ 188,505,206
84.173	SPECIAL EDUCATION_PRESCHOOL GRANTS	EDUCATION	\$ 7,108,751
Special Education Cluster (IDEA) Total:			\$ 195,613,957
84.010	TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	EDUCATION	\$ 117,172,035
84.126	REHAB SVCS_VOCATIONAL REHAB GRANTS TO STATES	EMPLOYMENT & ECONOMIC DEV.	\$ 44,332,798
84.367	IMPROVING TEACHER QUALITY STATE GRANTS	EDUCATION	\$ 35,731,441
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			
<b>Medicaid Cluster</b>			
93.775	STATE MEDICAID FRAUD CONTROL UNITS	ATTORNEY GENERAL	\$ 904,743
93.776	HURRICANE KATRINA RELIEF	HUMAN SERVICES	\$ 7,965
93.777	STATE HEALTH CARE PROVIDERS SURVEY	HEALTH	\$ 6,388,922
93.777	STATE HEALTH CARE PROVIDERS SURVEY	HUMAN SERVICES	\$ 4,346,942
93.778	MEDICAL ASSISTANCE PROGRAM (4)	HUMAN SERVICES	\$ 3,517,772,457
Medicaid Cluster Total:			\$ 3,529,421,029
<b>CCDF Cluster</b>			
93.575	CHILD CARE AND DEVELOPMENT BLOCK GRANT	HUMAN SERVICES	\$ 55,570,454
93.575	CHILD CARE AND DEVELOPMENT BLOCK GRANT	STATE COLLEGES & UNIVERSITIES	\$ 44
93.596	CHILD CARE MANDATORY & MATCHING FUNDS	HUMAN SERVICES	\$ 57,913,027
CCDF Cluster Total:			\$ 113,483,525
93.268	CHILDHOOD IMMUNIZATION GRANTS	HEALTH	\$ 31,789,701
93.283	CTRS FOR DISEASE CONTROL AND PREVENTION	HEALTH	\$ 28,161,548
93.558	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	HUMAN SERVICES	\$ 223,829,319
93.563	CHILD SUPPORT ENFORCEMENT	HUMAN SERVICES	\$ 95,022,152
93.568	LOW-INCOME HOME ENERGY ASSISTANCE	COMMERCE	\$ 102,120,375
93.658	FOSTER CARE_TITLE IV-E	HUMAN SERVICES	\$ 51,614,057
93.659	ADOPTION ASSISTANCE	HUMAN SERVICES	\$ 23,970,215

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

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STATE OF MINNESOTA  
MAJOR FEDERAL PROGRAMS  
SCHEDULE OF EXPENDITURES  
YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.667	SOCIAL SERVICES BLOCK GRANT	HUMAN SERVICES	\$ 33,852,098
93.767	STATE CHILDREN'S INSURANCE PROGRAM	HUMAN SERVICES	\$ 72,235,296
93.959	BLOCK GRANTS FOR PRVNT AND TRTMNT OF SUBSTANCE ABU HUMAN SERVICES		\$ 22,979,923
U.S. DEPARTMENT OF HOMELAND SECURITY			
97.036	DISASTER GRANTS - PUBLIC ASSISTANCE	PUBLIC SAFETY	\$ 22,503,340

Major Program Total: \$ 7,435,179,380

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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, 2008

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Schools and Roads Cluster</b>			
10.665	SCHOOLS AND ROADS_GRANTS TO STATES	FINANCE	\$ 1,813,076
Schools and Roads Cluster Total:			\$ 1,813,076
<b>Emergency Food Assistance Cluster</b>			
10.568	EMERGENCY FOOD ASSISTANCE-ADMIN	HUMAN SERVICES	910,000
Emergency Food Assistance Cluster Total:			\$ 910,000
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	AGRICULTURE	375,059
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	ANIMAL HEALTH BOARD	1,277,523
10.028	WILDLIFE SERVICES	NATURAL RESOURCES	78,798
10.069	CONSERVATION RESERVE PROGRAM	NATURAL RESOURCES	34,123
10.156	FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM	AGRICULTURE	87,769
10.162	INSPECTION GRADING AND STANDARDIZATION	AGRICULTURE	140,500
10.163	MARKET PROTECTION AND PROMOTION	AGRICULTURE	772,074
10.169	SPECIALTY CROP BLOCK GRANT PROGRAM	AGRICULTURE	113,275
10.200	GRANTS FOR AG RESEARCH, SPECIAL RESEARCH GRANTS	AGRICULTURE	64,837
10.206	GRANTS FOR AG RESEARCH_COMPETITIVE RESEARCH GRANTS	STATE COLLEGES & UNIVERSITIES	50,000
10.227	1994 INSTITUTIONS RESEARCH PROGRAM	STATE COLLEGES & UNIVERSITIES	21,045
10.303	INTEGRATED PROGRAMS	AGRICULTURE	26,401
10.456	PARTNERSHIP AGREEMENTS TO DEV NON-INS RISK MGMT TO	AGRICULTURE	104,274
10.459	COMMODITY PARTNERSHIPS FOR SMALL AG RISK MGMT EDU	STATE COLLEGES & UNIVERSITIES	18,219
10.475	COOP AGMNTS WITH STATES FOR INTRASTATE MEAT AND POULTRY	AGRICULTURE	495,933
10.479	FOOD SAFETY COOPERATIVE AGREEMENTS	AGRICULTURE	223,174
10.500	COOPERATIVE EXTENSION SERVICE	STATE COLLEGES & UNIVERSITIES	31,104
10.550	FOOD DONATION	EDUCATION	21,580,747
10.560	STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	EDUCATION	2,994,077
10.565	COMMODITY SUPPLEMENTAL FOOD PROGRAM	HEALTH	886,433
10.572	WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	AGRICULTURE	349,992
10.574	TEAM NUTRITION GRANTS	EDUCATION	15,117
10.576	SENIOR FARMERS MARKET NUTRITION PROGRAM	AGRICULTURE	99,726
10.580	SPECIAL NUTRITION ASSISTANCE PROGRAM OUTREACH	HUMAN SERVICES	434,035
10.603	EMERGING MARKETS PROGRAM	AGRICULTURE	82,261
10.652	FORESTRY RESEARCH	NATURAL RESOURCES	1,778
10.652	FORESTRY RESEARCH	STATE COLLEGES & UNIVERSITIES	24,829

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, 2008

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE (Continued)</b>			
10.664	COOPERATIVE FORESTRY ASSISTANCE	AGRICULTURE	\$ 201,632
10.664	COOPERATIVE FORESTRY ASSISTANCE	NATURAL RESOURCES	2,559,184
10.668	ADDITIONAL LANDS-GRANTS	FINANCE	2,246,707
10.675	URBAN AND COMMUNITY FORESTRY PROGRAM	NATURAL RESOURCES	235,881
10.676	FOREST LEGACY PROGRAM	NATURAL RESOURCES	225,562
10.677	FOREST LAND ENHANCEMENT PROGRAM	NATURAL RESOURCES	66,185
10.678	FOREST STEWARDSHIP PROGRAM	NATURAL RESOURCES	375,899
10.680	FOREST HEALTH PROTECTION	AGRICULTURE	21,582
10.902	SOIL AND WATER CONSERVATION	AGRICULTURE	51,511
10.902	SOIL AND WATER CONSERVATION	WATER & SOIL RESOURCES	1,542,287
10.903	SOIL SURVEY	STATE COLLEGES & UNIVERSITIES	171
10.912	ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	AGRICULTURE	29,965
10.950	AGRICULTURAL STATISTICS REPORTS	AGRICULTURE	15,610
10.962	COCHRAN FELLOWSHIP PRGRM-ITL TRNG-FOREIGN PARTICIPANT	STATE COLLEGES & UNIVERSITIES	8,563
<b>U.S. DEPARTMENT OF COMMERCE</b>			
11.407	INTERJURISDICTIONAL FISHERIES ACT OF 1986	NATURAL RESOURCES	11,823
11.413	FISHERY PRODUCTS INSPECTION AND CERTIFICATION	AGRICULTURE	11,381
11.419	COASTAL ZONE MANAGEMENT ADMIN AWARDS	NATURAL RESOURCES	1,005,690
<b>U.S. DEPARTMENT OF DEFENSE</b>			
12.104	FLOOD PLAIN MANAGEMENT SERVICES	FINANCE	6,451
12.113	REIMBURSEMENT OF TECHNICAL SERVICES	POLLUTION CONTROL AGENCY	201,595
12.300	BASIC AND APPLIED SCIENTIFIC RESEARCH	AGRICULTURE	62,677
12.300	BASIC AND APPLIED SCIENTIFIC RESEARCH	STATE COLLEGES & UNIVERSITIES	15,900
12.404	NATIONAL GUARD CIVILIAN YOUTH OPPORTUNITIES	MILITARY AFFAIRS	615,000
12.630	BASIC, APPLIED, AND ADV RES IN SCIENCE AND ENGINEERING	STATE COLLEGES & UNIVERSITIES	92,555
12.800	AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	STATE COLLEGES & UNIVERSITIES	119
<b>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			
14.231	EMERGENCY SHELTER GRANTS PROGRAM	HUMAN SERVICES	1,199,748
14.243	OPPORTUNITIES FOR YOUTH-YOUTH BUILD	EMPLOYMENT & ECONOMIC DEV.	44,080
14.900	LEAD-BASED PAINT HAZARD CONTROL IN PRIVATELY-OWNED	HEALTH	97,845

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

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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF INTERIOR</b>			
15.608	FISH AND WILDLIFE MANAGEMENT ASSISTANCE	NATURAL RESOURCES	\$ 28,535
15.608	FISH AND WILDLIFE MANAGEMENT ASSISTANCE	STATE COLLEGES & UNIVERSITIES	1,446
15.615	COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	NATURAL RESOURCES	151,084
15.616	CLEAN VESSEL ACT	NATURAL RESOURCES	61,317
15.623	NORTH AMERICAN WETLANDS CONSERVATION FUND	NATURAL RESOURCES	719,225
15.626	HUNTER EDUCATION AND SAFETY PROGRAM	NATURAL RESOURCES	214,736
15.633	LANDOWNER INCENTIVE	NATURAL RESOURCES	278,718
15.634	STATE WILDLIFE GRANTS	NATURAL RESOURCES	1,047,067
15.637	MIGRATORY BIRD JOINT VENTURES	NATURAL RESOURCES	54,221
15.809	NATIONAL SPATIAL DATA INFRASTRUCTURE COOPERATIVE	ADMINISTRATION	62,734
15.978	UPPER MISSISSIPPI RIVER SYSTEM L-T RESOURCE MONITORING PR	NATURAL RESOURCES	81,072
15.978	UPPER MISSISSIPPI RIVER SYSTEM L-T RESOURCE MONITORING PR	STATE COLLEGES & UNIVERSITIES	1,859
15.AAV	COOPERATIVE JOINT VENTURE AGREEMENT-ECO STUDIES (7)	NATURAL RESOURCES	4,789
15.FFA	INTERIOR OF FISH & WILDLIFE SERVICE (7)	NATURAL RESOURCES	28,941
15.FFC	SCIENTIFIC & NATURAL AREAS (7)	NATURAL RESOURCES	36,176
<b>U.S. DEPARTMENT OF JUSTICE</b>			
16.004	LAW ENFORCEMENT ASSISTANCE_NARCOTICS AND DANGEROUS	PUBLIC SAFETY	88,434
16.202	PRISONER REENTRY INITIATIVE DEMO (OFFENDER REENTRY)	CORRECTIONS	36,126
16.520	STATE JUSTICE STATS PRGM FOR STATISTICAL ANALYSIS CTRS	PUBLIC SAFETY	112,564
16.523	JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT	PUBLIC SAFETY	972,734
16.525	GRANTS TO REDUCE DSTC VIOLENCE, DATING VIOLENCE, SEXUAL A	STATE COLLEGES & UNIVERSITIES	44,834
16.540	JUVENILE JUSTICE AND DELINQUENCY PREVENTION_ALLOC TO STA	PUBLIC SAFETY	879,324
16.541	PART E - DEVELOPING, TESTING AND DEMO PROMISING NEW PROG	STATE COLLEGES & UNIVERSITIES	21,670
16.548	TITLE V_DELINQUENCY PREVENTION PROGRAM	PUBLIC SAFETY	49,489
16.550	STATE JUSTICE STATISTICS	PUBLIC SAFETY	50,000
16.560	NTNL INSTITUTE OF JUSTICE RESEARCH, EVALUATION, AND DEV	PUBLIC SAFETY	67,321
16.575	CRIME VICTIM ASSISTANCE	PUBLIC SAFETY	6,353,433
16.576	CRIME VICTIM COMPENSATION	PUBLIC SAFETY	573,247
16.579	EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	PUBLIC SAFETY	539,857
16.580	EDWARD BYRNE MEMORIAL STATE AND LOCAL LAW ENFORCEMENT	PUBLIC SAFETY	994,211
16.580	EDWARD BYRNE MEMORIAL STATE AND LOCAL LAW ENFORCEMENT	STATE COLLEGES & UNIVERSITIES	191,183
16.582	CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	PUBLIC SAFETY	57,278

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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF JUSTICE (Continued)</b>			
16.585	DRUG COURT DISCRETIONARY GRANT PROGRAM	TRIAL COURTS	\$ 341,331
16.588	VIOLENCE AGAINST WOMEN FORMULA GRANTS	PUBLIC SAFETY	1,579,688
16.593	RESIDENTIAL SUBST ABUSE TREATMENT FOR STATE PRISONERS	PUBLIC SAFETY	189,108
16.595	COMMUNITY CAPACITY DEVELOPMENT OFFICE	PUBLIC SAFETY	583,027
16.606	STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	CORRECTIONS	1,965,280
16.607	BULLETPROOF VEST PARTNERSHIP PROGRAM	CORRECTIONS	5,082
16.607	BULLETPROOF VEST PARTNERSHIP PROGRAM	PUBLIC SAFETY	19,544
16.609	COMM. PROSECUTION & PROJECT SAFE NEIGHBORHOODS	PUBLIC SAFETY	432,199
16.710	PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS	PUBLIC SAFETY	203,790
16.712	POLICE CORPS	PUBLIC SAFETY	208,747
16.727	ENFORCING UNDERAGE DRINKING LAWS PROGRAM	NATURAL RESOURCES	778
16.727	ENFORCING UNDERAGE DRINKING LAWS PROGRAM	PUBLIC SAFETY	327,313
16.735	PROTECTING INMATES AND SAFEGUARDING COMMUNITIES	CORRECTIONS	430,911
16.738	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PRGM	PUBLIC SAFETY	3,086,199
16.741	FORENSIC DNA BACKLOG REDUCTION PROGRAM	PUBLIC SAFETY	279,063
16.743	FORENSIC CASEWORK DNA BACKLOG REDUCTION PROGRAM	PUBLIC SAFETY	293,107
16.744	ANTI-GANG INITIATIVE	PUBLIC SAFETY	197,327
<b>U.S. DEPARTMENT OF LABOR</b>			
<b>Employment Service Cluster</b>			
17.207	EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	EMPLOYMENT & ECONOMIC DEV.	24,496,099
17.801	DISABLED VETERANS' OUTREACH PROGRAM (DVOP)	EMPLOYMENT & ECONOMIC DEV.	1,536,460
17.804	LOCAL VETERANS' EMPLOYMENT REPRESENTATIVE PROGRAM	EMPLOYMENT & ECONOMIC DEV.	1,239,723
<b>Employment Service Cluster Total:</b>			<b>\$ 27,272,282</b>
17.002	LABOR FORCE STATISTICS	EMPLOYMENT & ECONOMIC DEV.	1,711,854
17.005	COMPENSATION & WORKING CONDITIONS	LABOR AND INDUSTRY	202,236
17.235	SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	EMPLOYMENT & ECONOMIC DEV.	2,162,776
17.245	TRADE ADJUSTMENT ASSISTANCE	EMPLOYMENT & ECONOMIC DEV.	9,597,751
17.261	WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	EMPLOYMENT & ECONOMIC DEV.	866,436
17.266	WORK INCENTIVE GRANTS	EMPLOYMENT & ECONOMIC DEV.	385,450
17.267	INCENTIVE GRANTS - WIA SECTION 503	EMPLOYMENT & ECONOMIC DEV.	690,968
17.268	H-1B JOB TRAINING GRANTS	EMPLOYMENT & ECONOMIC DEV.	9,737
17.269	COMMUNITY BASED JOB TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	582
17.271	WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	EMPLOYMENT & ECONOMIC DEV.	338,781
17.273	TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	EMPLOYMENT & ECONOMIC DEV.	60,982

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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF LABOR (Continued)</b>			
17.502	OCCUPATIONAL SAFETY AND HEALTH_SUSAN HARWOOD TRAINING	STATE COLLEGES & UNIVERSITIES	\$ 98,941
17.503	OCCUPATIONAL SAFETY & HEALTH-STATE PROGRAM	LABOR AND INDUSTRY	6,179,379
17.504	CONSULTATION AGREEMENTS	LABOR AND INDUSTRY	4,890,108
17.600	MINE HEALTH AND SAFETY GRANTS	STATE COLLEGES & UNIVERSITIES	297,797
17.720	DISABILITY EMPLOYMENT POLICY DEVELOPMENT	EMPLOYMENT & ECONOMIC DEV.	3
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Transit Services Programs Cluster</b>			
20.513	CAPITAL ASSISTANCE PROGRAM FOR ELDERLY PERSONS	TRANSPORTATION	1,023,998
20.516	JOB ACCESS_REVERSE COMMUTE	TRANSPORTATION	191,215
20.521	NEW FREEDOM PROGRAM	TRANSPORTATION	123,207
<b>Transit Services Programs Cluster Total:</b>			<b>\$ 1,338,420</b>
<b>Highway Safety Cluster</b>			
20.600	STATE & COMMUNITY HIGHWAY SAFETY	PUBLIC SAFETY	5,039,628
20.601	ALCOHOL TRAFFIC SAFETY AND DRUNK DRIVING PREV INCENTIVE	PUBLIC SAFETY	2,298,502
20.604	SAFETY INCENTIVE GRANTS	PUBLIC SAFETY	10,303
20.610	STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT	PUBLIC SAFETY	555,356
20.612	INCENTIVE GRANT PRG TO INCREASE MOTORCYCLIST SAFETY	PUBLIC SAFETY	96,592
<b>Highway Safety Cluster Total:</b>			<b>\$ 8,000,381</b>
20.200	HIGHWAY RESEARCH AND DEVELOPMENT PROGRAM	TRANSPORTATION	1,318,589
20.218	NATIONAL MOTOR CARRIER SAFETY	PUBLIC SAFETY	4,275,890
20.219	RECREATIONAL TRAILS PROGRAM	NATURAL RESOURCES	1,028,997
20.232	COMMERCIAL DRIVER LICENSE STATE PROGRAMS	PUBLIC SAFETY	426,254
20.505	FEDERAL TRANSIT_METROPOLITAN PLANNING GRANTS	TRANSPORTATION	3,679,022
20.509	FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS	TRANSPORTATION	12,677,545
20.514	PUBLIC TRANSPORTATION RESEARCH	TRANSPORTATION	34,000
20.608	MNM PENALTIES FOR RPT OFFENDERS FOR DRIVING WHILE INTOXIC	PUBLIC SAFETY	3,755,788
20.700	PIPELINE SAFETY PROGRAM BASE GRANTS	PUBLIC SAFETY	872,486
20.703	INTERAGENCY HAZ MATERIALS PUBLIC SECTOR TRNG AND PLNG GR	PUBLIC SAFETY	249,243
<b>U.S. GENERAL SERVICES ADMINISTRATION</b>			
39.011	ELECTION REFORM PAYMENTS	SECRETARY OF STATE	1,286,035
<b>U.S. NATIONALAERONAUTICS &amp; SPACE ADMINISTRATION</b>			
43.001	AEROSPACE EDUCATION SERVICES PROGRAM	STATE COLLEGES & UNIVERSITIES	33,751

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

**STATE OF MINNESOTA  
NONMAJOR FEDERAL PROGRAMS  
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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. NATIONAL FOUNDATION ARTS &amp; HUMANITIES</b>			
45.024	PROMOTION OF THE ARTS_GRANTS TO ORGS AND INDIVIDUALS	STATE COLLEGES & UNIVERSITIES	13,628
45.025	PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	ARTS BOARD	617,926
45.164	PROMOTION OF THE HUMANITIES_PUBLIC PROGRAMS	STATE COLLEGES & UNIVERSITIES	918
45.310	GRANTS TO STATES	EDUCATION	2,311,419
<b>U.S. NATIONAL SCIENCE FOUNDATION</b>			
47.041	ENGINEERING GRANTS	STATE COLLEGES & UNIVERSITIES	104,203
47.049	MATHEMATICAL AND PHYSICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	29,978
47.074	BIOLOGICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	236,972
47.075	SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES	STATE COLLEGES & UNIVERSITIES	181,944
47.076	EDUCATION & HUMAN RESOURCES	NATURAL RESOURCES	15,682
47.076	EDUCATION & HUMAN RESOURCES	STATE COLLEGES & UNIVERSITIES	1,119,061
47.078	POLAR PROGRAMS	STATE COLLEGES & UNIVERSITIES	22,500
<b>U.S. SMALL BUSINESS ADMINISTRATION</b>			
59.037	SMALL BUSINESS DEVELOPMENT CENTERS	EMPLOYMENT & ECONOMIC DEV.	1,292,048
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
64.124	ALL-VOLUNTEER FORCE EDUCATION ASSISTANCE	LABOR AND INDUSTRY	39,503
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
66.032	STATE INDOOR RADON GRANTS	HEALTH	520,728
66.034	SURVEY STUDIES, INVESTIGATIONS, DEMO CLEAN AIR ACT	COMMERCE	16,000
66.034	SURVEY STUDIES, INVESTIGATIONS, DEMO CLEAN AIR ACT	POLLUTION CONTROL AGENCY	544,450
66.202	CONGRESSIONALLY MANDATED PROJECTS	NATURAL RESOURCES	101
66.419	WATER POLLUTION CTRL STATE, INTERSTATE, AND TRIBAL PRG SUP	HEALTH	26,129
66.419	WATER POLLUTION CTRL STATE, INTERSTATE, AND TRIBAL PRG SUP	NATURAL RESOURCES	49,292
66.419	WATER POLLUTION CTRL STATE, INTERSTATE, AND TRIBAL PRG SUP	POLLUTION CONTROL AGENCY	335,988
66.432	STATE PUBLIC WATER SYSTEM SUPERVISION	HEALTH	2,608,132
66.436	SURVEYS, STUDIES, INVESTIGATIONS, DEMO, AND TRNG CLEAN AIR	POLLUTION CONTROL AGENCY	66,999
66.436	SURVEYS, STUDIES, INVESTIGATIONS, DEMO, AND TRNG CLEAN AIR	STATE COLLEGES & UNIVERSITIES	28,735
66.454	ENVIRONMENTAL POLICY AND INNOVATION GRANTS	POLLUTION CONTROL AGENCY	195,851

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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY (Continued)			
66.460	NONPOINT SOURCE IMPLEMENTATION GRANTS	AGRICULTURE	\$ 55,477
66.460	NONPOINT SOURCE IMPLEMENTATION GRANTS	POLLUTION CONTROL AGENCY	7,385,011
66.460	NONPOINT SOURCE IMPLEMENTATION GRANTS	STATE COLLEGES & UNIVERSITIES	61,092
66.461	REGIONAL WETLAND PROGRAM DEVELOPMENT GRANTS	POLLUTION CONTROL AGENCY	43,878
66.467	WASTEWATER OPERATOR TRAINING GRANT PROGRAM	POLLUTION CONTROL AGENCY	40,254
66.468	CAPTIZ GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	AGRICULTURE	17,126
66.468	CAPTIZ GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	HEALTH	2,672,467
66.469	GREAT LAKES PROGRAM	HEALTH	15,000
66.469	GREAT LAKES PROGRAM	POLLUTION CONTROL AGENCY	244,545
66.471	STATE GRANTS TO REIMBURSE OPRTS OF SMALL WATER SYST	HEALTH	937,484
66.472	BEACH MONITORING AND NOTIFICATION PRG IMPLMNT GRANTS	POLLUTION CONTROL AGENCY	166,864
66.474	WATER PROTECTION GRANTS TO THE STATES	HEALTH	287,292
66.479	WETLAND PROGRAM GRANTS - STATE/TRIBAL	NATURAL RESOURCES	52,534
66.479	WETLAND PROGRAM GRANTS - STATE/TRIBAL	POLLUTION CONTROL AGENCY	323,959
66.509	SCIENCE TO ACHIEVE RESULTS (STAR) RESEARCH PROGRAM	HEALTH	65,778
66.509	SCIENCE TO ACHIEVE RESULTS (STAR) RESEARCH PROGRAM	STATE COLLEGES & UNIVERSITIES	255,362
66.511	OFFICE OF RESEARCH AND DEVELOPMENT CONSOLIDATED	NATURAL RESOURCES	297,838
66.605	PERFORMANCE PARTNERSHIP GRANTS	AGRICULTURE	718,925
66.605	PERFORMANCE PARTNERSHIP GRANTS	POLLUTION CONTROL AGENCY	9,345,460
66.608	ENVIRONMENTAL INFORMATION EXCHANGE NETWORK GRANT	ADMINISTRATION	147,130
66.608	ENVIRONMENTAL INFORMATION EXCHANGE NETWORK GRANT	POLLUTION CONTROL AGENCY	310,742
66.609	PROTECTION OF CHILDREN AND ELDERLY FROM ENVIRONMENT	HEALTH	12,385
66.611	ENVIRONMENTAL POLICY AND INNOVATION GRANTS	POLLUTION CONTROL AGENCY	81,470
66.700	CONSOLIDATED PESTICIDE ENFORCEMENT COOPERATIVE AGRMTS	AGRICULTURE	83,824
66.700	CONSOLIDATED PESTICIDE ENFORCEMENT COOPERATIVE AGRMTS	NATURAL RESOURCES	76,186
66.707	TSCA TITLE IV STATE LEAD GRANTS CERT OF LEAD-BASED PAINT	HEALTH	313,094
66.708	POLLUTION PREVENTION GRANTS PROGRAM	POLLUTION CONTROL AGENCY	97,545
66.709	MULTI-MEDIA CAPACITY BUILDING GRANTS FOR STATES	POLLUTION CONTROL AGENCY	45,751
66.802	SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE	POLLUTION CONTROL AGENCY	916,761
66.805	LEAKING UNDERGROUND STORAGE TANK TRUST FUND PROGRAM	POLLUTION CONTROL AGENCY	1,769,367
66.809	SUPERFUND STATE AND INDIAN TRIBE CORE PROGRAM	POLLUTION CONTROL AGENCY	191,369
66.817	STATE AND TRIBAL RESPONSE PROGRAM GRANTS	POLLUTION CONTROL AGENCY	774,736
66.818	BROWNFIELDS ASSESSMENT AND CLEANUP COOPERATIVE AGRMTS	EMPLOYMENT & ECONOMIC DEV.	10,606

