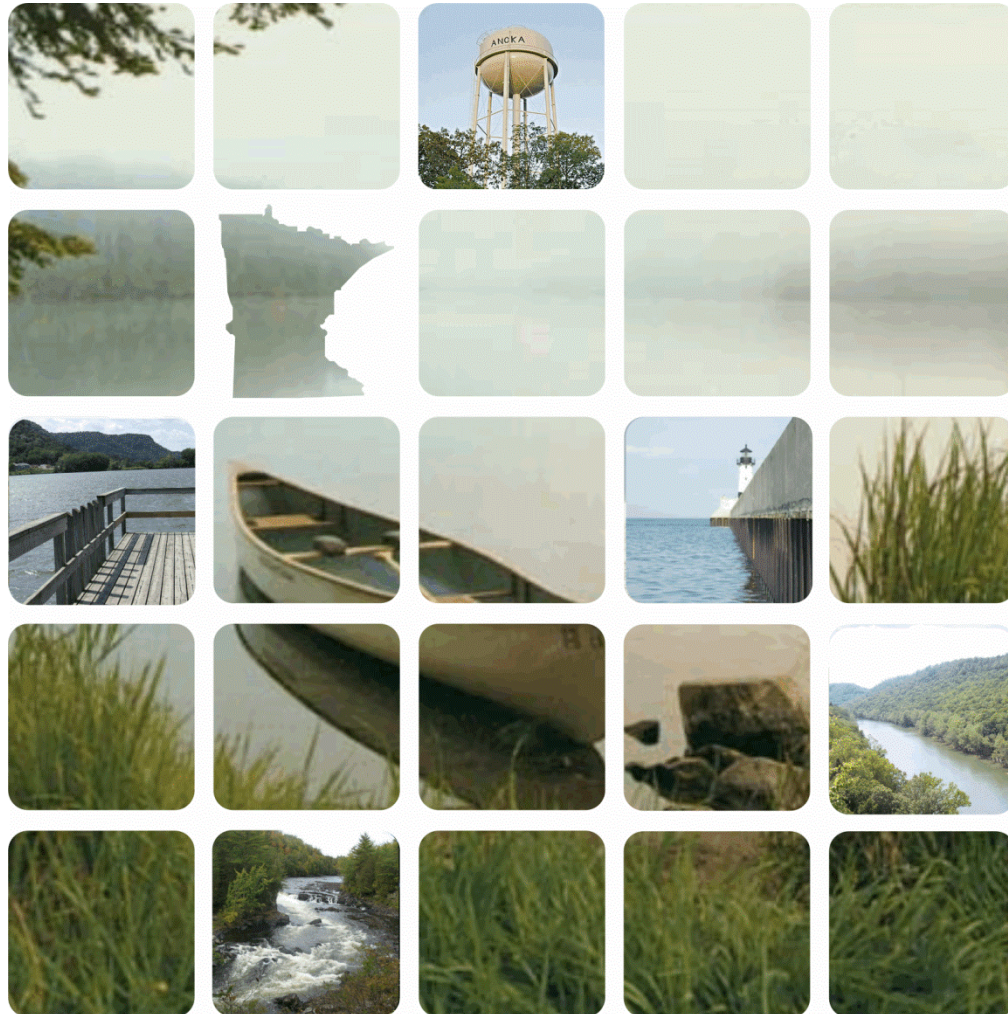


# **State of Minnesota**

## **Financial and Compliance Report on Federally Assisted Programs**



**For the Year Ended June 30, 2014**



When the last continental glacier receded from the Midwest section of the country some 10,000 years ago, it left a gift to Minnesota. The gift was the profound effect it made on the topography and drainage of the state.

In pre-glacial times, scientists believe that with little land formation to hinder it, most of the rainwater and melt-water from the region was quickly carried back to the ocean. The movement of glaciers vastly altered the surface of the Minnesota countryside, scraping up quantities of rock and soil, filling in old river valleys, heaping large deposits at its melting margins to form hilly terrain and gauging out basins. Large chunks of ice left buried by the glaciers melted to form depressions and filled with run-off. The melting water from the glaciers had an enormous power of erosion and modified the landscape by scouring and abrading.

In geological time, the state's present topography is quite "immature" and streams have not re-established into a network that efficiently drains the land to the ocean. As a result, today much of the precipitation is retained in lakes and other water features.

Water is a tremendous resource for the state, relying on the system that was left to us when the ice melted. It plays a significant role in Minnesota's economy—recreation, tourism, Lake Superior and Mississippi River commerce, our drinking water. The Land of 10,000 Lakes owes a debt of gratitude to Nature for this gift.



# Financial and Compliance Report on Federally Assisted Programs

For the Year Ended June 30, 2014

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**2014  
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.mn.gov/mmb/accounting/reports/>

**State of Minnesota**  
**Financial and Compliance Report on Federally Assisted Programs**  
**Fiscal Year Ended June 30, 2014**

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March 20, 2015

The Honorable Mark Dayton, Governor  
Members of the Legislature

**RE: 2014 Financial and Compliance Report on Federally Assisted Programs Transmittal  
Letter from the Commissioner of Minnesota Management and Budget**

I am submitting the State of Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 2014. 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**

Minnesota Management and Budget 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 Statewide Integrated Financial Tools System (SWIFT), 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, 2014.

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.

Minnesota Management and Budget 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 — Office of Audit Services 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 2014, the state of Minnesota received approximately \$11.5 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 Minnesota Management and Budget. 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. 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, 2014.

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, 2014, and includes financial information on federal programs which was compiled by Minnesota Management and Budget.

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. Minnesota Management and Budget is responsible for preparing the schedules of expenditures for federal programs and the status of prior federal program audit findings schedule.



## **Acknowledgments**

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

Sincerely,

A handwritten signature in black ink, appearing to read "Myron Frans", written in a cursive style.

Myron Frans  
Commissioner





**Report on Compliance For Each Major Federal Program; Report on Internal Controls Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

**Independent Auditor's Report**

Members of the Minnesota Legislature

The Honorable Mark Dayton, Governor

Mr. Myron Frans, Commissioner of Minnesota Management and Budget

**Report on Compliance for Each Major Federal Program**

The Office of the Legislative Auditor (OLA) has audited the State of Minnesota's compliance with the compliance requirements contained in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the State of Minnesota's major federal programs for the year ended June 30, 2014. This report also includes our conclusions on the State Planning and Establishment Grants for the Affordable Care Act Exchanges (CFDA<sup>1</sup> 93.525) for the year ended June 30, 2013, which we had not concluded on in our previous report, dated March 20, 2014. In addition, our conclusions for the Public Health Emergency Preparedness Program (CFDA 93.069) and the National Bioterrorism Hospital Preparedness Program (CFDA 93.889) are for the two fiscal years ended June 30, 2014. The state's major federal programs are identified in Section I of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Officials in the executive branch of Minnesota state government are responsible for compliance with the federal requirements, laws, regulations, contracts, and grants applicable to these federal programs.

***Auditor's Responsibility***

OLA's responsibility is to express an opinion on compliance for each of the State of Minnesota's major federal programs based on our audit of the compliance requirements referred to above. 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

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

reasonable assurance about whether noncompliance occurred with the compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State of Minnesota's compliance.

***Basis for Qualified Opinion on Medical Assistance (CFDA 93.778), Children's Health Insurance Program (CFDA 93.767), Temporary Assistance for Needy Families (CFDA 93.558), and Child Care Development Fund Cluster<sup>2</sup>(CFDA 93.575 and CFDA 93.596)***

As described in the findings in Section III of the accompanying Schedule of Findings and Questioned Costs and identified below, the State of Minnesota did not comply with certain federal requirements that are applicable to four of its major federal programs. These federal requirements included verifying program eligibility for recipients of assistance, assessing the types of activities allowed or unallowed under the grant awards, and determining the validity of specific allowable costs charged to the federal programs with the requirements of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*. Compliance with such requirements is necessary, in our opinion, for the State of Minnesota to comply with the requirements applicable to the following major federal programs:

- Medical Assistance – (CFDA 93.778)
  - Findings 2014-008 thru 2014-017, and Finding 2014-023.
- Children's Health Insurance Program – (CFDA 93.767)
  - Findings 2014-008 thru 2014-015, Finding 2014-017, and Finding 2014-023.
- Temporary Assistance for Needy Families – (CFDA 93.558)
  - Findings 2014-023.
- Child Care Development Fund Cluster – (CFDA 93.575 and CFDA 93.596)
  - Findings 2014-023.

***Qualified Opinion on Medical Assistance (CFDA 93.778), Children's Health Insurance Program (CFDA 93.767), Temporary Assistance for Needy Families (CFDA 93.558), and Child Care Development Fund Cluster (CFDA 93.575 and CFDA 93.596)***

In our opinion, except for the material noncompliance described in the Basis for Qualified Opinion paragraph, the State of Minnesota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Medical Assistance (CFDA 93.778), Children's Health Insurance Program (CFDA 93.767),

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<sup>2</sup> A cluster of programs is a group of closely related programs that have similar compliance requirements and are treated as a single program.

Temporary Assistance for Needy Families (CFDA 93.558), and the Child Care Development Fund Cluster (CFDA 93.575 and CFDA 93.596) for the year ended June 30, 2014.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the State of Minnesota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014, and, as applicable, the year ended June 30, 2013, for those programs identified on page 1.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133, and which are described in Section III of the accompanying Schedule of Findings and Questioned Costs. Our opinion on each major federal program is not modified with respect to these matters.

***Report on Internal Controls Over Compliance***

Officials in the executive branch of Minnesota state government are responsible for establishing and maintaining effective internal controls over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the state's internal controls over compliance with the requirements that could have a direct and material effect on a major federal program. The purpose of our consideration of internal controls was to determine the auditing procedures necessary for us to express our opinion on compliance for each major federal program and to test and report on internal controls over compliance in accordance with OMB Circular A-133. Our consideration of internal controls was not for the purpose of expressing an opinion on its effectiveness over compliance; accordingly, we do not express an opinion on the effectiveness of the State of Minnesota's internal controls over compliance.

Our consideration of internal controls over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies<sup>3</sup> in the State of Minnesota's internal controls over compliance that might be significant deficiencies<sup>4</sup> or

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<sup>3</sup> A *deficiency* in internal controls over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

<sup>4</sup> A *significant deficiency* in internal controls over compliance is a deficiency, or a combination of deficiencies, in internal controls over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

material weaknesses<sup>5</sup> and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we consider the deficiencies in internal controls over compliance, identified as Findings 2014-008 thru 2014-017, and 2014-023 in Section III of the accompanying Schedule of Findings and Questioned Costs, to be material weaknesses. We consider all of the other deficiencies in internal controls over compliance described in Section III of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

The purpose of this report on internal controls over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

***Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133***

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, 2014, and have issued our report thereon dated December 12, 2014, which contained an unmodified opinion on those financial statements. 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 State of Minnesota's basic financial statements include the operations of its discretely presented component units, which received approximately \$1.6 billion in federal awards for the year ended June 30, 2014. 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, 2014. Our audit, described below, did not include the state's discretely presented component units because they are not included as part of the state's primary government; accordingly, those units have engaged other auditors to perform their federal compliance audits in accordance with OMB Circular A-133.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

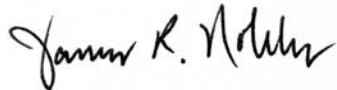
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<sup>5</sup> A *material weakness* in internal controls over compliance is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Members of the Minnesota Legislature  
The Honorable Mark Dayton, Governor  
Mr. Myron Frans, Commissioner of Minnesota Management and Budget  
Page 5

opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The State of Minnesota's responses to the findings identified in our audit are described 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.



James R. Nobles  
Legislative Auditor



Cecile M. Ferkul, CPA, CISA  
Deputy Legislative Auditor

March 20, 2015





**STATE OF MINNESOTA  
MAJOR FEDERAL PROGRAMS  
SCHEDULE OF EXPENDITURES  
YEAR ENDED JUNE 30, 2014**

<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Supplemental Nutrition Assistance Program (SNAP) Cluster</b>			
10.551	SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (7)	HUMAN SERVICES	\$ 706,486,089
10.561	STATE ADMIN MATCHING GRANTS FOR SUPP NUTR	EDUCATION	\$ 254,225
10.561	STATE ADMIN MATCHING GRANTS FOR SUPP NUTR	HUMAN SERVICES	\$ 68,008,561
<b>Supplemental Nutrition Assistance Program (SNAP) Cluster Total:</b>			<b>\$ 774,748,875</b>
<b>Child Nutrition Cluster</b>			
10.553	SCHOOL BREAKFAST PROGRAM	EDUCATION	\$ 41,272,021
10.555	NATIONAL SCHOOL LUNCH PROGRAM	EDUCATION	\$ 176,237,393
10.556	SPECIAL MILK PROGRAM FOR CHILDREN	EDUCATION	\$ 784,841
10.559	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	EDUCATION	\$ 6,563,364
10.559	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	STATE COLLEGES & UNIVERSITIES	\$ 50,096
<b>Child Nutrition Cluster Total:</b>			<b>\$ 224,907,715</b>
10.557	SPECIAL SUPP. NUTRITION PROGRAM FOR WOMEN, INFANTS (4)	HEALTH	\$ 93,633,838
10.558	CHILD AND ADULT CARE FOOD PROGRAM	EDUCATION	\$ 64,206,497
10.558	CHILD AND ADULT CARE FOOD PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 34,602
<b>Program 10.558 Total:</b>			<b>\$ 64,241,099</b>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINT	MILITARY AFFAIRS	\$ 51,770,568
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINT	WATER & SOIL RESOURCES BOARD	\$ 529,334
<b>Program 12.401 Total:</b>			<b>\$ 52,299,902</b>
<b>U.S. DEPARTMENT OF LABOR</b>			
17.225	UNEMPLOYMENT INSURANCE (5)	EMPLOYMENT & ECONOMIC	\$ 930,018,970
17.225	ARRA-UNEMPLOYMENT INSURANCE (5)	EMPLOYMENT & ECONOMIC	\$ 524,704
<b>Program 17.225 Total:</b>			<b>\$ 930,543,674</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, 2014**

<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Highway Planning and Construction Cluster</b>			
20.205	ARRA-HIGHWAY PLANNING AND CONSTRUCTION	TRANSPORTATION	\$ 1,732,868
20.205	HIGHWAY PLANNING AND CONSTRUCTION	TRANSPORTATION	\$ 763,897,025
20.205	R&D-HIGHWAY PLANNING AND CONSTRUCTION	TRANSPORTATION	\$ 10,954,579
20.219	RECREATIONAL TRAILS PROGRAM	NATURAL RESOURCES	\$ 3,177,688
<b>Highway Planning and Construction Cluster Total:</b>			<b>\$ 779,762,160</b>
20.106	AIRPORT IMPROVEMENT PROGRAM (9)	TRANSPORTATION	\$ 31,241,711
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Student Financial Assistance Cluster</b>			
84.007	FEDERAL SUPP. EDUCATIONAL OPPORTUNITY GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 6,484,739
84.033	FEDERAL WORK-STUDY PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 6,137,964
84.038	FEDERAL PERKINS LOAN (2)	STATE COLLEGES & UNIVERSITIES	\$ 30,029,814
84.063	FEDERAL PELL GRANT PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 282,025,772
84.268	FEDERAL DIRECT STUDENT LOANS (3)	STATE COLLEGES & UNIVERSITIES	\$ 685,517,550
84.376	NATIONAL SCIENCE AND MATHEMATICS ACCESS TO RETAIN	STATE COLLEGES & UNIVERSITIES	\$ 30,959
84.379	TEACHER ED. ASSIST. FOR COLLEGE AND HIGHER ED. GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 499,565
93.364	NURSING STUDENT LOANS (2)	STATE COLLEGES & UNIVERSITIES	\$ 34,183
<b>Student Financial Assistance Cluster Total:</b>			<b>\$ 1,010,760,546</b>
<b>Special Education (IDEA) Cluster</b>			
84.027	SPECIAL EDUCATION_GRANTS TO STATES	EDUCATION	\$ 189,854,556
84.173	SPECIAL EDUCATION_PRESCHOOL GRANTS	EDUCATION	\$ 7,061,612
<b>Special Education (IDEA) Cluster Total:</b>			<b>\$ 196,916,168</b>
84.010	TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	EDUCATION	\$ 152,351,941
84.126	REHAB SERVICES_VOCATIONAL REHAB GRANTS	EMPLOYMENT & ECONOMIC	\$ 53,573,119

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, 2014**

<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			
<b>Temporary Assistance for Needy Families (TANF) Cluster</b>			
93.558	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	HUMAN SERVICES	\$ 212,874,052
<b>Temporary Assistance for Needy Families (TANF) Cluster Total:</b>			<b>\$ 212,874,052</b>
<b>Medicaid Cluster</b>			
93.775	STATE MEDICAID FRAUD CONTROL UNITS	ATTORNEY GENERAL	\$ 1,114,513
93.777	STATE SURVEY AND CERT. OF HEALTH CARE PROVIDERS	HEALTH	\$ 8,206,940
93.777	STATE SURVEY AND CERT. OF HEALTH CARE PROVIDERS	HUMAN SERVICES	\$ 5,986,514
93.778	MEDICAL ASSISTANCE PROGRAM (4)	HUMAN SERVICES	\$ 5,565,916,343
<b>Medicaid Cluster Total:</b>			<b>\$ 5,581,224,310</b>
<b>Child Care and Development Fund (CCDF) Cluster</b>			
93.575	CHILD CARE AND DEVELOPMENT BLOCK GRANT	HUMAN SERVICES	\$ 58,317,487
93.575	CHILD CARE AND DEVELOPMENT BLOCK GRANT	STATE COLLEGES & UNIVERSITIES	\$ 67,416
93.596	CHILD CARE MANDATORY AND MATCHING FUNDS	HUMAN SERVICES	\$ 68,459,659
<b>Child Care and Development Fund (CCDF) Cluster Total:</b>			<b>\$ 126,844,562</b>
93.069	PUBLIC HEALTH EMERGENCY PREPAREDNESS	HEALTH	\$ 11,151,638
93.525	STATE PLANNING, ESTABLISHMENT GRANTS FOR ACA EXCHANGES	COMMERCE	\$ 30,764
93.525	STATE PLANNING, ESTABLISHMENT GRANTS FOR ACA EXCHANGES	MNSURE	\$ 52,026,271
<b>Program 93.525 Total:</b>			<b>\$ 52,057,035</b>
93.563	CHILD SUPPORT ENFORCEMENT	HUMAN SERVICES	\$ 116,829,283
93.568	LOW-INCOME HOME ENERGY ASSISTANCE	COMMERCE	\$ 119,168,944
93.658	FOSTER CARE_TITLE IV-E	HUMAN SERVICES	\$ 45,810,841
93.658	ARRA-FOSTER CARE_TITLE IV-E	STATE COLLEGES & UNIVERSITIES	\$ 398,708
<b>Program 93.658 Total:</b>			<b>\$ 46,209,549</b>
93.667	SOCIAL SERVICES BLOCK GRANT	HUMAN SERVICES	\$ 31,272,430
93.767	CHILDREN'S HEALTH INSURANCE PROGRAM	HUMAN SERVICES	\$ 34,491,391
93.889	NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS	HEALTH	\$ 6,733,383

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, 2014**

<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
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**U.S. DEPARTMENT OF HOMELAND SECURITY**

97.036	DISASTER GRANTS – PUBLIC ASSISTANCE	PUBLIC SAFETY	\$ 30,127,105
<b>Major Program Total:</b>			<b>\$ 10,733,964,430</b>

