



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

FINANCIAL AUDIT DIVISION REPORT

**Department of
Public Safety**

Federal Compliance Audit

Year Ended June 30, 2014

March 20, 2015

Report 15-04

FINANCIAL AUDIT DIVISION
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Financial Audit Division

The Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division has a staff of forty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

The Office of the Legislative Auditor (OLA) also has a Program Evaluation Division, which evaluates topics periodically selected by the Legislative Audit Commission.

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Conclusion on Internal Controls

The Financial Audit Division bases its conclusion about an organization's internal controls on the number and nature of the control weaknesses we found in the audit. The three possible conclusions are as follows:

Conclusion	Characteristics
Adequate	The organization designed and implemented internal controls that effectively managed the risks related to its financial operations.
Generally Adequate	With some exceptions, the organization designed and implemented internal controls that effectively managed the risks related to its financial operations.
Not Adequate	The organization had significant weaknesses in the design and/or implementation of its internal controls and, as a result, the organization was unable to effectively manage the risks related to its financial operations.



OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

March 20, 2015

Representative Sondra Erickson, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ramona L. Dohman, Commissioner
Department of Public Safety

This report presents the results of our audit of certain federal financial assistance programs administered by the Department of Public Safety during fiscal year 2014. We conducted this audit as part of our audit of the state's compliance with federal program requirements. We emphasize that this has not been a comprehensive audit of the Department of Public Safety.

This audit was conducted by David Polisenno, CPA, CISA, CFE (Audit Manager), Sandy Ludwig (Auditor-in-Charge), and assisted by auditor Jennyfer Hildre.

We received the full cooperation of the Department of Public Safety's staff while performing this audit.

A handwritten signature in black ink that reads "James R. Nobles".

James R. Nobles
Legislative Auditor

A handwritten signature in black ink that reads "Cecile M. Ferkul".

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

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Report Summary

Conclusion

The Department of Public Safety generally complied with and had controls to ensure compliance with certain provisions of laws, regulations, contracts, and grants applicable to its major federal program for fiscal year 2014. However, the department had a weakness, as noted in the finding presented in this report.

Finding

- The Department of Public Safety did not comply with the reporting requirements of the Federal Funding Accountability and Transparency Act. ([Finding 1, page 5](#))

Audit Scope

Our scope included the Disaster Grants – Public Assistance Program, which was a major federal program for the State of Minnesota for fiscal year 2014. The department had about \$30 million in program expenditures.

Department of Public Safety

Federal Program Overview

The Department of Public Safety administered one federal program (Disaster Grants – Public Assistance Program, CFDA 97.036¹) that we considered a major federal program for the State of Minnesota, subject to audit under the federal Single Audit Act.² The fiscal year 2014 federal expenditures for this program totaled about \$30 million.³

Objective, Scope, and Methodology

The objective of our audit was to determine whether the Department of Public Safety complied with federal program requirements in its administration of this federal program for fiscal year 2014 and to determine whether the department had resolved issues from past audits. This audit is part of our broader federal single audit objective to obtain reasonable assurance about whether the State of Minnesota complied with the types of compliance requirements that are applicable to each of its federal programs.⁴ In addition to specific program requirements, we examined the department's general compliance requirements related to federal assistance, including its cash management practices.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States of America and with the U.S. Office of Management and Budget's *Circular A-133 Compliance Supplement*.

¹ The Catalog of Federal Domestic Assistance (CFDA) is a unique number assigned by the federal government to identify its programs.

² We defined a major federal program for the State of Minnesota in accordance with a formula prescribed by the federal Office of Management and Budget as a program or cluster of programs whose expenditures for fiscal year 2014 exceeded \$30 million.

³ Federal grant award numbers for the Disaster Grants Public Assistance Program: 1830DRMNP00000001, 1900DRMNP00000001, 1921DRMNP00000001, 1941DRMNP00000001, 1982DRMNP00000001, 1990DRMNP00000001, 4009DRMNP00000001, 4069DRMNP00000001, 4113DRMNP00000001, 4131DRMNP00000001, 4182DRMNP00000001.