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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF ENERGY</b>			
81.041	STATE ENERGY PROGRAM	COMMERCE	\$ 945,456
81.042	WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	COMMERCE	8,650,758
81.049	OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	STATE COLLEGES & UNIVERSITIES	231,436
81.117	ENERGY EFFICIENCY AND RENEWABLE ENERGY	COMMERCE	191,510
81.119	STATE ENERGY PROGRAM SPECIAL PROJECTS	STATE COLLEGES & UNIVERSITIES	77,448
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>TRIO Cluster</b>			
84.042	TRIO_STUDENT SUPPORT SERVICES	STATE COLLEGES & UNIVERSITIES	5,375,748
84.044	TRIO_TALENT SEARCH	STATE COLLEGES & UNIVERSITIES	1,401,636
84.047	TRIO_UPWARD BOUND	STATE COLLEGES & UNIVERSITIES	5,214,812
84.066	TRIO_EDUCATIONAL OPPORTUNITY CENTERS	STATE COLLEGES & UNIVERSITIES	761,156
84.217	TRIO_MCNAIR POST-BACCALAUREATE ACHIEVEMENT	STATE COLLEGES & UNIVERSITIES	180,948
<b>TRIO Cluster Total:</b>			<b>\$ 12,934,300</b>
84.002	ADULT EDUCATION - BASIC GRANTS TO STATES	EDUCATION	6,935,281
84.002	ADULT EDUCATION - BASIC GRANTS TO STATES	STATE COLLEGES & UNIVERSITIES	14,618
84.011	MIGRANT EDUCATION_STATE GRANT PROGRAM	EDUCATION	1,364,418
84.013	TITLE I PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	EDUCATION	170,105
84.031	HIGHER EDUCATION_INSTITUTIONAL AID	STATE COLLEGES & UNIVERSITIES	180,941
84.048	CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	EDUCATION	2
84.048	CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	STATE COLLEGES & UNIVERSITIES	18,965,493
84.101	CAREER AND TECHNICAL EDUCATION - INDIAN SET-ASIDE	STATE COLLEGES & UNIVERSITIES	291,551
84.116	FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION	STATE COLLEGES & UNIVERSITIES	177
84.129	REHABILITATION LONG-TERM TRAINING	STATE COLLEGES & UNIVERSITIES	134,550
84.132	CENTERS FOR INDEPENDENT LIVING	EMPLOYMENT & ECONOMIC DEV.	1,198,973
84.169	INDEPENDENT LIVING_STATE GRANTS	EMPLOYMENT & ECONOMIC DEV.	1,201,417
84.177	REHABILITATION SERVICES_INDEPENDENT LIVING SERVICES	EMPLOYMENT & ECONOMIC DEV.	1,036,940
84.181	SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	EDUCATION	5,977,230
84.181	SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	HEALTH	427,117
84.184	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES_NTL PRGMS	EDUCATION	181,828
84.184	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES_NTL PRGMS	STATE COLLEGES & UNIVERSITIES	133,708
84.185	BYRD SCHOLARSHIP	EDUCATION	675,250
84.186	SAFE AND DRUG-FREE SCHOOLS AND COMS_STATE GRANTS	EDUCATION	3,911,063

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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
84.187	SUPPORTED EMPYMNT SVCS FOR INDIVIDUALS WITH SIGNIFICANT D	EMPLOYMENT & ECONOMIC DEV.	\$ 438,146
84.195	BILINGUAL EDUCATION TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	197,230
84.196	EDUCATION FOR HOMELESS CHILDREN AND YOUTH	EDUCATION	269,137
84.213	EVEN START_STATE EDUCATIONAL AGENCIES	EDUCATION	767,757
84.224	ASSISTIVE TECHNOLOGY STATE GRANTS	ADMINISTRATION	1,049,618
84.235	REHAB SVCS DEMONSTRATION AND TRAINING PRGMS	EMPLOYMENT & ECONOMIC DEV.	189,598
84.243	TECH-PREP EDUCATION	STATE COLLEGES & UNIVERSITIES	2,086,348
84.255	LITERACY PROGRAMS FOR PRISON	CORRECTIONS	188,349
84.265	REHAB TRNG_STATE VOCATIONAL REHAB UNIT IN-SVC	EMPLOYMENT & ECONOMIC DEV.	148,133
84.282	CHARTER SCHOOLS	EDUCATION	13,006,351
84.283	COMPREHENSIVE CENTERS	STATE COLLEGES & UNIVERSITIES	65,510
84.287	TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	EDUCATION	7,819,097
84.293	FOREIGN LANG ASST	EDUCATION	35,168
84.298	STATE GRANTS FOR INNOVATIVE PROGRAMS	EDUCATION	1,995,296
84.318	EDUCATION TECHNOLOGY STATE GRANTS	EDUCATION	3,363,535
84.323	SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT	EDUCATION	874,962
84.323	SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT	STATE COLLEGES & UNIVERSITIES	7,420
84.324	RESEARCH IN SPECIAL EDUCATION	STATE COLLEGES & UNIVERSITIES	1,297,205
84.326	SPECIAL EDUCATION_TECHNICAL ASSISTANCE AND DISSEMINATION	EDUCATION	208,533
84.331	GRANTS TO STATES FOR INCARCERATED YOUTH OFFENDERS	CORRECTIONS	118,472
84.332	COMPREHENSIVE SCHOOL REFORM	EDUCATION	224,075
84.335	CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	STATE COLLEGES & UNIVERSITIES	142,020
84.336	TEACHER QUALITY ENHANCEMENT GRANTS	EDUCATION	490,083
84.336	TEACHER QUALITY ENHANCEMENT GRANTS	STATE COLLEGES & UNIVERSITIES	821,868
84.351	ARTS IN EDUCATION	CENTER FOR ARTS EDUCATION	418,977
84.357	READING FIRST STATE GRANTS	EDUCATION	8,522,246
84.358	RURAL EDUCATION	EDUCATION	102,787
84.360	DROPOUT PREVENTION PROGRAM	EDUCATION	1,079,730
84.361	VOLUNTARY PUBLIC SCHOOL CHOICE	EDUCATION	1,805,670
84.365	ENGLISH LANGUAGE ACQUISITION GRANTS	EDUCATION	4,686,495
84.366	MATHEMATICS AND SCIENCE PARTNERSHIPS	EDUCATION	1,663,544
84.366	MATHEMATICS AND SCIENCE PARTNERSHIPS	STATE COLLEGES & UNIVERSITIES	1,776
84.369	GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	EDUCATION	8,676,744
84.372	STATEWIDE DATA SYSTEMS	EDUCATION	1,224,210
84.373	SPECIAL EDUCATION TECHNICAL	EDUCATION	344,550

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, 2008

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			
<b>Aging Cluster</b>			
93.044	SPCL PRGMS FOR THE AGING TITLE III PARTB GRANTS FOR SUPPOR	HUMAN SERVICES	7,676,113
93.044	SPCL PRGMS FOR THE AGING TITLE III PARTB GRANTS FOR SUPPOR	STATE COLLEGES & UNIVERSITIES	500
93.045	SPCL PRGMS FOR THE AGING_TITLE III, PART C_NUTRITION SVC	HUMAN SERVICES	6,823,970
93.053	NUTRITION SERVICES INCENTIVE PROGRAM	HUMAN SERVICES	2,201,970
Aging Cluster Total: \$			16,702,553
93.041	SPECIAL PROGRAMS FOR THE AGING TITLE III CHAPTER 3	HUMAN SERVICES	142,687
93.042	SPECIAL PROGRAMS FOR THE AGING_TITLE VII, CHAPTER 2	HUMAN SERVICES	251,830
93.043	SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART D	HUMAN SERVICES	294,575
93.048	SPCL PRGMS FOR THE AGING_TITLE IV_AND TITLE II_DISCR PROJ	HUMAN SERVICES	718,907
93.051	ALZHEIMER'S DISEASE DEMONSTRATION GRANTS TO STATES	HUMAN SERVICES	498,486
93.052	NATIONAL FAMILY CAREGIVER SUPPORT, TITLE III, PART E	HUMAN SERVICES	2,041,539
93.103	FOOD AND DRUG ADMINISTRATION_RESEARCH	AGRICULTURE	337,574
93.110	MATERNAL & CHILD HEALTH-FEDERAL	HEALTH	500,066
93.116	PROJ GRANTS AND COOPERATIVE AGRMNTS FOR TUBERCULOSIS	HEALTH	880,036
93.127	EMERGENCY MEDICAL SERVICES FOR CHILDREN	EMERGENCY MEDICAL SERVICES	87,775
93.130	PRIMARY CARE SERVICES	HEALTH	190,300
93.136	INJURY PREVENTION & CONTROL RESEARCH	HEALTH	482,562
93.150	PROJ FOR ASSIST IN TRANSITION FROM HOMELESSNESS	HUMAN SERVICES	672,000
93.161	HEALTH PRGM FOR TOXIC SUBSTANCES AND DISEASE REGISTRY	HEALTH	473,313
93.165	GRANTS FOR STATE LOAN REPAYMENTS	HEALTH	110,000
93.184	DISABILITIES PREVENTION	HEALTH	4,145
93.185	IMMUNIZATION RESRCH, DEMONSTRATN, CLINICAL SKILLS	HEALTH	298,625
93.197	CHILDHOOD LEAD POISONING PREVENTION PROJECTS	HEALTH	595,215
93.204	SURVEILLANCE OF HAZARDOUS SUBSTANCE EMERGENCY EVEN	HEALTH	103,642
93.234	TRAUMATIC BRAIN INJURY STATE DEMONSTRATION GRANT PRGM	HUMAN SERVICES	115,017
93.235	ABSTINENCE EDUCATION	HEALTH	11,309
93.241	STATE RURAL HOSPITAL FLEXIBILITY PROGRAM	HEALTH	724,456
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS	HUMAN SERVICES	992,682
93.251	UNIVERSAL NEWBORN HEARING SCREENING	HEALTH	102,377
93.273	ALCOHOL RESEARCH PROGRAMS	STATE COLLEGES & UNIVERSITIES	269,848
93.286	DISCOVERY AND APPLIED RES FOR TECHNOLOGICAL INNOVATIONS	STATE COLLEGES & UNIVERSITIES	70,556
93.301	SMALL RURAL HOSPITAL IMPROVEMENT GRANTS	HEALTH	721,641

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, 2008

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.310	TRANS-NIH RESEARCH SUPPORT	STATE COLLEGES & UNIVERSITIES	\$ 44,357
93.358	ADVANCED EDUCATION NURSING TRAINEESHIPS	STATE COLLEGES & UNIVERSITIES	89,030
93.359	NURSE EDUCATION, PRACTICE AND RETENTION GRANTS	STATE COLLEGES & UNIVERSITIES	187,739
93.361	NURSING RESEARCH	STATE COLLEGES & UNIVERSITIES	14,041
93.380	SEXUAL VIOLENCE PREVENTION AND EDUCATION PROGRAM	HEALTH	605,830
93.393	CANCER CAUSE & PREVENTION RESEARCH	HEALTH	200,674
93.395	CANCER TREATMENT RESEARCH	HEALTH	157,210
93.395	CANCER TREATMENT RESEARCH	STATE COLLEGES & UNIVERSITIES	16,432
93.399	CANCER CONTROL	HEALTH	316,116
93.448	FOOD SAFETY AND SECURITY MONITORING PROJECT	AGRICULTURE	347,320
93.449	RUMINANT FEED BAN SUPPORT PROJECT	AGRICULTURE	234,653
93.556	PROMOTING SAFE & STABLE FAMILIES	HUMAN SERVICES	5,780,237
93.566	REFUGEE AND ENTRANT ASSISTANCE_STATE ADMIN PRGMS	HUMAN SERVICES	10,499,450
93.569	COMMUNITY SERVICES BLOCK GRANT	HUMAN SERVICES	9,347,509
93.576	REFUGEE AND ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	HEALTH	30,529
93.576	REFUGEE AND ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	HUMAN SERVICES	1,762,304
93.584	REFUGEE AND ENTRANT ASST_TARGETED ASST GRANTS	HUMAN SERVICES	2,536,681
93.586	STATE COURT IMPROVEMENT PROGRAM	SUPREME COURT	402,985
93.590	COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	HUMAN SERVICES	1,773,800
93.597	GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	HUMAN SERVICES	121,534
93.599	CHAFEE EDUCATION AND TRAINING VOUCHERS PROGRAM	HUMAN SERVICES	740,007
93.600	HEAD START	EDUCATION	126,006
93.603	ADOPTION INCENTIVE PAYMENTS	HUMAN SERVICES	153,835
93.617	VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES_GR	SECRETARY OF STATE	163,129
93.630	DEVELOPMENTAL DISABILITIES-BASIC SUPPORT	ADMINISTRATION	1,035,949
93.631	DEVELOPMENTAL DISABILITIES-NATIONAL SIGNIFICANCE	ADMINISTRATION	282,440
93.643	CHILDREN'S JUSTICE-GRANTS TO STATES	HUMAN SERVICES	341,698
93.645	CHILD WELFARE SERVICES_STATE GRANTS	HUMAN SERVICES	4,247,192
93.648	CHILD WELFARE SERVICES TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	88,835
93.652	ADOPTION OPPORTUNITIES	HUMAN SERVICES	299,058
93.669	CHILD ABUSE AND NEGLECT STATE GRANTS	HUMAN SERVICES	417,045
93.671	FMLY VIOLENCE PRVNT AND SVCS/GRANTS FOR BATTERED WOMEN'	PUBLIC SAFETY	1,362,372
93.674	CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	HUMAN SERVICES	1,568,760
93.768	MEDICAID INFRASTRUCTURE GRANTS	HUMAN SERVICES	2,852,940
93.769	DEMONSTRATION TO MAINTAIN INDEPENDENCE AND EMPLOYMENT	HUMAN SERVICES	5,835,071

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, 2008

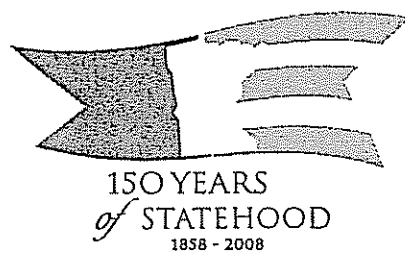
CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES (Continued)</b>			
93.779	CENTERS FOR MEDICARE AND MEDICAID SERVICES	HUMAN SERVICES	\$ 1,124,723
93.793	MEDICAID TRANSFORMATION GRANTS	HUMAN SERVICES	293,226
93.856	MICROBIOLOGY AND INFECTIOUS DISEASES RESEARCH	STATE COLLEGES & UNIVERSITIES	51,799
93.859	BIOMEDICAL RESEARCH AND RESEARCH TRAINING	STATE COLLEGES & UNIVERSITIES	24,563
93.889	NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	EMERGENCY MEDICAL SERVICES	68,778
93.889	NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	HEALTH	7,935,411
93.913	GRANTS TO STS FOR OPERATION OF OFFICES OF RURAL HEALTH	HEALTH	146,122
93.917	HIV CARE FORMULA GRANTS	HUMAN SERVICES	7,808,090
93.919	BREAST & CERVICAL CANCER EARLY DETECTION	HEALTH	4,689,718
93.938	COOP AGRMNTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH	EDUCATION	339,481
93.940	HIV PREVENTION ACTIVITIES-HEALTH DEPT	HEALTH	2,913,742
93.944	HIV/AIDS SURVEILLANCE	HEALTH	461,778
93.945	ASSIST PRGMS FOR CHRONIC DISEASE PRVNT AND CTRL	HEALTH	291,807
93.946	COOP AGREEMTS STATE-BASED SAFE MOTHERHOOD & INFANT	HEALTH	173,749
93.958	BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	HUMAN SERVICES	5,488,803
93.969	GERIATRIC EDUCATION CENTERS	STATE COLLEGES & UNIVERSITIES	26,924
93.977	SEXUALLY TRANSMITTED DISEASES CONTROL	HEALTH	1,182,286
93.982	MENTAL HEALTH DISASTER ASST AND EMGCY MENTAL HEALTH	HUMAN SERVICES	190,285
93.988	COOP AGRMNTS FOR STATE-BASED DIABETES CONTROL	HEALTH	1,042,776
93.989	INTERNATIONAL RESEARCH AND RESEARCH TRAINING	STATE COLLEGES & UNIVERSITIES	32,841
93.991	PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	HEALTH	3,212,650
93.991	PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	PUBLIC SAFETY	109,743
93.994	MATERNAL AND CHILD HEALTH SVCS BLOCK GRNT TO THE STATES	HEALTH	9,466,313
<b>U.S. CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE</b>			
94.004	LEARN AND SERVE AMERICA_SCHL AND COMM BASED PRGMS	EDUCATION	322,640
94.006	AMERICORPS	STATE COLLEGES & UNIVERSITIES	149,607
94.007	PLANNING AND PROGRAM DEVELOPMENT GRANTS	STATE COLLEGES & UNIVERSITIES	12,796
<b>U.S. SOCIAL SECURITY ADMINISTRATION</b>			
<b>Disability Insurance/SSI Cluster</b>			
96.001	SOCIAL SECURITY_DISABILITY INSURANCE	EMPLOYMENT & ECONOMIC DEV.	21,581,310
Disability Insurance/SSI Cluster Total:			\$ 21,581,310

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, 2008

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<b>Homeland Security Cluster</b>			
97.004	STATE DOMESTIC PREPAREDNESS EQUIPMENT SUPPORT PRGM	PUBLIC SAFETY	\$ 1,166,386
97.067	HOMELAND SECURITY GRANT PROGRAM	EMERGENCY MEDICAL SERVICES	32,555
97.067	HOMELAND SECURITY GRANT PROGRAM	PUBLIC SAFETY	16,779,642
<b>Homeland Security Cluster Total:</b>			<b>\$ 17,978,583</b>
97.012	BOATING SAFETY FINANCIAL ASSISTANCE	NATURAL RESOURCES	3,558,628
97.017	PRE-DISASTER MITIGATION	PUBLIC SAFETY	163,304
97.020	HAZARDOUS MATERIALS TRAINING PROGRAM	STATE COLLEGES & UNIVERSITIES	381
97.023	COMM ASSISTANCE PRGM STATE SUPPORT SVCS ELEMENT	NATURAL RESOURCES	120,368
97.034	DISASTER UNEMPLOYMENT ASSISTANCE	EMPLOYMENT & ECONOMIC DEV.	183,983
97.039	HAZARD MITIGATION GRANT	PUBLIC SAFETY	1,429,426
97.041	NATIONAL DAM SAFETY PROGRAM	NATURAL RESOURCES	54,825
97.042	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	PUBLIC SAFETY	2,404,594
97.043	STATE FIRE TRAINING SYSTEMS GRANTS	STATE COLLEGES & UNIVERSITIES	15,207
97.045	COOPERATING TECHNICAL PARTNERS	NATURAL RESOURCES	228,872
97.047	PRE-DISASTER MITIGATION	PUBLIC SAFETY	26,434
97.070	MAP MODERNIZATION MANAGEMENT SUPPORT	NATURAL RESOURCES	64,068
97.075	RAIL AND TRANSIT SECURITY GRANT PROGRAM	PUBLIC SAFETY	821,377
97.078	BUFFER ZONE PROTECTION PROGRAM	PUBLIC SAFETY	735,112
<b>Non Major Program Total:</b>			<b>\$ 509,401,681</b>

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



**State of Minnesota**  
**Financial and Compliance Report on Federally Assisted Programs**  
**Fiscal Year Ended June 30, 2008**

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**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 2008 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, 2008. 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 \$23.8 million or more in federal awards are Type A programs and are considered major programs. Type B programs are programs expending less than \$23.8 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 2008 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

Below is a summary of the loan activity for the Perkins Loans (CFDA 84.038) and Nursing Student Loans (NSL) (CFDA 93.364) programs during fiscal year 2008. These programs are administrated by Minnesota State Colleges and Universities (MnSCU).

	Perkins	NSL
Loans Receivable, Beginning	\$ 34,199,964	\$ 21,100
Loan Repayments	(4,343,508)	(6,789)
Loan Cancellations	(828,347)	—
New Loans Issued	5,793,855	—
Loans Receivable, Ending	<u>\$ 34,821,964</u>	<u>\$ 14,311</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 2008.

Federal Family Education Loans Issued:	
Federal Subsidized Stafford	\$ 203,457,045
Federal Unsubsidized Stafford	155,621,167
Federal Parent Loans for Undergraduate Students	10,972,543
Total Federal Family Education Loans	<u>\$ 370,050,755</u>
Federal Direct Student Loans	<u>\$ 56,197,978</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 2008, the state of Minnesota recognized a total rebate of \$30,673,244 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 on sales of drugs to participants in the Medical Assistance Program. During fiscal year 2008, the federal share of the rebate was \$49,442,977.

#### **Note 5 – Unemployment Insurance Program**

For fiscal year 2008, 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 \$18,196,921 and the state unemployment insurance grant expenditures were \$797,785,251. The federal administrative expenditures were \$47,548,506. 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**

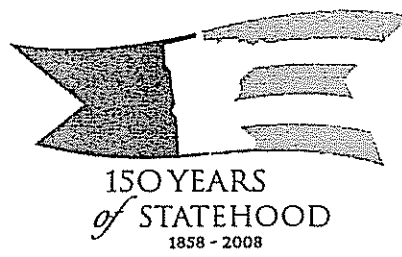
Water quality capitalization grants (CFDA 66.458) are used by states to create revolving funds to provide financing for construction of wastewater treatment facilities and implementation of other water quality management activities. Loans are administered from these funds by the State departments of 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 2008 is shown below.



	<u>TLP</u>	<u>SCDP</u>	<u>AG BMP</u>	<u>CWP</u>
Loans Receivable, Beginning	\$ 119,045	\$ 230,025	\$ 44,540,738	\$ 17,156,386
Loan Repayments	(66,821)	(109,145)	(3,327,003)	(2,236,553)
New Loans Issued	37,500	—	3,111,798	3,136,747
Interest Capitalized	—	—	—	109,560
Loan Adjustments	—	—	3,600	—
Loans Receivable, Ending	<u>\$ 89,724</u>	<u>\$ 120,880</u>	<u>\$ 44,329,133</u>	<u>\$ 18,166,140</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 an inexact number was assigned and the state agency was asked to work with the federal granting agency to obtain a valid CFDA number for the grant program.



**Minnesota Office of the Legislative Auditor  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2008**

**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?	<u>  X  </u>	Yes	<u>      </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u>	Yes	<u>      </u> No
Noncompliance material to financial statements noted?	<u>      </u>	Yes	<u>  X  </u> No

**Schedule of Expenditures of Federal Awards**

Internal control over financial reporting:			
Material weakness identified?	<u>      </u>	Yes	<u>  X  </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u>	Yes	<u>      </u> No

**Federal Awards**

Internal control over major programs:			
Material weakness identified?	<u>  X  </u>	Yes	<u>      </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u>	Yes	<u>      </u> No
Type of auditor's report issued on compliance for major programs:	Qualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u>  X  </u>	Yes	<u>      </u> No

**Identification of Major Programs**

Dollar threshold used to distinguish between Type A and Type B programs:	\$23.8 Million		
Auditee qualified as low-risk auditee?	<u>      </u>	Yes	<u>  X  </u> No

**Minnesota Office of the Legislative Auditor  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2008**

**Section I: (continued)**

**Major Programs Audited**

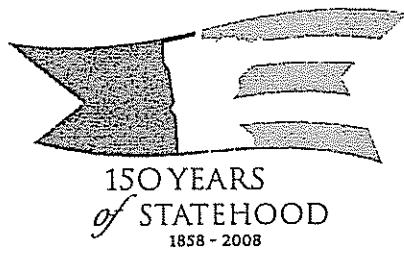
<b><u>Federal Agency and Major Program Name</u></b>	<b><u>CFDA#</u></b>
<b>U. S. Department of Agriculture</b>	
<i>Food Stamp Cluster</i>	
Food Stamps	10.551
State Administrative Match Grant - Food Stamps	10.561
<i>Child Nutrition Cluster</i>	
School Breakfast	10.553
National School Lunch	10.555
Special 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
<b>U. S. Department of Defense</b>	
National Guard Bureau	12.401
<b>U. S. Department of Housing and Urban Development</b>	
Community Development Block Grants	14.228
<b>U. S. Department of Interior</b>	
<i>Fish and Wildlife Cluster</i>	
Sport Fish Restoration	15.605
Wildlife Restoration	15.611
<b>U. S. Department of Labor</b>	
<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
<b>U. S. Department of Transportation</b>	
<i>Highway Planning and Construction Cluster</i>	
Highway Planning and Construction	20.205
<i>Federal Transit Cluster</i>	
Federal Transit – Capital Investment Grants	20.500
Federal Transit – Formula Grants	20.507
Airport Improvement	20.106

**Minnesota Office of the Legislative Auditor  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2008**

**Section I: (continued)**

**Major Programs Audited**

<b><u>Federal Agency and Major Program Name</u></b>	<b><u>CFDA#</u></b>
<b>U. S. Department of Education</b>	
<i>Special Education Cluster</i>	
Special Education - State Grants	84.027
Special Education - Preschool Grants	84.173
<i>Student Financial Assistance Cluster</i>	
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
Academic Competitiveness Grant	84.375
National Science and Mathematics Access to Retain Talent Grant	84.376
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
<b>U. S. Department of Health &amp; Human Services</b>	
<i>Child Care Cluster</i>	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds	93.596
<i>Medicaid Cluster</i>	
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
Block Grants for Prevention and Treatment of Substance Abuse	93.959
<b>U. S. Department of Homeland Security</b>	
Disaster Grants – Public Assistance	97.036



**Minnesota Office of the Legislative Auditor  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2008**

**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 13, 2009 (Legislative Audit Report 09-03). This report may also be accessed electronically at:  
**[www.auditor.leg.state.mn.us/fad/pdf/fad0903.pdf](http://www.auditor.leg.state.mn.us/fad/pdf/fad0903.pdf)**

The report contains seven 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*. One of those findings related to federal awards.