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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, 2014**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Forest Service Schools and Roads Cluster</b>			
10.665	SCHOOLS AND ROADS - GRANTS TO STATES	MN MANAGEMENT & BUDGET	\$ 2,204,602
<b>Forest Service Schools and Roads Cluster Total:</b>			<b>\$ 2,204,602</b>
<b>Food Distribution Cluster</b>			
10.565	COMMODITY SUPPLEMENTAL FOOD PROGRAM	HEALTH	\$ 1,162,133
10.568	EMERGENCY FOOD ASSISTANCE (ADMINISTRATIVE COSTS)	HUMAN SERVICES	\$ 958,041
<b>Food Distribution Cluster Total:</b>			<b>\$ 2,120,174</b>
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	AGRICULTURE	\$ 857,754
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	ANIMAL HEALTH BOARD	\$ 615,125
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	NATURAL RESOURCES	\$ 46,000
<b>Program 10.025 Total:</b>			<b>\$ 1,518,879</b>
10.072	WETLANDS RESERVE PROGRAM	WATER & SOIL RESOURCES BOARD	\$ 178,265
10.093	VOLUNTARY PUBLIC ACCESS & HABITAT INCENTIVE PROGRAM	NATURAL RESOURCES	\$ 4,369
10.156	FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM	AGRICULTURE	\$ 1,741
10.162	INSPECTION GRADING AND STANDARDIZATION	AGRICULTURE	\$ 122,065
10.163	MARKET PROTECTION AND PROMOTION	AGRICULTURE	\$ 45,000
10.170	SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	AGRICULTURE	\$ 705,910
10.307	ORGANIC AG RESEARCH AND EXT INITIATIVE	AGRICULTURE	\$ 54,960
10.314	NEW ERA RURAL TECHNOLOGY GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 40,846
10.319	FARM BUSINESS MANAGEMENT GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 50,385
10.443	OUTREACH AND ASSIST. FOR DISADVANTAGED FARMERS	STATE COLLEGES & UNIVERSITIES	\$ 47,945
10.475	COOP AGMNTS WITH STATES FOR INTRASTATE MEAT, POULTRY	AGRICULTURE	\$ 1,395,666
10.479	FOOD SAFETY COOPERATIVE AGREEMENTS	AGRICULTURE	\$ 234,809
10.500	COOPERATIVE EXTENSION SERVICE	STATE COLLEGES & UNIVERSITIES	\$ 180,892
10.560	STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	EDUCATION	\$ 4,271,715
10.572	WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	AGRICULTURE	\$ 190,722

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, 2014**

<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S DEPARTMENT OF AGRICULTURE (Continued)</b>			
10.574	TEAM NUTRITION GRANTS	EDUCATION	\$ 63,271
10.576	SENIOR FARMERS' MARKET NUTRITION PROGRAM	AGRICULTURE	\$ 49,202
10.578	WIC GRANTS TO STATES (WGS)	HEALTH	\$ 275,869
10.582	FRESH FRUIT AND VEGETABLE PROGRAM	EDUCATION	\$ 2,381,545
10.603	EMERGING MARKETS PROGRAM	AGRICULTURE	\$ 2,365
10.652	FORESTRY RESEARCH	NATURAL RESOURCES	\$ 5,000
10.664	COOPERATIVE FORESTRY ASSISTANCE	AGRICULTURE	\$ 305,829
10.664	COOPERATIVE FORESTRY ASSISTANCE	NATURAL RESOURCES	\$ 1,603,926
<b>Program 10.664 Total: \$</b>			<b>1,909,755</b>
10.668	ADDITIONAL LANDS-GRANTS	MN MANAGEMENT & BUDGET	\$ 5,707,200
10.674	WOOD UTILIZATION ASSISTANCE	NATURAL RESOURCES	\$ 11,971
10.675	URBAN AND COMMUNITY FORESTRY PROGRAM	NATURAL RESOURCES	\$ 296,697
10.676	FOREST LEGACY PROGRAM	NATURAL RESOURCES	\$ 54,023
10.678	FOREST STEWARDSHIP PROGRAM	NATURAL RESOURCES	\$ 344,969
10.680	FOREST HEALTH PROTECTION	AGRICULTURE	\$ 99,128
10.680	FOREST HEALTH PROTECTION	NATURAL RESOURCES	\$ 413,305
<b>Program 10.680 Total: \$</b>			<b>512,433</b>
10.861	PUBLIC TELEVISION STATION DIGITAL TRANSITION GRANT	STATE COLLEGES & UNIVERSITIES	\$ 11,460
10.902	SOIL AND WATER CONSERVATION	AGRICULTURE	\$ 46,044
10.912	ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	AGRICULTURE	\$ 52,316
10.912	ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	WATER & SOIL RESOURCES BOARD	\$ 64,211
<b>Program 10.912 Total: \$</b>			<b>116,527</b>
10.950	AGRICULTURAL STATISTICS REPORTS	AGRICULTURE	\$ 2,117

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**STATE OF MINNESOTA  
NONMAJOR FEDERAL PROGRAMS  
SCHEDULE OF EXPENDITURES  
YEAR ENDED JUNE 30, 2014**

<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF COMMERCE</b>			
11.303	ECONOMIC DEVELOPMENT-TECHNICAL ASSIST	EMPLOYMENT & ECONOMIC	\$ 60,000
11.413	FISHERY PRODUCTS INSPECTION AND CERTIFICATION	AGRICULTURE	\$ 21,090
11.419	COASTAL ZONE MANAGEMENT ADMINISTRATION AWARDS	NATURAL RESOURCES	\$ 818,138
11.463	HABITAT CONSERVATION	NATURAL RESOURCES	\$ 154,291
<b>U.S. DEPARTMENT OF DEFENSE</b>			
12.113	REIMBURSEMENT OF TECHNICAL SERVICES	POLLUTION CONTROL AGENCY	\$ 189,835
12.217	ELECTRONIC ABSENTEE SYSTEMS FOR ELECTIONS	SECRETARY OF STATE	\$ 29,245
12.300	BASIC AND APPLIED SCIENTIFIC RESEARCH	STATE COLLEGES & UNIVERSITIES	\$ 141,881
12.400	MILITARY CONSTRUCTION, NATIONAL GUARD	MILITARY AFFAIRS	\$ 14,534,367
12.404	NATIONAL GUARD CHALLENGE PROGRAM	MILITARY AFFAIRS	\$ 585,000
12.902	INFORMATION SECURITY GRANT	STATE COLLEGES & UNIVERSITIES	\$ 61,007
<b>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			
<b>CDBG - State-Administered CDBG Cluster</b>			
14.228	CDBG/STATE'S PROGRAM AND NON-ENTITLEMT GRANTS	EMPLOYMENT & ECONOMIC	\$ 16,089,519
<b>CDBG - State-Administered CDBG Cluster Total:</b>			<b>\$ 16,089,519</b>
14.231	EMERGENCY SOLUTIONS GRANTS PROGRAM	HUMAN SERVICES	\$ 2,197,459
14.900	LEAD-BASED PAINT HAZARD CNTRL PRIVATELY-OWNED HOUSING	HEALTH	\$ 501,882
14.914	ASTHMA INTERVENTIONS IN PUBLIC HOUSING	HEALTH	\$ 133,320
<b>U.S. DEPARTMENT OF INTERIOR</b>			
<b>Fish and Wildlife Cluster</b>			
15.605	SPORT FISH RESTORATION PROGRAM	NATURAL RESOURCES	\$ 12,676,374
15.611	WILDLIFE RESTORATION AND BASIC HUNTER EDUCATION	NATURAL RESOURCES	\$ 13,609,445
<b>Fish and Wildlife Cluster Total:</b>			<b>\$ 26,285,819</b>

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**STATE OF MINNESOTA  
NONMAJOR FEDERAL PROGRAMS  
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YEAR ENDED JUNE 30, 2014**

<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF INTERIOR (Continued)</b>			
15.608	FISH AND WILDLIFE MANAGEMENT ASSISTANCE	NATURAL RESOURCES	\$ 76,358
15.615	COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	NATURAL RESOURCES	\$ 45,163
15.622	SPORTFISHING AND BOATING SAFETY ACT	NATURAL RESOURCES	\$ 503,617
15.626	ENHANCED HUNTER EDUCATION AND SAFETY PROGRAM	NATURAL RESOURCES	\$ 85,875
15.634	STATE WILDLIFE GRANTS	NATURAL RESOURCES	\$ 1,315,347
15.647	MIGRATORY BIRD CONSERVATION	NATURAL RESOURCES	\$ 950
15.655	MIGRATORY BIRD MONITORING, ASMT, CONSERVATION	NATURAL RESOURCES	\$ 33,834
15.657	ENDANGERED SPECIES CONSERVATION - REC IMPLEMENT	NATURAL RESOURCES	\$ 37,258
15.662	GREAT LAKES RESTORATION	NATURAL RESOURCES	\$ 1,005,708
15.662	GREAT LAKES RESTORATION	STATE COLLEGES & UNIVERSITIES	\$ 126,394
<b>Program 15.662 Total:</b>			<b>\$ 1,132,102</b>
15.666	ENDANGERED SPECIES CONSERVATION-WOLF LIVESTOCK LOSS	AGRICULTURE	\$ 40,000
15.669	COOPERATIVE LANDSCAPE CONSERVATION	STATE COLLEGES & UNIVERSITIES	\$ 761
15.809	NATIONAL SPATIAL DATA INFRASTRUCTURE COOP AGREEMENTS	MN.IT SERVICES	\$ 17,485
15.916	OUTDOOR RECREATION ACQUISITION, DEVELOPMT, PLANNING	NATURAL RESOURCES	\$ 66,416
15.941	MISSISSIPPI NATIONAL RIVER AND REC AREA	LEGISLATURE	\$ 130,187
15.945	COOPERATIVE RESEARCH AND TRAINING	STATE COLLEGES & UNIVERSITIES	\$ 2,815
15.978	UPPER MISSISSIPPI RIVER SYSTEM LT RESOURCE MONITORING	NATURAL RESOURCES	\$ 485,020
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>JAG Program Cluster</b>			
16.738	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT	PUBLIC SAFETY	\$ 2,750,287
16.803	ARRA-EDWARD BYRNE MEMORIAL JUSTICE	PUBLIC SAFETY	\$ 171,246
<b>JAG Program Cluster Total:</b>			<b>\$ 2,921,533</b>

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**STATE OF MINNESOTA  
NONMAJOR FEDERAL PROGRAMS  
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YEAR ENDED JUNE 30, 2014**

<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF JUSTICE (Continued)</b>			
16.004	LAW ENFORCEMENT ASSIST. NARCOTICS, DANGEROUS DRUGS	PUBLIC SAFETY	\$ 68,970
16.013	VIOLENCE AGAINST WOMEN ACT TRAINING	TRIAL COURTS	\$ 77,950
16.017	SEXUAL ASSAULT SERVICES FORMULA PROGRAM	PUBLIC SAFETY	\$ 262,354
16.523	JUVENILE ACCOUNTABILITY BLOCK GRANTS	PUBLIC SAFETY	\$ 434,447
16.525	GRANTS TO REDUCE VIOLENCE ON CAMPUS	STATE COLLEGES & UNIVERSITIES	\$ 39,997
16.540	JUVENILE JUSTICE AND DELINQUENCY PREVENTION	PUBLIC SAFETY	\$ 352,938
16.541	R&D-PART E - DEVELOP, TEST AND DEMO NEW PROGRAMS	STATE COLLEGES & UNIVERSITIES	\$ 35,715
16.543	MISSING CHILDREN'S ASSISTANCE	PUBLIC SAFETY	\$ 417,766
16.548	TITLE V_DELINQUENCY PREVENTION PROGRAM	PUBLIC SAFETY	\$ 13,531
16.550	STATE JUSTICE STATISTICS PROGRAM FOR STATISTICAL ANALYSIS	PUBLIC SAFETY	\$ 74,635
16.554	NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	PUBLIC SAFETY	\$ 82,841
16.560	NAT'L INSTITUTE OF JUSTICE RESEARCH, EVALUATION, AND DEV	PUBLIC SAFETY	\$ 571,238
16.575	CRIME VICTIM ASSISTANCE	PUBLIC SAFETY	\$ 7,017,589
16.576	CRIME VICTIM COMPENSATION	PUBLIC SAFETY	\$ 1,391,140
16.585	DRUG COURT DISCRETIONARY GRANT PROGRAM	TRIAL COURTS	\$ 387,971
16.588	VIOLENCE AGAINST WOMEN FORMULA GRANTS	PUBLIC SAFETY	\$ 2,306,074
16.590	ARREST POLICIES AND ENFORCEMT OF PROTECTION ORDERS	CORRECTIONS	\$ 82,964
16.590	ARREST POLICIES AND ENFORCEMT OF PROTECTION ORDERS	PUBLIC SAFETY	\$ 464,089
<b>Program 16.590 Total:</b>			<b>\$ 547,053</b>
16.593	RESIDENTIAL SUBSTANCE ABUSE TREATMENT STATE PRISONERS	PUBLIC SAFETY	\$ 206,743
16.606	STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	CORRECTIONS	\$ 1,598,721
16.607	BULLETPROOF VEST PARTNERSHIP	PUBLIC SAFETY	\$ 2,026
16.609	PROJECT SAFE NEIGHBORHOODS	PUBLIC SAFETY	\$ 35
16.710	PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS	PUBLIC SAFETY	\$ 12,249
16.727	ENFORCING UNDERAGE DRINKING LAWS PROGRAM	PUBLIC SAFETY	\$ 48,490

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

**STATE OF MINNESOTA  
NONMAJOR FEDERAL PROGRAMS  
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YEAR ENDED JUNE 30, 2014**

<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF JUSTICE (Continued)</b>			
16.735	PROTECTING INMATES AND SAFEGUARDING COMMUNITIES	CORRECTIONS	\$ 81
16.740	STATEWIDE AUTOMATED VICTIM INFORMATION NOTIFICATION	PUBLIC SAFETY	\$ 12,263
16.741	FORENSIC DNA BACKLOG REDUCTION PROGRAM	PUBLIC SAFETY	\$ 752,179
16.742	PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT	PUBLIC SAFETY	\$ 69,480
16.745	CRIMINAL AND JUVENILE JUSTICE AND MENTAL HEALTH	CORRECTIONS	\$ 65,938
16.745	CRIMINAL AND JUVENILE JUSTICE AND MENTAL HEALTH	TRIAL COURTS	\$ 33,273
<b>Program 16.745 Total:</b>			<b>\$ 99,211</b>
16.750	SUPPORT FOR ADAM WALSH ACT	PUBLIC SAFETY	\$ 217,750
16.754	HAROLD ROGERS PRESCRIPTION DRUG MONITORING	PHARMACY BOARD	\$ 75,705
16.812	SECOND CHANCE ACT PRISONER REENTRY INITIATIVE	CORRECTIONS	\$ 1,177,478
<b>U.S. DEPARTMENT OF LABOR</b>			
<b>Workforce Investment Act (WIA) Cluster</b>			
17.258	WIA ADULT PROGRAM	EMPLOYMENT & ECONOMIC	\$ 8,186,699
17.259	WIA YOUTH ACTIVITIES	EMPLOYMENT & ECONOMIC	\$ 10,213,610
17.278	WIA DISLOCATED WORKER FORMULA GRANTS	EMPLOYMENT & ECONOMIC	\$ 10,849,208
<b>Workforce Investment Act (WIA) Cluster Total:</b>			<b>\$ 29,249,517</b>
<b>Employment Service Cluster</b>			
17.207	EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	EMPLOYMENT & ECONOMIC	\$ 21,208,107
17.207	EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	STATE COLLEGES & UNIVERSITIES	\$ 1,134,197
17.801	DISABLED VETERANS' OUTREACH PROGRAM (DVOP)	EMPLOYMENT & ECONOMIC	\$ 1,388,284
17.804	LOCAL VETERANS' EMPLOYMENT REPRESENTATIVE PROGRAM	EMPLOYMENT & ECONOMIC	\$ 1,124,416
<b>Employment Service Cluster Total:</b>			<b>\$ 24,855,004</b>
17.002	LABOR FORCE STATISTICS	EMPLOYMENT & ECONOMIC	\$ 1,331,203
17.002	LABOR FORCE STATISTICS	STATE COLLEGES & UNIVERSITIES	\$ 55,035
<b>Program 17.002 Total:</b>			<b>\$ 1,386,238</b>

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**STATE OF MINNESOTA  
NONMAJOR FEDERAL PROGRAMS  
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YEAR ENDED JUNE 30, 2014**

<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF LABOR (Continued)</b>			
17.005	COMPENSATION AND WORKING CONDITIONS	LABOR AND INDUSTRY	\$ 217,780
17.235	SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	EMPLOYMENT & ECONOMIC	\$ 2,006,204
17.245	TRADE ADJUSTMENT ASSISTANCE	EMPLOYMENT & ECONOMIC	\$ 21,609,431
17.261	WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	EMPLOYMENT & ECONOMIC	\$ 168,301
17.267	INCENTIVE GRANTS - WIA SECTION 503	EMPLOYMENT & ECONOMIC	\$ 1,083,158
17.267	INCENTIVE GRANTS - WIA SECTION 503	STATE COLLEGES & UNIVERSITIES	\$ 82,588
		<b>Program 17.267 Total:</b>	<b>\$ 1,165,746</b>
17.268	H-1B JOB TRAINING GRANTS	EMPLOYMENT & ECONOMIC	\$ 237,975
17.269	COMMUNITY BASED JOB TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 74,308
17.271	WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	EMPLOYMENT & ECONOMIC	\$ 211,067
17.273	TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	EMPLOYMENT & ECONOMIC	\$ 125,888
17.275	ARRA-WORKER TRAINING IN EMERGING INDUSTRY SECTORS	EMPLOYMENT & ECONOMIC	\$ 27,065
17.275	ARRA-WORKER TRAINING IN EMERGING INDUSTRY SECTORS	STATE COLLEGES & UNIVERSITIES	\$ 13,365
		<b>Program 17.275 Total:</b>	<b>\$ 40,430</b>
17.277	WORKFORCE INVESTMENT ACT (WIA) NAT'L EMERGENCY GRANTS	EMPLOYMENT & ECONOMIC	\$ 2,087,156
17.280	WORKFORCE INVESTMENT ACT (WIA) DISL WORKER	EMPLOYMENT & ECONOMIC	\$ 65,766
17.282	TRADE ADJ ASSIST COMM CLG AND CAREER TRAINING	STATE COLLEGES & UNIVERSITIES	\$ 8,395,117
17.503	OCCUPATIONAL SAFETY AND HEALTH_STATE PROGRAM	LABOR AND INDUSTRY	\$ 4,400,581
17.504	CONSULTATION AGREEMENTS	LABOR AND INDUSTRY	\$ 889,425
17.600	MINE HEALTH AND SAFETY GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 250,537
<b>U.S. DEPARTMENT OF STATE</b>			
19.009	ACADEMIC EXCHANGE PROGRAMS	STATE COLLEGES & UNIVERSITIES	\$ 12,910

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**STATE OF MINNESOTA  
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<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Transit Services Programs Cluster</b>			
20.513	ENHANCED MOBILITY OF SRS AND INDIVIDUALS WITH DISABILITIES	TRANSPORTATION	\$ 1,901,396
20.516	JOB ACCESS AND REVERSE COMMUTE PROGRAM	TRANSPORTATION	\$ 839,084
20.521	NEW FREEDOM PROGRAM	TRANSPORTATION	\$ 398,540
<b>Transit Services Programs Cluster Total:</b>			<b>\$ 3,139,020</b>
<b>Highway Safety Cluster</b>			
20.600	STATE AND COMMUNITY HIGHWAY SAFETY	PUBLIC SAFETY	\$ 11,813,020
20.600	STATE AND COMMUNITY HIGHWAY SAFETY	TRANSPORTATION	\$ 7,731,835
20.601	ALCOHOL IMPAIRED DRIVING COUNTERMEASURES INCENTIVE	PUBLIC SAFETY	\$ 2,065,518
20.602	OCCUPANT PROTECTION INCENTIVE GRANTS	PUBLIC SAFETY	\$ 308,452
20.609	SAFETY BELT PERFORMANCE GRANTS	PUBLIC SAFETY	\$ 1,039,835
20.610	STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT	PUBLIC SAFETY	\$ 375,516
20.610	STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT	TRANSPORTATION	\$ 70,212
20.613	CHILD SAFETY AND CHILD BOOSTER SEATS INCENTIVE	PUBLIC SAFETY	\$ 162,154
<b>Highway Safety Cluster Total:</b>			<b>\$ 23,566,542</b>
<b>Federal Transit Cluster</b>			
20.500	FEDERAL TRANSIT_CAPITAL INVESTMENT GRANTS	TRANSPORTATION	\$ 945,893
<b>Federal Transit Cluster Total:</b>			<b>\$ 945,893</b>
20.200	R&D-HIGHWAY RESEARCH AND DEVELOPMENT PROGRAM	TRANSPORTATION	\$ 39,801
20.215	R&D-HIGHWAY TRAINING AND EDUCATION	TRANSPORTATION	\$ 406,856
20.218	NATIONAL MOTOR CARRIER SAFETY	PUBLIC SAFETY	\$ 3,450,579
20.218	NATIONAL MOTOR CARRIER SAFETY	TRANSPORTATION	\$ 1,610,179
<b>Program 20.218 Total:</b>			<b>\$ 5,060,758</b>
20.233	BORDER ENFORCEMENT GRANTS	PUBLIC SAFETY	\$ 260,657
20.235	COMMERCIAL MOTOR VEHICLE OP TRAINING	STATE COLLEGES & UNIVERSITIES	\$ 76,474