⁴ The State of Minnesota's single audit is an entity audit of the state that includes both the financial statements and the expenditures of federal awards by all state agencies. We issued an unqualified audit opinion, dated December 12, 2014, on the State of Minnesota's basic financial statements for the year ended June 30, 2014. In accordance with *Government Auditing Standards*, we also issued our report on our consideration of the State of Minnesota's internal controls over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. (Office of the Legislative Auditor's Financial Audit Division Report 15-02, *Internal Controls Over Statewide Financial Reporting*, issued February 19, 2015.)

Conclusion

The Department of Public Safety generally complied with and had controls to ensure compliance with certain provisions of laws, regulations, contracts, and grants applicable to its major federal program for fiscal year 2014. However, the department had a weakness, as noted in the following *Finding and Recommendation* section.

We will report this weakness to the federal government in the *Minnesota Financial and Compliance Report on Federally Assisted Programs*, prepared by the Department of Management and Budget. This report provides the federal government with information about the state's use of federal funds and its compliance with federal program requirements. The report includes the results of our audit work, conclusions on the state's internal controls over and compliance with federal programs, and findings about internal control and compliance weaknesses.

Finding and Recommendation

The Department of Public Safety did not comply with the reporting requirements of the Federal Funding Accountability and Transparency Act.

Finding 1

The department did not establish a process to report to the federal government information about recipients of subawards⁵ from Disaster Grants – Public Assistance (CFDA 97.036), as required by the Federal Funding Accountability and Transparency Act.⁶ Title 2, Part 170 of the Code of Federal Regulations requires the state to, “...report each action that obligates \$25,000 or more in Federal funds...for a subaward to an entity...no later than the end of the month following the month in which the obligation was made.”

Although, the department had reported information about recipients of subawards for two other divisions, it had not done so for the Homeland Security and Emergency Management Division. The Homeland Security and Emergency Management Division awarded nearly its entire federal award (more than \$29 million) as subawards to local units of government from the Disaster Grants – Public Assistance Program.

Recommendation

- *The department should establish a process to report subawards, as required by the Federal Funding Accountability and Transparency Act.*

⁵ A subaward is a grant to an entity (a local unit of government, private nonprofit, or Indian tribe) by the state to accomplish the purpose for which the state received this federal grant.

⁶ The Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282) requires the federal Office of Management and Budget to maintain a single, searchable website (<http://www.usaspending.gov/>) that contains information on all federal recipient spending awards.



Office of the Commissioner

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March 13, 2015

Mr. James R. Nobles, Legislative Auditor
Minnesota Office of the Legislative Auditor
Centennial Building, Suite 658
St. Paul, MN 55155

Dear Mr. Nobles,

Thank you for the opportunity to review the finding in the Federal Compliance Audit for the year ended June 30, 2014. We are committed to complying with all federal requirements and are working on the necessary reporting requirements.

Finding 1

The Department of Public Safety did not comply with the reporting requirements of the Federal Funding Accountability and Transparency Act.

Recommendation

The department should establish a process to report subawards, as required by the Federal Funding Accountability and Transparency Act (FFATA).

Response

The department had reported information about recipients of subawards for two divisions, but not for the Homeland Security and Emergency Management Division (HSEM). Currently, HSEM is working with other divisions within the department to receive training for HSEM staff to report FFATA information and develop a process whereby they can comply with the federal reporting requirements. HSEM will also be meeting with FEMA. With this information, HSEM will be adjusting their procedures to comply with the federal act, and HSEM anticipates full compliance by June 30, 2015.

Person Responsible: John Moore

Date of Projected Completion: June 30, 2015

Sincerely,

A handwritten signature in blue ink that reads "Ramona L. Dohman".

Ramona L. Dohman, Commissioner