Finding 2, including Appendix A, related to employees having inappropriate access to the state's business systems or having the ability to perform incompatible duties without mitigating controls. The portion of this finding related to the Minnesota Department of Human Services is also presented in *Section III: Federal Program Audit Findings*, in Finding 09-10-2.

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CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
<b>U.S. Department of Agriculture</b>								
10.551	Food Stamps	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
10.551	Food Stamps	Human Services	09-10	3	M	M	Subgranted federal funds not included in subrecipient audit	P
10.551	Food Stamps	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
10.551	Food Stamps	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
10.551	Food Stamps	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
10.551	Food Stamps	Finance	09-14	1	M	M	Inadequate audit coverage for subgranted federal funds	P
10.557	Special Program for Women, Infants and Children	Health	09-06	1	S		No documented internal control structure ensuring compliance.	P
10.557	Special Program for Women, Infants and Children	Health	09-06	3	S	J	Inaccurate reporting on the Schedule of Federal Expenditures	P
10.557	Special Program for Women, Infants and Children	Health	09-06	4	S		Incompatible access to the state's accounting system	P
10.557	Special Program for Women, Infants and Children	Health	09-06	5	S	M	Inadequate monitoring of subrecipients	P
10.557	Special Program for Women, Infants and Children	Health	09-06	6	S	I	Inadequate monitoring of vendors for suspension and debarment	P
10.557	Special Program for Women, Infants and Children	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
10.557	Special Program for Women, Infants and Children	Finance	09-14	2	S		Inaccurate reporting on the draft schedule of expenditures	P
10.558	Child and Adult Food Care	Education	09-08	1	S		Inadequate internal control structure over single audit requirements.	P
10.558	Child and Adult Food Care	Education	09-08	2	S		Inaccurately calculated and received indirect costs	P
10.558	Child and Adult Food Care	Education	09-08	5	S	I	Inadequate monitoring of vendors for suspension and debarment	P
10.558	Child and Adult Food Care	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
10.561	Food Stamp Administration	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
10.561	Food Stamp Administration	Human Services	09-10	3	M	M	Subgranted federal funds not included in subrecipient audit	P
10.561	Food Stamp Administration	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
10.561	Food Stamp Administration	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
10.561	Food Stamp Administration	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
10.561	Food Stamp Administration	Finance	09-14	1	M	M	Inadequate audit coverage for subgranted federal funds	P
10.55X	Child Nutrition Cluster	Education	09-08	1	S		Inadequate internal control structure over single audit requirements.	P
10.55X	Child Nutrition Cluster	Education	09-08	2	S		Inaccurately calculated and received indirect costs	\$72,000
10.55X	Child Nutrition Cluster	Education	09-08	5	S	I	Inadequate monitoring of vendors for suspension and debarment	P
10.55X	Child Nutrition Cluster	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
<b>U.S. Department of Interior</b>								
15.605	Sport Fish Restoration	Natural Resources	09-07	1	S		Inadequate internal control structure over single audit requirements.	P
15.605	Sport Fish Restoration	Natural Resources	09-07	2	S	B	Insufficient evidence to support some of its payment transactions	P
15.605	Sport Fish Restoration	Natural Resources	09-07	4	S	J	Inaccurate reporting of program income.	\$14,013
15.605	Sport Fish Restoration	Natural Resources	09-07	5	S	I	Inadequate monitoring of vendors for suspension and debarment	P
15.605	Sport Fish Restoration	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
15.611	Wildlife Restoration	Natural Resources	09-07	1	S		Inadequate internal control structure over single audit requirements.	P
15.611	Wildlife Restoration	Natural Resources	09-07	2	S	B	Insufficient evidence to support some of its payment transactions	P
15.611	Wildlife Restoration	Natural Resources	09-07	3	S	B	Charged unallowable costs to the federal government	\$2,519
15.611	Wildlife Restoration	Natural Resources	09-07	4	S	J	Inaccurate reporting of program income.	\$14,013
15.611	Wildlife Restoration	Natural Resources	09-07	5	S	I	Inadequate monitoring of vendors for suspension and debarment	P
15.611	Wildlife Restoration	Natural Resources	09-07	6	S	B	Inaccurate recording of expenditures in the state's accounting system.	P
15.611	Wildlife Restoration	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
<b>U.S. Department of Housing and Urban Development</b>								
14.228	Community Development Block Grant-Small Cities	Employment and Economic Development	09-09	1	S		No documented internal control structure ensuring compliance.	P
14.228	Community Development Block Grant-Small Cities	Employment and Economic Development	09-09	3	S	B	Inadequate documentation of need and prior approval of overtime pay.	P
14.228	Community Development Block Grant-Small Cities	Employment and Economic Development	09-09	4	S	M	Inadequate monitoring of subrecipient audits.	P
14.228	Community Development Block Grant-Small Cities	Employment and Economic Development	09-09	5	S	L	Inaccurate reporting of project expenditures	P
14.228	Community Development Block Grant-Small Cities	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P



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CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
<b>U.S. Department of Labor</b>								
17.225	Unemployment Insurance	Employment and Economic Development	09-09	1	S		No documented internal control structure ensuring compliance.	P
17.225	Unemployment Insurance	Employment and Economic Development	09-09	2	S	N	Benefits not always assigned to employers for use in tax rate calculations.	P
17.225	Unemployment Insurance	Employment and Economic Development	09-09	3	S	B	Inadequate documentation of need and prior approval of overtime pay.	P
17.225	Unemployment Insurance	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
17.225	Unemployment Insurance	Finance	09-14	2	S		Inaccurate reporting of spending on draft schedule of expenditures	P
17.258	Workforce Investment Act-Adult	Employment and Economic Development	09-09	1	S		No documented internal control structure ensuring compliance.	P
17.258	Workforce Investment Act-Adult	Employment and Economic Development	09-09	3	S	B	Inadequate documentation of need and prior approval of overtime pay.	P
17.258	Workforce Investment Act-Adult	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
17.258	Workforce Investment Act-Adult	Finance	09-14	2	S		Inaccurate reporting of spending on draft schedule of expenditures	P
17.259	Workforce Investment Act-Youth	Employment and Economic Development	09-09	1	S		No documented internal control structure ensuring compliance.	P
17.259	Workforce Investment Act-Youth	Employment and Economic Development	09-09	3	S	B	Inadequate documentation of need and prior approval of overtime pay.	P
17.259	Workforce Investment Act-Youth	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
17.260	Workforce Investment Act-Dislocated Worker	Employment and Economic Development	09-09	1	S		No documented internal control structure ensuring compliance.	P
17.260	Workforce Investment Act-Dislocated Worker	Employment and Economic Development	09-09	3	S	B	Inadequate documentation of need and prior approval of overtime pay.	P
17.260	Workforce Investment Act-Dislocated Worker	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
17.503	Occupational Safety and Health-State Program	Labor and Industry	08-20	7	S	B	Grievance settlement paid without prior federal approval.	\$29,070
<b>U.S. Department of Transportation</b>								
20.205	Highway Planning and Construction	Transportation	DOT- 09	I	S	B, M	Noncompliance with materials control for grading and base construction.	\$5,868,000
20.205	Highway Planning and Construction	Transportation	DOT- 09	II	S	B, C	Prepayment of insurance expenses and inadequate documentation.	\$2,300,000
20.205	Highway Planning and Construction	Transportation	DOT- 09	III	S	B, M	Noncompliance with concrete materials control requirements.	\$2,804,000
20.205	Highway Planning and Construction	Transportation	DOT- 09	IV	S	B, M, N	Noncompliance with environmental requirements for some projects.	\$179,000
20.205	Highway Planning and Construction	Transportation	09-13	1	S		No reconciliation of federal expenditure report to the accounting system.	P
20.205	Highway Planning and Construction	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
20.205	Highway Planning and Construction	Finance	09-14	2	S		Insufficient support for schedule of federal expenditures	P
20.500	Federal Transit Capital Investment Grants	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
20.500	Federal Transit Capital Investment Grants	Finance	09-14	2	S		Insufficient support for schedule of federal expenditures	P
<b>U.S. Department of Education</b>								
84.010	Title 1 -- Grant to Local Education Agencies	Education	09-08	1	S		Inadequate internal control structure over single audit requirements.	P
84.010	Title 1 -- Grant to Local Education Agencies	Education	09-08	2	S		Inaccurately calculated and received indirect costs	P
84.010	Title 1 -- Grant to Local Education Agencies	Education	09-08	3	S	B	Insufficient evidence to support some of its payment transactions	P
84.010	Title 1 -- Grant to Local Education Agencies	Education	09-08	4	S	M	Insufficient monitoring of subrecipient activity	P
84.010	Title 1 -- Grant to Local Education Agencies	Education	09-08	5	S	I	Inadequate monitoring of vendors for suspension and debarment	P
84.010	Title 1 -- Grant to Local Education Agencies	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
84.010	Title 1 -- Grant to Local Education Agencies	Finance	09-14	1	M	M	Inadequate audit coverage for subgranted federal funds	P
84.126	Vocational Rehabilitation	Employment and Economic Development	09-09	1	S		No documented internal control structure ensuring compliance.	P
84.126	Vocational Rehabilitation	Employment and Economic Development	09-09	3	S	B	Inadequate documentation of need and prior approval of overtime pay.	P
84.126	Vocational Rehabilitation	Employment and Economic Development	09-09	6	S		Not public data included in the state's accounting system.	P
84.126	Vocational Rehabilitation	Employment and Economic Development	09-09	7	S	A	Clients plans were not amended for changes in services and amounts.	P
84.126	Vocational Rehabilitation	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
84.367	Improving Teacher Quality State Grants	Education	09-08	1	S		Inadequate internal control structure over single audit requirements.	P
84.367	Improving Teacher Quality State Grants	Education	09-08	2	S	B	Inaccurately calculated and received indirect costs	P
84.367	Improving Teacher Quality State Grants	Education	09-08	4	S	M	Insufficient monitoring of subrecipient activity	P
84.367	Improving Teacher Quality State Grants	Education	09-08	5	S	I	Inadequate monitoring of vendors for suspension and debarment	P
84.367	Improving Teacher Quality State Grants	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
84.367	Improving Teacher Quality State Grants	Finance	09-14	1	M	M	Inadequate audit coverage for subgranted federal funds	P
various	Special Education cluster	Education	09-08	1	S		Inadequate internal control structure over single audit requirements.	P
various	Special Education cluster	Education	09-08	2	S		Inaccurately calculated and received indirect costs	P
various	Special Education cluster	Education	09-08	5	S	I	Inadequate monitoring of vendors for suspension and debarment	P

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U.S. Department of Education (continued)								
various	Special Education cluster	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
various	Federal Financial Aid Cluster	Minnesota State Colleges and Universities	KDV-08	1	S	N	Two colleges did not return Title IV funds timely.	P
various	Federal Financial Aid Cluster	Minnesota State Colleges and Universities	KDV-08	2	S	N	Three colleges had inadequate notifications when disbursing loan funds.	P
various	Federal Financial Aid Cluster	Minnesota State Colleges and Universities	KDV-08	3	S	N	Two colleges had inadequate verification procedures.	P
U.S. Department of Health & Human Services								
93.268	Childhood Immunization Grants	Health	09-06	1	S		No documented internal control structure ensuring compliance.	P
93.268	Childhood Immunization Grants	Health	09-06	2	S	B	Inadequate documentation of time charged to federal programs	P
93.268	Childhood Immunization Grants	Health	09-06	3	S	J	Inaccurate reporting on Schedule of Federal Expenditures	P
93.268	Childhood Immunization Grants	Health	09-06	6	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.268	Childhood Immunization Grants	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
93.283	CDC Investigations and Technical Assistance	Health	09-06	1	S		No documented internal control structure ensuring compliance.	P
93.283	CDC Investigations and Technical Assistance	Health	09-06	2	S	B	Inadequate documentation of time charged to federal programs	P
93.283	CDC Investigations and Technical Assistance	Health	09-06	5	S	M	Inadequate monitoring of subrecipients	P
93.283	CDC Investigations and Technical Assistance	Health	09-06	6	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.283	CDC Investigations and Technical Assistance	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
93.558	Temporary Assistance for Needy Families	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
93.558	Temporary Assistance for Needy Families	Human Services	09-10	3	M	M	Subgranted federal funds not included in subrecipient audit	P
93.558	Temporary Assistance for Needy Families	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
93.558	Temporary Assistance for Needy Families	Human Services	09-10	5	S	B	Salary allocations not sufficiently documented	P
93.558	Temporary Assistance for Needy Families	Human Services	09-10	8	S	C	Excessive federal cash balances	P
93.558	Temporary Assistance for Needy Families	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	09-10	R-1	S	E,N	Untimely resolution of discrepancies identified by IEVS	NQ
93.558	Temporary Assistance for Needy Families	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
93.558	Temporary Assistance for Needy Families	Finance	09-14	1	M	M	Inadequate audit coverage for subgranted federal funds	P
93.563	Child Support Enforcement	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
93.563	Child Support Enforcement	Human Services	09-10	3	M	M	Subgranted federal funds not included in subrecipient audit	P
93.563	Child Support Enforcement	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
93.563	Child Support Enforcement	Human Services	09-10	7	S		Inaccurate reporting of spending on draft schedule of expenditures	P
93.563	Child Support Enforcement	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.563	Child Support Enforcement	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
93.563	Child Support Enforcement	Finance	09-14	1	M	M	Inadequate audit coverage for subgranted federal funds	P
93.575	Child Care and Development - Discretionary	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
93.575	Child Care and Development - Discretionary	Human Services	09-10	3	M	M	Subgranted federal funds not included in subrecipient audit	P
93.575	Child Care and Development - Discretionary	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
93.575	Child Care and Development - Discretionary	Human Services	09-10	8	S	C	Excessive federal cash balances	P
93.575	Child Care and Development - Discretionary	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.575	Child Care and Development - Discretionary	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
93.575	Child Care and Development - Discretionary	Finance	09-14	1	M	M	Inadequate audit coverage for subgranted federal funds	P
93.596	Child Care and Development - Mandatory and Match	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
93.596	Child Care and Development - Mandatory and Match	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
93.596	Child Care and Development - Mandatory and Match	Human Services	09-10	8	S	C	Excessive federal cash balances	P
93.596	Child Care and Development - Mandatory and Match	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.596	Child Care and Development - Mandatory and Match	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
93.658	Foster Care	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
93.658	Foster Care	Human Services	09-10	3	M	M	Subgranted federal funds not included in subrecipient audit	P
93.658	Foster Care	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
93.658	Foster Care	Human Services	09-10	5	S	B	Salary allocations not sufficiently documented	P
93.658	Foster Care	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.658	Foster Care	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P

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<b>U.S. Department of Health &amp; Human Services (continued)</b>								
93.658	Foster Care	Finance	09-14	1	M	M	Inadequate audit coverage for subgranted federal funds	P
93.659	Adoption Assistance	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
93.659	Adoption Assistance	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
93.659	Adoption Assistance	Human Services	09-10	5	S	B	Salary allocations not sufficiently documented	P
93.659	Adoption Assistance	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.659	Adoption Assistance	Human Services	09-10	10	S	A	Federal reimbursements provided to vendor for ineligible clients	\$5,500
93.659	Adoption Assistance	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
93.667	Social Services Block Grant	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
93.667	Social Services Block Grant	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
93.667	Social Services Block Grant	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.667	Social Services Block Grant	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
93.767	State Children's Health Insurance Program	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
93.767	State Children's Health Insurance Program	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
93.767	State Children's Health Insurance Program	Human Services	09-10	6	S	L	Did not submit quarterly reports timely	P
93.767	State Children's Health Insurance Program	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.767	State Children's Health Insurance Program	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
93.776	Hurricane Katrina	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
93.776	Hurricane Katrina	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
93.776	Hurricane Katrina	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.776	Hurricane Katrina	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
93.777	State Health Care Provider Survey	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
93.777	State Health Care Provider Survey	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
93.777	State Health Care Provider Survey	Human Services	09-10	6	S	L	Did not submit quarterly reports timely	P
93.777	State Health Care Provider Survey	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.777	State Health Care Provider Survey	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
93.778	Medical Assistance	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
93.778	Medical Assistance	Human Services	09-10	2	M	A,B	Payments to fraudulent vendor	\$353,000
93.778	Medical Assistance	Human Services	09-10	3	M	M	Subgranted federal funds not included in subrecipient audit	P
93.778	Medical Assistance	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
93.778	Medical Assistance	Human Services	09-10	6	S	L	Did not submit quarterly reports timely	P
93.778	Medical Assistance	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.778	Medical Assistance	Human Services - Hennepin County	09-10	H-1	S	E	Non-compliance with eligibility criteria	NQ
93.778	Medical Assistance	Human Services - Ramsey County	09-10	R-1	S	E,N	Untimely resolution of discrepancies identified by IEVS	NQ
93.778	Medical Assistance	Human Services - Ramsey County	09-10	R-2	S	E	Insufficient citizenship documentation to verify eligibility	NQ
93.778	Medical Assistance	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
93.778	Medical Assistance	Finance	09-14	1	M	M	Inadequate audit coverage for subgranted federal funds	P
93.959	Substance Abuse	Human Services	09-10	1	S		No documented internal control structure ensuring compliance.	P
93.959	Substance Abuse	Human Services	09-10	4	S		Not public data on individuals not adequately protected	P
93.959	Substance Abuse	Human Services	09-10	5	S	B	Salary allocations not sufficiently documented	P
93.959	Substance Abuse	Human Services	09-10	8	S	C	Excessive federal cash balances	P
93.959	Substance Abuse	Human Services	09-10	9	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.959	Substance Abuse	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
<b>U. S. Department of Homeland Security</b>								
97.036	Disaster Recovery Public Assistance Program	Public Safety	09-11	1	S		Inadequate internal control structure over single audit requirements.	P
97.036	Disaster Recovery Public Assistance Program	Public Safety	09-11	2	S	J	Inaccurate reporting of spending on Schedule of Federal Expenditures.	P
97.036	Disaster Recovery Public Assistance Program	Public Safety	09-11	3	S	B	Inadequate verification of time charged to federal programs.	P

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CFDA NO	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U. S. Department of Homeland Security (continued)								
97.036	Disaster Recovery Public Assistance Program	Public Safety	09-11	4	S	B	Charged unallowable costs to the federal government.	\$6,591
97.036	Disaster Recovery Public Assistance Program	Public Safety	09-11	5	S	K	Inadequate safeguarding of fixed assets.	P
97.036	Disaster Recovery Public Assistance Program	Office of Enterprise Technology	09-12	1	S		Inaccurate calculation of excess retained earnings.	P
97.036	Disaster Recovery Public Assistance Program	Finance	09-14	2	S		Inadequate reporting of spending on draft schedule of expenditures	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](http://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 their federal financial aid cluster.

The "RPT NO" for KDV federal program findings are reported in KDV-08; and the "FIND NO" are finding numbers within KDV's report.

The Minnesota Department of Transportation (DOT) Office of Audit audited the department's federal programs.

The "RPT NO" for DOT federal program findings are reported in DOT 09-800-71, and the "FIND NO" are finding numbers within DOT's report.

The questioned costs for the DOT federal program findings represent the sum of the cited bid item and include both federal and state funds because the construction projects are financed from both sources and the funding ratio can vary by project and within projects.

The \$72,000 question cost for Finding 2 of the Department of Education audit (09-08) relates to all Education programs and could not be separately identified to each individual program.

**Minnesota Office of the Legislative Auditor  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2008**

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

**Report 08-20**

**State Agency:** Minnesota Department of Labor and Industry

**Federal Agency:** U. S. Department of Labor

**CFDA Numbers/Program Names:**

17.503 Occupational Safety and Health – State Program

**Questioned Costs:** \$29,070

**Finding 08-20-7** *Grievance settlement paid without prior federal approval*

**7. The department paid an employee a grievance settlement from a federal program without proper approval.**

Following a grievance arbitration, the department was ordered to pay a settlement to an employee that worked on the federal Occupational Safety and Health Act (OSHA) program.<sup>1</sup> The department initially paid the \$29,070 settlement from the state's Workers' Compensation Fund but then subsequently transferred the cost to the federal OHSA program. The OSHA program is subject to federal cost principles<sup>2</sup> which state:

*Fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply... are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments.*

The department did not obtain OSHA approval to pay this grievance expense from federal resources. Without federal approval, the grievance payment is not an allowable use of OHSA program funds.

*Recommendations*

- *The department should work with the federal government to resolve the questioned grievance cost charged to the OSHA program.*
- *The department should obtain advanced federal authorization before paying any future grievance settlements from federal program resources.*

**Minnesota Department of Labor and Industry Response:**

DLI agrees with this recommendation.

**Person Responsible:** Cecelia Jackson, Chief Financial Officer

**Estimated Completion Date:** June 30, 2009

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<sup>1</sup> Catalog of Federal Domestic Assistance (CFDA) #17.503.

<sup>2</sup> Office of Management and Budget (OMB) Circular A-87, Attachment B, Item 16.

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

**Report 09-06**

**State Agency:** Minnesota Department of Health

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

**CFDA Numbers/Program Names:**

10.557	Special Nutrition for Women, Infants and Children
93.268	Childhood Immunization Grants
93.283	CDC- Prevention, Investigations and Technical Assistance

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-06-1**      *No documented internal control structure ensuring compliance*

**1. The Minnesota Department of Health did not identify, analyze, and document their internal controls related to business operations and schedule of federal expenditures**

The department did not have a comprehensive risk assessment pertaining to its internal controls over compliance with federal single audit requirements. The department has an increased likelihood of a control deficiency if it does not clearly communicate to all staff its risk, control activity, and monitoring policies and procedures.

State policy states that each agency head has the responsibility to identify, analyze, and manage business risks that impact an entity's ability to maintain its financial strength and the overall quality of its products and government services.<sup>3</sup> This policy also requires communication of the internal control policies and procedures to all staff so they understand what is expected of them and the scope of their freedom to act. This policy also requires follow-up procedures that, at a minimum, should include mechanisms for monitoring results and reporting significant control deficiencies to individuals responsible for the process or activity involved, including executive management and those individuals in a position to take corrective action. A new audit standard<sup>4</sup> reinforced management's responsibility to have effective internal controls over its financial operations. The federal government expects that those controls also ensure compliance with federal program requirements.

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<sup>3</sup> Minnesota Department of Finance Policy Number 0102-01.

<sup>4</sup> Statement on Auditing Standards #109.

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

The Minnesota Department of Health is aware of certain risks, has many control activities in place, and performs selected internal control monitoring functions. However, the department has not comprehensively identified and analyzed the risks, designed its controls to address significant risks, or developed monitoring procedures to ensure the controls are in place and are effective to reduce the significant risks identified.

Findings 2 through 6 identify deficiencies in the department's internal control procedures and specific noncompliance with federal requirements which were not prevented or detected by the department's internal control structure. If the department had a comprehensive internal control structure, it should have identified these deficiencies, assessed the degree of risk of these deficiencies, designed control procedures to address significant risks, and monitored whether controls were working as designed and effective in reducing the risks to an acceptably low level. It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it operates within a comprehensive internal control structure.

*Recommendation*

- *The department should regularly review and clearly document its risks, control activities, and internal control monitoring functions for its key business processes.*

**Minnesota Department of Health Response:**

The department concurs with this finding and will be working with Minnesota Management and Budget, a work group of agency chief financial officers, and selected department staff to determine the best practices around internal control. Once the best practices are identified, the department will begin to draft policy and procedures on identifying risks and internal controls, working on mitigating procedures as well as training the employees involved in our key business processes.

**Person Responsible:** Craig Acomb, Chief Financial Officer  
**Estimated Completion Date:** June 30, 2010



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

**Report 09-06**

**State Agencies:** 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

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-06-2**      *Inadequate documentation of time charged to federal programs*

**2. Prior Finding Partially Resolved:<sup>5</sup> The Department of Health did not comply with federal requirements for documenting time charged to federal programs.**

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. The department created new policies and procedures for documenting time charged to federal programs but did not put them into effect until the beginning of state fiscal year 2009.

First, the department continued to have problems supporting its payroll charges to specific federal programs. Federal regulations require employees who work on multiple programs to support the allocation of their salaries among funding sources with personnel activity reports or equivalent documentation.<sup>6</sup> 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. Our testing of the department's documentation to support time charged by 20 employees to the three major federal programs in our audit scope identified the following problems:

- Three employees did not complete any time studies or certifications during fiscal year 2008.

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<sup>5</sup> Unless otherwise noted, all prior audit findings mentioned in this report are from the Office of the Legislative Auditor's Financial Audit Division Report 08-10, *Department of Health Federal Program Compliance*, issued March 20, 2008.

<sup>6</sup> U.S. Office of Management and Budget 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)**

- Two other employees did not have the required number of time studies or certifications on file.
- Eight employees had time studies that did not match the actual time charged to each federal funding source.
- Three employees lacked sufficient documentation to support the time charged.

Second, the department continued to make significant manual adjustments to its payroll transactions. State policy<sup>7</sup> 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. Manual adjustments create additional workload for the department and increase the risk of error. The department implemented a new policy effective July 1, 2008, to charge time to federal programs based on actual hours worked by employees rather than relying on default allocations.

*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.*
  - *Monitoring that all employees, as required, complete time studies and certifications timely and provide sufficient federal payroll documentation to the central accounting unit.*
  - *Determining whether its new policy has reduced the need for manual adjustments to payroll charged to its federal programs.*

**Minnesota Department of Health Response:**

The department concurs with the finding and, as noted in the audit report, the department developed and implemented a time report system in June of 2008 to be used by all of our federal programs. This system collects actual time that each employee works on a specific program every two weeks and charges are made to the accounting system based on the distribution of this time. We believe this should eliminate missing time studies and certification as well as reduce or eliminate the need to process manual adjustments in the payroll system.

**Person Responsible:** Craig Acomb, Chief Financial Officer  
**Estimated Completion Date:** June 30, 2010

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<sup>7</sup> State personnel/payroll policy PAY0029.

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

**Report 09-06**

**State Agency:** Minnesota Department of Health

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

**CFDA Numbers/Program Names:**

10.557	Special Nutrition for Women, Infants and Children
93.268	Childhood Immunization Grants

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-06-3**      *Inaccurate reporting of spending on draft schedule of expenditures*

**3. Prior Finding Partially Resolved:<sup>8</sup> The Department of Health did not accurately report financial activity on the Schedule of Expenditures of Federal Awards.**

The department did not accurately report financial activity on the Schedule of Expenditures of Federal Awards for the Special Nutrition Program for Women, Infants and Children (CFDA 10.557) and Childhood Immunization Grants Program (CFDA 93.268).