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**STATE OF MINNESOTA  
NONMAJOR FEDERAL PROGRAMS  
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<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION (Continued)</b>			
20.317	INTERCITY PASSENGER RAIL SERVICE	TRANSPORTATION	\$ 212,511
20.317	ARRA-INTERCITY PASSENGER RAIL SERVICE	TRANSPORTATION	\$ 560,585
<b>Program 20.317 Total:</b>			<b>\$ 773,096</b>
20.319	RAIL CORRIDORS AND SERVICE CAP ASSISTANCE	TRANSPORTATION	\$ 11,864,364
20.320	RAIL LINE RELOCATION AND IMPROVEMENT	TRANSPORTATION	\$ 1,751
20.505	METROPOLITAN TRANSPORTATION PLANNING	TRANSPORTATION	\$ 5,485,054
20.509	FORMULA GRANTS FOR RURAL AREAS	TRANSPORTATION	\$ 17,758,133
20.514	PUBLIC TRANSPORTATION RESEARCH	STATE COLLEGES & UNIVERSITIES	\$ 157,036
20.608	MINIMUM PENALTIES FOR REPEAT OFFENDERS	PUBLIC SAFETY	\$ 6,987,705
20.614	NHTSA DISCRETIONARY SAFETY GRANTS	PUBLIC SAFETY	\$ 88,065
20.700	PIPELINE SAFETY PROGRAM BASE GRANTS	PUBLIC SAFETY	\$ 1,421,097
20.703	INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING	PUBLIC SAFETY	\$ 564,941
20.703	INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING	STATE COLLEGES & UNIVERSITIES	\$ 902
<b>Program 20.703 Total:</b>			<b>\$ 565,843</b>
20.720	STATE DAMAGE PREVENTION PROGRAM GRANTS	PUBLIC SAFETY	\$ 77,125
20.721	PHMSA PIPELINE SAFETY PROGRAM	PUBLIC SAFETY	\$ 41,828
20.932	ARRA-SURFACE TRANSP-DISCRETIONARY GRANTS	TRANSPORTATION	\$ 3,582,711
<b>U.S. GENERAL SERVICES ADMINISTRATION</b>			
39.003	DONATION OF FEDERAL SURPLUS PERSONAL PROPERTY	ADMINISTRATION	\$ 210,626
39.011	ELECTION REFORM PAYMENTS	SECRETARY OF STATE	\$ 703,755
<b>U.S. NATIONAL AERONAUTICS &amp; SPACE ADMINISTRATION</b>			
43.001	SCIENCE	STATE COLLEGES & UNIVERSITIES	\$ 54,486
43.008	EDUCATION GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 129,913

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**STATE OF MINNESOTA  
NONMAJOR FEDERAL PROGRAMS  
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<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. NATIONAL FOUNDATION ARTS &amp; HUMANITIES</b>			
45.025	PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	ARTS BOARD	\$ 742,133
45.162	PROMOTION OF HUMANITIES	STATE COLLEGES & UNIVERSITIES	\$ 8,738
45.164	PROMOTION OF THE HUMANITIES_PUBLIC PROGRAMS	STATE COLLEGES & UNIVERSITIES	\$ 210
45.310	GRANTS TO STATES	EDUCATION	\$ 2,695,013
<b>U.S. NATIONAL SCIENCE FOUNDATION</b>			
47.041	ENGINEERING GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 37,309
47.049	R&D-MATHEMATICAL AND PHYSICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	\$ 228,356
47.050	GEOSCIENCES	STATE COLLEGES & UNIVERSITIES	\$ 217,881
47.070	COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	STATE COLLEGES & UNIVERSITIES	\$ 23,424
47.074	R&D-BIOLOGICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	\$ 56,534
47.076	R&D-EDUCATION AND HUMAN RESOURCES	STATE COLLEGES & UNIVERSITIES	\$ 2,991,456
47.079	OFFICE OF INTERNATIONAL AND INTEGRATIVE ACTIVITIES	STATE COLLEGES & UNIVERSITIES	\$ 7,002
47.082	ARRA R&D-TRANS-NSF RECOVERY ACT RESEARCH SUPPORT	STATE COLLEGES & UNIVERSITIES	\$ 51,343
<b>U.S. SMALL BUSINESS ADMINISTRATION</b>			
59.037	SMALL BUSINESS DEVELOPMENT CENTERS	EMPLOYMENT & ECONOMIC	\$ 2,105,013
59.059	CONGRESSIONAL GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 14,983
59.061	STATE TRADE AND EXPORT PROMOTION PILOT GRANT	EMPLOYMENT & ECONOMIC	\$ 272,386
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
64.005	STATE HOME FACILITIES CONSTRUCTION	VETERANS AFFAIRS	\$ 2,156,350
64.027	POST-9/11 VETERANS EDUCATIONAL ASSISTANCE	STATE COLLEGES & UNIVERSITIES	\$ 489,637
64.203	STATE CEMETERY GRANTS	VETERANS AFFAIRS	\$ 2,238,546

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**STATE OF MINNESOTA  
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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
<b>Drinking Water State Revolving Fund Cluster</b>			
66.468	CAPITALIZATION GRANTS FOR DRINKING WATER STATE FUNDS	HEALTH	\$ 563
<b>Drinking Water State Revolving Fund Cluster Total:</b>			<b>\$ 563</b>
66.032	STATE INDOOR RADON GRANTS	HEALTH	\$ 524,551
66.034	SURVEYS, STUDIES, RESEARCH, INVESTIGATIONS CLEAN AIR ACT	HEALTH	\$ 64,924
66.034	SURVEYS, STUDIES, RESEARCH, INVESTIGATIONS CLEAN AIR ACT	POLLUTION CONTROL AGENCY	\$ 574,822
<b>Program 66.034 Total:</b>			<b>\$ 639,746</b>
66.040	STATE CLEAN DIESEL GRANT PROGRAM	POLLUTION CONTROL AGENCY	\$ 171,621
66.419	WATER POLLUTION CONTROL STATE, INTERSTATE, AND TRIBAL	HEALTH	\$ 67,180
66.419	WATER POLLUTION CONTROL STATE, INTERSTATE, AND TRIBAL	POLLUTION CONTROL AGENCY	\$ 22,237
<b>Program 66.419 Total:</b>			<b>\$ 89,417</b>
66.432	STATE PUBLIC WATER SYSTEM SUPERVISION	HEALTH	\$ 2,856,226
66.454	WATER QUALITY MANAGEMENT PLANNING	POLLUTION CONTROL AGENCY	\$ 258,504
66.460	NONPOINT SOURCE IMPLEMENTATION GRANTS	POLLUTION CONTROL AGENCY	\$ 2,840,903
66.461	REGIONAL WETLAND PROGRAM DEVELOPMENT GRANTS	NATURAL RESOURCES	\$ 185
66.469	GREAT LAKES PROGRAM	HEALTH	\$ 586,889
66.469	GREAT LAKES PROGRAM	POLLUTION CONTROL AGENCY	\$ 2,058,209
<b>Program 66.469 Total:</b>			<b>\$ 2,645,098</b>
66.472	BEACH MONITORING AND NOTIFICATION PROGRAM GRANTS	HEALTH	\$ 235,516
66.475	GULF OF MEXICO PROGRAM	POLLUTION CONTROL AGENCY	\$ 130,925
66.605	PERFORMANCE PARTNERSHIP GRANTS	AGRICULTURE	\$ 526,205
66.605	PERFORMANCE PARTNERSHIP GRANTS	POLLUTION CONTROL AGENCY	\$ 11,855,181
<b>Program 66.605 Total:</b>			<b>\$ 12,381,386</b>
66.608	ENVIRONMENTAL INFORMATION EXCHANGE NETWORK GRANT	MN.IT SERVICES	\$ 91,709
66.707	TSCA TITLE IV STATE LEAD GRANTS CERTIFICATION	HEALTH	\$ 293,615
66.716	RESEARCH, DEVELOPMENT, MONITORING, EDUCATION	AGRICULTURE	\$ 53,125
66.802	SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE	POLLUTION CONTROL AGENCY	\$ 381,943

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

**STATE OF MINNESOTA  
NONMAJOR FEDERAL PROGRAMS  
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<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY (Continued)</b>			
66.804	UNDERGROUND STORAGE TANK PREVENTION, DETECTION	POLLUTION CONTROL AGENCY	\$ 958,043
66.805	LEAKING UNDERGROUND STORAGE TANK TRUST FUND	POLLUTION CONTROL AGENCY	\$ 1,859,616
66.808	SOLID WASTE MANAGEMENT ASSISTANCE	POLLUTION CONTROL AGENCY	\$ 8,003
66.817	STATE AND TRIBAL RESPONSE PROGRAM GRANTS	POLLUTION CONTROL AGENCY	\$ 554,777
66.818	BROWNFIELDS ASSESSMENT AND CLEANUP COOP AGREEMENTS	EMPLOYMENT & ECONOMIC	\$ 47,065
66.953	BUILDING CAPACITY TO IMPLEMENT EPA GUIDELINES	HEALTH	\$ 36,160
<b>U.S. DEPARTMENT OF ENERGY</b>			
81.041	STATE ENERGY PROGRAM	COMMERCE	\$ 1,127,569
81.042	WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	COMMERCE	\$ 4,601,395
81.042	ARRA-WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	COMMERCE	\$ 1,980,805
<b>Program 81.042 Total:</b>			<b>\$ 6,582,200</b>
81.117	ENERGY EFFICIENCY AND RENEWABLE ENERGY	COMMERCE	\$ 3,510
81.119	STATE ENERGY PROGRAM SPECIAL PROJECTS	COMMERCE	\$ 318,586
81.122	ELECTRICITY DELIVERY AND ENERGY RELIABILITY	COMMERCE	\$ 170,553
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>TRIO Cluster</b>			
84.042	TRIO_STUDENT SUPPORT SERVICES	STATE COLLEGES & UNIVERSITIES	\$ 6,989,892
84.044	TRIO_TALENT SEARCH	STATE COLLEGES & UNIVERSITIES	\$ 1,619,664
84.047	TRIO_UPWARD BOUND	STATE COLLEGES & UNIVERSITIES	\$ 6,384,150
84.066	TRIO_EDUCATIONAL OPPORTUNITY CENTERS	STATE COLLEGES & UNIVERSITIES	\$ 717,363
84.217	TRIO_MCNAIR POST-BACCALAUREATE ACHIEVEMENT	STATE COLLEGES & UNIVERSITIES	\$ 270,197
<b>TRIO Cluster Total:</b>			<b>\$ 15,981,266</b>

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**STATE OF MINNESOTA  
NONMAJOR FEDERAL PROGRAMS  
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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>			
<b>Teacher Quality Partnership Grants Cluster</b>			
84.336	TEACHER QUALITY PARTNERSHIP GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 94
<b>Teacher Quality Partnership Grants Cluster Total:</b>			<b>\$ 94</b>
<b>Statewide Data Systems Cluster</b>			
84.384	ARRA-STATEWIDE DATA SYSTEMS	EDUCATION	\$ 1,512,335
<b>Statewide Data Systems Cluster Total:</b>			<b>\$ 1,512,335</b>
<b>School Improvement Grants Cluster</b>			
84.377	SCHOOL IMPROVEMENT GRANTS	EDUCATION	\$ 2,990,172
84.388	ARRA-SCHOOL IMPROVEMENT GRANTS, RECOVERY ACT	EDUCATION	\$ 3,773,355
<b>School Improvement Grants Cluster Total:</b>			<b>\$ 6,763,527</b>
<b>Early Intervention Services (IDEA) Cluster</b>			
84.181	SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	EDUCATION	\$ 7,569,558
<b>Early Intervention Services (IDEA) Cluster Total:</b>			<b>\$ 7,569,558</b>
<b>Centers for Independent Living Cluster</b>			
84.132	CENTERS FOR INDEPENDENT LIVING	EMPLOYMENT & ECONOMIC	\$ 1,082,044
84.400	ARRA-CENTERS FOR INDEPENDENT LIVING	EMPLOYMENT & ECONOMIC	\$ 184,587
<b>Centers for Independent Living Cluster Total:</b>			<b>\$ 1,266,631</b>
84.002	ADULT EDUCATION - BASIC GRANTS TO STATES	EDUCATION	\$ 5,782,185
84.002	ADULT EDUCATION - BASIC GRANTS TO STATES	STATE COLLEGES & UNIVERSITIES	\$ 4,255
<b>Program 84.002 Total:</b>			<b>\$ 5,786,440</b>
84.011	MIGRANT EDUCATION_STATE GRANT PROGRAM	EDUCATION	\$ 2,471,567
84.011	MIGRANT EDUCATION_STATE GRANT PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 12,562
<b>Program 84.011 Total:</b>			<b>\$ 2,484,129</b>
84.013	TITLE I STATE AGENCY PROG FOR NEGLECTED, DELINQ CHILDREN	EDUCATION	\$ 285,316
84.031	HIGHER EDUCATION_INSTITUTIONAL AID	STATE COLLEGES & UNIVERSITIES	\$ 1,937,638
84.048	CAREER AND TECHNICAL EDUCATION -- BASIC GRANTS TO STATES	STATE COLLEGES & UNIVERSITIES	\$ 20,861,927
84.116	FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION	STATE COLLEGES & UNIVERSITIES	\$ 469,308

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**STATE OF MINNESOTA  
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<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>			
84.144	MIGRANT EDUCATION_COORDINATION PROGRAM	EDUCATION	\$ 80,599
84.169	INDEPENDENT LIVING_STATE GRANTS	EMPLOYMENT & ECONOMIC	\$ 1,701,608
84.177	REHABILITATION SERVICES_IND LIVING SVS OLDER INDIVIDUALS	EMPLOYMENT & ECONOMIC	\$ 629,447
84.187	SUPPORTED EMPLOYMENT SERVICES	EMPLOYMENT & ECONOMIC	\$ 421,581
84.196	EDUCATION FOR HOMELESS CHILDREN AND YOUTH	EDUCATION	\$ 658,859
84.224	ASSISTIVE TECHNOLOGY	ADMINISTRATION	\$ 475,123
84.265	REHABILITATION TRAINING-STATE VOC REHAB	EMPLOYMENT & ECONOMIC	\$ 122,026
84.282	CHARTER SCHOOLS	EDUCATION	\$ 2,300,877
84.287	TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	EDUCATION	\$ 12,577,119
84.323	SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT	EDUCATION	\$ 1,402,883
84.326	SPEC EDUC_TO IMPROVE SERVICES FOR DISABLED CHILDREN	EDUCATION	\$ 123,684
84.330	ADVANCED PLACEMENT INCENTIVE PROGRAM	EDUCATION	\$ 253,782
84.334	GAIN EARLY AWARENESS AND READINESS FOR UNDERGRADUATE	STATE COLLEGES & UNIVERSITIES	\$ 521,470
84.335	CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	STATE COLLEGES & UNIVERSITIES	\$ 131,202
84.350	TRANSITION TO TEACHING	STATE COLLEGES & UNIVERSITIES	\$ 74,026
84.358	RURAL EDUCATION	EDUCATION	\$ 499,620
84.361	VOLUNTARY PUBLIC SCHOOL CHOICE	EDUCATION	\$ 268,485
84.365	ENGLISH LANGUAGE ACQUISITION GRANTS	EDUCATION	\$ 6,659,126
84.366	MATHEMATICS AND SCIENCE PARTNERSHIPS	EDUCATION	\$ 1,247,678
84.367	IMPROVING TEACHER QUALITY STATE GRANTS	EDUCATION	\$ 28,384,147
84.367	IMPROVING TEACHER QUALITY STATE GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 92,868
<b>Program 84.367 Total:</b>			<b>\$ 28,477,015</b>
84.368	GRANTS FOR ENHANCED ASSESSMENT INSTRUMENTS	EDUCATION	\$ 90,228
84.369	GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	EDUCATION	\$ 4,931,440
84.378	COLLEGE ACCESS CHALLENGE GRT PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 21,586

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

**STATE OF MINNESOTA  
NONMAJOR FEDERAL PROGRAMS  
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YEAR ENDED JUNE 30, 2014**

<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>			
84.394	ARRA-STATE FISCAL STABILIZATION FUND (SFSF)	STATE COLLEGES & UNIVERSITIES	\$ 1,911
84.407	TRANSITION PROG-STUDENTS WITH INTELLECTUAL DISABILITIES	STATE COLLEGES & UNIVERSITIES	\$ 467,101
84.410	ARRA-EDUCATION JOBS FUND (8)	GOVERNOR'S OFFICE	\$ 2,273
84.412	RACE TO THE TOP-EARLY LEARNING CHALLENGE	EDUCATION	\$ 10,195,865
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			
<b>Head Start Cluster</b>			
93.600	HEAD START	EDUCATION	\$ 130,502
<b>Head Start Cluster Total:</b>			<b>\$ 130,502</b>
<b>Aging Cluster</b>			
93.044	SPEC PROG FOR THE AGING_TITLE III, PART B_GRANTS	HUMAN SERVICES	\$ 14,344,331
93.045	SPEC PROG FOR THE AGING_TITLE III, PART C_NUTRITION SERVICES	HUMAN SERVICES	\$ 4,589,163
93.053	NUTRITION SERVICES INCENTIVE PROGRAM	HUMAN SERVICES	\$ 1,804,999
<b>Aging Cluster Total:</b>			<b>\$ 20,738,493</b>
93.041	SPEC PROG FOR THE AGING_TITLE VII, CHAP 3	HUMAN SERVICES	\$ 45,496
93.042	SPEC PROG FOR THE AGING_TITLE VII, CHAP 2_LONG TERM CARE	HUMAN SERVICES	\$ 349,978
93.043	SPEC PROG FOR THE AGING_TITLE III, PART D	HUMAN SERVICES	\$ 172,201
93.048	SPEC PROG FOR THE AGING_TITLE IV_AND TITLE II	HUMAN SERVICES	\$ 1,613,324
93.051	ALZHEIMER'S DISEASE DEMONSTRATION GRANTS TO STATES	HUMAN SERVICES	\$ 481,649
93.052	NATIONAL FAMILY CAREGIVER SUPPORT, TITLE III, PART E	HUMAN SERVICES	\$ 650,367
93.070	ENVIRON PUBLIC HEALTH & EMERG RESPONSE	HEALTH	\$ 1,361,716
93.071	MEDICARE ENROLLMENT ASSISTANCE	HUMAN SERVICES	\$ 292,192
93.072	LIFESPAN RESPITE CARE PROGRAM	HUMAN SERVICES	\$ 7,038
93.079	COOPERATIVE AGREEMENTS TO PROMOTE ADOLESCENT HEALTH	EDUCATION	\$ 143,329
93.090	GUARDIANSHIP ASSISTANCE	HUMAN SERVICES	\$ 356,215