The department had the following errors in its Schedule of Expenditures of Federal Awards for these programs:

- The department did not report a materially accurate vaccine value in the Schedule of Expenditures of Federal Awards for the Childhood Immunization Grants Program. The department used inaccurate information that understated the program's adult vaccine value by approximately \$1.2 million. Our inquiry identified the error and resulted in an audit adjustment to the schedule.
- The department frequently used incorrect liability dates when recording payments for services in the state's accounting system. State policy<sup>9</sup> requires all agencies to enter the date goods or services are received so the liability is correctly recorded in the fiscal year it was incurred. Audit testing showed the department often used the invoice or encumbrance date as the date of liability.

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<sup>8</sup> Office of the Legislative Auditor's Financial Audit Division Report 08-02, *Report on Internal Control Over Statewide Financial Reporting*, issued February 11, 2008.

<sup>9</sup> Minnesota Department of Finance Policy Number 0901-01.

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

- The department did not correctly account for rebate amounts related to the Special Nutrition Program for Women, Infants and Children. The department incorrectly included the \$2.5 million rebate for formula purchased in June of 2007 on the Schedule of Expenditures of Federal Awards for state fiscal year 2008. This \$2.5 million rebate had been correctly reported on the prior state fiscal year Schedule of Expenditures of Federal Awards.

*Recommendation*

- *The department needs to improve its controls over its Schedule of Expenditures of Federal Awards to ensure that it accurately reports financial activity, including:*
  - *Vaccine values.*
  - *Transaction liability dates.*
  - *Program rebate amounts.*

**Minnesota Department of Health Response:**

The department concurs with this finding and, in the future, staff from the department will work more closely with staff from Minnesota Management and Budget (MMB) as well as staff from the Centers for Disease Control to obtain the best numbers available for the financial statements and the time they are prepared. The department will also review the policies issued by MMB on liability dates and provide additional training to the staff responsible for the data entry of these dates.

<b>Person Responsible:</b>	Craig Acomb, Chief Financial Officer
<b>Estimated Completion Date:</b>	June 30, 2010

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

**Report 09-06**

**State Agency:** Minnesota Department of Health

**Federal Agencies:** U. S. Department of Agriculture

**CFDA Numbers/Program Names:**

10.557 Special Nutrition for Women, Infants and Children

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-06-4** *Incompatible access to the state's accounting system*

**4. The Department of Health allowed employees to have incompatible access to the state's accounting system without establishing mitigating controls.**

As of January 2009, the department had seven employees with incompatible access to accounts receivable data in the state's accounting system without implementing mitigating controls. This affects the Special Nutrition Program for Women, Infants and Children (CFDA 10.557).

State policy<sup>10</sup> defines incompatible access and requires separation of incompatible duties so no one employee has control over an entire transaction or process that could result in erroneous or fraudulent transactions. If agencies are unable to adequately separate incompatible duties, the policy requires them to develop and document controls designed to mitigate the risk that error or fraud will not be detected. Since the department was not aware the access was incompatible, it did not have controls designed to mitigate the risk associated with this access.

*Recommendation*

- *The department needs to ensure it eliminates unnecessary or incompatible access to state business systems. If incompatible access is unavoidable, the department must implement controls designed to mitigate the risk of error or fraud.*

**Minnesota Department of Health Response:**

The department partially concurs with this finding as steps were in place for the grant specialist to obtain prior approval to enter an accounts receivable write-off from the director of Financial Management. However, based on this recommendation, the department will reassign responsibility among the seven staff so that none of them have access to create an accounts receivable and write-off that same accounts receivable in the system.

**Person Responsible:** Craig Acomb, Chief Financial Officer

**Estimated Completion Date:** June 30, 2010

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<sup>10</sup> Minnesota Department of Finance Policy Number 1101-07.

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

**Report 09-06**

**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 and Children
93.283	CDC- Prevention, Investigations and Technical Assistance

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-06-5**      *Inadequate monitoring of subrecipients*

**5. Prior Finding Partially Resolved: The Department of Health did not monitor subrecipient activity, as required by federal regulations.**

The department did not review subrecipients' audit reports for the Special Nutrition Program for Women, Infants and Children (CFDA 10.557) and Centers for Disease Control Technical Assistance Program (CFDA 93.283). State policy<sup>11</sup> and Federal regulations<sup>12</sup> require 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 audit reports for three of their five subrecipients who met the threshold, nor did the department review audit reports for any of their five subrecipients. The department did not have a process in place to know whether it was fulfilling its subrecipient monitoring responsibilities.

*Recommendation*

- *The department should comply with federal requirements by obtaining and reviewing subrecipients' audit reports timely and ensuring corrective action on all audit findings.*

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<sup>11</sup> Minnesota Department of Finance Policy Number 0402-03.

<sup>12</sup> U.S. Office of Management and Budget Circular A-133, Part 3 – Compliance Requirements.

**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 concurs with this recommendation and will assign staff to review the list of grantees assigned by MMB to the Department of Health for cognizant agency responsibilities. Once the list is received, this staff will follow-up with those agencies to assure an audit was completed in accordance with the requirements as well as review the audit report for findings.

**Person Responsible:** Craig Acomb, Chief Financial Officer  
**Estimated Completion Date:** June 30, 2010

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

**Report 09-06**

**State Agency:** Minnesota Department of Health  
**Federal Agency:** U. S. Department of Agriculture  
U. S. Department of Health and Human Services

**CFDA Numbers/Program Names:**

10.557	Special Nutrition for Women, Infants and Children
93.268	Childhood Immunization Grants
93.283	CDC- Prevention, Investigations and Technical Assistance

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-06-6** *Inadequate monitoring of vendors for suspension and debarment*

**6. The Department of Health did not comply with federal suspension and debarment requirements.**

Federal requirements prohibit state agencies from awarding assistance to vendors listed as suspended or debarred.<sup>13</sup> Specifically, state agencies must ensure all contracted vendors over \$25,000 are not suspended or debarred. The department could not provide evidence of verification of suspension or debarment for contracts greater than \$25,000 but less than \$100,000. Our audit testing did not identify any suspended or debarred vendors.

*Recommendation*

- *The Department of Health needs to ensure compliance with federal requirements by verifying suspension and debarment for all federally funded purchases exceeding \$25,000.*

**Minnesota Department of Health Response:**

The department concurs with this finding and will work with the Department of Administration, Contract Management, to amend the standard contract language or modify the form currently being used to include a certification from the vendor that the vendor is not on the federal list of suspended or debarred vendors.

**Person Responsible:** Craig Acomb, Chief Financial Officer  
**Estimated Completion Date:** June 30, 2010

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<sup>13</sup> U.S. Office of Management and Budget Circular A-133, Part 3 – Compliance Requirements.



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

**Report 09-07**

**State Agency:** Minnesota Department of Natural Resources

**Federal Agency:** U. S. Department of Interior

**CFDA Numbers/Program Names:**

15.605	Sport Fish Restoration
15.611	Wildlife Restoration

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-07-1**      *No documented internal control structure ensuring compliance*

- 1. The Department of Natural Resources did not identify, analyze, and document their internal controls over compliance with federal single audit requirements.**

The department did not document its risk assessment for internal controls over compliance with federal general and specific program compliance requirements and the monitoring process that assesses the quality of internal control performance over time. The department has an increased likelihood of a control deficiency if it does not clearly communicate to all staff its risk, control activity, and monitoring policies and procedures.

State policy states that each agency head is responsible to identify, analyze, and manage business risks that impact the department's ability to maintain its financial strength and the overall quality of its products and government services.<sup>14</sup> This policy also requires communication of the internal control policies and procedures to all staff so they understand what is expected of them and the scope of their freedom to act. This policy further requires follow-up procedures that, at a minimum, should include mechanisms for monitoring results and reporting significant control deficiencies to individuals responsible for the process or activity involved, including executive management and those individuals in a position to take corrective action. A new audit standard<sup>15</sup> reinforced management's responsibility to have effective internal controls over its financial operations. The federal government expects that those controls also ensure compliance with federal program requirements.

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<sup>14</sup> Minnesota Department of Finance Policy Number 0102-01.

<sup>15</sup> Statement on Auditing Standards #109.

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

The Department of Natural Resources is aware of certain risks, has control activities in place, and performs selected internal control monitoring functions. However, the department has not comprehensively identified and analyzed the risks, designed its controls to address significant risks, or developed monitoring procedures to ensure the controls are in place and are effective to reduce the significant risks identified.

Findings 2 through 6 identify deficiencies in the department's internal control procedures and specific noncompliance with federal requirements which were not prevented or detected by the department's internal control structure. If the department had a comprehensive internal control structure, it should have identified these deficiencies, assessed the degree of risk of these deficiencies, designed control procedures to address significant risks, and monitored whether controls were working as designed and effective in reducing the risks to an acceptably low level. It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it operates within a comprehensive internal control structure.

*Recommendation*

- *The department should regularly review and clearly document its risks, control activities, and internal control monitoring functions for federal program requirements.*

**Minnesota Department of Natural Resources Response:**

**Partially Resolved.** The Department of Natural Resources (DNR) accepts the finding that the department did not identify, analyze, and document its internal controls over compliance with the federal single audit requirements.

An entity-wide risk assessment was completed in January 2009. A grants review project was initiated to strengthen controls over state and federal grant programs. The grant review project incorporates 11 of 13 grant policies recently released by the Minnesota Department of Administration (MDOA). The grant policies released by MDOA provide a comprehensive guide to state agencies in administering state and federal grants. The remaining two policies, pertaining to grant closeouts and grant payments, have not been released by MDOA. Further actions to strengthen controls will be taken by the department after receiving guidance on the two remaining grant policies.

In an effort to provide more internal control and monitoring of DNR federal program expenditures and requirements, the department has developed a Federal Fiscal Monitoring procedure, which will be in effect for all Department of Natural Resources Federal Programs beginning April 2009.

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

This procedure will clarify oversight responsibilities of the department Federal Fiscal Aid Coordinator. These responsibilities include:

1. Periodic review of drawdown requests for accuracy of calculations; reporting of land and equipment purchase, and indirect costs; availability and accuracy of supporting documentation; accurate use of reporting categories; and eligibility of expenditures.
2. Review of Financial Status Reports (FSR) for status of expenditures vs. federal award and state budget, accuracy of calculations, and appropriateness of expenditures.
3. Review of CFDA numbers and relations to reporting categories.
4. Review of incoming grant application database for identification of new grants.

The Federal Aid Coordinator in the Office of Management and Budget Services will be responsible for ensuring the procedure is followed.

<b>Person Responsible:</b>	Federal Fiscal Aid Coordinator
<b>Estimated Completion Date:</b>	April 2009

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

**Report 09-07**

**State Agency:** Minnesota Department of Natural Resources

**Federal Agencies:** U. S. Department of Interior

**CFDA Numbers/Program Names:**

15.605	Sport Fish Restoration
15.611	Wildlife Restoration

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-07-2**      *Insufficient evidence to support some of its payment transactions*

- 2. The Department of Natural Resources did not maintain sufficient documentation for some of its federal reimbursement requests for the Sport Fish Restoration Program (CFDA 15.605) and the Wildlife Restoration Program (CFDA 15.611).**

For 2 out of 30 sample items we tested, the department did not retain detailed documentation to support its reimbursement requests from the federal government. Although the department did not exceed its grant agreement amount, it could not provide expenditure detail to support requests of \$145,106 and \$477,764.

Generally, the department's process to determine federal reimbursement amounts included controls to ensure that costs were allowable for the programs. For example, project leaders and program coordinators reviewed various payroll and other expenditure reports for accuracy and allowable expenditures. The department used these reports to enter expenditure data into an excel spreadsheet and determine the reimbursement request for each grant program. However, the excel spreadsheets are cumulative for each grant agreement, and if staff do not print the spreadsheet, data is overwritten when they prepare the subsequent reimbursement request.

Our test focused on tracing certain reimbursement amounts to related payroll and nonpayroll reports. Since the supporting excel spreadsheets were overwritten for certain requests, we were unable to verify the total drawdown request back to the actual supporting reports.

*Recommendation*

- *The department should retain sufficient documentation to support each federal reimbursement request.*

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

**Minnesota Department of Natural Resources Response:**

Resolved. The DNR agrees with the finding that sufficient documentation is needed to support federal reimbursement requests. The department is:

1. Following the procedure for federal drawdowns by requiring that a new spreadsheet be created for each drawdown request. Applying this process assures documentation is archived for each specific drawdown request.

The Accounting Director in the Division of Fish and Wildlife is responsible for the revision of the procedure and files. The spreadsheet has been updated and is being used for drawdown requests.

2. Requiring that program income deductions be included in the summary sheet of the electronic spreadsheet along with supporting documentation.
3. Copying drawdown requests and the supporting spreadsheets to the Federal Aid Coordinator in the Office and Management and Budget Services. They will be reviewed as outlined in the Federal Fiscal Monitoring procedure referred to in Audit Finding 1.

<b>Person Responsible:</b>	Accounting Director in the Division of Fish and Wildlife
<b>Estimated Completion Date:</b>	Completed

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

**Report 09-07**

**State Agency:** Minnesota Department of Natural Resources

**Federal Agencies:** U. S. Department of Interior

**CFDA Numbers/Program Names:**

15.611 Wildlife Restoration

**Questioned Costs:** \$2,519

**Finding 09-07-3** *Charged unallowable costs to the federal government*

- 3. The Department of Natural Resources received reimbursement from the federal government for unallowable costs for the Wildlife Restoration Program (CFDA 15.611).**

One of 30 federal reimbursement requests we tested included vacation, sick leave, and holiday pay totaling \$2,519, which are not allowable costs. The department did not have an independent review of the spreadsheet used to determine the reimbursement amount to ensure that the person preparing the request included only allowable costs and had accurately calculated the reimbursement amount.

*Recommendations*

- *The department should have an independent verification of the federal reimbursement requests to ensure that the requests are for only allowable costs and are calculated accurately.*
- *The department should work with the federal government for solutions to the questioned cost of \$2,519.*

**Minnesota Department of Natural Resources Response:**

Resolved. The DNR agrees with the finding that the department received reimbursement from the federal government for unallowable costs for the Wildlife Restoration Program.

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

The department has:

1. Developed a Federal Fiscal Monitoring procedure (identified in Audit Finding 1) to provide an independent verification of federal reimbursement requests.
2. Sent the revised Financial Status Report for this program to the U.S. Fish and Wildlife Service on March 10, 2009. This revision will eliminate the questioned costs of \$2,519.

<b>Person Responsible:</b>	Federal Fiscal Aid Coordinator
<b>Estimated Completion Date:</b>	Completed

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

**Report 09-07**

**State Agency:** Minnesota Department of Natural Resources

**Federal Agency:** U. S. Department of Interior

**CFDA Numbers/Program Names:**

15.605	Sport Fish Restoration
15.611	Wildlife Restoration

**Questioned Costs:** \$14,013

**Finding 09-07-4**      *Inaccurate reporting of program income*

- 4. The Department of Natural Resources overdrew federal funds on one grant and underdrew federal funds on another grant because it did not accurately report program income for grants within the Sport Fish Restoration (CFDA 15.605) and the Wildlife Restoration (CFDA 15.611) programs.**

In preparing its final financial status reports for two of the four grants it closed out in fiscal year 2008 that earned program income, the department inaccurately reported program income<sup>16</sup> for the Sport Fish Restoration (CFDA 15.605) and the Wildlife Restoration (CFDA 15.611) programs. For these grants, the federal government allowed the department to offset its program income against the federal award. Because it understated the program income amount for one grant by \$14,013, it overdrew federal funds for that grant by the same amount. Similarly, because it overstated the program income amount for another grant by \$458, it underdrew federal funds for that grant by the same amount. The department did not properly review the program income amounts before including them on the reports to the federal government.

*Recommendations*

- *The department should correct its final financial status reports for the two grants that is inaccurately reported program income. It should work with the federal government on solutions for the questioned cost of \$14,013 for the first grant and determine whether the federal government will reimburse the state for \$458 for the second grant.*

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<sup>16</sup> Program income is gross income received that is directly generated by the federally funded project during the grant period. For example, the department generates program income through timber sales, easements, leases, and farming agreements.



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- *The department should correctly determine and record program income in accordance with program requirements.*

**Minnesota Department of Natural Resources Response:**

Partially Resolved. The DNR agrees with the finding that the department did not accurately report program income for grants within the Sport Fish and Wildlife Restoration programs.

This finding is the result of errors in calculations that occurred during a period of staff turnover. The department has done the following to resolve this issue:

1. Revised the Financial Status Reports (FSR) for these programs. The revised FSR was sent to the U.S. Fish and Wildlife Service on March 10, 2009, and will eliminate the questioned costs of \$458.00.

The Financial Status Report for the Wildlife Restoration program has been adjusted to show a decrease in excess allowable costs of \$14,013 and an increase in reported program income of the same amount. This Financial Status Report will be sent to the U.S. Fish and Wildlife Service by April 1, 2009, and will eliminate the questioned costs of \$14,013.

2. Proposed a procedure that will verify program income numbers with project leaders on a regular basis. The division of Fish and Wildlife will ensure their procedures manual includes procedures on how to calculate and report program income.

The new procedure will include adding program income deductions to federal draw requests, and will provide documentation to support the deductions.

The Accounting Director of the Fish and Wildlife Division will be responsible for updating the procedures manual. This will be completed prior to the start of fiscal year 2010.

3. Implemented new Federal Fiscal Monitoring procedures identified in Audit Finding 1 to verify correct reporting of program income.

<b>Person Responsible:</b>	Accounting Director of the Fish and Wildlife Division
<b>Estimated Completion Date:</b>	June 30, 2009

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

**Report 09-07**

**State Agency:** Minnesota Department of Natural Resources

**Federal Agency:** U. S. Department of Interior

**CFDA Numbers/Program Names:**

15.605	Sport Fish Restoration
15.611	Wildlife Restoration

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-07-5**      *Inadequate monitoring of vendors for suspension and debarment*

**5. The Department of Natural Resources did not comply with federal suspension and debarment requirements.**

The department did not verify whether vendors were suspended or debarred from providing services under federal programs. They did not perform any verification of suspension or debarment by reviewing the federal Excluded Parties List System. However, none of the vendors the department used were suspended or debarred.

Federal requirements prohibit state agencies from contracting with vendors listed as suspended or debarred.<sup>7</sup> Therefore, state agencies are required to ensure all contracted vendors over \$25,000 are not suspended or debarred.

*Recommendation*

- *The department needs to ensure compliance with federal requirements by verifying suspension and debarment for all federally funded purchases.*

**Minnesota Department of Natural Resources Response:**

Partially Resolved. The DNR agrees with the finding that the department did not comply with federal suspension and debarment requirements.

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<sup>7</sup> U.S. Office of Management and Budget Circular A-133, Part 3 – Compliance Requirements.

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**Section III: Federal Program Audit Findings (Continued)**

To resolve the issue the division of Fish and Wildlife will provide training to DJ/PR project managers in the use of the suspension and debarment list, and the Office of Management and Budget Services will offer a segment on this policy in procurement training program offered annually.

In addition, the department has developed a new sub-grant contract template for the DJ/PR program that references the requirement to use the suspension and debarment list when contracting. This template will go through a review process and be ready for use prior to the beginning of fiscal year 2010. Jeanne Daniels will be responsible for ensuring that this contract is used in the DJ/PR program. Kim Montgomery will be responsible for ensuring this statement is in other sub-grant contracts.

<b>Persons Responsible:</b>	Kim Montgomery and Jeanne Daniels
<b>Estimated Completion Date:</b>	June 30, 2009

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**Report 09-07**

**State Agency:** Minnesota Department of Natural Resources

**Federal Agencies:** U. S. Department of Interior

**CFDA Numbers/Program Names:**

15.611 Wildlife Restoration

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-07-6** *Inaccurate reporting of expenditures in the state's accounting system*

**6. The Department of Natural Resources erroneously recorded expenditures in the Wildlife Restoration Federal Program (CFDA 15.611).**

The department charged \$28,535 of expenditures to the Wildlife Restoration Program (CFDA 15.611) that should have been charged to the Fish and Wildlife Management Assistance Program (CFDA 15.608), a non-major federal program administered by the department. Department staff assigned the wrong reporting category to the expenditures in the state's accounting system, resulting in the expenditures being charged to the wrong program.

*Recommendations*

- *The department should ensure that it records expenditures to the correct CFDA numbers in the state's accounting system.*
- *The department should restore \$28,535 to the Fish and Wildlife Management Assistance Program from the Wildlife Restoration Program.*

**Minnesota Department of Natural Resources Response:**

Partially Resolved. The DNR agrees with the finding that expenditures were erroneously recorded to the Wildlife Restoration Program. This error occurred as a result of a new CFDA number being assigned by the federal government to a program that was already in existence.

To address this finding the Office of Management and Budget Services will:

1. Add the review of CFDA numbers and their corresponding reporting categories to the annual spending plan review process.

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2. Work with Minnesota Management and Budget to determine how best to correct the reporting of \$28,535.
3. Follow the new Federal Fiscal Monitoring procedure identified in Audit Finding 1 to verify accuracy of CFDA numbers used.

André Prah! will be responsible for following up on these resolutions by the beginning of fiscal year 2010.

<b>Person Responsible:</b>	André Prah!
<b>Estimated Completion Date:</b>	June 30, 2009

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**Section III: Federal Program Audit Findings (Continued)**

**Report 09-08**

**State Agency:** Minnesota Department of Education

**Federal Agency:** U. S. Department of Agriculture  
U. S. Department of Education

**CFDA Numbers/Program Names:**

10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.558	Child and Adult Care Food Program
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants
84.367	Improving Teacher Quality State Grants

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-08-1**      *No documented internal control structure ensuring compliance*

- 1. The Department of Education did not identify, analyze, and document their internal controls over compliance with federal single audit requirements.**

The department did not have a comprehensive risk assessment pertaining to its internal controls over compliance with federal single audit requirements. The department has an increased likelihood of a control deficiency if it does not clearly communicate to all staff its risk, control activity, and monitoring policies and procedures.

State policy details that each agency head has the responsibility to identify, analyze, and manage business risks that impact an entity's ability to maintain its financial strength and the overall quality of its products and government services.<sup>18</sup> This policy also requires communication of the internal control policies and procedures to all staff so they understand what is expected of them and the scope of their freedom to act. The policy further requires follow-up procedures that, at a minimum, should include mechanisms for monitoring results and reporting significant control deficiencies to individuals responsible for the process or activity involved, including executive management and those individuals in a position to take corrective action. A new audit standard<sup>19</sup> reinforced management's responsibility to have effective internal controls over its

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<sup>18</sup> Department of Finance Policy Number 0102-01.

<sup>19</sup> Statement on Auditing Standards #109.

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financial operations. The federal government expects that those controls also ensure compliance with federal program requirements.

The Department of Education is aware of certain risks, has many control activities in place, and performs selected internal control monitoring functions. However, the department has not comprehensively identified and analyzed the risks, designed its controls to address significant risks, or developed monitoring procedures to ensure the controls are in place and are effective to reduce the significant risks identified.

Findings 2 through 5 identify deficiencies in the department's internal control procedures and specific noncompliance with federal requirements which were not prevented or detected by the department's internal control structure. These deficiencies created an unacceptable risk of noncompliance or did not prevent or detect the noncompliance. It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it operates within a comprehensive internal control structure.

*Recommendation*

- *The department should frequently review and clearly document its risks, control activities, and internal control monitoring functions for federal program requirements.*

**Minnesota Department of Education Response:**

As outlined in our response to the OLA dated February 6, 2009, the Minnesota Department of Education ("Department") will complete a risk assessment process and identify policies to document all controls. We will use the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and Governance Institute COBIT frameworks and direction provided by Minnesota Management and Budget as our guide through this process. It is expected that this entire process will take two years to complete with our tentative schedule included below. Tammy McGlone and Al Louismet are responsible for resolving Finding #1.

Deadlines for resolving Finding #1:

June 30, 2009: Completion of framework for the risk assessment

September 30, 2009: Completion of the risk assessments for all agency programs.

December 31, 2009: Evaluation of the risk assessment findings and identification of risk.

December 31, 2010: Completion of all policy revisions including documentation of internal controls.

<b>Persons Responsible:</b>	Tammy McGlone and Al Louismet
<b>Estimated Completion Date:</b>	December 31, 2010

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**Section III: Federal Program Audit Findings (Continued)**

**Report 09-08**

**State Agency:** Minnesota Department of Education

**Federal Agency:** U. S. Department of Agriculture  
U. S. Department of Education

**CFDA Numbers/Program Names:**

10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.558	Child and Adult Care Food Program
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants
84.367	Improving Teacher Quality State Grants

**Questioned Costs:** \$72,000

**Finding 09-08-2**      *Inaccurately calculated and received indirect costs*

- 2. The Department of Education did not have adequate controls to ensure that it accurately calculated and received reimbursement for its share of indirect costs from the federal government.**

The department lacked adequate controls to ensure indirect cost rate calculations were accurate and in compliance with federal guidelines.<sup>20</sup> In addition, the department did not collect indirect cost reimbursements in a timely manner according to state policy.<sup>21</sup> In fiscal year 2008, the department received about \$3.4 million in indirect cost reimbursements from the U.S. Department of Education at the approved rate of 15.8 percent. As a result, the department had the following weaknesses with its administering of indirect costs:

- Our analysis as of January, 2009 showed the department may have erroneously included as much as \$2.6 million of unallowable contract costs and erroneously excluded \$175,000 of equipment purchases from its calculation of the federal indirect cost rate. These two

<sup>20</sup> OMB Circular No. A-87 and OMB Circular No. A-133.

<sup>21</sup> Department of Finance Policy Number 0304-02.



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errors may have resulted in the department understating the indirect cost rate by about one percent and shorting the state's federal reimbursement amount by about \$215,000.

- During the audit, the department could not provide us with support or explain why it excluded \$7.2 million from its determination of the indirect cost rate. Since the end of our fieldwork, the department reconstructed support for the excluded amount. However, because the department did not provide us with this critical information in a timely manner, we did not have an opportunity to audit it. If the exclusion of the amount was not appropriate, it would have impacted the indirect cost rate calculation.
- The department applied the indirect costs rate to an inaccurate amount of direct program costs to determine the amount of reimbursement from the federal government. As of August 2008, the department overstated its direct costs by about \$446,000, resulting in a \$72,000 over-reimbursement of indirect costs from the federal government.
- The department did not collect all indirect cost reimbursements for its federal programs within 30 days after the end of each quarter, as required by state policy. Although the department calculated the amount of the indirect cost reimbursement claim each quarter, it sometimes delayed the actual reimbursement claim until the next quarter. As an example, for the quarter ending March 31, 2008, the department did not collect about \$81,000 in federal reimbursement in a timely manner. The department received the indirect cost reimbursement in the next quarter. By delaying reimbursement, the department risks that funds will not be available to cover indirect costs when processing future reimbursements.