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**STATE OF MINNESOTA  
NONMAJOR FEDERAL PROGRAMS  
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<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES (Continued)</b>			
93.092	ACA PERSONAL RESPONSIBILITY EDUCATION	HEALTH	\$ 794,863
93.103	FOOD AND DRUG ADMINISTRATION_RESEARCH	AGRICULTURE	\$ 1,139,152
93.110	MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROG	HEALTH	\$ 184,467
93.116	PROJECT GRANTS AND COOP AGREEMENTS FOR TUBERCULOSIS	HEALTH	\$ 1,422,018
93.127	EMERGENCY MEDICAL SERVICES FOR CHILDREN	EMERGENCY MEDICAL SERVICES BD	\$ 121,819
93.130	COOPERATIVE AGREEMENTS TO STATES/TERRITORIES	HEALTH	\$ 223,194
93.136	INJURY PREVENTION AND CONTROL RESEARCH	HEALTH	\$ 811,868
93.143	NIEHS SUPERFUND HAZARDOUS SUBSTANCES	STATE COLLEGES & UNIVERSITIES	\$ 4,980
93.150	PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS	HUMAN SERVICES	\$ 663,446
93.161	HEALTH PROGRAM FOR TOXIC SUBSTANCES AND DISEASE	HEALTH	\$ 875,791
93.165	GRANTS TO STATES FOR LOAN REPAYMENT PROGRAM	HEALTH	\$ 94,900
93.235	AFFORDABLE CARE ACT (ACA) ABSTINENCE EDUCATION	HEALTH	\$ 243,855
93.236	GRANTS FOR DENTAL PUBLIC HEALTH RESIDENCY TRAINING	HEALTH	\$ 505,419
93.240	STATE CAPACITY BUILDING	HEALTH	\$ 489,280
93.241	STATE RURAL HOSPITAL FLEXIBILITY PROGRAM	HEALTH	\$ 776,306
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	HUMAN SERVICES	\$ 2,412,982
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	STATE COLLEGES & UNIVERSITIES	\$ 188,137
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	TRIAL COURTS	\$ 374,004
<b>Program 92.243 Total:</b>			<b>\$ 2,975,123</b>
93.251	UNIVERSAL NEWBORN HEARING SCREENING	HEALTH	\$ 382,576
93.262	OCCUPATIONAL SAFETY & HEALTH GRANTS	HEALTH	\$ 125,696
93.267	STATE GRANTS FOR PROTECTION AND ADVOCACY	HUMAN SERVICES	\$ 152,934
93.268	IMMUNIZATION COOPERATIVE AGREEMENTS	HEALTH	\$ 49,411,183
93.270	ADULT VIRAL HEPATITIS PREVENTION, CONTROL	HEALTH	\$ 197,176
93.283	CENTERS FOR DISEASE CONTROL AND PREVENTION_ASSISTANCE	HEALTH	\$ 14,948,196

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**STATE OF MINNESOTA  
NONMAJOR FEDERAL PROGRAMS  
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<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES (Continued)</b>			
93.296	STATE PARTNERSHIP TO IMPROVE MINORITY HEALTH	HEALTH	\$ 134,860
93.301	SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	HEALTH	\$ 776,463
93.414	ARRA-STATE PRIMARY CARE OFFICES	HEALTH	\$ 120,798
93.448	FOOD SAFETY AND SECURITY MONITORING PROJECT	AGRICULTURE	\$ 614,745
93.500	PREGNANCY ASSISTANCE FUND PROGRAM	HEALTH	\$ 1,466,079
93.500	PREGNANCY ASSISTANCE FUND PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 323,887
<b>Program 93.500 Total:</b>			<b>\$ 1,789,966</b>
93.505	ACA MATERNAL, INFANT, EARLY CHILDHOOD HOME VISIT	HEALTH	\$ 9,168,456
93.506	ACA NATIONWIDE PROGRAM-BACKGROUND CHECKS	HUMAN SERVICES	\$ 141,156
93.507	STRENGTHENING PUBLIC HEALTH INFRASTRUCTURE	HEALTH	\$ 1,132,225
93.511	ACA GRANTS FOR HEALTH INSURANCE PREMIUM REVIEW	COMMERCE	\$ 605,194
93.511	ACA GRANTS FOR HEALTH INSURANCE PREMIUM REVIEW	HEALTH	\$ 765
<b>Program 93.511 Total:</b>			<b>\$ 605,959</b>
93.520	CDC-ACA-COMM PUTTING PREVENTION TO WORK	HEALTH	\$ 3
93.521	ACA: BUILDING EPIDEMIOLOGY AND LAB CAPACITY	HEALTH	\$ 2,987,237
93.531	PPHF 2012: COMMUNITY TRANSFORMATION GRANTS	HEALTH	\$ 5,290,611
93.536	ACA MEDICAID INCENT FOR PREVENT OF CHRONIC DISEASE	HUMAN SERVICES	\$ 1,102,634
93.538	ACA-NAT'L ENVIRON HEALTH PUBLIC HEALTH TRACKING	HEALTH	\$ 791,583
93.539	PPHF 2012-CAPACITY BUILDING ASSISTANCE	HEALTH	\$ 537,701
93.544	ACA COORDINATED CHRONIC DISEASE PREVENTION	HEALTH	\$ 408,921
93.546	EARLY RETIREE REINSURANCE PROGRAM	MN MANAGEMENT & BUDGET	\$ 3,789,503
93.550	TRANSITIONAL LIVING FOR HOMELESS YOUTH	HUMAN SERVICES	\$ 66,260
93.556	PROMOTING SAFE AND STABLE FAMILIES	HUMAN SERVICES	\$ 2,753,204
93.564	CHILD SUPPORT ENFORCEMENT RESEARCH	HUMAN SERVICES	\$ 149
93.566	REFUGEE AND ENTRANT ASSISTANCE_STATE PROGRAMS	HUMAN SERVICES	\$ 5,558,528

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**STATE OF MINNESOTA  
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<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES (Continued)</b>			
93.569	COMMUNITY SERVICES BLOCK GRANT	HUMAN SERVICES	\$ 7,452,572
93.576	REFUGEE AND ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	HEALTH	\$ 178,053
93.576	REFUGEE AND ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	HUMAN SERVICES	\$ 452,627
<b>Program 93.576 Total:</b>			<b>\$ 630,680</b>
93.584	REFUGEE AND ENTRANT ASSISTANCE_TARGETED ASSISTANCE	HUMAN SERVICES	\$ 530,913
93.586	STATE COURT IMPROVEMENT PROGRAM	SUPREME COURT	\$ 460,195
93.590	COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	HUMAN SERVICES	\$ 256,685
93.597	GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	HUMAN SERVICES	\$ 133,675
93.599	CHAFEE EDUCATION AND TRAINING VOUCHERS	HUMAN SERVICES	\$ 336,526
93.603	ADOPTION INCENTIVE PAYMENTS	HUMAN SERVICES	\$ 70,272
93.609	ACA-MEDICAID ADULT QUALITY GRANTS	HUMAN SERVICES	\$ 536,662
93.617	VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES	SECRETARY OF STATE	\$ 37,769
93.624	ACA-STATE INNOVATION MODELS	HUMAN SERVICES	\$ 5,832,295
93.628	ACA-IMPLEMENTATION SUPPORT FOR STATE DEMONSTRATIONS	HUMAN SERVICES	\$ 182,661
93.630	DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY	ADMINISTRATION	\$ 1,010,216
93.643	CHILDREN'S JUSTICE GRANTS TO STATES	HUMAN SERVICES	\$ 316,727
93.645	STEPHANIE TUBBS JONES CHILD WELFARE SERVICES	HUMAN SERVICES	\$ 3,311,492
93.659	ADOPTION ASSISTANCE	HUMAN SERVICES	\$ 20,034,091
93.669	CHILD ABUSE AND NEGLECT STATE GRANTS	HUMAN SERVICES	\$ 206,288
93.671	FAMILY VIOLENCE PREVENTION AND SERVICES	PUBLIC SAFETY	\$ 1,549,156
93.674	CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	HUMAN SERVICES	\$ 1,493,903
93.719	ARRA-HEALTH INFORMATION TECHNOLOGY	HEALTH	\$ 4,371,980
93.733	CAPACITY BUILDING ASSISTANCE	HEALTH	\$ 859,194
93.735	STATE PUBLIC HEALTH APPROACHES	HEALTH	\$ 285,258
93.736	PREVENTION PUBLIC HEALTH FUND	HEALTH	\$ 73,821

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

**STATE OF MINNESOTA  
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<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>State Agency</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES (Continued)</b>			
93.744	PPHF: BREAST AND CERVICAL CANCER SCREENING	HEALTH	\$ 241,417
93.745	HEALTH CARE SURVEILLANCE/HEALTH STATS	HEALTH	\$ 109,624
93.758	PREVENTATIVE HEALTH AND HEALTH SERVICES	HEALTH	\$ 3,585,029
93.779	CENTERS FOR MEDICARE AND MEDICAID SERV (CMS) RESEARCH	HUMAN SERVICES	\$ 526,155
93.791	MONEY FOLLOWS THE PERSON REBALANCING DEMO	HUMAN SERVICES	\$ 2,344,314
93.822	HEALTH CAREERS OPPORTUNITY PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 23,921
93.837	CARDIOVASCULAR DISEASES RESEARCH	STATE COLLEGES & UNIVERSITIES	\$ 2,704
93.847	DIABETES, DIGESTIVE, AND KIDNEY DISEASE RESEARCH	STATE COLLEGES & UNIVERSITIES	\$ 37,539
93.859	BIOMEDICAL RESEARCH AND RESEARCH TRAINING	STATE COLLEGES & UNIVERSITIES	\$ 114,405
93.865	CHILD HEALTH AND HUMAN DEVELOPMENT RESEARCH	STATE COLLEGES & UNIVERSITIES	\$ 212
93.913	GRANTS TO STATES FOR OPERATION OF OFFICES RURAL HEALTH	HEALTH	\$ 173,411
93.917	HIV CARE FORMULA GRANTS	HUMAN SERVICES	\$ 7,283,010
93.919	BREAST AND CERVICAL CANCER EARLY DETECTION	HEALTH	\$ 5,530,656
93.938	COOPERATIVE AGREEMENTS TO PREVENT HIV SPREAD	EDUCATION	\$ 128,907
93.940	HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	HEALTH	\$ 3,034,146
93.944	HIV/AIDS SURVEILLANCE	HEALTH	\$ 426,129
93.945	ASSISTANCE PROGRAMS FOR CHRONIC DISEASE PREVENTION	HEALTH	\$ 1,683,734
93.946	COOP AGREEMTS TO SUPPORT SAFE MOTHERHOOD	HEALTH	\$ 184,842
93.958	BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	HUMAN SERVICES	\$ 6,701,099
93.959	BLOCK GRANTS - PREVENTION, TREATMENT OF SUBSTANCE ABUSE	HUMAN SERVICES	\$ 23,754,986
93.969	GERIATRIC EDUCATION CENTERS	STATE COLLEGES & UNIVERSITIES	\$ 16,324
93.970	HEALTH PROFESSIONS RECRUITMENT FOR INDIANS	STATE COLLEGES & UNIVERSITIES	\$ 41,979
93.977	PREVENTIVE HLTH SERVICES_SEXUALLY TRANSMITTED DISEASES	HEALTH	\$ 1,207,715
93.994	MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT	HEALTH	\$ 10,366,680

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. SOCIAL SECURITY ADMINISTRATION</b>			
<b>Disability Insurance/SSI Cluster</b>			
96.001	SOCIAL SECURITY_DISABILITY INSURANCE	EMPLOYMENT & ECONOMIC	\$ 22,225,089
<b>Disability Insurance/SSI Cluster Total:</b>			<b>\$ 22,225,089</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
97.008	NON-PROFIT SECURITY PROGRAM	PUBLIC SAFETY	\$ 87,643
97.012	BOATING SAFETY FINANCIAL ASSISTANCE	NATURAL RESOURCES	\$ 3,250,936
97.018	NATIONAL FIRE ACADEMY TRAINING ASSISTANCE	PUBLIC SAFETY	\$ 22,000
97.023	COMMUNITY ASSISTANCE	NATURAL RESOURCES	\$ 151,751
97.039	HAZARD MITIGATION GRANT	PUBLIC SAFETY	\$ 4,774,035
97.041	NATIONAL DAM SAFETY PROGRAM	NATURAL RESOURCES	\$ 113,532
97.042	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	PUBLIC SAFETY	\$ 5,924,940
97.043	STATE FIRE TRAINING SYSTEMS GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 4,000
97.045	COOPERATING TECHNICAL PARTNERS	NATURAL RESOURCES	\$ 425,852
97.047	PRE-DISASTER MITIGATION	PUBLIC SAFETY	\$ 1,057,947
97.056	PORT SECURITY GRANT PROGRAM	NATURAL RESOURCES	\$ 114,782
97.056	PORT SECURITY GRANT PROGRAM	PUBLIC SAFETY	\$ 1,041,298
<b>Program 97.056 Total:</b>			<b>\$ 1,156,080</b>
97.067	HOMELAND SECURITY GRANT PROGRAM	PUBLIC SAFETY	\$ 17,413,411
97.091	HOMELAND SECURITY BOWWATCH PROGRAM	HEALTH	\$ 53,855
97.091	HOMELAND SECURITY BOWWATCH PROGRAM	POLLUTION CONTROL AGENCY	\$ 834,209
<b>Program 97.091 Total:</b>			<b>\$ 888,064</b>
<b>Non Major Program Total:</b>			<b>\$ 797,556,722</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, 2014**

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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 2014 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, 2014. The Schedule of Expenditures of Federal Awards is divided into two sections: major and non-major federal programs.

The auditor uses a risk-based approach as defined in OMB Circular A-133 to determine which federal programs are major programs. Programs expending \$30 million or more in federal awards are Type A programs and are considered major programs. Type B programs are programs expending less than \$30 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 2014 basic edition catalog identifies federal programs. The schedules are presented in numeric CFDA order within each federal agency, except for clusters of programs.

Federal guidelines require separate identification of expenditures of federal awards under the American Recovery and Reinvestment Act (ARRA) on the Schedule of Expenditures of Federal Awards. The prefix "ARRA" was included in the name of the federal program to provide this identification. Federal guidelines also require separate identification of expenditures of federal awards for research and development on the Schedule of Expenditures of Federal Awards. The prefix "R & D" was included in the name of the federal program to provide this identification.

**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 educational institutions:

Alexandria Technical & Community 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 and Community 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 & Community College
Mesabi Range 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 non-major 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 (Unemployment Insurance and State Colleges and Universities funds), and the General Fund (a major governmental fund), include federal activity. The Statewide Integrated Financial Tools (SWIFT) 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 sub-granted to other state or local governmental units, nongovernmental organizations, or individuals. Sub-grant expenditures are recognized by the primary state agency sub-granting the funds, not by the state agency receiving a sub-grant from the primary state agency, except for portions of Temporary Aid for Needy Families (TANF) (CFDA 93.558). TANF sub-grants, 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 2014. These programs are administered by Minnesota State Colleges and Universities (MnSCU).

	Perkins	NSL
Loans Receivable, Beginning	\$ 32,723,486	\$ 46,293
Loan Repayments	(4,386,584)	(9,822)
Loan Cancellations	(445,881)	(2,288)
New Loans Issued	4,965,277	-
Loans Receivable, Ending	\$ 32,856,298	\$ 34,183
Allowance for doubtful accounts	(2,826,484)	-
Total Loans Receivable	<u>\$ 30,029,814</u>	<u>\$ 34,183</u>

## Note 3 – Federal Direct Student Loan Program

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 Direct Student Loan (FDSL) program (CFDA 84.268), the federal government, rather than a private lender, provides the loan principal to the student. MnSCU distributed the following FDSL loans to students attending state colleges or universities during fiscal year 2014.

Federal Direct Student Loans Issued:		
Direct Federal Subsidized Stafford	\$	313,088,807
Direct Federal Unsubsidized Stafford		356,959,646
Direct Federal Graduate PLUS		217,470
Direct Federal Parent Loans for Undergraduate Students		15,251,627
Total Federal Direct Student Loans	<u>\$</u>	<u>685,517,550</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 2014, the state of Minnesota recognized a total rebate of about \$28,176,000 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. The rebates are used to offset program costs and are reported as expenditure reductions. During fiscal year 2014, the state of Minnesota reduced expenditures by \$102,994,756 for the federal share of the uncollected rebate.

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

For fiscal year 2014, expenditures for the Unemployment Insurance Program (CFDA 17.225) include federal and state unemployment insurance expenditures as well as federal administrative expenditures. As shown in the following table, some of these expenditures were funded by American Recovery and Reinvestment Act (ARRA) funds:

	Non-ARRA Funds	ARRA Funds	Total
State Unemployment Expenditures	\$ 797,652,291	\$ -	\$ 797,652,291
Federal Unemployment Expenditures	78,335,892	-	78,335,892
Federal Administrative Expenditures	54,030,787	524,704	54,555,491
Total Expenditures	<u>\$ 930,018,970</u>	<u>\$ 524,704</u>	<u>\$ 930,543,674</u>

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), Agriculture Best Management Practices (AG BMP), and Clean Water Partnership (CWP). A summary of the loan activity for fiscal year 2014 is shown below.

	<u>TLP</u>	<u>AG BMP</u>	<u>CWP</u>
Loans Receivable, Beginning	\$ 88,492	\$ 32,918,588	\$ 19,454,148
Loan Repayments	(15,136)	(8,515,489)	(3,090,725)
New Loans Issued	106,565	4,671,480	2,193,268
Interest Capitalized	-	-	70,857
Loans Receivable, Ending	<u>\$ 179,921</u>	<u>\$ 29,074,579</u>	<u>\$ 18,627,548</u>

## Note 7 - Supplemental Nutrition Assistance Program (SNAP)

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for approximately 0.64 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2014.

## **Note 8 – Education Jobs Fund**

The Education Jobs Fund (CFDA 84.410) is authorized under Public Law Number 111-226 and administered under the terms and conditions of Sections 14001 through 14013, and Title XV of Division A of the American Recovery and Reinvestment Act of 2009. The U.S. Department of Education made awards directly to governors. The Governor of Minnesota then entered into an interagency agreement with the Minnesota Department of Education, which spent \$2,273 for program purposes.

## **Note 9 – Airport Improvement Program**

Minnesota Department of Transportation (MnDOT) is channeling Airport Improvement Program grants from the Federal Aviation Administration (FAA) to primary airports in accordance with Act 345, P.A. 1945. The FAA determined that MnDOT has no oversight responsibility for these grants to primary airports. The FAA agreed with MnDOT that primary airport expenditures will not be reported in the Schedule of Expenditures of Federal Awards (SEFA) due to primary airports, not MnDOT, having compliance responsibilities. However, other expenditures of the Airport Improvement Program are included in the Schedule of Expenditures of Federal Awards (SEFA) under CFDA 20.106.

## **Note 10 – 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 reported are for programs no longer in operation. These programs had funds 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, 2014**

**Section I:**

**Summary of Auditor's Results**

**Financial Statements**

Type of independent auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? ☐ Yes ☒ No

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

**Schedule of Expenditures of Federal Awards**

Internal control over financial reporting:

Material weakness identified? ☐ Yes ☒ No

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

**Federal Awards**

Internal control over major programs:

Material weakness identified? ☒ Yes ☐ No

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

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

Unqualified for all major programs,  
except for Temporary Assistance for  
Needy Families (CFDA 93.558), Child  
Care Development Fund (CFDA  
93.575 and 93.596), Children's Health  
Insurance Program (CFDA 93.767),  
and Medical Assistance (CFDA  
93.778), which were qualified.

Any audit findings disclosed that are required to be reported  
in accordance with Circular A-133, Section .510(a)?

☒ Yes ☐ No

**Identification of Major Programs**

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$30.0 Million

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

**Minnesota Office of the Legislative Auditor  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2014**

**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>Supplemental Nutrition Assistance Program (SNAP) Cluster</i>	
Supplemental Nutrition Assistance Program (SNAP)	10.551
State Administrative Matching Grant for Supplemental Nutrition Program	10.561
<i>Child Nutrition Cluster</i>	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
Special Supplemental Nutrition Program for Women, Infants and Children	10.557
Child and Adult Care Food Program	10.558
<b>U. S. Department of Defense</b>	
National Guard Military Operations and Maintenance	12.401
<b>U. S. Department of Labor</b>	
Unemployment Insurance	17.225
ARRA - Unemployment Insurance	17.225
<b>U. S. Department of Transportation</b>	
<i>Highway Planning and Construction Cluster</i>	
Highway Planning and Construction	20.205
ARRA – Highway Planning and Construction	20.205
R&D – Highway Planning and Construction	20.205
Recreational Trails Program	20.219
Airport Improvement Program	20.106
<b>U. S. Department of Education</b>	
<i>Student Financial Assistance Cluster</i>	
Federal Supplemental Education Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loans	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
National Science and Mathematics Access to Retain Talent Grant	84.376
Teacher Education Assistance for College and Higher Ed. Grants (TEACH)	84.379
Nursing Student Loans	93.364
<i>Special Education Cluster</i>	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173



**Minnesota Office of the Legislative Auditor  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2014**

**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 (continued)</b>	
Title 1 Grants to Local Education Agencies	84.010
Rehabilitation Services - Vocational Rehabilitation Grants	84.126
<b>U. S. Department of Health &amp; Human Services</b>	
<i>Child Care and Development Fund (CCDF) 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
State Survey and Certification of Health Care Providers	93.777
Medical Assistance Program	93.778
<i>Temporary Assistance for Needy Families (TANF) Cluster</i>	
Temporary Assistance for Needy Families	93.558
Public Health Emergency Preparedness <sup>1</sup>	93.069
State Planning, Establishment Grants for Affordable Care Act Exchanges	93.525
Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
Foster Care Title IV-E	93.658
ARRA – Foster Care Title IV-E	93.658
Social Services Block Grant	93.667
Children's Health Insurance Program	93.767
National Bioterrorism Hospital Preparedness <sup>1</sup>	93.889
<b>U. S. Department of Homeland Security</b>	
Disaster Grants – Public Assistance	97.036

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<sup>1</sup> For fiscal year 2014, we have treated the Public Health Emergency Preparedness (CFDA 93.069) and the National Bioterrorism Hospital Preparedness (CFDA 93.889) programs as major federal programs. The U.S. Department of Health and Human Services provides awards for both of these programs through the Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements (CFDA 93.074). As allowed under OMB Circular A-133 Section 520 – *Major Program Determination*, we assessed the Immunization Program (CFDA 93.268) as a low risk Type A program for fiscal year 2014 and, therefore, that program was not audited or reported as a major federal program.