*Recommendations*

- *The department should work with the federal government to resolve the question cost of \$72,000.*
- *The department should strengthen its internal controls over its indirect cost process to ensure it:*
  - *Properly includes or excludes direct costs when developing its indirect cost rates and requesting federal reimbursement.*
  - *Maintains supporting documentation related to key processes and decisions.*
  - *Complies with the Department of Finance policy for timely reimbursement of indirect costs from the federal government.*

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**Minnesota Department of Education Response:**

The Department has implemented a new process for indirect cost plan billing as a result of recommendations from an on-site visit from the U.S. Department of Education (USDE) in 2007. The Department continues to receive clarification on issues and is documenting those communications to have a complete record of all direction from USDE.

The Department does not agree that it did not have proper documentation for the 2008 plan. The documentation was provided to the auditor, but it was presented late in the audit process. Unfortunately, the appropriate Department staff was not aware the auditor was waiting for this information or it would have been provided in a timely manner.

The Department agrees that the FY 2008 billings were not timely for a specific reason. The final billing for FY 2008 and first two quarters of FY 2009 were held intentionally to be sure the Department would be able to address all of the issues identified in the approval process for the FY 2009 plan. The 2009 plan was sent to USDE in February 2008. The 2009 plan was completed using all the assumptions and direction received from the USDE site visit. Because it was the first plan done incorporating the new guidance, it was important to be sure all the assumptions and documentation were reviewed and accepted by USDE before closing out the 2008 billing process. It was not anticipated that we would not have the 2009 plan approved by USDE until January 31, 2009.

The Department is not in full agreement with the auditors on the amount of unallowable contract costs as detailed in the auditor's query provided to the department. In the auditor's query, there is a negative number that the Department has not been able to identify specific transactions for or relate to specific contracts yet. Part of the difference between the auditor calculation and the departments is staff augmentation contracts. The auditor includes them in the query to apply the \$25,000 professional technical services contract cap on qualified expense. The Department did not exclude them. We have confirmed with USDE that staff contracts (which the department did not include in its plan as exclusions) are treated as staff or operational services for the purpose of indirect cost application. This means that the entire expenditure for professional technical services staff augmentation should not have been included in the auditor's worksheet.

The Department does agree there was an inaccurate interpretation by department staff previously responsible for the plan development and invoice process on contract allocation for addressing the \$25,000 cap on indirect costs. The \$25,000 being applied to all funding sources per contract per year was inaccurate. Also, applying the \$25,000 each year for multi-year contracts was incorrect as well. We have received direction on this through communication with USDE and our final billing for FY 2008 takes into account the corrections for this error. We have also confirmed the appropriate method for allocation of the contract cap and the inclusion of this cap to general fund contracts in the direct cost development of the plan.

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It should be noted that the Department was not and will not be reimbursed less than its entitlement. There is a process required in plan preparation that calculates, based on final expenditures, the over/under factor plan calculation for the plan. We will be able to assure the correct number is included when the 2010 plan is submitted.

As previously mentioned, the Department did provide the supporting documentation for the plan submission to the auditor's but not in a timely manner. We significantly differ on the amount that could not be identified in the tables and supplemental MAPS reports. The amount the Department has identified supported in the plan documentation leaves only \$12,129 that is not identified within the plan documentation and supporting MAPS reports. Tammy McGlone and Al Louismet are responsible for resolving Finding #2.

<b>Person Responsible:</b>	Tammy McGlone and Al Louismet
<b>Estimated Completion Date:</b>	Complete

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**Report 09-08**

**State Agency:** Minnesota Department of Education

**Federal Agency:** U. S. Department of Education

**CFDA Numbers/Program Names:**

84.010 Title I – Grant to Local Education Agencies

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-08-3** *Insufficient evidence to support some of its payment transactions*

**3. The Department of Education did not retain supporting documentation for some of its Title 1- Grants to Local Education Agencies (CFDA 84.010) payment transactions.**

The department did not retain documentation to support its February 2008 Title 1 grant expenditures of \$9,723,508 to the school districts. Federal regulations require states to maintain documentation for payments for three years.<sup>22</sup> Without this documentation, the department could not support its February 2008 Title 1 payments.

*Recommendation*

- *The department should improve internal controls to ensure the retention of documentation supporting its financial transactions.*

**Minnesota Department of Education Response:**

The Department has reviewed this issue and discovered that the February 2008 Title I payment detail report was not properly saved and archived as a result an employee error. As a result of that error, the Information Technology Division (IT) implemented an auto save process so that employees do not have to do anything to save a file. It is automatically generated to the saved location and then backed up in case future retrieval is necessary. In researching the issue in this finding, Department management staff looked at the risk potential for the missing documentation. We observed this as a one time occurrence, confirmed by reviewing information on the archives. We also reviewed final closing information to determine if it was possible that incorrect payments may have been made in the February 2008 payment batch and did not discover any incorrect payment amounts. Tammy McGlone and Al Louismet are responsible for resolving Finding #3.

**Person Responsible:** Tammy McGlone and Al Louismet

**Estimated Completion Date:** Complete

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<sup>22</sup> General Education Provision Act and the Education Department General Administration Regulations.

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**Report 09-08**

**State Agency:** Minnesota Department of Education

**Federal Agencies:** U. S. Department of Education

**CFDA Numbers/Program Names:**

84.010	Title I – Grant to Local Education Agencies
84.367	Improving Teacher Quality State Grants

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-08-4**      *Insufficient monitoring of subrecipient activity*

**4. The Department of Education did not comply with federal subrecipient monitoring requirements for certain federal programs.**

The department did not provide federal award information or notification of applicable compliance requirements when awarding funds for the Title 1 - Grants to Local Education Agencies Program (CFDA 84.010), and Improving Teacher Quality State Grants Program (CFDA 84.367). Federal regulations require pass-through entities, such as the Department of Education, to communicate specific award information to subrecipients.<sup>23</sup> Required information includes the Catalog of Federal Domestic Assistance (CFDA) title and number, award name, name of federal agency providing funds, and applicable compliance requirements. By not disclosing all required information, subrecipients may not be aware that they are receiving federal funds, which are subject to specific federal compliance requirements.

*Recommendation*

- *The department should provide federal award information and applicable compliance requirements when awarding federal funds to subrecipients.*

**Minnesota Department of Education Response:**

The Department agrees that for the Title I, CFDA 84.010 and Improving Teacher Quality State Grants Program, CFDA 84.367 systems, the assurances are not recognizable in the grant management system processing these grants. The Department found that in all of our other grant forms we have electronic documents that identify in the assurance sections the requirements of

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<sup>23</sup> OMB Circular No. A-133.

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OMB Circular A-133. This can only be explained as an oversight and not an intended omission. In addition, the Department has several documents on training for sub-grantees that clearly document the requirements for compliance. The Department has verified that all school districts receive the information.

Elizabeth Stephens is responsible for resolving Finding #4.

<b>Person Responsible:</b>	Elizabeth Stephens
<b>Estimated Completion Date:</b>	April 30, 2009

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**Section III: Federal Program Audit Findings (Continued)**

**Report 09-08**

**State Agency:** Minnesota Department of Education

**Federal Agency:** U. S. Department of Agriculture  
U. S. Department of Education

**CFDA Numbers/Program Names:**

10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.558	Child and Adult Care Food Program
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants
84.367	Improving Teacher Quality State Grants

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-08-5**      *Inadequate monitoring of vendors for suspension and debarment*

- 5. The Department of Education did not require all federally funded professional and technical contracts to include a certification that prohibited using suspended or debarred vendors.**

The department's professional and technical contracts did not always include a certification that the vendor was not federally suspended or debarred. (Vendors are suspended or debarred when the federal government determines that they have abused the public trust, perhaps by violating program provisions). Federal requirements prohibit state agencies from awarding contracts of more than \$25,000 to applicants that are debarred or suspended.<sup>24</sup> The department included this prohibition in its contracts exceeding \$50,000, but did not have it in its agreements for contracts between \$25,000 and \$50,000.

*Recommendation*

- *The department should comply with federal requirements by verifying debarment and suspension for all federally funded contracts exceeding \$25,000.*

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<sup>24</sup> OMB Circular No. A-102, OMB Circular No. A-110, and OMB Circular No. A-133.

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**Minnesota Department of Education Response:**

The Department agrees with this finding and is immediately implementing this recommendation. The Department will add the standard suspension and debarment to all of our contract documents, not just those required over \$50,000. This finding should be fully implemented and communicated to all contract processing staff by March 31, 2009. Elizabeth Stephens is responsible for resolving Finding #5. In addition, the Department will contact the Minnesota Department of Administration and request that they provide clearer direction to state agencies regarding this issue.

<b>Person Responsible:</b>	Elizabeth Stephens
<b>Estimated Completion Date:</b>	Complete



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**Report 09-09**

**State Agency:** Minnesota Department of Employment and Economic Development

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

**CFDA Numbers/Program Names:**

14.228	Community Development Block Grant – Small Cities
17.225	Unemployment Insurance
17.258	Workforce Investment Act – Adult
17.259	Workforce Investment Act – Youth
17.260	Workforce Investment Act – Dislocated Worker
84.126	Vocational Rehabilitation

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-09-1**      *No documented internal control structure ensuring compliance*

- 1. The Department of Employment and Economic Development did not identify and document its internal controls ensuring compliance with federal requirements.<sup>25</sup>**

The department did not document its entity's risk assessment for internal controls over compliance with federal single audit requirements, specific internal controls over program compliance requirements, and its monitoring process that assesses the quality of internal control performance over time. An increased likelihood of noncompliance exists if the risk, control activity, and monitoring policies and procedures are not clearly communicated to all staff.

State policy details that each agency head has the responsibility to identify, analyze, and manage business risks that impact an entity's ability to maintain its financial strength and the overall quality of its products and government services.<sup>26</sup> This policy also requires communication of the internal control policies and procedures to all staff so they understand what is expected of them and the scope of their freedom to act. Follow-up procedures, at a minimum, should include mechanisms for monitoring results and reporting significant control deficiencies to individuals responsible for the process or activity involved, including executive management and those individuals in a position to take corrective action, are also required per this policy. A new audit

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<sup>25</sup> The finding applies to all federal programs listed in Table 1 to the report.

<sup>26</sup> Department of Finance Policy 0102-01.

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standard<sup>27</sup> reinforced management's responsibility to have effective internal controls over its financial operations. The federal government expects that those controls also ensure compliance with federal program requirements.

The Department of Employment and Economic Development is aware of certain risks, has control activities in place, and performs selected internal control monitoring functions; however, the department has not documented these processes for compliance with federal single audit requirements.

Findings 2 through 7 identify specific deficiencies in the agency's internal control procedures that resulted in noncompliance with federal requirements. These deficiencies created an unacceptable risk of noncompliance or did not detect or prevent noncompliance from occurring. The department had some specific control deficiencies and instances of noncompliance, including unemployment benefits that were not assigned to an employer account for accurate tax rate calculations, concerns with approval and documentation supporting overtime, and noncompliance with monitoring of subrecipient audits and inaccurate cutoff for reporting of federal community development block grants.

If the department had a comprehensive internal control structure, it should have identified these deficiencies, assessed the degree of risk of these deficiencies, designed control procedures to address significant risks, and monitored whether controls were working as designed and effective in reducing the risks to an acceptably low level. It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it operates within a comprehensive internal control structure.

*Recommendation*

- *The department should frequently review and clearly document its risks, control activities, and internal control monitoring functions for its key business processes.*

**Minnesota Department of Employment and Economic Development Response:**

The department agrees with the finding and recommendation. While DEED does maintain internal controls over compliance with federal requirements, those controls are not well documented and monitored. Cindy Farrell, Chief Financial Officer, will oversee the establishment of an internal control structure over compliance with federal requirements to be completed by March 31, 2010.

<b>Person Responsible:</b>	Cindy Farrell, Chief Financial Officer
<b>Estimated Completion Date:</b>	March 31, 2010

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<sup>27</sup> Statement on Auditing Standards #109.

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**Report 09-09**

**State Agency:** Minnesota Department of Employment and Economic Development

**Federal Agency:** U. S. Department of Labor

**CFDA Numbers/Program Names:**

17.225 Unemployment Insurance

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-09-2** *Benefits not always assigned to employers for use in tax rate calculations*

- 2. The department did not ensure that unemployment benefit payments were always appropriately assigned to employer accounts for use in tax rate calculations.**

Department staff did not always accurately update eligibility determinations in the unemployment insurance system causing certain unemployment benefits to not be assigned to the respective employer's account. Staff was not familiar with how to use aspects of the new unemployment benefits system that began in October 2007. As a result, staff did not correctly update the eligibility determination in the system for five of ten nonassigned benefits we tested – they should have assigned the benefits to an employer. Because statutes base employers' unemployment tax rates, in part, on the amount of benefits assigned to the employer's account, these errors could result in an understatement of an employer's future unemployment tax rate, reducing the amount the employer pays into the state's Unemployment Insurance Fund during subsequent periods.

The process for determining unemployment benefit eligibility involved multiple levels of interaction between the unemployment system and benefit recipients, employers, and department staff. Department employees make benefit eligibility determinations and update the unemployment system to cause benefits to be either assigned or not assigned to an employer's accounts in accordance with reasons cited in statutes.<sup>28</sup> Nonassigned benefit payments for fiscal year 2008 totaled \$86 million, increasing 48 percent from fiscal year 2007.

*Recommendations*

- *The department should ensure staff is adequately trained on system processes that assign unemployment benefits to employer accounts.*

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<sup>28</sup> *Minnesota Statutes* 2008, 268.047.

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- *The department should review and correct nonassigned benefits entered incorrectly in the system and develop a process to monitor unemployment benefit payments that are not assigned to employer accounts.*

**Minnesota Department of Employment and Economic Development Response:**

The department agrees with the finding and recommendations. The auditor's report suggests that the source of the incorrect non-assignment of charges is attributable primarily to staff error. Training has been completed for those areas where staff errors may have affected the proper assignment of charges. While staff error does explain a small percentage of incorrect non-assignment of charges, nearly all errors the auditor detected were attributable to a known system defect in the "charge" module of the new system. That defect is scheduled to be corrected in the April 2009 system update. Following that update, all non-assignment of charge errors will be corrected and employer experience rates will be recalculated where necessary. In addition, DEED will periodically validate that assignment and non-assignment of charges is working properly. Kathy Nelson, Unemployment Insurance Director, will implement these changes by July 31, 2009.

<b>Person Responsible:</b>	Kathy Nelson, Unemployment Insurance Director
<b>Estimated Completion Date:</b>	July 31, 2009

**Minnesota Office of the Legislative Auditor**  
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**Report 09-09**

**State Agency:** Minnesota Department of Employment and Economic Development

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

**CFDA Numbers/Program Names:**

14.228	Community Development Block Grant – Small Cities
17.225	Unemployment Insurance
17.258	Workforce Investment Act – Adult
17.259	Workforce Investment Act – Youth
17.260	Workforce Investment Act – Dislocated Worker
84.126	Vocational Rehabilitation

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-09-3**      *Inadequate documentation of need and prior approval of overtime pay*

- 3. The department did not have effective internal controls to ensure that overtime hours paid to employees were reasonable and approved in advance.**

The department's controls did not ensure that overtime hours were documented and approved in advance by management. The department delegates to supervisors the determination of whether overtime was a reasonable and necessary expense for the program. The supervisors do authorize the overtime subsequently reported by the employee on their biweekly timesheet but do not always document the need and prior approval of those overtime hours. As shown on the following table, the department's federally-funded overtime paid to its employees tripled from fiscal year 2007 to 2008.

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

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**Table 3**  
**Federal Overtime Costs by Fiscal Year**

	<u>2007</u>	<u>2008</u>
Overtime Pay	\$378,723	\$1,113,230
Related Employer Taxes and Benefits	44,049	129,973
Total	<u>\$422,772</u>	<u>\$1,243,203</u>

Note: A large portion of the overtime was paid to information technology staff involved in a new unemployment insurance computerized system. The department includes payroll and overtime costs for some information technology staff in its indirect costs that it allocates to all federal programs.

Source: State Employee Management System.

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The department had the following weaknesses related to overtime payments:

- The department's policy is not consistent with state policy. It does not require that an employee document advance approval of overtime and leaves it to the supervisor's discretion whether to document the need for overtime to be worked and the approval. However, state payroll policies require a documented overtime request that indicates why the overtime was needed, the amount of overtime hours, and approval by the appointing authority.<sup>29</sup> The policy states that the department should not pay for overtime hours without prior approval unless it involves an emergency situation. The policy also requires that the department retain the overtime request and approval documents for three years.
- Eight of ten employees whose overtime we examined were missing some documentation supporting the overtime they were paid during the year. One employee received \$19,320 of overtime pay (excluding benefits) without any documentation to show that the overtime work was necessary or approved by management in advance. For some information technology staff, the department generally approved several employees to work overtime over several months when implementing a new unemployment insurance system, but did not limit the number of hours authorized. In addition, for three employees whose supervisors did specify and approve overtime hours in advance, the department paid more overtime than the supervisors had authorized.
- One employee received over \$24,000 as overtime, but the supporting schedules showed that some of the compensation was for on-call hours. On-call hours are paid when a supervisor requests that the employee be available to report to work when requested. On-call hours are paid at one quarter of the employee's regular hourly rate; overtime is paid at the full regular hourly rate. Instead of coding the hours as on-call on the timesheet, the employee converted the hours to overtime hours (four hours of on-call equals one hour of

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<sup>29</sup> Department of Finance Policy – PAY0012.

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

overtime). Because compensation for on-call hours could not be distinguished from compensation for overtime, the department would have difficulty determining the validity of the payments. The payroll system should reflect the true nature of the compensation.

*Recommendations*

- *The department should improve internal control over federally-funded overtime pay by:*
  - *Revising the department's overtime policy to conform with overtime requirements contained in state payroll policies.*
  - *Requiring that documentation contain the reason for overtime and the approved amount of overtime hours be specified in advance.*
  - *Ensuring overtime is paid at the correct rate and properly coded in the state's payroll system.*
- *The department should review overtime pay for the exceptions noted in our testing and pursue recovery of any overpayments.*

**Minnesota Department of Employment and Economic Development Response:**

The department agrees with the finding and recommendations. The department's overtime policy will be updated to require documentation of advance approval in order to conform to state policy. DEED will also review the exceptions noted by the auditor and will determine if any overtime was erroneously paid and pursue recovery if necessary. Mary Oman, Human Resources Director will oversee the resolution of this finding by April 30, 2009.

<b>Person Responsible:</b>	Mary Oman, Human Resources Director
<b>Estimated Completion Date:</b>	April 30, 2009

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

**Report 09-09**

**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 09-09-4** *Inadequate monitoring of subrecipient audits*

- 4. Prior Finding Not Resolved:<sup>30</sup> The department did not consistently monitor audits of subrecipient expenditures for the federal Community Development Block Grant Program (CFDA 14.228).**

Department staff assigned to monitor subrecipient compliance with Community Development Block Grant Program requirements did not ensure that all subrecipients had an acceptable federal compliance audit. The department had not obtained an audit report for five of the fourteen subrecipients we tested. (One audit report was due on June 30, 2008, and four of the audits were due on September 30, 2008.) In addition, one city submitted an audit report that was not acceptable because the scope of the audit did not include federal compliance objectives. However, as reported in our three previous annual audits, the department's program monitors were not consistent in their monitoring practices.

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.

The department has an effective subrecipient grant monitoring function for its other major federal programs, but it has not incorporated subrecipient monitoring for the Community Development Block Grants into this function.

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<sup>30</sup> Office of the Legislative Auditor's Financial Audit Division Report 08-11, *Department of Employment and Economic Development*, issued March 28, 2008, Finding 2.



**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

*Recommendation*

- *The department should comply with federal Community Development Block Grant Program requirements and ensure that subrecipients submit audit reports that comply with single audit requirements.*

**Minnesota Department of Employment and Economic Development Response:**

The department agrees with the finding and recommendation. The Business and Community Development Division (BCD) will implement a new process to identify those sub-recipients that require the federal compliance audit and assign the staff person responsible for obtaining and reviewing the audit reports. BCD management will actively monitor to ensure these assignments are completed by the established deadlines. Meredith Udoibok, Assistant Division Director of Business and Community Development Division, will implement the new process by April 30, 2009.

<b>Person Responsible:</b>	Meredith Udoibok, Assistant Division Director
<b>Estimated Completion Date:</b>	April 30, 2009

**Minnesota Office of the Legislative Auditor**  
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**Report 09-09**

**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 09-09-5** *Inaccurate reporting of project expenditures*

- 5. Prior Finding Not Resolved:<sup>31</sup> The department did not accurately report project expenditures for the federal Community Development Block Grant Program (CFDA 14.228).**

As reported in three prior audits, the department continued to have problems with accurately completing the Community Development Block Grant's key federal financial report submitted to the federal government. The department again submitted inaccurate data on its Community Development Block Grant 2008 *Performance and Evaluation Report* to the federal Housing and Urban Development Agency. On the report for the fiscal year ending September 30, 2008, the department inadvertently included approximately \$3 million of expenditures that the department paid from October 2008 through December 23, 2008, for program obligations after September 30, 2008; these expenditures should have been included in the 2009 federal reporting period.

The department did not review or verify the report was accurate before sending it to the federal Housing and Urban Development Agency. Upon notification of the error by our auditors, the department submitted a revised report in February 2009.

*Recommendation*

- *The department should comply with federal Community Development Block Grant Program requirements by submitting an accurate Performance and Evaluation Report to the federal government.*

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<sup>31</sup> Office of the Legislative Auditor's Financial Audit Division Report 08-11, *Department of Employment and Economic Development*, issued March 28, 2008, Finding 3.

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

**Minnesota Department of Employment and Economic Development Response:**

The department agrees with the finding and recommendation. In the future, BCD staff will be required to more closely review the data extract prior to submitting the annual report. Mark Loftus, Business and Community Development Director, will implement this change with the next annual report that is due by December 31, 2009.

<b>Person Responsible:</b>	Mark Loftus, Business and Community Dev. Director
<b>Estimated Completion Date:</b>	December 31, 2009

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

**Report 09-09**

**State Agency:** Minnesota Department of Employment and Economic Development

**Federal Agency:** U. S. Department of Education

**CFDA Numbers/Program Names:**

84.126 Vocational Rehabilitation

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-09-6** *Not public data included in the state's accounting system*

**6. The department entered not public data in the state's accounting system.**

The department entered vocational rehabilitation (CFDA 84.126) client names in the vendor invoice field in the state's accounting system. While this allowed the service providers being paid to identify the client that the payment is for, it also allowed anyone with access to this table in the state's information warehouse to have access to this not public data. *Minnesota Statutes* state that vocational rehabilitation data is not public.<sup>32</sup> Not public data includes any government data which is classified by statute, federal law, or temporary classification as confidential, private, nonpublic, or protected nonpublic. In addition, state policy categorizes accounting system data as public and specifically instructs state agencies that names and certain information on individuals should not be included.<sup>33</sup>

*Recommendation*

- *The department should work with the Department of Finance to restrict access to client names, or avoid including program client names in the accounting system when making vendor payments. In addition, the departments should remove or protect client names previously included in the state's accounting system in prior years.*

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<sup>32</sup> Minnesota Statutes 13.791, 268A.05.

<sup>33</sup> Department of Finance Policy 0803-01.

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**Section III: Federal Program Audit Findings (Continued)**

**Minnesota Department of Employment and Economic Development Response:**

The department agrees with the finding and recommendation. The Minnesota Management and Budget (MMB) department is currently working on an enhancement to its information warehouse security that would restrict access to accounting system data by agency. This enhancement would apply to current and prior year accounting data and is expected to be in place by June 30, 2009. In addition, DEED will review the access of its own employees to data contained in the information warehouse and reinforce with these employees their responsibilities for protecting any private data. Cindy Farrell, Chief Financial Officer, will oversee the implementation of these changes by June 30, 2009.

<b>Person Responsible:</b>	Cindy Farrell, Chief Financial Officer
<b>Estimated Completion Date:</b>	June 30, 2009

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**Report 09-09**

**State Agency:** Minnesota Department of Employment and Economic Development

**Federal Agency:** U. S. Department of Education

**CFDA Numbers/Program Names:**

84.126 Vocational Rehabilitation

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-09-7** *Clients plans were not amended for changes in services and amounts*

**7. The department did not amend employment plans for two vocational rehabilitation (CFDA 84.126) clients.**

For two (out of ten) clients we tested, the department did not revise or amend their Individual Plan for Employment (employment plan) for changes in vocational rehabilitation services that it provided. The State Services for the Blind paid a client for housing and meal costs, but the client's employment plan did not include or authorize these expenditures. In addition, the State Services for the Blind paid a client for services that exceeded the employment plan's authorized amount of \$16,500, and included paid day care expenses for the period beyond the end date of the employment plan. The department did not document and amend the employment plan for these costs.

According to federal regulations, vocational rehabilitation services are to be provided in accordance with the provisions in the individual's employment plan. The plan must state the specific vocational rehabilitation services needed and an estimate of the cost. The plan should be amended as necessary when there are substantial changes in the services to be provided. Amendments are not effective until agreed to and signed by the client and the counselor.

*Recommendations*

- *The department should review clients' employment plans prior to approving payments to ensure the expenditures are authorized by the plan and that payment limits are not exceeded.*
- *The department should amend employment plans for changes in services, service dates, and amounts.*

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**Minnesota Department of Employment and Economic Development Response:**

The department partially agrees with the finding and recommendations. DEED agrees with the recommendation that employment plans should be amended for changes in services and service dates prior to the authorization of amounts for specific services. State Services for the Blind provided the necessary training to its vocational rehabilitation staff on February 24, 2009. State Services for the Blind's Workforce Development Director, Pam Brown, will monitor the effect of the staff training that was provided and ensure that new employees are appropriately trained.

DEED does not agree that employment plans need to be amended for changes in amounts for planned services since that is not a legal requirement pursuant to 34 CFR 361.46 - Content of the individualized plan for employment. Instead, DEED controls the costs for vocational rehabilitation services through the use of authorization transactions. These transactions authorize a specific amount to a specific vendor and provide the necessary control of expenditures.