**Minnesota Office of the Legislative Auditor  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2014**

**Section II:**

**Financial Statement Audit Findings**

On February 19, 2015, we separately issued a report on *Internal Control Over Statewide Financial Reporting* for the year ended June 30, 2014 in accordance with *Government Auditing Standards*. (Office of the Legislative Auditor, Financial Audit Division, Report 15-02). This report may also be accessed electronically at: [www.auditor.leg.state.mn.us/fad/pdf/fad1502.pdf](http://www.auditor.leg.state.mn.us/fad/pdf/fad1502.pdf). The report also includes responses from the individual agencies cited in the report.

The report contains one finding 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*. The finding did not relate to federal awards or federal funds.

On November 14, 2014, an external public accounting firm for the Minnesota State Colleges and Universities, a part of the primary government of the State of Minnesota, separately issued a Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the Minnesota State Colleges and Universities' financial statements. Their report contained no findings. Their report may be accessed electronically at: <http://www.finance.mnscu.edu/accounting/financialstatements/yearendstatements/docs/2014syswide.pdf>



**Minnesota Office of the Legislative Auditor  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2014**

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<u><b>Report Number</b></u>	<u><b>State Agency</b></u>
Report 14-21	Minnesota Health Insurance Exchange: MNsure 55
Report 14-22	Department of Human Services' Oversight of MNsure Eligibility Determinations for Public Health Care Programs 78
Report 15-01	Office of MN.IT Services 114 Billings for Shared Information Technology Services
Report 15-04	Public Safety 118
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MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR  
STATEWIDE SINGLE AUDIT

SECTION III  
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2014

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO.	FIND NO.	SF-SAC	INT	COMP REQ	PROBLEM	FIN IMPACT
(Note 1)									
<b>U.S. Department of Agriculture (Note 4)</b>									
10.551	Supplemental Nutrition Assistance Program (Note 5)	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
10.551	Supplemental Nutrition Assistance Program (Note 5)	Human Services	15-07	1	2014-023	S	E	Noncompliance with federal eligibility requirements	P
10.551	Supplemental Nutrition Assistance Program (Note 5)	Human Services	15-07	3	2014-025	S		Not monitoring system access annually	P
10.553	School Breakfast Program	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
10.553	School Breakfast Program	Education	15-08	1	2014-028	S		No documented internal control structure ensuring compliance	P
10.553	School Breakfast Program	Education	15-08	3	2014-030	S	L	Noncompliance with single audit FFATA reporting requirements	P
10.555	National School Lunch Program	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
10.555	National School Lunch Program	Education	15-08	1	2014-028	S		No documented internal control structure ensuring compliance	P
10.555	National School Lunch Program	Education	15-08	3	2014-030	S	L	Noncompliance with single audit FFATA reporting requirements	P
10.556	Special Milk Program for Children	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
10.556	Special Milk Program for Children	Education	15-08	1	2014-028	S		No documented internal control structure ensuring compliance	P
10.556	Special Milk Program for Children	Education	15-08	3	2014-030	S	L	Noncompliance with single audit FFATA reporting requirements	P
10.556	Special Milk Program for Children	Education	15-08	4	2014-031	S	M	Noncompliance with subrecipient monitoring requirements	P
10.557	Special Supp. Nutrition Pgm - Women, Infant, Children	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
10.557	Special Supp. Nutrition Pgm - Women, Infant, Children	Health	15-09	1	2014-032	S	L	Inaccurate reporting of federal expenditures on SEFA	P
10.557	Special Supp. Nutrition Pgm - Women, Infant, Children	Health	15-09	2	2014-033	S	M	Noncompliance with subrecipient monitoring requirements	P
10.557	Special Supp. Nutrition Pgm - Women, Infant, Children	Health	15-09	3	2014-034	S	C	Noncompliance with cash management requirements	P
10.558	Child and Adult Care Food Program	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
10.558	Child and Adult Care Food Program	Education	15-08	1	2014-028	S		No documented internal control structure ensuring compliance	P
10.558	Child and Adult Care Food Program	Education	15-08	2	2014-029	S	B	Noncompliance with federal standards for payroll cost allocations	P
10.558	Child and Adult Care Food Program	Education	15-08	3	2014-030	S	L	Noncompliance with single audit FFATA reporting requirements	P
10.558	Child and Adult Care Food Program	Education	15-08	4	2014-031	S	M	Noncompliance with subrecipient monitoring requirements	P
10.559	Summer Food Service Program	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
10.559	Summer Food Service Program	Education	15-08	1	2014-028	S		No documented internal control structure ensuring compliance	P
10.559	Summer Food Service Program	Education	15-08	2	2014-029	S	B	Noncompliance with federal standards for payroll cost allocations	P
10.559	Summer Food Service Program	Education	15-08	3	2014-030	S	L	Noncompliance with single audit FFATA reporting requirements	P
10.559	Summer Food Service Program	Education	15-08	4	2014-031	S	M	Noncompliance with subrecipient monitoring requirements	P
10.561	Supplemental Nutrition Assistance Administration	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
10.561	Supplemental Nutrition Assistance Administration	Human Services	15-07	4	2014-026	S	B	Noncompliance with cost allocation plan controls and monitoring	\$4,610
<b>U.S. Department of Labor</b>									
17.225	Unemployment Insurance	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
17.225	Unemployment Insurance	Employment and Economic Development	15-06	1	2014-021	S	N	Nonassessment of penalties for applicants who filed fraudulent extended benefits	\$842,400
17.225	Unemployment Insurance	Employment and Economic Development	15-06	2	2014-022	S	F	Insufficient monitoring of equipment purchased with federal funds	P
<b>U.S. Department of Education</b>									
(Note 3)									
84.007	Federal Supplemental Educational Opportunity Grants	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
84.007	Federal Supplemental Educational Opportunity Grants	Minnesota State Colleges and Universities	CLA-14	1	2014-035	S	N	Two colleges had errors related to the return of Title IV funds	P
84.007	Federal Supplemental Educational Opportunity Grants	Minnesota State Colleges and Universities	CLA-14	3	2014-037	S	N	Inaccurate information on NSLDS status update reports	P
84.007	Federal Supplemental Educational Opportunity Grants	Minnesota State Colleges and Universities	CLA-14	4	2014-038	S	N	One college did not verify eligibility for one student	\$10,040
84.010	Title I - Grant to Local Education Agencies	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
84.010	Title I - Grant to Local Education Agencies	Education	15-08	1	2014-028	S		No documented internal control structure ensuring compliance	P
84.010	Title I - Grant to Local Education Agencies	Education	15-08	2	2014-029	S	B	Noncompliance with federal standards for payroll cost allocations	P
84.010	Title I - Grant to Local Education Agencies	Education	15-08	3	2014-030	S	L	Noncompliance with single audit FFATA reporting requirements	P
84.010	Title I - Grant to Local Education Agencies	Education	15-08	4	2014-031	S	M	Noncompliance with subrecipient monitoring requirements	P
84.027	Special Education - State Grants	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
84.027	Special Education - State Grants	Education	15-08	1	2014-028	S		No documented internal control structure ensuring compliance	P
84.027	Special Education - State Grants	Education	15-08	2	2014-029	S	B	Noncompliance with federal standards for payroll cost allocations	P
84.027	Special Education - State Grants	Education	15-08	3	2014-030	S	L	Noncompliance with single audit FFATA reporting requirements	P
84.027	Special Education - State Grants	Education	15-08	4	2014-031	S	M	Noncompliance with subrecipient monitoring requirements	P
84.033	Federal Work Study Program	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
84.033	Federal Work Study Program	Minnesota State Colleges and Universities	CLA-14	1	2014-035	S	N	Two colleges had errors related to the return of Title IV funds	P
84.033	Federal Work Study Program	Minnesota State Colleges and Universities	CLA-14	3	2014-037	S	N	Inaccurate information on NSLDS status update reports	P
84.033	Federal Work Study Program	Minnesota State Colleges and Universities	CLA-14	4	2014-038	S	N	One college did not verify eligibility for one student	P

**MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR**  
**STATEWIDE SINGLE AUDIT**  
**SECTION III**  
**SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS**  
**FISCAL YEAR ENDED JUNE 30, 2014**

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	SF-SAC	INT	COMP REQ	PROBLEM	FIN IMPACT
(Note 1)									
(Note 3)									
<b>U.S. Department of Education (continued)</b>									
84-038	Federal Perkins Loans	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
84-038	Federal Perkins Loans	Minnesota State Colleges and Universities	CLA-14	1	2014-035	S	N	Two colleges had errors related to the return of Title IV funds	P
84-038	Federal Perkins Loans	Minnesota State Colleges and Universities	CLA-14	3	2014-037	S	N	Inaccurate information on NSLDS status update reports	P
84-038	Federal Perkins Loans	Minnesota State Colleges and Universities	CLA-14	4	2014-038	S	N	One college did not verify eligibility for one student	P
84-063	Federal Pell Grant Program	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
84-063	Federal Pell Grant Program	Minnesota State Colleges and Universities	CLA-14	1	2014-035	S	N	Two colleges had errors related to the return of Title IV funds	P
84-063	Federal Pell Grant Program	Minnesota State Colleges and Universities	CLA-14	3	2014-037	S	N	Inaccurate information on NSLDS status update reports	P
84-063	Federal Pell Grant Program	Minnesota State Colleges and Universities	CLA-14	4	2014-038	S	N	One college did not verify eligibility for one student	P
84-126	Vocational Rehabilitation	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
84-126	Vocational Rehabilitation	Employment and Economic Development	15-06	2	2014-022	S	F	Insufficient monitoring of equipment purchased with federal funds	P
84-173	Special Education - Preschool Grants	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
84-173	Special Education - Preschool Grants	Education	15-08	1	2014-028	S	B	No documented internal control structure ensuring compliance	P
84-173	Special Education - Preschool Grants	Education	15-08	2	2014-029	S	B	Noncompliance with federal standards for payroll cost allocations	P
84-173	Special Education - Preschool Grants	Education	15-08	3	2014-030	S	L	Noncompliance with single audit FFATA reporting requirements	P
84-173	Special Education - Preschool Grants	Education	15-08	4	2014-031	S	M	Noncompliance with subrecipient monitoring requirements	P
84-268	Federal Direct Student Loans	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
84-268	Federal Direct Student Loans	Minnesota State Colleges and Universities	CLA-14	1	2014-035	S	N	Two colleges had errors related to the return of Title IV funds	P
84-268	Federal Direct Student Loans	Minnesota State Colleges and Universities	CLA-14	2	2014-036	S	N	One college did not complete a loan reconciliation	P
84-268	Federal Direct Student Loans	Minnesota State Colleges and Universities	CLA-14	3	2014-037	S	N	Inaccurate information on NSLDS status update reports	P
84-268	Federal Direct Student Loans	Minnesota State Colleges and Universities	CLA-14	4	2014-038	S	N	One college did not verify eligibility for one student	P
84-268	Federal Direct Student Loans	Minnesota State Colleges and Universities	CLA-14	5	2014-039	S	E	One college incorrectly awarded a Stafford loan to one student	\$1,000
84-376	National Science and Mathematics Talent Grants	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
84-376	National Science and Mathematics Talent Grants	Minnesota State Colleges and Universities	CLA-14	1	2014-035	S	N	Two colleges had errors related to the return of Title IV funds	P
84-376	National Science and Mathematics Talent Grants	Minnesota State Colleges and Universities	CLA-14	3	2014-037	S	N	Inaccurate information on NSLDS status update reports	P
84-376	National Science and Mathematics Talent Grants	Minnesota State Colleges and Universities	CLA-14	4	2014-038	S	N	One college did not verify eligibility for one student	P
84-379	Teacher Education Assistance for College and Higher Education	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
84-379	Teacher Education Assistance for College and Higher Education	Minnesota State Colleges and Universities	CLA-14	1	2014-035	S	N	Two colleges had errors related to the return of Title IV funds	P
84-379	Teacher Education Assistance for College and Higher Education	Minnesota State Colleges and Universities	CLA-14	3	2014-037	S	N	Inaccurate information on NSLDS status update reports	P
84-379	Teacher Education Assistance for College and Higher Education	Minnesota State Colleges and Universities	CLA-14	4	2014-038	S	N	One college did not verify eligibility for one student	P
<b>U.S. Department of Health &amp; Human Services</b>									
93-525	State Plan Establishment Grants for ACA Exchanges	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
93-525	State Plan Establishment Grants for ACA Exchanges	MNSure	14-21	1	2014-001	S	I	Noncompliance with procurement policies	P
93-525	State Plan Establishment Grants for ACA Exchanges	MNSure	14-21	3	2014-002	S	F	Insufficient controls to ensure appropriate access to state business systems	P
93-525	State Plan Establishment Grants for ACA Exchanges	MNSure	14-21	4	2014-003	S	B	Did not maintain accurate and complete inventory of equipment	P
93-525	State Plan Establishment Grants for ACA Exchanges	MNSure	14-21	5	2014-004	S	B	Noncompliance with federal standards for payroll cost allocations	P
93-525	State Plan Establishment Grants for ACA Exchanges	MNSure	14-21	6	2014-005	S	I	Noncompliance with procurement authorization and incurring obligations	P
93-525	State Plan Establishment Grants for ACA Exchanges	MNSure	14-21	7	2014-006	S	L	Noncompliance with federal reporting requirements	P
93-525	State Plan Establishment Grants for ACA Exchanges	MNSure	14-21	8	2014-007	S		Inaccurate reporting of federal expenditures	P
93-558	Temporary Assistance for Needy Families	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
93-558	Temporary Assistance for Needy Families	Human Services	15-07	1	2014-023	M	B,E	Noncompliance with federal eligibility requirements	P
93-558	Temporary Assistance for Needy Families	Human Services	15-07	3	2014-025	S		Not monitoring system access annually	\$1,865
93-558	Temporary Assistance for Needy Families	Human Services	15-07	4	2014-026	S	B	Noncompliance with cost allocation plan controls and monitoring	P
93-563	Child Support Enforcement	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
93-563	Child Support Enforcement	Human Services	15-07	2	2014-024	S		Noncompliance with federal cost principles and excess reserves	P
93-563	Child Support Enforcement	Human Services	15-07	3	2014-025	S		No documented internal control structure ensuring compliance	P
93-568	Low-Income Home Energy Assistance	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
93-568	Low-Income Home Energy Assistance	Commerce	15-05	1	2014-020	S	L	Noncompliance with single audit reporting requirements, including FFATA	P
93-575	Child Care and Development Block Grant	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
93-575	Child Care and Development Block Grant	Human Services	15-07	1	2014-023	M	B,E	Noncompliance with federal eligibility requirements	P
93-575	Child Care and Development Block Grant	Human Services	15-07	2	2014-024	S		No documented internal control structure ensuring compliance	P
93-575	Child Care and Development Block Grant	Human Services	15-07	3	2014-025	S		Not monitoring system access annually	P
93-575	Child Care and Development Block Grant	Human Services	15-07	5	2014-027	S	N	Not adequately monitoring program activities	P



MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR  
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SECTION III  
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2014

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	SF-SAC	INT	COMP REQ	PROBLEM	FIN IMPACT
(Note 1)									
<b>U.S. Department of Health &amp; Human Services (continued)</b>									
93.596	Child Care Mandatory and Matching Fund	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
93.596	Child Care Mandatory and Matching Fund	Human Services	15-07	2	2014-023	M	B,E	Noncompliance with federal eligibility requirements	P
93.596	Child Care Mandatory and Matching Fund	Human Services	15-07	3	2014-024	S		No documented internal control structure ensuring compliance	P
93.596	Child Care Mandatory and Matching Fund	Human Services	15-07	5	2014-025	S	N	Not adequately monitoring program activities	P
93.658	Foster Care - Title IV-E	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
93.658	Foster Care - Title IV-E	Human Services	15-07	2	2014-024	S		No documented internal control structure ensuring compliance	P
93.658	Foster Care - Title IV-E	Human Services	15-07	3	2014-025	S		Not monitoring system access annually	P
93.659	Adoption Assistance	Human Services	15-07	2	2014-024	S		No documented internal control structure ensuring compliance	P
93.667	Social Services Block Grant	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
93.667	Social Services Block Grant	Human Services	15-07	2	2014-024	S		No documented internal control structure ensuring compliance	P
93.667	Social Services Block Grant	Human Services	15-07	3	2014-025	S		Not monitoring system access annually	P
93.767	Children's Health Insurance Program	Human Services	14-22	1	2014-008	M	A,B,E	Noncompliance with eligibility verification requirements	NQ
93.767	Children's Health Insurance Program	Human Services	14-22	2	2014-009	M	A,B,E	Inadequate controls to ensure security over the transfer of data	NQ
93.767	Children's Health Insurance Program	Human Services	14-22	3	2014-010	M	A,B,E	Insufficient training for county eligibility workers	NQ
93.767	Children's Health Insurance Program	Human Services	14-22	4	2014-011	M	A,B,E	Inability to close cases based on information changes affecting eligibility	NQ
93.767	Children's Health Insurance Program	Human Services	14-22	5	2014-012	M	A,B,E	Noncompliance with eligibility requirements over citizenship and social security information	NQ
93.767	Children's Health Insurance Program	Human Services	14-22	6	2014-013	M	A,B,E	Noncompliance with eligibility requirements over income	NQ
93.767	Children's Health Insurance Program	Human Services	14-22	7	2014-014	M	A,B,E	Noncompliance with eligibility requirements over household size and family relationships	NQ
93.767	Children's Health Insurance Program	Human Services	14-22	8	2014-015	M	A,B,E	Enrolled participants in the wrong public program	NQ
93.767	Children's Health Insurance Program	Human Services	14-22	10	2014-017	M	A,B,E	Noncompliance with federal program eligibility requirements	\$3,987
93.767	Children's Health Insurance Program	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
93.767	Children's Health Insurance Program	Human Services	15-07	1	2014-023	M	A,B,E	Noncompliance with federal eligibility requirements	P
93.767	Children's Health Insurance Program	Human Services	15-07	2	2014-024	S		No documented internal control structure ensuring compliance	P
93.767	Children's Health Insurance Program	Human Services	15-07	3	2014-025	S		Not monitoring system access annually	P
93.767	Children's Health Insurance Program	Human Services	15-07	4	2014-026	S	B	Noncompliance with cost allocation plan controls and monitoring	\$813
93.777	State Health Care Providers Survey	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
93.777	State Health Care Providers Survey	Human Services	15-07	2	2014-024	S		No documented internal control structure ensuring compliance	P
93.778	Medical Assistance Program	Human Services	14-22	1	2014-008	M	A,B,E	Noncompliance with eligibility verification requirements	\$45,296
93.778	Medical Assistance Program	Human Services	14-22	2	2014-009	M	A,B,E	Inadequate controls to ensure security over the transfer of data	P
93.778	Medical Assistance Program	Human Services	14-22	3	2014-010	M	A,B,E	Insufficient training for county eligibility workers	P
93.778	Medical Assistance Program	Human Services	14-22	4	2014-011	M	A,B,E	Inability to close cases based on information changes affecting eligibility	\$13,650
93.778	Medical Assistance Program	Human Services	14-22	5	2014-012	M	A,B,E	Noncompliance with eligibility requirements over citizenship and social security information	NQ
93.778	Medical Assistance Program	Human Services	14-22	6	2014-013	M	A,B,E	Noncompliance with eligibility requirements over income	\$17,421
93.778	Medical Assistance Program	Human Services	14-22	7	2014-014	M	A,B,E	Noncompliance with eligibility requirements over household size and family relationships	\$4,858
93.778	Medical Assistance Program	Human Services	14-22	8	2014-015	M	A,B,E	Enrolled participants in the wrong public program	\$1,125
93.778	Medical Assistance Program	Human Services	14-22	9	2014-016	M	A,B,E	Paid benefits for participants in both public program and Medicare	\$5,593
93.778	Medical Assistance Program	Human Services	14-22	10	2014-017	M	A,B,E	Noncompliance with federal program eligibility requirements	NQ
93.778	Medical Assistance Program	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
93.778	Medical Assistance Program	Human Services	15-07	1	2014-023	M	A,B,E	Noncompliance with federal eligibility requirements	P
93.778	Medical Assistance Program	Human Services	15-07	2	2014-024	S		No documented internal control structure ensuring compliance	P
93.778	Medical Assistance Program	Human Services	15-07	3	2014-025	S		Not monitoring system access annually	P
93.778	Medical Assistance Program	Human Services	15-07	4	2014-026	S	B	Noncompliance with cost allocation plan controls and monitoring	\$450,653
93.959	Block Grants for Substance Abuse	Human Services	15-07	2	2014-024	S		No documented internal control structure ensuring compliance	P
<b>U.S. Department of Homeland Security</b>									
97.036	Disaster Grants - Public Assistance Program	MN.IT Services	15-01	1	2014-018	S	B	Noncompliance with federal cost principles and excess reserves	NQ
97.036	Disaster Grants - Public Assistance Program	Public Safety	15-04	1	2014-019	S	L	Noncompliance with single audit FFATA reporting requirements	P