<b>Person Responsible:</b>	Pam Brown, Workforce Development Director
<b>Estimated Completion Date:</b>	Completed

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**Report 09-10**

**State Agency:** Minnesota Department of Human Services

**Federal Agency:** 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
93.563	Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children’s Health Insurance Program
93.776	Hurricane Katrina
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.959	Substance Abuse

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-10-1** *No documented internal control structure ensuring compliance*

- 1. The Department of Human Services did not identify, analyze, and document its internal controls related to business operations and the schedules of federal expenditures.**

The department did not have a comprehensive risk assessment pertaining to its internal controls over compliance with federal single audit requirements.<sup>34</sup> The department has an increased likelihood of a control deficiency if it does not clearly communicate to all staff its risks, control activities, and monitoring policies and procedures.

State policy details that each agency head has the responsibility to identify, analyze, and manage business risks that affect an entity's ability to maintain its financial strength and the overall

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<sup>34</sup> This control deficiency is related all major federal programs identified in Table 1.



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quality of its products and government services.<sup>35</sup> This policy also requires communication of the internal control policies and procedures to all staff so they understand expectations and the scope of their freedom to act. This policy also requires follow-up procedures that, at a minimum, should include mechanisms for monitoring results and reporting significant control deficiencies to individuals responsible for the process or activity involved, including the agency's executive management and other individuals in a position to take corrective action. A new audit standard<sup>36</sup> reinforced management's responsibility to have effective internal controls over its financial operations. The federal government expects that those controls also ensure compliance with federal program requirements.

The Department of Human Services is aware of certain risks, has many control activities in place, and performs selected internal control monitoring functions. In addition, it has begun a process of identifying and documenting risks and related control activities. However, the department has not identified and analyzed all the risks, designed comprehensive controls to address significant risks, or developed sufficient monitoring procedures to ensure that controls are in place and are effective to reduce the significant risks identified.

Findings 2 through 10 identify deficiencies in the department's internal control procedures and specific noncompliance with federal requirements that the department's internal control structure did not prevent or detect. If the department had a comprehensive internal control structure, it should have identified these deficiencies, assessed the degree of risk of these deficiencies, designed control procedures to address significant risks, and monitored whether controls were working as designed and effective in reducing the risks to an acceptably low level. It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it operates within a comprehensive internal control structure.

*Recommendation*

- *The Department of Human Services should continue to review and clearly document its risks, control activities, and internal control monitoring functions for its key business processes.*

**Minnesota Department of Human Services Response:**

The department agrees with the recommendation and will continue to assess, review and document our key business processes.

<b>Person Responsible:</b>	Marty Cammack, Financial Operations Director
<b>Estimated Completion Date:</b>	September 2009

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<sup>35</sup> Department of Finance Policy 0102-01.

<sup>36</sup> Statement on Auditing Standards #109.

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**Report 09-10**

**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:** \$353,000

**Finding 09-10-2** *Payments to fraudulent vendor*

**2. The Department of Human Services lacked controls over certain financial processes to prevent or detect payments to a fraudulent vendor.**

The department had poor controls over several key areas that allowed an employee to make payments to a fraudulent vendor. Appendix A contains our letter identifying the control deficiencies that allowed the fraud to occur.

The employee initiated 23 medical assistance payments to a fraudulent vendor between August 2003 and September 2008 totaling \$1.1 million, of which \$353,000 was from the Medical Assistance Program (CFDA 93.778).

*Recommendation*

- *The department should strengthen its internal controls over the payment process to ensure:*
  - *adequate separation of incompatible duties, including limitations of system access to employees' specific job responsibilities; and*
  - *valid payments to legitimate vendors.*

**Minnesota Department of Human Services Response:**

The department agrees with the recommendation and has revised staff MAPS security parameters within the Central Office Accounts Payable Unit to eliminate all unnecessary and incompatible access. Within State Operated Services, compensating controls are in place to address the remaining situations of MAPS incompatible duties. The department has also taken steps to ensure that payments are both valid and made to actual MMIS vendors.

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

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**Report 09-10**

**State Agency:** Minnesota Department of Human Services

**Federal Agency:** 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
93.563	Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.658	Foster Care
93.778	Medical Assistance

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-10-3**      *Subgranted funds not included in subrecipient audit*

**3. The Department of Human Services did not adequately advise counties about federal compliance and audit requirements.**

For some federal programs, including the Medical Assistance Program (CFDA 93.778), the Department of Human Services did not appropriately notify counties that they were subrecipients of federal funds or identify the compliance requirements related to those funds, including the need for audit coverage under the Single Audit Act.<sup>37</sup> As a result, counties did not identify the expenditures of these funds as federal grant expenditures, and their auditors did not include these expenditures in the scope of the counties' single audits. We estimate that counties omitted at least \$100 million of federal program expenditures from their single audit coverage.

In addition, the department's subrecipient monitoring process did not identify that the scope of counties' single audits did not include significant amounts of federal pass-through grants.

Upon learning of this deficiency in February 2009, the department revised and reissued instructional bulletins to the counties to help them accurately record and identify these pass-through federal grants. This should result in the inclusion of these expenditures in subrecipient single audits for calendar year 2008, which are part of the State of Minnesota's 2009 single audit reporting package.

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<sup>37</sup> Office of Management and Budget Circular A-133, Subpart D.400(d).

**Minnesota Office of the Legislative Auditor**  
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*Recommendations*

- *The Department of Human Services should properly classify and monitor all of its federal awards to other governmental entities to ensure that subrecipients are aware of program compliance requirements, accurately account for all subgranted federal funds and include those funds in the scope of their annual single audits.*
- *The Department of Human Services needs to notify the federal Department of Health and Human Services about this significant weakness in its administration of federal funds and determine whether it needs to take additional actions to resolve this issue and if there are any sanctions to the state.*

**Minnesota Department of Human Services Response:**

Department Response #3-1

The department agrees with the recommendation. As stated in the audit report, the department has revised the county instruction bulletin for their fiscal year ended December 31, 2008. The counties FY 2008 single audit reports will cover subrecipient federal grant expenditures.

Department Response #3-2

The department agrees with the recommendation. The department has notified the Centers for Medicare and Medicaid Services (CMS) auditors of this weakness. We will work with them to determine the next course of action.

**Person Responsible:**

David Ehrhardt, Internal Audit Director

**Estimated Completion Date:**

September 2009

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**Report 09-10**

**State Agency:** Minnesota Department of Human Services

**Federal Agency:** 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
93.563	Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children’s Health Insurance Program
93.776	Hurricane Katrina
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.959	Substance Abuse

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-10-4** *Not public data on individuals not adequately protected*

**4. The Department of Human Services did not adequately protect not public data on individuals.**

The department did not sufficiently protect not public data on individuals. It sometimes recorded assistance recipients’ names and social security numbers in the vendor invoice field on the state’s accounting system. While this allowed the service providers receiving the payment to identify the client that the payment was for, it also allowed anyone with access to this table in the state’s information warehouse to obtain this not public data. State statutes define data on individuals that is collected, maintained, used, or disseminated by a welfare system as private data on individuals.<sup>38</sup> The statutes prohibit the Department of Human Services and other departments with public assistance systems from disclosing the data except under very restricted

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<sup>38</sup> *Minnesota Statutes* 2008, Chapter 13.

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circumstances. In addition, state policy categorizes accounting system data as public and specifically instructs state agencies that names and health-related information on individuals should not be included.<sup>39</sup>

*Recommendation*

- *The Department of Human Services should eliminate not public data from the accounting system or work with the Department of Finance to restrict access to the data.*

**Minnesota Department of Human Services Response:**

The Department agrees with the recommendation and is taking steps to ensure that not public data on individuals is protected going forward. The Department will also assist MMB whenever possible in addressing the issue of access to historic data in the IA Warehouse.

<b>Person Responsible:</b>	Marty Cammack, Financial Operations Director
<b>Estimated Completion Date:</b>	September 2009

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<sup>39</sup> Department of Finance Policy 0803-01.

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**Report 09-10**

**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
93.658	Foster Care
93.659	Adoption Assistance
93.959	Substance Abuse

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-10-5**      *Salary allocations not sufficiently documented*

**5. Prior Finding Partially Resolved: The Department of Human Services did not validate its federal program payroll costs.**

The department did not comply with some requirements for payroll it charged to federal programs. Federal regulations require that employees who work on a single federal program support their payroll charges by certifying at least every six months that they worked solely on that program for the period covered by the certification.<sup>40</sup> Employees who work on multiple federal programs need to support charges for these salaries and wages with signed, after-the-fact activity reports that account for the employees' total compensated activities at least monthly.<sup>41</sup>

The department did not always comply with these requirements for payroll it charged to federal programs, as explained below:

- The department did not conduct quarterly time studies for two of four employees we tested that were paid from multiple federal programs, including the Temporary Assistance to Needy Families Program (CFDA 93.558). The department inappropriately used certifications to support these payroll charges.

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<sup>40</sup> U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

<sup>41</sup> U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

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- Some certifications and activity reports were not properly authorized. Signatures provide a validation of the hours charged to federal programs. The department had the following weaknesses:
  - Two employees, paid in part from the Temporary Assistance to Needy Families Program (CFDA 93.558), did not sign their activity reports and were not submitting reports on a monthly basis.
  - Some employees who charged time to the Substance Abuse Program (CFDA 93.959) did not have properly authorized activity reports. Four activity reports were not signed by the employees; one certification was signed by a supervisor who did not oversee the employee's work; and one certification was signed by the employee as the supervisor.
  - The department did not have documentation to support the authorization of activity reports for some employees working in the Foster Care (CFDA 93.658) and Adoption Assistance (CFDA 93.659) programs. The department established an email authorization process, but deleted the emails validating the hours worked on these programs.

Although these weaknesses existed, the department made some progress in implementing recommendations noted in our prior audit report.<sup>42</sup> The department improved its centralized controls over the certification process for federally funded payroll costs.

*Recommendation*

- *The Department of Human Services should continue to review and monitor its federal payroll verification processes to reduce the potential for inaccurate federal payroll certifications and unauthorized activity reports.*

**Minnesota Department of Human Services Response:**

The department agrees with the recommendation and will continue to improve upon its federal payroll verification and activity reporting processes.

**Person Responsible:** Marty Cammack, Financial Operations Director  
**Estimated Completion Date:** May 1, 2009

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<sup>42</sup> Office of the Legislative Auditor's Financial Audit Division Report 08-12, *Department of Human Services*, issued March 28, 2008.



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**Report 09-10**

**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 09-10-6**      *Did not submit quarterly reports timely*

**6. Prior Finding Not Resolved: The Department of Human Services submitted reports to the federal government late for three federal programs.**

The department did not maintain sufficient internal controls to ensure the timeliness of reports for three of its federal programs - the Medical Assistance Program (CFDA 93.778), the State Children's Health Insurance Program (CFDA 93.767), and the State Health Care Providers Survey (CFDA 93.777). The department has been unable to meet the 30-day reporting requirement for filing quarterly reports to the federal government for several years. During fiscal year 2008, the department electronically filed the reports from 30 to 95 days after the due date. The federal government relies on the reports to ensure that program objectives are being met and that the state is appropriately managing and monitoring the federal award.

*Recommendation*

- *The Department of Human Services 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 and has made several improvements to its processes in an attempt to improve report submission timing. Unfortunately, given the level of complexity and continuous changes at the federal level, meeting designated timelines will continue to be difficult if not impossible.

**Person Responsible:** Marty Cammack, Financial Operations Director  
**Estimated Completion Date:** December 2009

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**Section III: Federal Program Audit Findings (Continued)**

**Report 09-10**

**State Agency:** Minnesota Department of Human Services

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

**CFDA Numbers/Program Names:**

93.563 Child Support Enforcement

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-10-7** *Inaccurate reporting of spending on draft schedule of expenditures*

- 7. The Department of Human Services did not properly record the liability date for nearly \$1.3 million of Child Support Enforcement Program's expenditure transactions in the state's accounting system.**

The department did not record the correct date the state incurred a liability for three items tested within the Child Support Enforcement Program (CFDA 93.563). For these transactions, the state incurred a liability in fiscal year 2008, but coded the activity to fiscal year 2009 in the state's accounting system. The three expenditures, recorded in July and August 2008, totaled \$1,269,667. According to state policy,<sup>43</sup> agencies must accurately enter the date that goods are received or services provided to ensure proper recognition of the transaction for financial reporting. This is particularly important during the annual close period from July 1 through the end of August when two budget fiscal years are open. In this case, we adjusted the program's Schedule of Expenditures of Federal Awards for fiscal year 2008 by the \$1,269,667 accrual error.

*Recommendation*

- *The Department of Human Services should have a process to record and review the correct liability date in the state's accounting system to ensure accurate financial reporting.*

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<sup>43</sup> Department of Finance Policy 0901-01.

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**Minnesota Department of Human Services Response:**

The department agrees with the recommendation and will ensure that additional training and follow-up are provided to program accountants regarding appropriate procedures for recording the correct liability date during the period of time surrounding end of year and close.

<b>Person Responsible:</b>	Marty Cammack, Financial Operations Director
<b>Estimated Completion Date:</b>	April 1, 2009

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

**Report 09-10**

**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
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Matching
93.959	Substance Abuse

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-10-8**      *Excessive federal cash balances*

**8. Prior Finding Not Resolved: The Department of Human Services was not in compliance with federal cash management requirements.**

The department did not comply with its Treasury-State Agreement for the Temporary Assistance for Needy Families Program (CFDA 93.558) and the Child Care Cluster Program (CFDA 93.575 and 93.596). In accordance with the federal Cash Management Improvement Act, the department agreed to minimize the time it holds federal cash. For both these programs, the department agreed to a one-day clearing pattern between draws and expenditures of federal funds.

For the Temporary Assistance for Needy Families Program, the department exceeded its one-day limit and had significant excess cash on hand for five occurrences throughout fiscal year 2008. The number of consecutive days in which the program had positive cash balances ranged from 2 to 8 days for a total of 22 days, and the positive federal cash amounts per day were from \$6,500 through \$6,800,000. The average daily balance during those periods was approximately \$3 million.

For the child care cluster programs, the department exceeded its one-day limit and had excess cash on hand for nine occurrences throughout fiscal year 2008. The number of consecutive days in which this program had positive cash balances ranged from 2 to 9 days for a total of 38 days, and the positive federal cash amounts per day were from \$31,000 through \$9,500,000. The average daily balance during those periods was approximately \$2 million.

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The Substance Abuse Prevention and Treatment Program (CFDA 93.959), which is not included in the Treasury-State Agreement, also did not minimize the time it held federal cash. The Substance Abuse Program's cash balance was positive every day of fiscal year 2008. About half of the daily balances were less than \$12,000, while the other balances ranged as high as \$1,800,000. The average daily balance during fiscal year 2008 was approximately \$135,000.

*Recommendation*

- *The Department of Human Services should comply with the federal Cash Management Improvement Act and its Treasury-State Agreement by better monitoring and maintaining minimum program cash balances.*

**Minnesota Department of Human Services Response:**

The department agrees with this recommendation and will monitor the federal program cash balance more closely. The department will perform negative draws when necessary to adjust cash balances, as permitted by the federal letter of credit system. Additional training and follow-up will be provided to program accountants regarding timing of federal draws and submission of payment requests to Accounts Payable staff.

<b>Person Responsible:</b>	Marty Cammack, Financial Operations Director
<b>Estimated Completion Date:</b>	April 1, 2009

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

**Report 09-10**

**State Agency:** Minnesota Department of Human Services

**Federal Agency:** 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
93.563	Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children’s Health Insurance Program
93.776	Hurricane Katrina
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.959	Substance Abuse

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-10-9**      *Inadequate monitoring of vendors for suspension and debarment*

**9. The Department of Human Services did not comply with federal suspension and debarment requirements.**

The Department of Human Services did not verify the suspension and debarment status of vendors with whom it entered into annual plan agreements. The department used annual plan agreements to contract for professional/technical services costing less than \$5,000. Federal requirements prohibit state agencies from contracting with vendors listed as suspended or debarred.<sup>7</sup> For these annual plan vendors, the department did not have the vendor certify as part of the annual plan agreement that it was not suspended or debarred. The department could not show that it had verified that the vendor was not on the federal excluded parties list of suspended

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<sup>7</sup> U.S. Office of Management and Budget Circular A-133, Part 3 – Compliance Requirements.

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**Section III: Federal Program Audit Findings (Continued)**

or debarred vendors. However, our audit testing did not identify any suspended or debarred vendors.

*Recommendation*

- *The Department of Human Services needs to ensure compliance with federal requirements by verifying suspension and debarment for all federally funded contracts or having vendors certify they are not suspended or debarred.*

**Minnesota Department of Human Services Response:**

The department agrees with the recommendation. We will be adding the suspension and debarment contract language to our FY 2010 annual plan agreements.

<b>Person Responsible:</b>	Rae Bly, Appeals and Regulation Director
<b>Estimated Completion Date:</b>	June 30, 2009

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**Section III: Federal Program Audit Findings (Continued)**

**Report 09-10**

**State Agency:** Minnesota Department of Human Services

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

**CFDA Numbers/Program Names:**

93.659 Adoption Assistance

**Questioned Costs:** \$5,500

**Finding 09-10-10** Federal reimbursements provided to vendor for ineligible clients

**10. The Department of Human Services provided federal reimbursements for ineligible adoption assistance services.**

The Department of Human Services paid \$5,500 in federal reimbursements under the Adoption Assistance Program (CFDA 93.659) for unallowable costs. The department made payments to an adoption assistance agency for three clients that did not meet the federal program eligibility requirements. The department made payments to the vendor even though the department's documentation indicated the clients were not eligible for these services. The department did not have an effective internal control process to detect errors or review the payment documentation. There is an increased risk for fraud under the current process.

*Recommendations*

- *The Department of Human Services needs to review its Adoption Assistance Program's eligibility and payment processes to ensure that it does not make payments for ineligible clients.*
- *The department needs to recover the questioned costs for the unallowable expenditures.*
- *The department should review other payments made to this vendor and to other vendors within this program to ensure that it did not incur other unallowable costs.*



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**Minnesota Department of Human Services Response:**

Department Response #10-1

The department agrees with the recommendation. The department has reviewed its' process and will develop an extra safeguard within the process. The new process will have two safeguards, a manual look up and a systems data base enhancement.

Department Response #10-2

The expenditures are allowable costs but can not be billed to Title IV-E. Adoption Operation's staff has informed the Financial Operation Division of the children/cases that were not eligible for federal reimbursement. The department will not recover these costs because the private adoption agency is still paid for the services rendered through state not federal funds.

Department Response #10-3

The department agrees with the recommendation. The department will review contracts with private agencies for 2008 to ensure that similar errors did not occur.

<b>Person Responsible:</b>	Erin Sullivan-Sutton, Child Safety and Permanency Director
<b>Estimated Completion Date:</b>	April 15, 2009

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**Report 09-10**

**State Agency:** Minnesota Department of Human Services – Hennepin County

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

**CFDA Numbers/Program Names:**

93.778 Medical Assistance

**Questioned Costs:** Non-Quantifiable

**Finding 09-10-H-1** *Noncompliance with eligibility criteria*

**H-1. Hennepin County did not document the cost effectiveness of other health insurance.**

Hennepin County had not determined the cost effectiveness of the other insurance for a Medical Assistance recipient for one of twenty-four cases we tested.<sup>45</sup> Information in the client's file indicated that other insurance was available. Without determining the cost effectiveness of other insurance, neither the state nor the county can ensure that benefits were provided in the most cost effective manner.

As a condition of continued eligibility for the Medical Assistance (CFDA 93.778) benefits, recipients with other health insurance options may be required to enroll or maintain the supplemental insurance if that coverage is deemed to be cost effective. Cost effective coverage is other health care 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.<sup>46</sup>

*Recommendation*

- *Hennepin 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.*

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<sup>45</sup> Code of Federal Regulations, 42CFR, Section 433.138-139.

<sup>46</sup> Department of Human Services Health Care Program Manual, Chapter 15.10.05.

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**Minnesota Department of Human Services – Hennepin County Response:**

Hennepin County has received your letter of March 12, 2009 and has reviewed the finding. The county is in agreement with the finding and accepts the recommendation that Hennepin County should ensure that it determines and documents the cost effectiveness of other health insurance in all cases where the applicant notifies us that other health insurance is available.

As a matter of policy, Hennepin County does in fact determine and document cost effectiveness of other health insurance. This policy was not followed in the case cited by the auditor as a result of an oversight by a county worker. This finding will be shared with managers and supervisors and this policy will be reviewed at staff meetings within the next month. The person responsible for implementation of this corrective action plan is Tom Pingatore.

<b>Person Responsible:</b>	Tom Pingatore
<b>Estimated Completion Date:</b>	Completed

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**Report 09-10**

**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

**Questioned Costs:** Non-Quantifiable

**Finding 09-10-R-1** *Untimely resolution of discrepancies identified by IEVS*

**R-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 rate of income discrepancy resolution required by federal regulations. For the period July 1, 2007, through June 30, 2008, Ramsey County's overall resolution rate was 68.5 percent. The county's resolution rates in fiscal years 2007 and 2006 were 67.8 percent and 71.6 percent, respectively. Federal law requires the state to resolve at least 80 percent of the case discrepancies within 45 days. To achieve the state's compliance, the Department of Human Services relies on county human services offices to review and resolve these discrepancies.

The Department of Human Services identifies income discrepancies through the Income Eligibility and Verification System (IEVS). This system coordinates data exchanges with other sources for the Temporary Assistance for Needy Families (CFDA 93.558) and the Medical Assistance (CFDA 93.778) programs. The IEVS system compares 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 the state's eligibility determination system differ by more than a pre-established target amount. The Department of Human Services provides these income discrepancies to the counties for investigation and resolution.

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*Recommendation*

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

**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. Our goal is to be in compliance and to that end we continue to look at how we can achieve that goal. Some of the steps we have taken are as follows.

1. In Family Case Management one supervisor and some of her staff are focusing on IEVS for the entire section. They work off a report that we are able to produce internally and format in a way we find useful. For example it identifies the oldest matches first.
2. This same report is also split by unit and each unit supervisor in Family Case Management receives a copy and follows up as needed. By being able to clearly see each unit's activity level the manager and the supervisor are able to identify problem areas and work on improving compliance in that unit and/or with specific workers.
3. We have a new training unit and they have revised the IEVS training packet and will provide the training for new workers and refresher training for other staff.
4. We are working with staff in our records department to ensure that closed cases are reviewed for outstanding IEVS matches and are rejected back to the worker rather than filed in closed records. Staff does have a check off sheet that includes reviewing for unresolved IEVS matches. However as some matches seem to appear after the case is in closed files we are listing them on our internal report for review and resolution.

**Person Responsible:** Cristy Hong and Nancy Cincotta, Human Service Managers  
**Estimated Completion Date:** Completed and ongoing

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**Report 09-10**

**State Agency:** Minnesota Department of Human Services – Ramsey County

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

**CFDA Numbers/Program Names:**

93.778 Medical Assistance

**Questioned Costs:** Non-Quantifiable

**Finding 09-10-R-2** *Insufficient citizenship documentation to verify eligibility*

**R-2. Prior Finding Not Resolved: 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. Ramsey County did not have evidence of citizenship documentation in the file for five out of twenty-one applicants that we tested.

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. 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. We have provided clear expectations to staff in regards to obtaining the proper documentation at intake and at other appropriate times. We implemented a number of

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steps (as outlined in our 2008 response) that we think have been effective but as a number of the cases that were reviewed actually closed in 2007 or early 2008 this audit may not reflect those efforts. As part of our continuing efforts we are also taking the following steps.

1. We will continue to do targeted case reviews for citizenship/identity. We have an on-line case review data base system specifically designed for doing this.
2. We will use the information from the reviews to deal with specific situations and to help us develop cheat sheets and training. For example, we have identified adding newborns as one area needing more emphasis.
3. We are reissuing our Policy and Procedure memo with updated clarifications.

Cristy Hong and Nancy Cincotta are the managers who are responsible for overseeing on-going compliance with these plans.

<b>Persons Responsible:</b>	Cristy Hong and Nancy Cincotta, Human Service Managers
<b>Estimated Completion Date:</b>	Completed and ongoing

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**Report 09-11**

**State Agency:** Minnesota Department of Public Safety

**Federal Agency:** U. S. Department of Homeland Security

**CFDA Numbers/Program Names:**

97.036 Disaster Recovery Public Assistance Program

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-11-1** *No documented internal control structure ensuring compliance*

- 1. The Department of Public Safety did not identify, analyze, and document their internal controls over compliance with federal single audit requirements for the Disaster Recovery Public Assistance Program (CFDA 97.036).**

The department did not document its risk assessment for internal controls over compliance with federal single audit requirements, specific internal controls over compliance requirements, and its monitoring process that assesses the quality of internal control performance over time. The department has an increased likelihood of a control deficiency if it does not clearly communicate to all staff its risk, control activity, and monitoring policies and procedures.

State policy details that each department head has the responsibility to identify, analyze, and manage business risks that impact the department's ability to maintain its financial strength and the overall quality of its products and government services.<sup>47</sup> This policy also requires communication of the internal control policies and procedures to all staff so they understand what is expected of them and the scope of their freedom to act. This policy further requires follow-up procedures that, at a minimum, should include mechanisms for monitoring results and reporting significant control deficiencies to individuals responsible for the process or activity involved, including executive management and those individuals in a position to take corrective action. A new audit standard<sup>48</sup> reinforced management's responsibility to have effective internal controls over its financial operations. The federal government expects that those controls also ensure compliance with federal program requirements.

The Department of Public Safety is aware of certain risks, has control activities in place, and performs selected internal control monitoring functions. However, the department has not comprehensively identified and analyzed the risks, designed its controls to address significant

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<sup>47</sup> Department of Finance Policy 0102-01.

<sup>48</sup> Statement on Auditing Standards #109.



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risks, or developed monitoring procedures to ensure the controls are in place and are effective to reduce the significant risks identified.

Findings 2 through 5 identify specific deficiencies in the department's internal control procedures and noncompliance with federal requirements which were not prevented or detected by the department's internal control structure. If the department had a comprehensive internal control structure, it should have identified these deficiencies, assessed the degree of risk of these deficiencies, designed control procedures to address significant risks, and monitored whether controls were working as designed and effective in reducing the risks to an acceptably low level. It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it operates within a comprehensive internal control structure.

*Recommendation*

- *The Department of Public Safety should frequently review and clearly document its risks, control activities, and internal control monitoring functions for its key business processes.*

**Minnesota Department of Public Safety Response:**

The department concurs with the recommendation. The department is aware of certain risks, has some control activities in place, and performs internal control monitoring functions. The department will improve internal controls over its monitoring functions by identifying, developing and monitoring procedures to ensure controls are in place and are effective to reduce the significant risks identified.

The department will call upon Minnesota Management & Budget for further clarification of its Internal Policy 0102-01 and request they provide training for department personnel with internal control responsibilities.