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SECTION III  
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FISCAL YEAR ENDED JUNE 30, 2014

CFDA NO.	PROGRAM NAME	STATE AGENCY	(note 1)										PROBLEM	FIN IMPACT		
			RPT NO	FIND NO	SF-SAC FIND	INT REF	CONT	COMP REQ								
<b>Notes:</b>																
(Note 1) - This summary schedule highlights federal program audit findings presented in the Minnesota Office of the Legislative Auditor's federal compliance reports to the applicable state agencies. These reports may be accessed at <a href="http://www.auditor.leg.state.mn.us">www.auditor.leg.state.mn.us</a> .																
(Note 2) - 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. The SF-SAC FIND REF is the Single Audit Report finding number for fiscal year 2014.																
(Note 3) - CliftonLarsonAllen, LLP (CLA) audited the Minnesota State Colleges and Universities financial statements and the federal financial aid cluster. The "RPT NO" for CliftonLarsonAllen federal program findings are reported in CLA-14; and the "FIND NO" are finding numbers within CliftonLarsonAllen's report.																
(Note 4) - Programs funded by the American Recovery and Reinvestment Act include "ARRA" in the Program Name.																
(Note 5) - Beginning in fiscal year 2010, the regular appropriated and American Recovery and Reinvestment Act benefits funded under the Supplemental Nutrition Assistance Program (SNAP) (CFDA 10.551) are no longer separately reported per federal requirements. Therefore, current audit findings for this program, regardless of funding source, are being reported under CFDA 10.551, Supplemental Nutrition Assistance Program.																

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

**Report 14-21**

**State Agency:** MNSure

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

**CFDA Number(s)/Program Name(s):**

93.525 State Planning and Establishment Grants for the Affordable  
Care Act Exchanges

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

**Federal Project Nos./Award Year:** HBEIE110058, HBEIE110068, HBEIE120107 replaced by HBEIE120176, HBEIE120135 replaced by HBEIE120177, HBEIE130149 replaced by HBEIE130163, and HBEIE140181.

**Finding 2014-001 (14-21-1)** *Noncompliance with procurement policies.*

**1. MNSure did not appropriately authorize \$925,458 of additional marketing work or execute a contract amendment until after the contractor completed work.**

As allowed by the federal grant, Minnesota launched a statewide public education and awareness campaign aimed at reaching uninsured individuals and populations who are potential users of the Exchange. State exchange staff hired a contractor in April 2013 for the development and production elements of the campaign. Through a competitive process, they selected BBDO Proximity to perform this work.

We tested marketing expenditures to ensure that the State publicized the availability of the contract; that the contract appropriately defined the scope of work, contained the required elements, and was authorized by personnel with delegated authority; and that invoices were reviewed and authorized. We identified the following concerns:

**Lack of Management Authorization.** MNSure marketing staff did not obtain management approval for \$925,458 of additional marketing work completed by BBDO Proximity. The original contract, totaling \$666,590, was effective from April 8, 2013 to March 31, 2014; however, MNSure staff indicated that the former marketing director allowed the scope of work to increase beyond the original contract without management's written authorization. On May 16, 2014, the MNSure chief financial officer subsequently authorized a contract amendment to increase the amount to \$1,592,048 for the services already performed even though the contract had expired six weeks earlier.

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

MNsure Policy #05, Delegation of Authority & Authority Limits, and official *Minnesota Delegation/Rescission of Authority* documents filed with the Secretary of State, provided the executive director and the chief financial officer with legal authority to make financial commitments and authorize contracts on behalf of MNsure. The policy indicates the following:

*“All staff members are expected to be familiar with their authorization limits,... to operate within them, and to exercise care with respect to decisions made and commitments entered into on behalf of the organization. All delegations by the Executive Director to subordinate staff members must be made in writing and must include start and end dates. Documentation must be maintained for all delegations.”*

*“Individuals executing contracts and approving transactions on behalf of MNsure must ensure that all approvals and reviews required by this Policy, and other MNsure policies and procedures, have been followed....”*

The MNsure executive director did not further delegate authority to the marketing director to execute contracts. As a result, the former marketing director did not have authority to allow the contractor to proceed with additional marketing work without management’s authorization through an amended contract.

Allowing the contractor to begin additional work without an authorized contract did not comply with state law. *Minnesota Statutes* 2013 16C.08, subd. 2 (b) (5),<sup>1</sup> requires a certification that “...the agency will not allow the contractor to begin work before the contract is fully executed...” We noted that MNsure subsequently authorized the contract amendment after the contractor had already performed the additional marketing work.

Without executing a contract amendment before work starts, the extent and cost of the contractor work is subject to possible fraud and abuse. Also, the lack of prior management authorization could allow MNsure staff to inappropriately commit resources for services that may not be in MNsure’s best interest.

**Failure to Set Aside Money.** MNsure also did not comply with *Minnesota Statutes* by failing to set aside \$925,458 in the state’s accounting system prior to permitting BBDO Proximity to perform the additional marketing work.

*Minnesota Statutes* 2013, Chapter 16A, provides the legal framework for incurring financial commitments and ensuring money is available to pay public obligations:

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<sup>1</sup> *Minnesota Statutes* 2013, 62V.03, subd. 2 (d) (2), exempted MNsure from chapter 16C “with the exception of sections 16C.08, subdivision 2, paragraph (b), clauses (1) to (8).”

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

*Minnesota Statutes 2013, 16A.011, subd. 11, defines an encumbrance as "...the commitment of a portion or all of an allotment in order to meet an obligation that is expected to be incurred to pay for goods or services received by the state..."*

*Minnesota Statutes 2013, 16A.15, subd. 3(a), states: "...An obligation may not be incurred against any fund, allotment, or appropriation unless the commissioner has certified a sufficient unencumbered balance or the accounting system shows sufficient allotment or encumbrance balance in the fund, allotment, or appropriation to meet it.... An expenditure or obligation authorized or incurred in violation of this chapter is invalid and ineligible for payment until made valid. A payment made in violation of this chapter is illegal..."*

After recognizing there was no money set aside for marketing work already completed, the MNsure executive director prepared a *16A.15-16C.05 Form* (also known as a 16A letter) on May 19, 2014, to explain what occurred and the corrective action taken to prevent the problem from reoccurring.

*Recommendation*

- *MNsire should improve internal controls and compliance with its board policy and Minnesota Statutes by:*
  - *ensuring staff obtain authorization to incur obligations from personnel granted with delegated authority;*
  - *ensuring that contracts and amendments are written and executed prior to beginning work; and*
  - *requiring a set aside of funds in the accounting system prior to incurring obligations.*

**MNsire Response:**

Several important factors require emphasis regarding this finding. First, at all times, MNsure had the funds to pay for these services. All funds expended on the BBDO Proximity contract were within the budget submitted to the federal government and consistent with MNsure's plans for creating consumer awareness for its first open enrollment.

Second, in April 2014, MNsure staff brought this issue to the attention of the audit team and by that time had taken corrective measures, including a review of the services and billings provided by BBDO Proximity and a reorganization of the marketing and communications function.

Finally, the services provided by BBDO Proximity had been requested, received, and utilized by MNsure. These services (for which detailed invoices and other supporting documents were readily available at the time of the audit) are detailed in the BBDO Proximity contract and

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

amendment documents that can be found on the MNSure website at <https://www.mnsure.org/about-us/rfp-contract/index.jsp>.

Upon discovering this situation in late 2013, MNSure's new CEO ordered an immediate review of the services provided by BBDO Proximity and of MNSure marketing activities. This resulted in personnel changes and a new marketing team to direct and manage MNSure marketing, including leadership with strong legal and management experience.

It was only after MNSure had confirmed that BBDO Proximity had provided all requested services that a payment of \$1.25 million was authorized to settle outstanding invoices.

We have addressed the control weaknesses in this business area by bringing marketing and communications under the direct supervision of the Deputy Director for External Affairs, reorganizing the contracting and procurement functions to report to the General Counsel, and planning to train staff on the procurement process.

MNSure is actively addressing the issues raised in this finding and has taken the following actions:

- a) MNSure conducted a detailed review of BBDO Proximity's services and billings to confirm that the services were indeed delivered. The receipt of these services was confirmed before the final payment of \$1.25 million was made in April 2014. **Status: Complete.**
- b) MNSure prepared and submitted to the Department of Administration Minnesota Statutes 16A.15 and 16C.05 violation forms that are required of any state agency that obligates the state for services before a contract is executed or an appropriately authorized purchase order is issued. **Status: Complete.**
- c) In early 2014, a new marketing and communications team was assembled by MNSure's CEO under the direct supervision of the Deputy Director of External Affairs. **Status: Complete.**
- d) MNSure has reorganized its contracting and procurement unit such that it is now within the Legal/Compliance unit, reporting to the General Counsel. This shift will allow for greater alignment with other ongoing compliance activities including identification and implementation of controls and internal controls training. **Status: Complete.**
- e) MNSure has entered into an interagency agreement with DHS to use DHS' procurement unit to purchase commodities. **Status: In process. Estimated completion date is December 31, 2014.**

MNSure is designing training on the procurement process for all staff to ensure staff understand the process.

**Persons Responsible:** Allison O'Toole, Deputy Director-External Affairs  
Mike Turpin, General Counsel

**Estimated Completion Date:** As stated above.

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

**Report 14-21**

**State Agency:** MNSure

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

**CFDA Number(s)/Program Name(s):**

93.525 State Planning and Establishment Grants for the Affordable  
Care Act Exchanges

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

**Federal Project Nos./Award Year:** HBEIE110058, HBEIE110068, HBEIE120107 replaced by HBEIE120176, HBEIE120135 replaced by HBEIE120177, HBEIE130149 replaced by HBEIE130163, and HBEIE140181.

**Finding 2014-002 (14-21-3)** *Insufficient controls to ensure appropriate access to state business systems.*

**3. MNSure did not monitor employee access to functions in the state’s accounting system that require separation of duties between employees.**

As of June 2014, MNSure had not reduced the risk created by having eight employees with access to functions in the state’s accounting system<sup>2</sup> that required separation of duties between employees. For example, one employee had the ability to enter purchases and post receipt of goods or services. The Department of Management and Budget provided a matrix to state agencies defining which accounting system functions require separation between employees and required monitoring if certain functional duties were assigned to the same employee. Without adequate monitoring, employees assigned to conflicting functions could purchase goods for personal use or inappropriately adjust a purchase order.

The federal government requires internal controls to ensure compliance with federal awards, including an expectation of appropriate separation of duties.<sup>3</sup> The Department of Management and Budget identified certain accounting system duties needing separation between employees and required monitoring when assigning conflicting duties to an individual employee. State policy<sup>4</sup> requires agencies to “*Segregate incompatible job duties and responsibilities. In cases where incompatible functions cannot be segregated, the agency must implement and maintain compensating controls.*”

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<sup>2</sup> The state’s accounting system is known as Statewide Integrated Financial Tools.

<sup>3</sup> Title 2 Code of Federal Regulations 200.303.

<sup>4</sup> Department of Management and Budget Policy 1101-07, *Security and Access*.

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

We examined accounting system access that MNsure provided to its employees to enter and approve purchases, receive goods and services, and make payments. In February 2014, MNsure management certified to the Department of Management and Budget its awareness of employee access to conflicting functions in the state's accounting system; however, MNsure did not confirm that it had developed or implemented monitoring controls. On March 6, 2014, MNsure did eliminate access for some employees, but it did not develop a strategy to monitor eight employees who continued to have access to conflicting functions. The functions allowed each employee too much influence over a financial transaction and should be separated between employees or independently monitored.

*Recommendation*

- *MNsure should separate employees' access to accounting system roles or develop controls to monitor transactions.*

**MNsure Response:**

For several months, MNsure has been actively separating employees' access to accounting system roles and developing controls to monitor transactions. For much of the period covered by this audit, the MNsure finance department was comprised of three staff members including the Chief Financial Officer. Having a small number of staff inherently and significantly increased the number of incompatible role conflicts within the SWIFT system. Between late 2013 and early 2014, MNsure hired additional finance staff and through periodic reviews of the role access conflict reports, has significantly reduced the conflicts. As is typical of small agencies across the state, the relatively small size of the finance department (which now has six employees including the Interim Chief Financial Officer), will continue to result in a higher than ideal incidence of SWIFT access role conflicts. To address this, MNsure is taking the following mitigating actions:

- a) MNsure entered into an interagency agreement with DHS to provide certain finance and procurement-related services. This significantly reduced the need for MNsure finance and procurement staff to have incompatible roles in SWIFT. These roles will be removed when it is confirmed that doing so will not disrupt the employees' ability to perform their jobs. **Status: In process. Estimated completion date is March 31, 2015.**
- b) Under the same interagency agreement, MNsure will use the DHS Internal Audits unit to conduct periodic reviews of procurement and payment transactions to ensure validity. **Status: In process. Estimated completion date is December 31, 2014.**



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Finally, MNsure will continue to work with DHS finance staff to assist in developing and implementing additional mitigating controls to address SWIFT access role conflicts. **Status: In process. Estimated completion date is June 30, 2015.**

**Persons Responsible:** Marty Cammack, Interim Chief Financial Officer  
Mike Turpin, General Counsel

**Estimated Completion Date:** As stated above.

**Minnesota Office of the Legislative Auditor**  
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**Report 14-21**

**State Agency:** MNSure

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

**CFDA Number(s)/Program Name(s):**

93.525 State Planning and Establishment Grants for the Affordable  
Care Act Exchanges

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

**Federal Project Nos./Award Year:** HBEIE110058, HBEIE110068, HBEIE120107 replaced by HBEIE120176, HBEIE120135 replaced by HBEIE120177, HBEIE130149 replaced by HBEIE130163, and HBEIE140181.

**Finding 2014-003 (14-21-4)** *Did not maintain accurate and complete inventory of equipment.*

**4. The Department of Commerce and MNSure did not maintain complete and accurate inventory records of equipment purchased for the Exchange.**

From July 1, 2011, through December 31, 2013, the Department of Commerce and MNSure purchased over \$5 million of equipment, including computer hardware, with federal funds to build the exchange. Upon payment, the state’s accounting system automatically created an equipment item in the department’s or MNSure’s inventory records. However, we found that the Department of Commerce and MNSure did not sufficiently maintain the records (with the assistance of the Office of MN.IT Services) with adequate detail to identify and safeguard the equipment.

Federal regulations<sup>5</sup> require that “A state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.” The State of Minnesota Property Management Policy and User Guide defines “equipment” as having a useful life of two or more years with an acquisition cost of \$5,000 or more. The guide indicates the Asset Management Module in the state’s accounting system is the official record for all capital assets. The guide requires agencies to assign asset identification numbers and identify location information for physical inventory at least every two years. MNSure Board Policy #7 further requires a “... written inventory of all physical assets and supplies, and updates the same periodically through a physical inventory.”

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<sup>5</sup> Title 2 Code of Federal Regulations 200.313 (b).

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We tested equipment purchases to ensure items were competitively purchased or acquired using an existing state contract; vendor invoices were accurately paid for equipment received; equipment costs were appropriately allocated between the federal establishment grant and funding provided by the Department of Human Services; and detailed inventory records were maintained. We noted the following concerns:

- **Lack of equipment identification.** MNsure and the Department of Commerce did not update inventory records with specific equipment identification (assigned asset number and manufacturer serial number), as well as custodian and location information for equipment purchased. The Office of MN.IT Services did not adequately assist MNsure and the Department of Commerce in fulfilling their responsibility to identify information about computer equipment. Equipment identification and location information is critical to conduct an effective and efficient physical inventory in order to safeguard equipment.
- **Inventory records not transferred.** The Department of Commerce and MNsure did not coordinate the transfer of equipment inventory records to MNsure. As of June 2014, Exchange equipment purchased through June 2013 remained in the Department of Commerce's equipment inventory, rather than being transferred to MNsure when the Legislature legally created the board. Without a complete and accurate record, MNsure cannot fulfill its fiduciary responsibility to control Exchange equipment.
- **Unrecorded equipment.** The Department of Commerce did not include \$240,000 of computer hardware, purchased for the Exchange in February 2013, on equipment inventory records. As of July 2014, that computer equipment is currently in use by MNsure as part of the Exchange.

Without a complete and accurate record, MNsure could not adequately control equipment under its responsibility and increased the risk that assets could be lost or stolen without detection.

*Recommendations*

- *MNsure should work with the Department of Commerce and the Office of MN.IT Services to transfer inventory records to MNsure for all equipment purchased for the Exchange.*
- *MNsure should improve inventory records necessary to safeguard equipment by updating specific equipment identification, custodian, and location information needed to conduct a physical inventory. MNsure should also add equipment purchases that were not recorded on equipment inventory.*

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

**MNsure Response:**

MNsure will continue to work with the Department of Commerce, Office of MN.IT Services and MMB to establish complete and accurate inventory records of equipment purchased for the Exchange.

**Persons Responsible:** Marty Cammack, Interim Chief Financial Officer

**Estimated Completion Date:** In process. Estimated completion date is June 30, 2015.

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**Report 14-21**

**State Agency:** MNSure

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

**CFDA Number(s)/Program Name(s):**

93.525 State Planning and Establishment Grants for the Affordable  
Care Act Exchanges

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

**Federal Project Nos./Award Year:** HBEIE110058, HBEIE110068, HBEIE120107 replaced by HBEIE120176, HBEIE120135 replaced by HBEIE120177, HBEIE130149 replaced by HBEIE130163, and HBEIE140181.

**Finding 2014-004 (14-21-5)** *Noncompliance with federal standards for payroll cost allocations.*

**5. MNSure did not comply with state requirements to ensure the accuracy and approval of employee payroll time reporting.**

MNSure weakened the integrity of employee time reporting by allowing supervisors to frequently update subordinate employees' time worked, and by continuing to allow backup supervisors to approve employee time rather than their direct supervisors. It also allowed three employees to authorize their own hours worked and leave taken. MNSure employees enter hours worked and leave taken into the state's self-service time entry system.<sup>6</sup> Once supervisors review and approve employee time, the hours are uploaded into the state's payroll system. State agencies involved in developing the Exchange spent about \$6 million on employee payroll costs.

State policy<sup>7</sup> has several requirements to ensure the integrity of payroll hours reported through the self-service time entry system, including the following:

*“The best control over the integrity of employees' payroll information is achieved when employees prepare their own timesheets and supervisors, who have direct knowledge of employees' work, review and approve timesheets.*

*Employees are responsible for completing and modifying their timesheets. Employees are responsible for preparing their timesheets prior to a planned absence that includes the pay period end date.*

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<sup>6</sup> MNSure nonexempt employees are only required to enter leave hours into the payroll system.

<sup>7</sup> Department of Management and Budget Policy PAY0017.

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*Supervisors/managers are responsible for reviewing and approving employee timesheets. The supervisor or manager who is designated as the primary approver should be the most knowledgeable about the work schedule of the employee. Primary approvers are responsible for approving employee timesheets. If errors are found on a timesheet, the employee (not the supervisor/manager) should make the necessary changes.*

*Use of backup approvers and payroll staff to modify or approve employee timesheets is permitted, but should be strictly limited. When backup approvers and payroll staff modify or approve timesheets, they should document the reason for the modification or approval on the Comments page and notify the primary supervisor/manager to ensure that the timesheet modification or approval was appropriate.*

*Employees should not approve their own timesheets.”*

In order to monitor compliance with these requirements, the policy requires a review of the self-service time entry audit report each pay period and states: *“If a comprehensive review is not possible, review a representative sample each pay period. A comprehensive review must be completed on a quarterly basis. Audited sections or samples from the report must be kept with documented explanations.”*

For employees that did not enter their own time and approvals made by backup supervisors, the policy further states: *“Although permitted, this activity should be minimal and non-repetitive regarding a particular employee or primary approver. Agency management should be notified of on-going problems or patterns of difficulty and take steps to minimize occurrences.”*

**Concerns with Employee Time Reporting and Approval**

MNsure did not produce and review the self-service time entry audit report when it began processing its own payroll. When noticing numerous instances that MNsure supervisors strayed from the designed controls, we analyzed reports for nine pay periods from September to December 2013 and noted the following concerns:

- Approximately 28 percent (272 of 958) of employee timesheets were not completed by the employees’ themselves; instead, reports showed the supervisor updated and finalized the time. Supervisors posted comments for about half (138 of 272) of these exceptions; however, the comments did not usually provide a sufficient explanation. The prevalence of supervisors entering employee time undermines the fundamental integrity of the self-service time entry system since employees are best able to identify the hours they worked each day.
- About 19 percent (183 of 958) of employee timesheets were approved by backup approvers rather than primary supervisors. Backup approvers posted comments for 48

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percent (87 of 183) of timesheets they approved; however, the comments did not always explain why they substituted for the primary approver. MNsure payroll staff did not have a practice to notify the primary supervisor to ensure the timesheet approval was appropriate. The frequency of reliance on backup approvers indicated that MNsure has an on-going problem that undermines the importance of having primary supervisors, with direct knowledge of employees' hours worked and leave taken, approve the timesheets.

- Six employees could authorize their own timesheets in the self-service time entry system. Our testing indicated that three of these employees did authorize their own timesheet on five occasions, including one pay period in which an employee authorized 11.5 hours of overtime. MNsure established these employees as backup approvers for the division they worked in, which also allowed them with the ability to authorize their own time.

*Recommendations*

- *MNsure should strengthen the integrity of payroll time reporting by reducing the volume of (1) timesheets not completed by employees, and (2) timesheets approved by backup approvers.*
- *MNsure should not allow employees the ability to approve their own timesheets, or document subsequent supervisory review to approve their time.*

**MNsure Response:**

This finding highlights the rapid increase in MNsure staff in the run up to and during our first open enrollment period. MNsure's head count increased from approximately 30 employees in July 2013 to a peak of almost 180 employees in February 2014. Close to half of all new employees were hired between October 1, 2013, and March 31, 2014. To address the issues raised in this finding, MNsure has taken the following steps:

- a) MNsure entered into an interagency agreement with DHS that includes the bi-weekly review of the self-service time entry audit report and payroll register (the latter is based on a statistical sample). MNsure will remain responsible for resolving issues noted from the review of the report. **Status: In process. Estimated completion date is December 31, 2014.**

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- b) MNSure is training supervisory staff on timesheet completion, approval, commenting when back-up approvers approve timesheets, and the need to minimize and document instances where supervisors complete and approve employee timesheets. **Status: In process. Estimated completion date is March 31, 2015.**

**Persons Responsible:** Marty Cammack, Interim Chief Financial Officer  
Katie Burns, Chief Operating Officer

**Estimated Completion Date:** As stated above.



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**Report 14-21**

**State Agency:** MNSure

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

**CFDA Number(s)/Program Name(s):**

93.525 State Planning and Establishment Grants for the Affordable  
Care Act Exchanges

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

**Federal Project Nos./Award Year:** HBEIE110058, HBEIE110068, HBEIE120107 replaced by HBEIE120176, HBEIE120135 replaced by HBEIE120177, HBEIE130149 replaced by HBEIE130163, and HBEIE140181.

**Finding 2014-005 (14-21-6)** *Noncompliance with procurement authorization and incurring obligations.*

- 6. MNSure did not obtain appropriate authorization for some purchases of equipment and services, and agencies involved in developing the Exchange did not always set aside money in the accounting system prior to incurring obligations.**

As allowed by the federal grant, MNSure and the departments of Commerce and Management and Budget purchased a variety of goods and services for the Exchange, including \$2 million for advertisements, \$5 million of equipment, and \$32 million in software licenses and information technology services. Our testing found that some purchases did not have documented authorization from appropriate personnel, and money was not always set aside in the accounting system prior to incurring financial obligations.

**Inappropriate Purchase Authorization**

The MNSure board chair formally delegated the executive director and chief financial officer with authority to execute contracts and approve purchases. MNSure Policy #5 requires “*All staff members ... to be familiar with their authorization limits, as well as those of their direct reports, to operate within them, and to exercise care with respect to decisions made and commitments entered into on behalf of the organization.*” The policy further states that “*Individuals ... approving transactions on behalf of MNSure ... are responsible for obtaining and maintaining appropriate documentation of such approvals.*”

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We examined authorization of purchases and noted the following concerns:

- **Equipment.** For 5 of the 10 equipment purchases tested, MNsure did not have evidence of approval from appropriate personnel with delegated authority. These five equipment purchases totaled approximately \$2 million. MNsure staff told us that its chief financial officer had approved the purchases but was not able to provide that documentation.
- **Advertising and Media Services.** MNsure did not document approval by the executive director or chief financial officer of purchase orders for placement of media advertisements totaling \$2 million. MNsure staff indicated that the former marketing director worked with a contractor to coordinate the purchase of television, radio, outdoor, and print advertisements, but that employee did not have delegated authority.
- **Software Licenses and Information Technology Services.** MNsure did not document appropriate authorization for 3 of 50 software license and information technology purchases tested. The three purchases totaled about \$456,000. For some of the purchases, an employee of the Office of MN.IT Services provided approval; however, that employee was not delegated purchasing authority in writing.

Without appropriate approval, MNsure increased the risk of purchasing goods or services that are not necessary for its operations.

**Failure to Set Aside Money**

MNsure and the departments of Commerce and Management and Budget obligated federal funds for advertising, consultant services, software licenses, and computer services before setting aside money for those obligations in the accounting system. In addition to setting aside the money and ensuring that resources are available for all obligations, an encumbrance in the accounting system creates a payment limit that prevents the vendor from being mistakenly paid more than the amount set aside.

*Minnesota Statutes 2013, 16A.011, subd. 11, defines an encumbrance as “... the commitment of a portion or all of an allotment in order to meet an obligation that is expected to be incurred to pay for goods or services received by the state...”*

*Minnesota Statutes 2013, 16A.15, subd. 3(a), further states “... An obligation may not be incurred against any fund, allotment, or appropriation unless the commissioner has certified a sufficient unencumbered balance or the accounting system shows sufficient allotment or encumbrance balance in the fund, allotment, or appropriation to meet it.”*

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We noted several instances in which MNsure or the departments of Commerce and Management and Budget did not comply with state law:

- **Advertising and Media Services.** MNsure incurred costs of \$1.5 million for 25 of the 35 purchases for placement of media advertisements, including the Paul Bunyan and Babe ads, from August 2013 to October 2013 before it set aside the money. MNsure set aside money for the majority of these advertisements in November 2013 when paying the vendor.
- **Consultant Services.** For 17 of the 34 purchases of consulting services we tested, MNsure and the departments of Commerce and Management and Budget did not set aside funds prior to starting services totaling \$745,000. MNsure and the departments of Commerce and Management and Budget started the consultant services between 12 and 86 business days before setting aside funds.
- **Software License and Information Technology Services.** MNsure and the departments did not set aside funds for 9 of the 29 purchases we tested, totaling \$3.4 million, prior to the start date of the software license or beginning the services. They began to incur obligations for these licenses or services between 1 and 57 business days before they set aside money in the accounting system.

By allowing staff to incur obligations before setting aside money in the accounting system, MNsure could not accurately measure its uncommitted budget and could mistakenly overpay a vendor since there was no spending limit in the accounting system.

*Recommendations*

- *MNsure should ensure that it obtains and documents appropriate authorization to purchase equipment and services from those individuals delegated with authority.*
- *MNsure should comply with statutory requirements to set aside money in the accounting system prior to incurring financial obligations for services.*

**MNsure Response:**

Two important factors require emphasis regarding this finding. First, at all times, MNsure had the funds to pay for the services and equipment referenced in this finding. All funds expended on these purchases were within the budget submitted to the federal government. Second, these purchases had been requested, received, and utilized by MNsure.

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As detailed by the audit report, as MNsure and its sister agencies strove to meet federally imposed deadlines, significant purchases were made in a very compressed timeframe. The vast majority of these purchases were made in compliance with state procurement policies. This finding highlights gaps that MNsure is addressing as follows:

- a) Authorization of purchases: The MNsure Board is in the process of updating its delegation of authority to MNsure staff. The delegation policy will soon be voted on and, upon approval, it will be published to all staff to make it clear who has the ability to authorize purchases. **Status: In process. Estimated completion date is June 30, 2015.**
- b) Approval of invoices for payment: MNsure now requires business functional leads to verify the accuracy of and approve invoices prior to payment. **Status: Complete.**
- c) MNsure reorganized its contracting and procurement unit to be within the Legal/Compliance unit, reporting to the General Counsel. This shift allows for greater alignment with other ongoing compliance activities. **Status: Complete.**
- d) MNsure entered into an interagency agreement with DHS to leverage the existing DHS procurement process for commodities. **Status: In process. Estimated completion date is December 31, 2014.**
- e) MNsure is developing training for staff on the procurement process. **Status: In process. Estimated completion date is June 30, 2015.**

**Person Responsible:** Mike Turpin, General Counsel

**Estimated Completion Date:** As stated above.

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**Report 14-21**

**State Agency:** MNSure

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

**CFDA Number(s)/Program Name(s):**

93.525 State Planning and Establishment Grants for the Affordable  
Care Act Exchanges

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

**Federal Project Nos./Award Year:** HBEIE110058, HBEIE110068, HBEIE120107 replaced by HBEIE120176, HBEIE120135 replaced by HBEIE120177, HBEIE130149 replaced by HBEIE130163, and HBEIE140181.

**Finding 2014-006 (14-21-7) *Noncompliance with federal reporting requirements.***

**7. MNSure did not correctly record over \$3.9 million of grants in the state’s accounting system and did not comply with certain federal monitoring and reporting requirements.**

MNSure awarded pass-through grants<sup>8</sup> to 41 entities, funded by the *State Planning and Establishment Grants for the Affordable Care Act Exchanges* (CFDA #93.525), to provide outreach and education to individuals and small businesses on behalf of MNSure.

We reviewed MNSure’s solicitation and selection of eligible grant recipients, tested grant agreements and payments for appropriate authorization and limits, and assessed MNSure’s monitoring of the entities’ use of grant funds. We identified the following concerns:

- **Misrecorded transactions.** MNSure staff incorrectly recorded over \$3.9 million it paid to 29 entities as purchased services rather than grant expenditures in the state’s accounting system. Miscoded transactions incorrectly identify the type of spending and could contribute to those transactions not being subject to appropriate internal controls.
- **Information not obtained.** MNSure did not obtain the required Data Universal Numbering System (DUNS) numbers from any of the entities it granted funds. The

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<sup>8</sup> Pass-through grants are federal assistance provided to another organization to serve the purpose required by the federal program. Pass-through entities and the recipient organizations are both responsible for compliance with federal requirements; however, the pass-through entity has a responsibility to monitor the grant spending by the other organization.

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federal government requires the state to obtain DUNS numbers before it passes federal money through to those organizations. Specifically, federal regulations<sup>9</sup> indicate:

*“If you are authorized to make subawards under this award, you:*

- 1. Must notify potential subrecipients that no entity .... may receive a subaward from you unless the entity has provided its DUNS number to you.*
  - 2. May not make a subaward to an entity unless the entity has provided its DUNS number to you.”*
- **Failure to Report Pass-through Grant Awards.** MNSure did not comply with reporting requirements of the Federal Funding Accountability and Transparency Act.<sup>10</sup> Federal reporting requirements<sup>11</sup> state that an entity “... *must 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.*” MNSure did not report 37 entities paid over \$25,000 in pass-through grants.<sup>12</sup>

*Recommendation*

- *MNSure should improve grant accounting and compliance by:*
  - *properly recording grant expenditures in the state’s accounting system;*
  - *obtaining required DUNS numbers from all entities that receive pass-through grants; and*
  - *reporting grant awards for entities paid more than \$25,000 as required by the Federal Funding Accountability and Transparency Act.*

**MNSure Response:**

The coding of these grants has been corrected. The \$3.9 million in grants were “recorded” and tracked in SWIFT. However, the grant contracts for the Navigator outreach program were mistakenly coded as “professional and technical services” instead of being recorded as “grants.” While all these grants in question are contracts for the purchase of services and are therefore

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<sup>9</sup> Title 2, Code of Federal Regulations, Part 25, Appendix A.

<sup>10</sup> 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.

<sup>11</sup> Title 2, Part 170 of the Code of Federal Regulations.

<sup>12</sup> Office of Management and Budget guidance specifies that a prime awardee must report information about and location of the subaward recipient, the date of the subaward, the subawardee’s 9-digit DUNS number, the amount of federal funds awarded, including modifications, authorized date of the subaward agreement, date the information was submitted, and an assigned subaward identification number.

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professional and technical contracts, state policy requires them to be coded as grants in SWIFT. Finally, procedures are being developed to obtain DUNS numbers from the grantees, and for compliance with the reporting requirements of the Federal Funding Accountability and Transparency Act.

**Persons Responsible:** Marty Cammack, Interim Chief Financial Officer  
Mike Turpin, General Counsel

**Estimated Completion Date:** In process. Estimated completion date is June 30, 2015.

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**Report 14-21**

**State Agency:** MNSure

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

**CFDA Number(s)/Program Name(s):**

93.525 State Planning and Establishment Grants for the Affordable  
Care Act Exchanges

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

**Federal Project Nos./Award Year:** HBEIE110058, HBEIE110068, HBEIE120107 replaced by HBEIE120176, HBEIE120135 replaced by HBEIE120177, HBEIE130149 replaced by HBEIE130163, and HBEIE140181.

**Finding 2014-007 (14-21-8) *Inaccurate reporting of federal expenditures.***

**8. The Department of Commerce did not accurately report expenditures for developing the Exchange in the State of Minnesota’s fiscal year 2013 report to the federal government.**

The State of Minnesota submitted its annual *Financial and Compliance Report on Federally Assisted Programs* to the federal government identifying expenditures for each federal program. The Department of Management and Budget instructed agencies to report expenditures in relation to amounts used to prepare the state’s financial statements. For fiscal year 2013, prior to the creation of MNSure, the Department of Commerce omitted \$3.3 million of financial obligations to a contractor for work completed on the Exchange.<sup>13</sup> As a result, the State incorrectly reported \$40.4 million of expenditures, rather than \$43.7 million, for the *State Planning and Establishment Grants for the Affordable Care Act’s Exchanges* program (CFDA #93.525) for the fiscal year ending June 30, 2013.

The Department of Management and Budget provided the Department of Commerce with accounting system reports that included \$3.3 million of obligations for unpaid contract work. However, the Department of Commerce inappropriately reduced the amount to reflect actual expenditures that excluded those obligations.

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<sup>13</sup> The state contract with Maximus included a retainage provision that a portion of the amount due may not be paid until the final product has been reviewed and accepted by the agency head.



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Federal requirements<sup>14</sup> state that the schedule of expenditures of federal awards must “*Provide total Federal awards expended for each individual Federal program and the CFDA number....*” MNsure will be responsible for preparing the 2014 Schedule of Federal Awards and any future schedules.

*Recommendation*

- *MNsure should include unpaid obligations when measuring annual accrued expenditures for the State Planning and Establishment Grants for the Affordable Care Act Exchanges (CFDA 93.525) in the State of Minnesota’s Financial and Compliance Report on Federally Assisted Programs.*

**MNsure Response:**

MNsure is working closely with MMB to ensure expenditures are reported accurately in the State of Minnesota’s fiscal year 2014 report to the federal government.

**Persons Responsible:** Marty Cammack, Interim Chief Financial Officer

**Estimated Completion Date:** In process. Estimated completion date is December 31, 2014.

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<sup>14</sup> Office of Management and Budget Circular A-133, Section .310(b)(3).

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**Report 14-22**

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

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

**CFDA Number(s)/Program Name(s):**

93.767 Children's Health Insurance Program  
93.778 Medical Assistance

**Questioned Costs:** \$45,296 – Medical Assistance

**Federal Project Nos./Award Year:** See Report 15-07 - Appendix A

**Finding 2014-008 (14-22-1)** *Noncompliance with eligibility verification requirements.*

**1. The Department of Human Services did not adequately verify that people who enrolled in public health care programs through MNsure were eligible for those programs.**

We found that nearly 17 percent of the people in the sample we tested were not eligible for the public health care program in which they were enrolled.<sup>15</sup> Of the 193 people we tested, our testing identified 32 ineligible people.<sup>16</sup> Some of the errors resulted in payment errors for medical care.

For example, MNsure sometimes provided applicants with the wrong income information to verify. During the online application process, MNsure asked applicants to verify income information MNsure had obtained through a file transfer from the Department of Employment and Economic Development. Sometimes, however, instead of showing an income amount, MNsure showed the employer identification number. For example, MNsure would show an employer identification number of 41-5777140 as \$415,777,140, and ask the applicant if this was their correct monthly income.

Most people, including six in our sample, answered that the amount was incorrect; but one person in our sample mistakenly answered that it was the correct amount. Because the amount was too high to qualify for Medical Assistance, MNsure determined the woman and her children were ineligible. However, using other income information, MNsure determined that the woman and her children were eligible for MinnesotaCare.

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<sup>15</sup> Some of the people were eligible for other public health care programs.

<sup>16</sup>We were unable to fully verify the eligibility of about 100 people in our sample, primarily because we did not have access to citizenship records.

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Based on our review of the correct wage information from the Department of Employment and Economic Development, the woman did not qualify for Medical Assistance but her children did. As a result, DHS paid \$303 more for the children's MinnesotaCare benefits than it would have paid for Medical Assistance benefits.

MNsured corrected the file transfer problem that caused this error in April 2014, but DHS has not gone back to review cases affected by this error to ensure people are enrolled in the correct public health care program.

Findings 5 through 10 [in report 14-22] provide further information about eligibility errors we found through our sample tests.

In addition to the eligibility errors we found through our sample tests, we identified the following concerns:

- **Unnecessary benefit payments for duplicate accounts.** DHS unnecessarily paid for \$44,993 of health care benefits because 24 people who enrolled through MNsure had duplicate accounts in the state's health care programs. We analyzed two types of potential duplicate MNsure enrollee accounts: (1) accounts that had the same social security numbers as other accounts, and (2) accounts that had the same name and birthdate as other accounts. Our review showed that while MNsure identified many of these accounts for further verification, it failed to identify eight people who had clearly duplicate accounts with active enrollments in public health care programs. In March 2014, DHS put changes in place to prevent duplicate accounts from occurring. However, DHS did not take steps to identify existing duplicate accounts, close them, or recover any duplicate payments.
- **MNsured enrollees not included in federal data match to detect improper payments and fraud.** DHS did not include MNsure enrollees in information it provided to the federal government to help identify people receiving benefits in more than one state. The federal government requires states to provide enrollee data to match with data from other states through the Public Assistance Reporting Information System (PARIS).<sup>17</sup> DHS's federally approved eligibility verification plan identifies this match as a way DHS will uncover improper payments and fraud in the Medical Assistance program. While DHS participates in the PARIS program, it only provides information about people who enrolled through the state's old eligibility system, not those who enrolled through MNsure. As of August 2014, DHS had not included MNsure enrollment data in the federal data-matching program.

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<sup>17</sup> 42 CFR, sec. 435.945(d) (2013).