**Person Responsible:**

Frank Ahrens

**Estimated Completion Date:**

June 30, 2009 (Monitoring of activities with the department will be on-going.)

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**Report 09-11**

**State Agency:** Minnesota Department of Public Safety

**Federal Agency:** U. S. Department of Homeland Security

**CFDA Numbers/Program Names:**

97.036 Disaster Recovery Public Assistance Program

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-11-2** *Inaccurate reporting of spending on draft schedule of expenditures*

- 2. Prior Finding Not Resolved: The Department of Public Safety erroneously included expenditures in the schedule of federal expenditures for the Disaster Recovery Public Assistance Program (CFDA 97.036).**

In preparing the financial data for the *Schedule of Expenditures of Federal Awards* for the Disaster Recovery Public Assistance Program, the department erroneously included \$466,590 of Hazard Mitigation Program (CFDA 97.039) expenditures, a nonmajor 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* for fiscal year 2008. Our prior audit report identified a similar error related to the department preparing the federal expenditure schedule for fiscal year 2007, initially overstating the program's expenditure by \$3.1 million.<sup>49</sup> The department's Fiscal and Administrative Services Division, which reviewed the expenditure schedules for accuracy, did not identify that expenditures were incorrectly recorded.

*Recommendation*

- *The Department of Public Safety should ensure it accurately prepares the Schedule of Expenditures of Federal Awards.*

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<sup>49</sup> Office of the Legislative Auditor's Financial Audit Division Report 08-08, *Department of Public Safety Federal Program Compliance*, issued March 20, 2008, Finding 1.

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**Minnesota Department of Public Safety Response:**

The department concurs with the finding. A federal appropriation account in the amount of \$466,590 was correctly recorded under CFDA number 97.039 in the Minnesota Accounting and Procurement System prior to the November 24<sup>th</sup> 2008 run date of the Summary of Federal Fund Expenditure Report submitted to the Department of Public Safety by Minnesota Management & Budget. The change in the header from CFDA 97.039 to CFDA 97.036 was not noted or manually changed by the Office of Fiscal & Administrative Services prior to our final submission of the Summary of Federal Fund Expenditures report back to Minnesota Management & Budget. The department will continue to perform its own research and analysis through running management and ad-hoc comparison reports to insure expenditures are recorded under the proper CFDA program and expenditures are correctly recorded.

An audit adjustment was made for fiscal year 2008 to correct the overstatement in federal expenditures. Monitoring of federal expenditures and corresponding CFDA numbers will be ongoing.

<b>Person Responsible:</b>	Daniel Boytim and Ruth Mills
<b>Estimated Completion Date:</b>	Completed and monitoring will be ongoing

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**Report 09-11**

**State Agency:** Minnesota Department of Public Safety

**Federal Agency:** U. S. Department of Homeland Security

**CFDA Numbers/Program Names:**

97.036 Disaster Recovery Public Assistance Program

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-11-3** *Inadequate verification of time charged to federal programs*

- 3. The Homeland Security and Emergency Management Division did not have an independent person review the payroll register report to verify payroll charges, including charges to the Disaster Recovery Public Assistance Program (CFDA 97.036).**

The staff in the department's Homeland Security and Emergency Management Division did not have an independent person review the payroll register report each pay period. Review of this report ensures the accuracy of payroll charges, including payroll charged to the Disaster Recovery Public Assistance Program (CFDA 97.036). None of the nine reports we tested for pay periods between July 2007 and December 2008 had evidence of review by a person independent of the payroll process. The department's payroll policy requires someone other than the timekeeper to review the report for current and prior pay period adjustments and verify that the hours and coding on each timesheet were properly paid. The risk of errors and fraud increases when the department does not adequately review this report.

*Recommendation*

- *The department's Homeland Security and Emergency Management Division should have an independent person review the payroll register each pay period.*

**Minnesota Department of Public Safety Response:**

The Division concurs with this recommendation and has already implemented it.

**Person Responsible:** Homeland Security and Emergency Management Division  
**Estimated Completion Date:** Completed

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**Report 09-11**

**State Agency:** Minnesota Department of Public Safety

**Federal Agency:** U. S. Department of Homeland Security

**CFDA Numbers/Program Names:**

97.036 Disaster Recovery Public Assistance Program

**Questioned Costs:** \$6,591

**Finding 09-11-4** *Charged unallowable costs to the federal government*

**4. The Homeland Security and Emergency Management Division inappropriately allocated a severance payment for the Disaster Recovery Public Assistance Program (CFDA 97.036).**

The department's Homeland Security and Emergency Management Division inappropriately allocated \$26,365 of severance payments as administrative costs<sup>50</sup> rather than program management costs,<sup>51</sup> resulting in \$6,591 of unallowable charges to the federal government. The federal government reimbursed the department for the full amount of administrative costs but only 75 percent of the program management costs. The federal government classifies a severance payment as a program management cost because it directly relates to an employee's regular salary.<sup>52</sup> Department staff was not sure how to properly code this type of cost.

*Recommendations*

- *The department should reimburse the federal government for the \$6,591 of unallowable charges to the federal government.*
- *The department should consult with the applicable federal agency when it is unsure how to account for unusual program operating costs and ensure it correctly allocates its operating costs between the administrative and program management costs.*

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<sup>50</sup> Administrative costs are extraordinary costs for expenses like overtime pay, per diem, and travel incurred by state employees who participate in the administration of the Public Assistance Program.

<sup>51</sup> Program management costs are routine operating costs like regular (straight time) salaries of employees involved in the program.

<sup>52</sup> OMB Circular A-87, Attachment B (8)(d)(3).

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**Minnesota Department of Public Safety Response:**

The Division is currently working with the Federal Emergency Management Agency (FEMA) to adjust HSEM's Program Management Cost budget for the Public Assistance Program, so as to include the severance payment.

<b>Persons Responsible:</b>	John Kerr and Jon Huspek
<b>Estimated Completion Date:</b>	The adjustment will be made once the Division obtains FEMA's approval.

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**Report 09-11**

**State Agency:** Minnesota Department of Public Safety

**Federal Agency:** U. S. Department of Homeland Security

**CFDA Numbers/Program Names:**

97.036 Disaster Recovery Public Assistance Program

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-11-5** *Inadequate safeguarding of fixed assets*

- 5. Prior Finding Partially Resolved: The Department of Public Safety did not properly record certain fixed assets on its fixed asset inventory system purchased for the Homeland Security Grant Program (CFDA 97.067).**

The Homeland Security and Emergency Management Division purchased 17 global positioning systems for \$136,323 but did not record them on its fixed asset inventory system.<sup>53</sup> According to department policy, staff must enter assets costing \$5,000 or more into the department's Fixed Asset Inventory System or the division's system.<sup>54</sup> The division used a separate inventory system to track its assets but did not record these 17 assets in its system. Our prior audit report identified several weaknesses related to safeguarding fixed assets.<sup>55</sup> Although the department made improvements, weaknesses still exist. Without complete and accurate inventory records, the division is unable to adequately manage, track, and report its fixed assets.

*Recommendation*

- *The department should maintain an up to date inventory of all fixed assets.*

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<sup>53</sup> AssetTRAX is the Homeland Security and Emergency Management's fixed asset inventory system.

<sup>54</sup> Public Safety Administrative Policy 3541, Property Management and Reporting.

<sup>55</sup> Office of the Legislative Auditor's Financial Audit Division Report 08-08, *Report on Federal Compliance*, issued February 20, 2008, Finding 2.

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**Section III: Federal Program Audit Findings (Continued)**

**Minnesota Department of Public Safety Response:**

The Division concurs with the recommendation; and in order to better ensure all of its fixed assets are entered in its fixed asset inventory system the HSEM Property Management Reporting and Accountability Policy will be update to ensure compliance with the agency's policy as well as the Department of Administrations guidelines. The Division's asset coordinator will facilitate a mandatory division wide training session to review both the agency and division policies.

<b>Persons Responsible:</b>	John Kerr and Terri Smith
<b>Estimated Completion Date:</b>	June 30, 2009



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

**Report 09-12**

**State Agency:** Minnesota Office of Enterprise Technology

**Federal Agency:** U. S. Department of Agriculture  
U. S. Department of Interior  
U. S. Department of Housing and Urban Development  
U. S. Department of Labor  
U. S. Department of Transportation  
U. S. Department of Education  
U. S. Department of Health and Human Services  
U. S. Department of Homeland Security

**CFDA Numbers/Program Names:**

10.551	Food Stamps
10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.557	Special Nutrition for Women, Infants and Children
10.559	Summer Food Service Program for Children
10.558	Child and Adult Care Food Program
10.561	Food Stamp Administration
14.228	Community Development Block Grant – Small Cities
15.605	Sport Fish Restoration
15.611	Wildlife Restoration
17.225	Unemployment Insurance
17.258	Workforce Investment Act – Adult
17.259	Workforce Investment Act – Youth
17.260	Workforce Investment Act – Dislocated Worker
20.205	Highway Planning and Construction
20.500	Federal Transit Capital Investment Grants
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.126	Vocational Rehabilitation
84.173	Special Education – Preschool Grants
84.367	Improving Teacher Quality State Grants
93.268	Childhood Immunization Grants
93.283	CDC- Prevention, Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.575	Child Care and Development - Discretionary

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

93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children’s Health Insurance Program
93.776	Hurricane Katrina
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.959	Substance Abuse
97.036	Disaster Recovery Public Assistance Program

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-12-1**      *Inaccurate calculation of excess retained earnings*

**1. The Office of Enterprise Technology did not accurately calculate the Enterprise Technologies Internal Service Fund’s excess retained earnings.**

The Office of Enterprise Technology inadvertently understated the Enterprise Technologies Internal Service Fund’s excess retained earnings at June 30, 2007. The office erroneously double-counted a \$2.7 million refund to the federal government when it calculated excess retained earnings for the fund. The department used the June 30, 2007, retained earnings balance as part of its calculation to verify that the fund had not accumulated retained earnings in excess of federal limitations. The refund to the federal government resulted in some unique accounting implications that the Office of Enterprise Technology had not anticipated in the process it used to calculate excess retained earnings.

Federal regulations require that retained earnings in an internal service fund may not exceed 60 days of working capital.<sup>56</sup> This limitation provides assurance to the federal government that the fund did not accumulate excess balances by overcharging for services paid from federal funds. By understating the excess retained earnings calculation due to the error, the Office of Enterprise Technology increased the risk of noncompliance with this provision. However, the error did not cause the fund to exceed the 60-day working capital limit.

*Recommendation*

- *The Office of Enterprise Technology should ensure it accurately accounts for potential repayments due to the federal government when calculating future excess retained earnings for the Enterprise Technologies Internal Service Fund.*

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<sup>56</sup> Office of Management and Budget Circular A-87, Attachment C, G.2.

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

**Minnesota Office of Enterprise Technology Response:**

Based on the unusual circumstances and unique accounting implications, OET redesigned the SWCAP form and processes used for reporting excess retained earnings to ensure compliance with the requirements of the Office of Management and Budget Circular A-87 Cost Principles for State, Local and Indian Tribal Governments. The form redesign ensured that this type of unusual circumstance was accommodated in its reporting processes for Fiscal Year 2007 and moving forward in the event the unique accounting implications presented themselves again. The redesign also ensured continued balance with the state CAFR, while reporting the excess retained earnings correctly through an adjustment column for unallowable costs. These changes were proactively reviewed with Minnesota Management and Budget, Financial Reporting and Indirect Cost Analysis, to ensure concurrence with the approach. At the time of the audit meeting, this finding was fully corrected.

<b>Person Responsible:</b>	Julie Freeman, Financial Management Director
<b>Estimated Completion Date:</b>	Completed

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

**Report 09-13**

**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:** None – Procedural Finding Only

**Finding 09-13-1** *No reconciliation of federal expenditure report to the accounting system*

- 1. The Department of Transportation did not reconcile expenditures reported to the federal government for the Highway Planning and Construction Program (CFDA 20.205) to the expenditures recorded in the state's accounting system.**

The Department of Transportation did not have an effective process to ensure expenditures for the Highway Planning and Construction Program (CFDA 20.205) reported on the Schedule of Expenditures of Federal Awards agreed to the expenditures recorded in the state's accounting system. Consistent with state statutes,<sup>57</sup> the department accounts for much of its federal Highway Planning and Construction Program funds in the Trunk Highway Fund which also includes state funds, although it also accounted for a portion of the federal program's funds in the state's Federal Fund. In preparing the Schedule of Expenditures of Federal Awards, the department had difficulty identifying the specific federal expenditures within the Trunk Highway Fund. Consistent with past practice, the department reported federal expenditures based on reimbursements received from the federal government. However, the department did not reconcile the reported amount to its supporting expenditure data. Our testing validated the reported amount.

*Recommendation*

- *The Department of Transportation should reconcile the expenditures reported on the Schedule of Expenditures of Federal Awards to expenditures recorded in the state's accounting system.*

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<sup>57</sup> Minnesota Statutes 2008, 161.04 subd.1.

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

**Minnesota Department of Transportation Response:**

We concur with the recommendation that expenditures reported on the Schedule of Expenditures of Federal Awards should reconcile to expenditures recorded in the state's accounting system and we will take steps to ensure that this reconciliation occurs in future reporting.

<b>Persons Responsible:</b>	Kevin Gray, Chief Financial Officer and Norman Foster, Director of Budget & Resource Management
<b>Estimated Completion Date:</b>	June 30, 2009

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

**Report 09-14**

**State Agency:** Minnesota Department of Finance

**Federal Agency:** U. S. Department of Agriculture  
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
84.010	Title I – Grant to Local Education Agencies
84.367	Improving Teacher Quality State Grants
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.658	Foster Care
93.778	Medical Assistance

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-14-1**      *Inadequate audit coverage for subgranted federal funds*

- 1. The Department of Finance did not ensure that state agencies complied with federal requirements and state policy related to federal funds passed through to subrecipients.**

In February 2009, we learned that the Department of Human Services had not appropriately notified counties that they were subrecipients of certain federal funds or identified the compliance requirements related to those funds, including the need for an audit under the Single Audit Act.<sup>58</sup> As a result, counties had not identified the expenditures of these funds as federal grant expenditures and their auditors did not include these expenditures in the scope of the counties' Single Audits. For some major federal programs, including the Medical Assistance Program (CFDA<sup>59</sup> 93.778), we estimate that counties omitted at least \$100 million of federal program expenditures from their Single Audit coverage.

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<sup>58</sup> United States Office of Management and Budget *Circular A-133*.

<sup>59</sup> The Catalog of Federal Domestic Assistance (CFDA) is a unique number assigned by the federal government to identify its programs.

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

The state's Medical Assistance Program is the largest federal program administered by the state. The Department of Human Service's failure to monitor the use of these federal funds by its subrecipients is a material weakness in the state's compliance with federal requirements. Audit tests at the Department of Education identified other federal pass-through funds that lacked proper notification to the subrecipients.

Based on federal regulations, the Department of Finance developed a policy to guide agencies in the proper administration of its federal funds, including their responsibilities when they passed federal funds through to subrecipients.<sup>60</sup> The department did not adequately communicate this policy to state agencies administering major federal programs and did not monitor whether those agencies complied with the policy's provisions.

*Recommendation*

- *The Department of Finance should ensure that state agencies understand and comply with the federal and state requirements for federal funds passed through to subrecipients.*

**Minnesota Department of Finance Response:**

State agencies should require subrecipients of federal financial assistance to complete audits in accordance with the Federal Office of Management and Budget (OMB) Circular A-133 and state policy. We plan to provide training on preparation of the Schedule of Expenditures of Federal Awards and we will incorporate a discussion on agencies' subrecipient responsibilities during the training. In addition, we will emphasize the importance of these subrecipient requirements to agencies in our annual correspondence requesting the Schedule of Expenditures of Federal Awards information.

**Person Responsible:** Barb Ruckheim, Financial Reporting Director  
**Estimated Completion Date:** November 30, 2009

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<sup>60</sup> Department of Finance Policy 0402-03.

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

**Report 09-14**

**State Agency:** Minnesota Department of Finance

**Federal Agency:** U. S. Department of Agriculture  
U. S. Department of Labor  
U. S. Department of Transportation  
U. S. Department of Homeland Security

**CFDA Numbers/Program Names:**

10.557	Special Program for Women, Infants and Children
17.225	Unemployment Insurance
17.258	Workforce Investment Act – Adult
20.205	Highway Planning and Construction
20.501	Federal Transit Capital Investment Grants
97.036	Disaster Recovery Public Assistance Program

**Questioned Costs:** None – Procedural Finding Only

**Finding 09-14-2**     *Inaccurate reporting of spending on draft schedule of expenditures*

- 2. Prior Finding Partially Resolved: The state's procedures for preparing the Schedule of Expenditures of Federal Awards resulted in a significant audit adjustment and two errors to the draft schedules and impacted the determination of major programs to be audited under the Single Audit Act.**

Although the Department of Finance improved its review of agency information used to prepare the state's Schedule of Expenditures of Federal Awards, the department continued to have errors in the fiscal year 2008 schedule that required audit adjustments. These errors had significant impact on the schedules and the state's overall major program materiality threshold. The department and the applicable agencies could have detected the errors by comparing variances in amounts between fiscal years and following up on significant differences.

The state's process to prepare the schedule requires extensive adjustments to the data produced by the state's accounting system. Finance relies on other departments, such as Human Services, Education, Health, Transportation, and Employment and Economic Development to provide federal expenditures, additional accruals or other adjustments that are not readily available in the state's accounting system or for programs outside the state's Federal Fund. The majority of the state's federal dollars are included in the Federal Fund; however, there are major federal programs outside the Federal Fund.



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

The Department of Finance and other agencies had the following errors related to the 2008 Schedule of Expenditures of Federal Awards:

- The departments of Finance and Employment and Economic Development did not make a \$26 million adjustment to the Schedule of Expenditures of Federal Awards, and a related footnote disclosure, for the Unemployment Insurance program (CFDA 17.225, with total expenditures of \$863 million) to agree with benefit expenses reported in the Unemployment Insurance financial statements. In addition, the Department of Finance made a posting error causing a \$984,000 overstatement of federal expenses for the Workforce Investment Act-Adult Programs (CFDA 17.258, with total expenditures of \$8 million).
- The departments of Finance and Public Safety erroneously included \$3.8 million of state matching expenditures and \$466,590 of Hazard Mitigation Program (CFDA 97.039) expenditures in the schedule for the Disaster Recovery Public Assistance (CFDA 97.036, with total expenditures of \$22 million) program. After adjusting for this error, the Disaster Recovery Public Assistance Program no longer met the dollar threshold for a major federal program.
- The Department of Health did not include \$2.5 million rebated to the Special Nutrition Program for Women, Infants and Children (CFDA 10.557, with total expenditures of \$93 million) for baby formula purchased in June 2008 on the Schedule of Expenditures of Federal Awards for fiscal year 2008. The Department of Finance had instructed the Department of Health not to make the adjustment because the adjustment had not been made when preparing the state's financial statements. Because of the different objectives and materiality for the federal expenditure schedules, the departments should make all adjustments necessary to achieve accurate reporting to the federal government.
- The Department of Finance should have required documentation to support the expenditure amounts submitted by the Department of Transportation. The Department of Transportation reported \$623.6 million of expenditures for the Highway Planning and Construction program (CFDA 20.205, with total expenditures of \$763 million) and \$61.3 million of expenditures for the Federal Transit Grant program (CFDA 20.500, with total expenditures of \$59 million) that represented federal reimbursements reported in the Trunk Highway Fund financial statements. The Department of Transportation historically reported federal reimbursements rather than expenditures because, consistent with state statute, the department deposits federal funds in the Trunk Highway Fund which also includes state funds.<sup>61</sup> However, the department did not reconcile amounts reported based on reimbursements to actual expenditures in the accounting system. Because the Transportation Department did not report its federal expenditures based on expenditure data in the state's accounting system and because of the significant increase in expenditures for the Federal Transit Grant, which had

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<sup>61</sup> *Minnesota Statutes* 2008, 161.04, subd. 1.

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

not been a major program in prior years, the Department of Finance should have investigated the reliability of the amounts reported by the Department of Transportation.

Finally, we were delayed in our determination of the state's major federal programs. The Department of Finance did not provide draft schedules to us until January 7, 2009, because it did not commit sufficient resources to the preparation of the draft Schedule of Expenditures until after it had completed the preparation of the state's financial statements. 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.

*Recommendations*

- *The Department of Finance and applicable state agencies should:*
  - *ensure that they properly reflect expenditures and accruals in the draft federal expenditure schedules, and*
  - *enhance its analytical procedures to include non-Federal Fund activity.*
- *Finance should require supporting documentation that reconciles expenditures to the accounting system when agencies report amounts based on federal reimbursements.*
- *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:**

We place a high priority on ensuring the accuracy of the Schedule of Expenditures of Federal Awards totaling \$7.9 billion for Fiscal Year 2008. During the past few years, significant improvements were made in the process used to capture federal expenditures reported in the Schedule of Expenditures of Federal Awards. As you noted, the majority of the federal expenditures are included in the Federal Fund. We developed an enhanced method of reconciling all data included in the state's Federal Fund to appropriate CFDA numbers, including verification of all accruals and other adjustments made to the state's accounting system to the amounts included in the state's annual financial statements for the Federal Fund. As a result of the reconciliation, we are able to provide much more detailed and accurate information to agencies for their review and certification. In addition, we performed a variance analysis by CFDA number comparing current year balances to the prior year for Federal Fund activity. We worked with agencies to obtain explanations for the variances and if applicable, necessary adjustments were made.

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

This issue arose primarily on federal programs that are not accounted for in the state's Federal Fund. These include the Unemployment Insurance program, Highway Planning and Construction program, and the Federal Transit Grant program. Federal programs are reported in funds other than the federal fund for several reasons, including law requiring a separate fund or generally accepted accounting principles requiring a different fund classification. For these Federal Awards reported outside the Federal Fund, we recognize additional procedures will further strengthen our process.

Federal expenditures for the Unemployment Insurance Program are recorded in a subsystem within the Department of Employment and Economic Development (DEED). Since this level of detail is not available in the statewide accounting system, the additional accruals and other adjustments must be reconciled to DEED's subsystem to obtain the amounts included in the Schedule of Expenditures of Federal Awards. In the future, we will include a list of these additional accruals and other adjustments with our request for the Schedule of Expenditures of Federal Awards.

Based on past practice, we made a decision not to reduce WIC (CFDA 10.557) expenditures for the June baby formula rebate. We have historically reported the Schedule of Expenditures of Federal Awards consistently with the state's financial statements unless amounts were significantly different. We will consider lowering our materiality threshold in the future.

As you noted, the Department of Transportation (MnDOT) prepares the Schedule of Expenditures of Federal Awards based on federal reimbursements rather than expenditures in the accounting system. MnDOT's subsystem tracks the detail expenditures being reimbursed by the federal government.

Although no adjustments were made to the Schedule of Expenditures of Federal Awards, we recognize improvements can strengthen this process by ensuring MnDOT prepares a reconciliation of the expenditure detail to the amounts included in the schedule submitted to us. In addition, we will reconcile this schedule to the related financial statements amounts for the Trunk Highway and Federal funds as applicable and investigate significant differences.

We will continue to work on improving the timing of the completion of the Schedule of Expenditures of Federal Awards. However, since the expenditures amounts are linked to the Federal Fund, we cannot complete our Single Audit expenditure schedules until the financial statement amounts are final. We recognize that the state's major program determination is based on the final schedule and the significant impact in the audit focus for changes to the major programs. In addition, we will continue to emphasize the importance of timely communication of material changes in programs from the prior year during the Single Audit training that we will provide to agencies.

<b>Person Responsible:</b>	Barb Ruckheim, Financial Reporting Director
<b>Estimated Completion Date:</b>	March 31, 2010

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

**Report KDV-08**

**State Agency:** Inver Hills Community College  
Pine Technical College

**Federal Agency:** U. S. Department of Education

**CFDA Numbers/Program Names:**

84.007	Federal Supplemental 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-08-1**    Calculation of Title IV Funds to be returned not done timely

*Condition:*

Inver Hills Community College and Pine Technical College did not return Title IV funds in a timely manner. More than 30 days elapsed from the end of the semester to the date of determination of withdrawal for one student each at Inver Hills Community College and Pine Technical College.

Inver Hills Community College did not report a student's date of withdrawal correctly on R2T4 form.

*Criteria:*

The withdrawal date must be determined within 30 days after the student withdrew or 30 days after the end of the term for unofficial withdrawal in order to return Title IV funds timely.

*Effect:*

The Colleges were not in compliance with the federal requirements regarding the return of Title IV funds.

*Recommendation:*

The Colleges should review current procedures used to identify Title IV returns to ensure timely and accurate return of these funds. The withdrawal date must be determined within the prescribed due date in order to return federal funds timely.

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

**Minnesota State Colleges and Universities Response:**

The Colleges agree with the auditor's recommendation and have reviewed and revised their procedures to ensure that withdrawal dates are determined within the prescribed due dates.

**Persons Responsible:**

Inver Hills Community College

John Pogue, Associate Dean of Students

Pine Technical College

Susan Pixley, Director of Student Financial Aid

**Estimated Completion Date:**

March 1, 2009

**Minnesota Office of the Legislative Auditor**  
**Schedule of Findings and Questioned Costs**  
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**Report KDV-08**

**State Agency:** Pine Technical College  
Riverland Community College  
Inver Hills Community College

**Federal Agency:** U. S. Department of Education

**CFDA Numbers/Program Names:**

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-08-2** *Inadequate notification of disbursement of loan proceeds*

*Condition:*

Pine Technical College did not notify students or parents in writing when disbursing loan proceeds to the students as required by federal regulations.

Riverland Community College sends an email notification to the student or parent, but the notification does not state the student's right to cancel all or a portion of the loan.

Inver Hills Community College provides a notification to students in the form of an invoice within 2 days of when funds are applied. The date that appears on the student invoice is the date the bill was printed. The regulations require that the disbursement notification include the (anticipated) date of disbursement. The College does not send notification in advance and invoices are printed the day after funds are applied. Since the date of the invoice does not match the date of disbursement, the notification does not include all of the elements required by the regulations.

*Criteria:*

Code of Federal Regulations (CFR) Section 668.165 requires if an institution credits a student's 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 student's or parent's right to cancel all or a part of the loan proceeds.

*Effect:*

The Colleges were not in compliance with federal regulations relating to notification of loan disbursements information.

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

*Recommendation:*

The Office of the Chancellor should work with the Colleges to develop or improve existing processes to ensure proper notifications are completed when loan proceeds are disbursed.

**Minnesota State Colleges and Universities Response:**

The Colleges agree with the auditor's recommendation and have improved their procedures to ensure proper notifications are completed when loan proceeds are disbursed.

**Persons Responsible:**

Pine Technical College

Riverland Community College

Inver Hills Community College

Susan Pixley, Director of Student Financial Aid

Judy Robeck, Director of Student Financial Aid

John Pogue, Associate Dean of Students

**Estimated Completion Date:**

March 31, 2009

**Minnesota Office of the Legislative Auditor**  
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**Report KDV-08**

**State Agency:** Pine Technical College  
Riverland Community College

**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-08-3** No written or incomplete procedures for verification of applicant information

*Condition:*

The following Colleges did not have required procedures in place for verifying applicant information as required by federal regulations.

Pine Technical College – The College performs verifications on required elements; however, it has not developed a written verification procedure.

Riverland Community College – The College's written verification procedures does not include verification of the number of household members in college at least half-time.

*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 were not in compliance with the verification requirements specified by federal program guidelines.

*Recommendation:*

The above Colleges should develop complete written procedures for verification in accordance with federal regulations.



**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 Colleges agree with the auditor's recommendation and will improve their written procedures for verification in accordance with federal regulations..

**Persons Responsible:**

Pine Technical College

Riverland Community College

**Estimated Completion Date:**

Susan Pixley, Director of Student Financial Aid

Judy Robeck, Director of Student Financial Aid

April 30, 2009

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

**MnDOT Office of Audit Report 09-800-71**

**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:** \$5,868,000 (This amount represents the sum of the cited bid item and includes both federal and state funds.)

**Finding DOT-09-I** *Noncompliance with materials control for grading and base construction*

**I. Prior Finding Not Resolved: The department did not comply with materials control requirements for grading and base construction.**

Significant systemic noncompliance with requirements was noted for grading, base construction, and concrete materials as follows and resulted in \$5,868,000 in questioned costs.

- Failing materials cited on two of nine projects tested.
- Grading and base reports were inaccurate, incomplete, or not completed for seven of nine projects tested.
- Aggregates and granular materials certifications missing for six of nine projects audited.
- Quality control gradations not completed prior to placement and payment for aggregate base class 5 materials.
- Percent crushing tests (exceptions for six of nine projects tested) and aggregate quality tests (exceptions noted for two of nine projects tested) not performed.
- Materials certification exception summaries did not list exceptions to grading and base materials control requirements for two of nine projects tested.

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

*Recommendation*

- *Department management should work with cities, counties and districts to ensure compliance with requirements for grading and base materials control.*

**Minnesota Department of Transportation Response:**

*The Operations Division in consultation with the State Aid for Local Transportation and Policy, Safety and Strategic Initiatives Division will continue to work with the districts, cities and counties to emphasize the requirements for materials control for grading and base construction items. The districts will discuss these requirements at district construction, resident engineer, Construction Managers Group meetings and through departmental training.*

**Persons Responsible:** Operations Division Director; State Aid for Local  
Transportation Division Director; Policy, Safety &  
Strategic Initiatives Division Director

**Estimated Completion Date:** February 2009 and on-going

**Minnesota Office of the Legislative Auditor**  
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**Section III: Federal Program Audit Findings (Continued)**

**MnDOT Office of Audit Report 09-800-71**

**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:** \$2,300,000 (This amount represents the sum of the cited bid item and includes both federal and state funds.)

**Finding DOT-09-II** *Prepayment of insurance expenses and inadequate documentation*

**II. Inadequate cash management procedures resulted in prepayment of contractor liability insurance premiums and performance bond expenses, and some expenses lacked supporting documentation.**

The department prepaid contractor liability insurance premiums and performance bond costs ranging from \$5.2 million to \$9 million for state project 2783-120. We estimated a loss of interest earning on these prepayments of approximately \$400,000 based on an interest rate of 3.5 – 5 percent. In addition, \$2.3 million in payments lacked supporting documentation.

*Recommendation*

- *The Operations Division Director should revise future contracts to reimburse contractors for liability insurance premiums and performance bond costs over the term of the contract and ensure that all payments are adequately supported.*

**Minnesota Department of Transportation Response:**

*District staff will work with the Office of Finance and the Office of Construction to review our process for ensuring source documentation is provided for costs and to review our process for paying liability insurance premiums and performance bond costs.*

*For future Insurance Premium payments, MnDOT has revised its Design-Build Program manual to include prorating any unpaid balances by the amount of time remaining until substantial project completion.*

**Persons Responsible:** Engineering Services Division Director; Chief  
Financial Officer

**Estimated Completion Date:** April 2009

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

**MnDOT Office of Audit Report 09-800-71**

**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:** \$2,804,000 (This represents the sum of the cited bid item and includes both federal and state funds.)

**Finding DOT-09-III** *Noncompliance with concrete materials control requirements*

**III. Prior Finding Not Resolved: The department did not comply with materials control requirements for concrete.**

The department did not comply with concrete materials control requirements for two of six projects tested.

- Quality assurance air content tests for 12 percent of concrete poured on 10 of 31 days; resulting questioned costs totaled \$2,440,000.
- Dowel bars valued at \$274,000 lacked a manufacturer's certificate of compliance.
- Concrete used for bridge superstructure valued at \$90,000 was placed prior to the approval of the mix design report.

*Recommendation*

- *The Operations Division Director should ensure districts comply with concrete materials control requirements.*

**Minnesota Department of Transportation Response:**

*The Operations Division Director will instruct the districts to comply with testing and reporting requirements for concrete materials on construction projects. Continued improvement will be accomplished through district-level construction, resident engineer and CMG personnel meetings, training, and the sharing of best practices.*

**Persons Responsible:** Operations Division Director

**Estimated Completion Date:** April 2009

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

**MnDOT Office of Audit Report 09-800-71**

**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:** \$179,000 (This represents the sum of the cited bid item and includes both federal and state funds.)

**Finding DOT-09-IV** *Noncompliance with environmental requirements for some projects*

**IV. Prior Finding Not Resolved: The department did not comply with federal and state environmental requirements for some projects.**

- Contractors did not complete permit erosion control inspection logs for 2 of 18 projects tested. In addition, for five of eight projects tested, contractors did not submit notifications of intent to perform bridge demolitions at least ten days in advance as required by the Asbestos National Emission Standards for Hazardous Air Pollutants. In addition, for three of three projects tested, contractors failed to comply with state statutes and rules pertaining to lead paint removal and disposition.

*Recommendation*

- *The Operations Division Director and State Aid for Local Transportation Director should instruct districts, cities and counties to comply with environmental requirements specified in contract special provisions as well as state and federal regulations.*

**Minnesota Department of Transportation Response:**

The Operations Division Director and State Aid for Local Transportation Director will instruct the districts to comply with environmental requirements per federal and state regulations and contract special provisions through communications, training, and meetings.

The Office of Environmental Services will work with other department divisions to develop an appropriate, effective, and enforceable means of recovering fines and other unallowable costs due to noncompliance with environmental requirements.

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

The State Program Administrator will be offering two training sessions on demolition requirements to be held in 2009 for county and city personnel, one in Duluth and one in the Metro area.

**Persons Responsible:** Operations Division Director; State Aid for Local  
Transportation Division Director; Engineering Services  
Division Director

**Estimated Completion Date:** February 2009 and on-going

STATE OF MINNESOTA  
STATUS OF PRIOR FEDERAL AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2008

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO	FIND NO	AUDIT REPORT FISCAL YR.
<b>U.S. Department of Agriculture</b>							
10.551	Food Stamps	Human Services	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
10.551	Food Stamps	Human Services	Salary allocations not sufficiently documented.	1	08-12	1	07
10.551	Food Stamps	Human Services	Inaccurate quarterly reporting of program activity.	1	08-12	5	07
10.551	Food Stamps	Human Services	Inaccurate reporting of spending on schedule of expenditures.	1	07-08	1	06
10.561	Food Stamp Administration	Human Services	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
10.561	Food Stamp Administration	Human Services	Salary allocations not sufficiently documented.	1	08-12	1	07
10.561	Food Stamp Administration	Human Services	Inaccurate quarterly reporting of program activity.	1	08-12	5	07
10.553	School Breakfast Program	Education	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
10.555	National School Lunch Program	Education	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
10.556	Special Milk Program for Children	Education	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
10.558	Child and Adult Care Food Program	Education	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
10.559	Summer Food Service Program for Children	Education	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
10.557	Special Nutrition for Women, Infant, & Children	Health	Inaccurate reporting of spending on draft schedule of expenditures.	2	08-02	11	07
10.557	Special Nutrition for Women, Infant, & Children	Health	Lack of monitoring of subrecipient activity.	2	08-10	2	07
<b>U.S. Department of Housing and Urban Development</b>							
14.228	Community Development Block Grant	Employment & Economic Development	Inadequate security and data integrity controls over payroll and travel.	1	08-11	1	07
14.228	Community Development Block Grant	Employment & Economic Development	Inconsistent monitoring of subrecipient audits.	2	08-11	2	07
14.228	Community Development Block Grant	Employment & Economic Development	Inaccurate reporting of project expenditures.	2	08-11	3	07
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
<b>U.S. Department of Labor</b>							
17.207	Employment Services	Employment & Economic Development	Inadequate security and data integrity controls over payroll and travel.	1	08-11	1	07
17.801	Disabled Veterans Outreach	Employment & Economic Development	Inadequate security and data integrity controls over payroll and travel.	1	08-11	1	07
17.804	Local Veterans Employment Representative	Employment & Economic Development	Inadequate security and data integrity controls over payroll and travel.	1	08-11	1	07
17.258	Workforce Investment Act Adult Program	Employment & Economic Development	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
17.258	Workforce Investment Act Adult Program	Employment & Economic Development	Inadequate security and data integrity controls over payroll and travel.	1	08-11	1	07
17.259	Workforce Investment Act Youth Activities	Employment & Economic Development	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
17.259	Workforce Investment Act Youth Activities	Employment & Economic Development	Inadequate security and data integrity controls over payroll and travel.	1	08-11	1	07
17.260	Workforce Investment Act Dislocated Worker	Employment & Economic Development	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
17.260	Workforce Investment Act Dislocated Worker	Employment & Economic Development	Inadequate security and data integrity controls over payroll and travel.	1	08-11	1	07
17.225	Unemployment Insurance	Employment & Economic Development	Inadequate security and data integrity controls over payroll and travel.	1	08-11	1	07
<b>U.S. Department of Transportation</b>							
20.205	Highway Planning and Construction	Transportation	Project oversight procedures not adequately followed.	2	08-13	1	07
20.205	Highway Planning and Construction	Transportation	Miscoded payments as participating in federal funding.	1	08-13	2	07
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.	1	07-09	2	06
20.6XX	Highway Safety Cluster	Public Safety	Inadequate safeguarding of fixed assets.	1	08-08	2	07
20.6XX	Highway Safety Cluster	Public Safety	Insufficient evidence to support some of its purchases.	1	08-08	3	07



STATE OF MINNESOTA  
STATUS OF PRIOR FEDERAL AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2008

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO	FIND NO	AUDIT REPORT FISCAL YR.
<b>U.S. Department of Education</b>							
various	Federal Financial Aid Cluster	Saint Paul College	Calculation of Title IV funds to be returned not done timely.	1	KDV-07	4	07
various	Federal Financial Aid Cluster	Ridgewater College	Colleges did not return loan funds to lenders timely.	1	KDV-07	5	07
various	Federal Financial Aid Cluster	Winona State University	Colleges did not return loan funds to lenders timely.	1	KDV-07	5	07
various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Excessive security rights to the financial aid systems.	1	KDV-05	9	05
various	Federal Financial Aid Cluster	Saint Paul College	Colleges did not return loan funds to lenders timely.	1	KDV-07	5	07
various	Federal Financial Aid Cluster	State Colleges and Universities (MnSCU)	Changes in student enrollment status not updated within 30 days.	1	KDV-07	6	07
various	Federal Financial Aid Cluster	Minnesota State University, Moorhead	Failed to report program disbursements within 30 days.	1	KDV-07	7	07
84.063	Federal Pell Grant	Saint Paul College	Failed to report program disbursements within 30 days.	1	KDV-07	7	07
84.063	Federal Pell Grant	State Colleges and Universities (MnSCU)	Inadequate notification of disbursement of loan proceeds.	2	KDV-07	8	07
various	Federal Financial Aid Cluster	Rainy River Community College	Accounting system records did not always agree with federal reports.	1	KDV-07	9	07
various	Federal Financial Aid Cluster	Rochester Community & Tech College	Accounting system records did not always agree with federal reports.	1	KDV-07	9	07
various	Federal Financial Aid Cluster	Saint Cloud State University	Accounting system records did not always agree with federal reports.	1	KDV-07	9	07
various	Federal Financial Aid Cluster	State Colleges and Universities (MnSCU)	No written policies for verification of applicant information.	1	KDV-07	10	07
various	Federal Financial Aid Cluster	Saint Paul College	Satisfactory academic progress policy differs from actual practice.	1	KDV-07	11	07
84.027	Special Education State Grants	Education	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
84.173	Special Education Preschool Grants	Education	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
84.010	Title I Grants to Local Education Agencies	Education	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
84.126	Vocational Rehabilitation	Employment and Economic Development	Inadequate security and data integrity controls over payroll and travel.	1	08-11	1	07
84.367	Improving Teacher Quality State Grants	Education	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
<b>U.S. Department of Health &amp; Human Services</b>							
93.268	Immunization Grants	Health	Inaccurate reporting of spending on draft schedule of expenditures.	2	08-02	11	07
93.268	Immunization Grants	Health	Salary allocations not sufficiently documented.	2	08-10	1	07
93.268	Immunization Grants	Health	Salary allocations not sufficiently documented.	2	07-05	1	06
93.283	CDC - Investigations and Technical Assistance	Health	Salary allocations not sufficiently documented.	2	05-16	1	04
93.283	CDC - Investigations and Technical Assistance	Health	Salary allocations not sufficiently documented.	2	06-07	1	05
93.283	CDC - Investigations and Technical Assistance	Health	Salary allocations not sufficiently documented.	2	07-05	1	06
93.283	CDC-Investigations and Technical Assistance	Health	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
93.283	CDC-Investigations and Technical Assistance	Health	Salary allocations not sufficiently documented.	2	08-10	1	07
93.283	CDC-Investigations and Technical Assistance	Health	Lack of monitoring of subrecipient activity.	2	08-10	2	07
93.558	Temporary Assistance for Needy Families	Human Services - Hennepin County	Untimely resolution of discrepancies identified by IEVS.	1	06-10	H-2	05
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Untimely 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.	1	07-08	1	06
93.558	Temporary Assistance for Needy Families	Human Services - Hennepin County	Untimely resolution of discrepancies identified by IEVS.	1	07-08	H-1	06
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	2	07-08	R-1	06
93.558	Temporary Assistance for Needy Families	Human Services - Hennepin County	Untimely resolution of discrepancies identified by IEVS.	1	05-18	H-2	04
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	2	05-18	R-2	04
93.558	Temporary Assistance for Needy Families	Human Services	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
93.558	Temporary Assistance for Needy Families	Human Services	Salary allocations not sufficiently documented.	2	08-12	1	07
93.558	Temporary Assistance for Needy Families	Human Services	Excessive federal cash balances.	2	08-12	4	07
93.558	Temporary Assistance for Needy Families	Human Services	Untimely resolution of discrepancies identified by IEVS.	1	08-12	8	07
93.558	Temporary Assistance for Needy Families	Human Services - Hennepin County	Untimely resolution of discrepancies identified by IEVS.	1	08-12	H-1	07
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	2	08-12	R-1	07
93.558	Temporary Assistance for Needy Families	Human Services - Scott County	Untimely resolution of discrepancies identified by IEVS.	1	08-12	Sc-1	07
93.558	Temporary Assistance for Needy Families	Human Services - Washington County	Untimely resolution of discrepancies identified by IEVS.	4	08-12	W-1	07
93.563	Child Support Enforcement	Human Services	Inaccurate reporting of spending on schedule of expenditures.	1	07-08	1	06
93.563	Child Support Enforcement	Human Services	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07

STATE OF MINNESOTA  
STATUS OF PRIOR FEDERAL AUDIT FINDINGS  
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CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN	RPT NO	FIND NO	AUDIT REPORT FISCAL YR
U.S. Department of Health & Human Services (continued)							
93.575	Child Care and Development - Discretionary	Human Services	Salary allocations not sufficiently documented.	1	07-08	6	06
93.575	Child Care and Development - Discretionary	Human Services	Salary allocations not sufficiently documented.	1	08-12	1	07
93.575	Child Care and Development - Discretionary	Human Services	Allocated indirect payroll costs to incorrect federal program.	1	08-12	2	07
93.575	Child Care and Development - Discretionary	Human Services	Inadequate control over data input into accounting system.	1	08-12	3	07
93.596	Child Care and Development - Mandatory and Match	Human Services	Salary allocations not sufficiently documented.	1	07-08	6	06
93.596	Child Care and Development - Mandatory and Match	Human Services	Salary allocations not sufficiently documented.	1	08-12	1	07
93.596	Child Care and Development - Mandatory and Match	Human Services	Allocated indirect payroll costs to incorrect federal program.	1	08-12	2	07
93.596	Child Care and Development - Mandatory and Match	Human Services	Inadequate control over data input into accounting system.	1	08-12	3	07
93.658	Foster Care	Human Services	Inaccurate reporting of spending on schedule of expenditures.	1	07-08	1	06
93.659	Adoption Assistance	Human Services	Inaccurate reporting of spending on schedule of expenditures.	1	07-08	1	06
93.659	Adoption Assistance	Human Services	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
93.659	Adoption Assistance	Human Services	Inadequate control over data input into accounting system.	1	08-12	3	07
93.667	Social Services Block Grant	Human Services	Salary allocations not sufficiently documented.	1	08-12	1	07
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.	1	07-08	1	06
93.767	State Children's Health Insurance Program	Human Services	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
93.767	State Children's Health Insurance Program	Human Services	Did not submit quarterly reports timely.	2	08-12	6	07
93.767	State Children's Health Insurance Program	Human Services	Insufficient citizenship documentation to verify eligibility.	1	08-12	9	07
93.776	Hurricane Katrina	Human Services	Inaccurate reporting of spending on schedule of expenditures.	1	07-08	1	06
93.776	Hurricane Katrina	Human Services	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
93.777	State Survey and Certification of Health Care Provider	Human Services	Did not submit quarterly reports timely.	2	07-08	5	06
93.777	State Health Care Provider Survey	Health	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
93.777	State Health Care Provider Survey	Human Services	Inaccurate quarterly reporting of program activity.	1	08-12	5	07
93.777	State Health Care Provider Survey	Human Services	Did not submit quarterly reports timely.	2	08-12	6	07
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	Untimely resolution of discrepancies identified by IEVS.	1	05-18	H-2	04
93.778	Medical Assistance	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	2	05-18	R-2	04
93.778	Medical Assistance	Human Services - Hennepin County	Untimely resolution of discrepancies identified by IEVS.	1	06-10	H-2	05
93.778	Medical Assistance	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	2	06-10	R-2	05
93.778	Medical Assistance	Human Services - Hennepin County	Untimely resolution of discrepancies identified by IEVS.	1	07-08	H-1	06
93.778	Medical Assistance	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	2	07-08	R-1	06
93.778	Medical Assistance	Human Services	Inaccurate reporting of spending on schedule of expenditures.	1	07-08	1	06
93.778	Medical Assistance	Human Services	Payment to incorrect vendor.	1	08-02	8	07
93.778	Medical Assistance	Human Services	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	07
93.778	Medical Assistance	Human Services	Allocated indirect payroll costs to incorrect federal program.	1	08-12	2	07
93.778	Medical Assistance	Human Services	Inaccurate quarterly reporting of program activity.	1	08-12	5	07
93.778	Medical Assistance	Human Services	Did not submit quarterly reports timely.	2	08-12	6	07
93.778	Medical Assistance	Human Services	Lack of monitoring of contract requirements.	1	08-12	7	07
93.778	Medical Assistance	Human Services	Untimely resolution of discrepancies identified by IEVS.	1	08-12	8	07
93.778	Medical Assistance	Human Services - Hennepin County	Untimely resolution of discrepancies identified by IEVS.	1	08-12	H-1	07
93.778	Medical Assistance	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	2	08-12	R-1	07
93.778	Medical Assistance	Human Services - Scott County	Untimely resolution of discrepancies identified by IEVS.	1	08-12	Sc-1	07
93.778	Medical Assistance	Human Services - Washington County	Untimely resolution of discrepancies identified by IEVS.	4	08-12	Wa-1	07
93.778	Medical Assistance	Human Services - Hennepin County	Insufficient citizenship documentation to verify eligibility.	1	08-12	H-2	07
93.778	Medical Assistance	Human Services - Ramsey County	Insufficient citizenship documentation to verify eligibility.	2	08-12	R-2	07
93.778	Medical Assistance	Human Services - Dakota County	Insufficient citizenship documentation to verify eligibility.	4	08-12	D-1	07
93.778	Medical Assistance	Human Services - Rice County	Insufficient citizenship documentation to verify eligibility.	4	08-12	Ri-1	07
93.778	Medical Assistance	Human Services - St. Louis County	Insufficient citizenship documentation to verify eligibility.	4	08-12	SL-1	07
93.778	Medical Assistance	Human Services - Freeborn County	Non-compliance with eligibility criteria.	4	08-12	F-1	07

STATE OF MINNESOTA  
STATUS OF PRIOR FEDERAL AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2008

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO	FIND NO	AUDIT REPORT FISCAL YR.
<b>Social Security Administration</b>							
96.001	Social Security Disability Insurance	Employment and Economic Development	Inadequate security and data integrity controls over payroll and travel.	1	08-11	1	07
<b>U. S. Department of Homeland Security</b>							
97.004	State Domestic Preparedness Equipment Program	Public Safety	Inadequate safeguarding of fixed assets	4	08-08	2	07
97.004	State Domestic Preparedness Equipment Program	Public Safety	Insufficient evidence to support some of its purchases.	1	08-08	3	07
97.067	Homeland Security Grant Program	Public Safety	Inaccurate reporting of spending on schedule of expenditures.	4	08-08	1	07
97.067	Homeland Security Grant Program	Public Safety	Insufficient evidence to support some of its purchases.	1	08-08	3	07
97.067	Homeland Security Grant Program	Public Safety	Improperly obligating funds to its subgrantees.	1	08-08	4	07

\*CATEGORY OF CORRECTIVE ACTION TAKEN

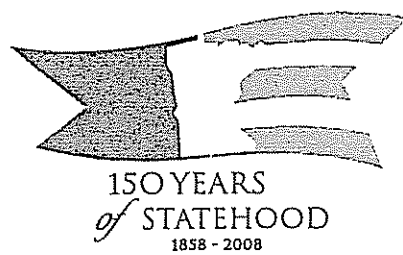
1 - Findings have been fully corrected.

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 Find 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, 2008**

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**State of Minnesota**  
**Financial and Compliance Report on Federally Assisted Programs**  
**Fiscal Year Ended June 30, 2008**

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**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.

*This finding is repeated in the current audit report. See Section III, Report 09-06, Finding 2, 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 – 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 09-10, 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)

*This finding is repeated in the current audit report. See Section III, Report 09-06, Finding 2, 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 09-09, Finding 5, 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 – 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 09-10, 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 MnDOT Office of Audit Report 09-800-71, Finding I, III, and IV for the Department of Transportation's response.*

**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 09-06, Finding 2, 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 09-09, Finding 5, 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 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 09-10, 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 - 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.*

- 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. (Prior Findings 06-10-R-2 and 05-18-R-2)

*This finding is repeated in the current audit report. See Section III, Report 09-10, 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 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 MnDOT Office of Audit Report 09-800-71, Finding I, III, and IV for the Department of Transportation's response*



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

**Report 08-02**

**State Agencies:** 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 and Children
93.268	Childhood Immunization Grants

**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.**

*This finding is repeated in the current audit report. See Section III, Report 09-06, Finding 3, for the Department of Health's response.*

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

**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)

*This finding is repeated in the current audit report. See Section III, Report 09-06, Finding 2, for the Department of Health's response.*

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

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

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

*This finding is repeated in the current audit report. See Section III, Report 09-06, Finding 5, for the Department of Health's response.*

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

**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)

*This finding is repeated in the current audit report. See Section III, Report 09-09, Finding 4, for the Department of Employment and Economic Development's response.*

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

**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)**

*This finding is repeated in the current audit report. See Section III, Report 09-09, Finding 5, for the Department of Employment and Economic Development's response.*

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

**Report 08-12**

**State Agency:** Minnesota Department of Human Services

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

**CFDA Numbers/Program Names:**

93.558 Temporary Assistance for Needy Families

**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.**

*This finding is repeated in the current audit report. See Section III, Report 09-10, Finding 5, for the Department of Human Services' response.*

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

**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.**

*This finding is repeated in the current audit report. See Section III, Report 09-10, Finding 8, for the Department of Human Services' response.*

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

**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)**

*This finding is repeated in the current audit report. See Section III, Report 09-10, Finding 6, for the Department of Human Services' response.*



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

**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. (Prior Findings 07-08-R-1, 06-10-R-2 and 05-18-R-2)**

*This finding is repeated in the current audit report. See Section III, Report 09-10, Finding R-1, for Ramsey County's response.*

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

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

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

*This finding is repeated in the current audit report. See Section III, Report 09-10, Finding R-2, for Ramsey County's response.*

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

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

1. **PRIOR FINDING NOT RESOLVED: MnDOT did not adequately follow certain project oversight procedures. (Prior Findings 07-09-1 and 06-12-2)**

*This finding is repeated in the current audit report. See Section III, Report MnDOT Office of Audit Report 09-800-71, Finding I, III, and IV for the Department of Transportation's response.*

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

**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. They did not provide their own separate notification.

**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 have implemented procedures to notify students and parents in writing when disbursing loan proceeds as required by federal regulations. One of the MnSCU's Direct Lending institutions is now providing separate notification to students; the remaining two MnSCU's Direct Lending institutions are developing the processes that will enable them to do so.

**Persons Responsible:**

Northland Community College  
Rainy River Community College  
Minnesota State Community and  
Technical College  
Minnesota State University Moorhead  
Bemidji State University

Gerald Schulte, Financial Aid Director  
Scott Riley, Financial Aid Director

Tom Whelihan, Financial Aid Director  
Carolyn Zehren, Director of Financial Aid  
Paul Lindseth, Director of Financial Aid

**Estimated Completion Date:**

June 30, 2009

*This finding is repeated in the current audit report. See Section III, Report KDV-08, Finding 2, for the State Colleges and Universities' response.*