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

As the agency responsible for administering the state's public health care programs,<sup>18</sup> DHS needs to ensure that people who receive program benefits meet state and federal requirements. DHS was deeply involved in MNsure's design, was well aware that MNsure did not perform adequate testing, and that many problems existed. In a March 2014 report (about our audit of the department's compliance with federal program requirements), we stated that DHS was not adequately prepared for the changes MNsure would make to its enrollment and eligibility verification processes.<sup>19</sup>

*Recommendations*

- *The Department of Human Services should design ways to detect and assess the risk that errors may occur in the MNsure application process that result in ineligible people obtaining public health care program benefits. The Department of Human Services should test its error detection and verification practices to ensure they are effective.*
- *The Department of Human Services should analyze data it has for people who enrolled in its public health care programs through MNsure to identify people whose eligibility may not be accurate due to application problems, including duplicate accounts and clearly incorrect income amounts.*
- *To the extent possible, the Department of Human Services should recover overpayments related to these eligibility errors.*
- *The Department of Human Services should include people who enrolled in its public health care programs through MNsure in the information it provides quarterly to the federal government for data matching through the Public Assistance Reporting Information System (PARIS).*

**Minnesota Department of Human Services Response:**

The Department of Human Services has been identifying and fixing eligibility problems throughout the project. As noted throughout this report, many of the system defects that contributed to errors found in the audit sample have been corrected. In March 2014 the functionality to prevent duplicate accounts was deployed, and in April 2014 the defect that caused employer identification number to display as income on the online application was corrected. The department will continue to identify and resolve systems flaws that contribute to incorrect eligibility determinations.

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<sup>18</sup> *Minnesota Statutes* 2013, 256B.04 (Medical Assistance); *Minnesota Statutes* 2013, 256L.02 (MinnesotaCare).

<sup>19</sup> Office of the Legislative Auditor, Financial Audit Division, report 14-11, *Department of Human Services Federal Compliance Audit* (Finding 1), issued March 26, 2014.

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

All the work in the new eligibility system is being coordinated through three agencies, DHS, MN.IT and MNsure, and items that require IT solutions must be prioritized by the MNsure Executive Steering Committee. The department is reviewing all cleanup activities that are necessary from the first year of public program enrollment in the new eligibility system. We will prioritize cleanup activities based on our overall assessment.

The department has recovered some of the duplicate payments and will pursue recovery of the remaining incorrect payments made under duplicate records by the end of the year.

In September 2014, the department began including people enrolled in Medical Assistance and MinnesotaCare through MNsure in the PARIS quarterly data file.

**Person Responsible:** Nathan Moracco, Assistant Commissioner

**Expected Completion Date:** Ongoing activity.

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

**Report 14-22**

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

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

**CFDA Number(s)/Program Name(s):**

93.767 Children's Health Insurance Program  
93.778 Medical Assistance

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

**Federal Project Nos./Award Year:** See Report 15-07 - Appendix A

**Finding 2014-009 (14-22-2)** *Inadequate controls to ensure security over the transfer of data.*

- 2. The Department of Human Services lacked adequate controls to ensure the accurate and complete transfer of recipient data from MNsure to DHS's medical payment system, and to detect whether Office of MN.IT Services staff inappropriately accessed recipients' personal information.**

Periodically, throughout the day, personal information about people who enrolled in public health care programs through MNsure transfers electronically from MNsure to the DHS medical payment system. The completeness and accuracy of this information is essential to DHS's ability to create health care accounts for recipients and pay for their medical benefits.

Good internal controls over the data transfer process would ensure that the information: (1) transferred accurately from MNsure to the medical payment system (that is, no information is added, lost or altered), and (2) was protected from unauthorized access or use.<sup>20</sup> The electronic transfer process from MNsure to the medical payment system lacked adequate controls to provide this assurance.

DHS had some reports that verified the accurate and complete transfer of certain enrollment data. However, the verification was inadequate because there was no check to ensure the accurate and complete transfer of all recipient data, and that data in the state's medical payment system is the same as the information in MNsure.

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<sup>20</sup> February 2009, *U.S. Government Accountability Office*, Federal Information System Controls Audit Manual, 4.3, *Interface Controls IN-2.3 and 3.2 Access Controls, AC-5.3.1*.

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

In addition, DHS did not require the Office of MN.IT Services to log and monitor when any of the 23 MN.IT employees with access to personal information viewed or copied that information.<sup>21</sup> The logs would allow MN.IT or DHS to monitor whether the employees' actions were appropriate and authorized.

*Recommendations*

- *The Department of Human Services should verify the complete and accurate transfer of all recipients' data from MNSure to DHS's medical payment system.*
- *The Department of Human Services should log and monitor when MN.IT employees access recipients' personal information in the Department of Human Services' medical payment system.*

**Minnesota Department of Human Services Response:**

**Response to Audit Recommendation 2-1**

MN.IT has procedures in place to verify data transfers. MN.IT receives daily reports providing insights into transfer acceptance, rejection and total counts broken down by type of transaction (e.g., recipient demographic, eligibility, etc.). For those transactions which are rejected, counts are reported for each error code. The daily reports also include a log of each transaction received. We concur that we can do better with reconciliations that expand one day of activity. The department will work with MN.IT Services to develop processes and reports to reconcile interfaced transactions covering weekly, monthly and annual periods.

**Persons Responsible:** Debra Tibstra, MN.IT Services;  
Gary Johnson, Director, DHS Internal Audit

**Expected Completion Date:** June 30, 2015

**Response to Audit Recommendation 2-2**

The department is working with MN.IT Services to begin the logging associated with the certain datasets and resources identified during the audit. Together, we plan to fine-tune the right level of monitoring and follow-up for any newly logged events.

**Persons Responsible:** Mark Mathison, MN.IT Services  
Gary Johnson, Director, DHS Internal Audit

**Expected Completion Date:** December 31, 2014

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<sup>21</sup> The Office of MN.IT Services provided information technology services to DHS.

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

**Report 14-22**

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

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

**CFDA Number(s)/Program Name(s):**

93.767 Children's Health Insurance Program  
93.778 Medical Assistance

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

**Federal Project Nos./Award Year:** See Report 15-07 - Appendix A

**Finding 2014-010 (14-22-3)** *Insufficient training for county eligibility workers.*

**3. The Department of Human Services did not provide the county human service eligibility workers with sufficient training on MNsure.**

Although DHS provided county eligibility workers with various methods of training on MNsure, most workers said the training was not sufficient to prepare them for using the system. County human services offices continue to have a vital role in getting people enrolled in the correct public health care programs, including meeting with applicants, providing applicants with guidance and access to the MNsure website, and verifying additional information as needed.

We interviewed managers and some eligibility workers at seven metropolitan county human services offices and five counties in greater Minnesota.<sup>22</sup> We asked the eligibility workers what type of training they received from DHS to prepare for the implementation of MNsure. We also interviewed DHS's Health Care Eligibility and Access staff to learn what training it offered.

DHS provided a centralized website—ONEsource—that provided written instructions on using MNsure; however, some counties' staff said DHS did not always communicate timely updates to ONEsource and that ONEsource was cumbersome to use. Staff at one county said the DHS instructions sometimes changed a day after DHS issued them, and the county expressed frustration that DHS did not collaborate with counties when developing these instructions. Another county said they would have preferred hands-on training in a classroom setting rather than written instructions.

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<sup>22</sup> We interviewed eligibility workers at Anoka, Benton, Carver, Chisago, Dakota, Goodhue, Hennepin, Ramsey, Scott, Stearns, Washington, and Wright counties.



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

DHS developed some webinars showing how to use MNsure, but several counties said the training was not detailed enough to address the complex case scenarios they dealt with daily. One county eligibility worker said the training only provided about 10 percent of what they really needed. Officials in a couple of counties said their eligibility workers were left on their own to learn how to navigate the system. The only training DHS required before granting an eligibility worker access to MNsure was on-line courses on protecting private data. DHS did not require training on how to use MNsure.

In December 2013, DHS began holding phone conferences with the county training specialists to disseminate information, but staff at one county said these conferences “have been fairly ineffective mainly because of lack of follow-up in writing and inconsistent information being provided to counties.” In March 2014, DHS suspended these phone conferences to transition to a mentor program.

In May 2014, DHS started the mentor program to increase the knowledge and skill in the counties regarding policy discussions, developing new procedures, and working through problem cases. The mentors met every month with DHS staff and then shared what they learned with their county eligibility workers. One county said the meetings contained good information that the mentor could share with other county eligibility workers. In contrast, another county said the meetings turned out to be more testing of the system than actual training. Two counties in greater Minnesota told us they felt less informed because they were unable to participate in the mentor program.

The DHS Health Care Eligibility and Access staff said providing sufficient training was problematic because the training staff did not have enough time before the October 1, 2013, implementation date. Delays in developing MNsure prevented staff from learning how the system functioned, and staff did not have enough time to finalize the training curriculum before October 1.

*Recommendations*

- *The Department of Human Services should work with county staff and continue to develop training that meets the needs of the county eligibility workers, including working through examples of the complex case scenarios the workers encounter daily.*
- *The Department of Human Services should develop training on navigating MNsure and require employees and eligibility workers to complete the training prior to granting access to the system.*

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

**Minnesota Department of Human Services Response:**

The department believes counties are critical partners in helping Minnesotans access health care. We acknowledge the first year with the new system has been challenging for counties, and we need to improve moving forward.

We have engaged counties at the governance level of the MNsure system, including the addition of a county representative on the Executive Steering Committee and the establishment of a county advisory group.

In October 2014, the department began training county staff to enter paper applications into the new eligibility system. This training has exposed county staff to a variety of complex cases. This is foundational systems training for county workers. By November 21, 2014, approximately 500 county workers will have been trained by the department. Once a county worker has been trained, they may train other workers in their county or other counties.

We plan to train county workers on entering changes in circumstances into the system as procedures are tested and issued. Until these have been issued county workers have been directed to submit these to the department for entry into the system.

While two counties in greater Minnesota indicated that they felt less informed because they were unable to participate in the mentor program, participation in the mentor program is open to all counties.

**Person Responsible:** Karen Gibson, Director, Health Care Eligibility Assessment

**Expected Completion Date:** March 1, 2015

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

**Report 14-22**

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

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

**CFDA Number(s)/Program Name(s):**

93.767 Children's Health Insurance Program  
93.778 Medical Assistance

**Questioned Costs:** \$13,650 – Medical Assistance

**Federal Project Nos./Award Year:** See Report 15-07 - Appendix A

**Finding 2014-011 (14-22-4)** *Inability to close cases based on information changes affecting eligibility.*

**4. Eligibility workers were unable to close cases when recipients had income and family relationship changes that made them ineligible for benefits or when recipients asked workers to close their cases.**

DHS originally intended MNsure to have the capacity that would allow recipients to report changes within the system; however, as of September 2014 the system did not have this functionality. Only staff at DHS could close certain cases, including when someone died or moved out of state. Neither DHS nor county eligibility workers could close cases when people had changes to their income or family relationships that made them ineligible for public health care programs. These cases were not closed because DHS did not know how to close them.

In our discussions with DHS and county staff, they expressed frustration that they could not close cases when people became ineligible. They had to keep manual records of the cases that needed closing for future resolution. For example, Olmsted County staff told us about six Medical Assistance cases that should have been closed from January through March 2014 that DHS did not close. In August 2014, DHS developed a new procedure and began closing cases, including five of these cases. However, one case was still open as of September 2014. Table 1 shows why and when DHS should have closed these six cases and the amount of health care overpayments DHS made through June 30, 2014.

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

**Table 1**  
**Olmsted County Medical Assistance**  
**Cases Not Closed Timely**

<b>Recipient</b>	<b>Reason Case Needed Closing</b>	<b>Date Case Should Have Closed</b>	<b>Amount of Overpayments Through June 2014</b>
1	The recipient said she accidentally applied for Medical Assistance and wanted her case closed because she had other health insurance.	2/20/2014	\$3,448
2	The recipient called the county to have her case closed. She started a new job and had higher income.	3/3/2014	\$806
3	The recipient wrote the county requesting the case be closed.	2/26/2014	\$2,149
4	The recipient requested her Medical Assistance case be closed.	2/28/2014	\$1,780
5	The recipient moved out of state. <sup>1</sup>	2/7/2014	\$2,374
6	The recipient moved out of state. <sup>2</sup>	1/22/2014	\$0

<sup>1</sup> Although DHS could close cases in MNsure when a recipient moved out of state, it did not close this case until August 31, 2014.

<sup>2</sup> As of September 2014, this case was still open. The recipient never selected a managed care organization so he remained on the fee-for-service method of paying for health care costs.

Source: Office of the Legislative Auditor, based on information in MNsure and DHS's medical payment system.

In addition, we identified one household in our sample of 60 Medical Assistance cases where a mother notified the county eligibility worker that she obtained a new job, and that she and her child were no longer eligible for Medical Assistance and MinnesotaCare. However, because the county eligibility worker could not close the case, DHS continued to provide the family with medical coverage, costing \$3,093, from the time the family became ineligible in March 2014 through June 30, 2014.

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

DHS was aware it could not close certain cases and was working with MNsure to correct the problem. However, as of September 2014, DHS had not fully resolved the system weakness; it could close some cases but not all that needed closing.

*Recommendations*

- *The Department of Human Services should ensure eligibility workers can close cases in MNsure.*
- *The Department of Human Services should identify and close all cases where people became ineligible for a public health care program.*

**Minnesota Department of Human Services Response:**

The new system will correctly close cases if a change in circumstances makes a person ineligible for health care. The department is working to test, finalize and issue procedures for entering changes in circumstances to counties. In cases where someone is ineligible, the system will redetermine eligibility and close coverage once the changes have been entered. Part of properly executing closure is making sure that enrollees understand that some changes that they report do not result in ineligibility. For example, they can have other health insurance and still remain eligible for Medical Assistance, and a change of job with higher income may not necessarily make them ineligible.

The department has developed a procedure for cases that wanted to voluntarily close and cases that have moved out of state. County workers submit these requests to the department for closure. Since August 13, 2014, the department has closed more than 3,400 cases. The department will continue to work to fully test procedures that will be issued for county workers.

**Person Responsible:** Nathan Moracco, Assistant Commissioner

**Expected Completion Date:** March 2015

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

**Report 14-22**

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

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

**CFDA Number(s)/Program Name(s):**

93.767 Children's Health Insurance Program  
93.778 Medical Assistance

**Questioned Costs:** Not Quantifiable

**Federal Project Nos./Award Year: See Report 15-07 - Appendix A**

**Finding 2014-012 (14-22-5)** *Noncompliance with eligibility requirements for citizenship and social security information.*

**5. The Department of Human Services did not have an effective process to resolve discrepancies with social security numbers and citizenship or immigration status that MNsure identified for further verification.**

With a few exceptions, federal regulations and state law require public health care program applicants to furnish a valid social security number<sup>23</sup> and evidence documenting citizenship or immigration status.<sup>24</sup> States are required to enroll individuals in such programs during the verification process.<sup>25</sup>

DHS had problems sending accurate notification letters to applicants whose information needed verification, and viewing data about people needing further verification, such as social security numbers and citizenship or immigration status. These problems hindered eligibility workers from verifying eligibility timely.

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<sup>23</sup> 42 CFR, sec. 435.910 (a) (2013) for Medical Assistance and *Minnesota Statutes* 2013, 256L.04, subd. 1(a), for MinnesotaCare.

<sup>24</sup> *Minnesota Statutes*, 256B.06, subd. 4 and 42 CFR, sec. 435.406 outline the citizenship and immigration status for Medical Assistance, and *Minnesota Statutes*, 256L.04, subd. 10 for MinnesotaCare.

<sup>25</sup> 42 CFR, sec. 435.910 (f) (2013) for Medical Assistance Social Security Number; *Minnesota Statutes* 2013, 256L.04, subd. 1a,(b) for MinnesotaCare Social Security Number; and 42 CFR, sec. 435.406 [for](#) Medical Assistance and MinnesotaCare – Citizenship and alienage.

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**Schedule of Findings and Questioned Costs**  
**Section III: Federal Program Audit Findings (Continued)**

**Problems with Notification Letters**

Notification letters are supposed to inform applicants whether they are eligible for a public assistance program or whether they needed to provide additional documentation. DHS said it began mailing those letters in December 2013, but learned in January 2014 that the letters contained errors. As a result, DHS stopped mailing the letters and instructed county staff to create and send their own notification letters. DHS did not monitor whether or when the counties notified recipients of eligibility or requested information for further verifications.

**Problems viewing verifications and other follow-up items**

County eligibility workers also had difficulty following up on verifications because MNsure only displayed 500 follow-up items at a time. For counties with large numbers of recipients, this limit made it impossible for workers to prioritize their workloads, including when to send notification letters. In February 2014, DHS provided a report to individual counties listing follow-up items. As of September 2014, however, DHS had not issued a second report to the counties.

MNsure verifies social security numbers and citizenship or immigration status by matching what applicants report with records from the Social Security Administration and the U.S. Department of Homeland Security. When MNsure is unable to verify the information or finds inconsistencies, it marks the case so the eligibility workers know further verification is needed. The original plan was for MNsure to create a list of notification letters, and DHS would print and mail the letters to applicants that needed to provide additional documentation.

People who need to provide additional information have 95 days from the date the state notifies them to provide the documentation.<sup>26</sup> If applicants do not respond or have a good reason for not responding, federal regulations require DHS to determine eligibility for public health care programs based on information from the Social Security Administration and the U.S. Department of Homeland Security. DHS must also notify applicants if it cannot verify their information and as a result, could drop them from the program.<sup>27</sup>

Based on our testing of 343 recipients,<sup>28</sup> DHS and county eligibility workers did not always verify social security numbers, citizenship or immigration status when MNsure identified cases for additional verification. We were unable to determine if DHS and the county eligibility workers complied with the 95-day requirement because MNsure did not create accurate notification letters, and often DHS did not send any letters. For our testing, we calculated the

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<sup>26</sup> 45 CFR, sec. 155.315 (b)(2) and (c)(3) (2013).

<sup>27</sup> 45 CFR, sec. 155.315 (f)(5) (2013).

<sup>28</sup> The 343 recipients we tested included 152 from our sample test of Medical Assistance and Children's Health Insurance Program, 41 from our sample test of MinnesotaCare, and 150 from our analytical test of duplicate social security numbers and names as described in Finding 1.

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

number of days between the date of enrollment<sup>29</sup> and June 30, 2014, that the verification remained unresolved.

Of the 343 recipients we tested, 35 needed to verify their citizenship or immigration status, and 103 needed to verify their social security number. Table 2 shows the number of recipients needing information verified and how many verifications the eligibility workers did not resolve within 95 days. The percentage of these required verifications that were unresolved ranged from 20 to 88 percent.

**Table 2**  
**Sampled Recipients that Required Eligibility Verifications**  
**Not Resolved Within 95 Days from Enrollment**  
**As of June 30, 2014**

	<b>Medical Assistance</b>	<b>Children's Health Insurance</b>	<b>MinnesotaCare</b>
<b>Citizenship/Immigration Status</b>			
Total verifications needed <sup>1</sup>	22	5	8
Unresolved verifications <sup>2</sup>	8	1	7
<b>Percentage unresolved</b>	<b>36%</b>	<b>20%</b>	<b>88%</b>
<b>Social Security Number</b>			
Total verifications needed <sup>1</sup>	80	11	12
Unresolved verifications <sup>2</sup>	52	7	9
<b>Percentage unresolved</b>	<b>65%</b>	<b>64%</b>	<b>75%</b>

<sup>1</sup> Includes all sample recipients with information MNSure identified as needing verification.

<sup>2</sup> The number of sample recipients DHS and counties had not verified the information within 95 days after enrollment.

Source: Office of the Legislative Auditor, based on information from MNSure.

By not verifying applicant information within the 95-day window, DHS likely used both federal and state dollars to pay health care costs for ineligible people.

<sup>29</sup> On the date of enrollment, DHS should have notified recipients to provide additional information, which would have started the 95-day period.



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

*Recommendations*

- *The Department of Human Services should correct the MNsure notification letter weaknesses.*
- *The Department of Human Services should notify applicants when information needs verification and obtain all required information within 95 days or notify the applicant of their eligibility status.*
- *The Department of Human Services should redesign MNsure so eligibility workers can see all of their assigned follow-up items.*

**Minnesota Department of Human Services Response:**

The department has been working and will continue to work to improve and enhance notice functionality for Medical Assistance and MinnesotaCare applicants and enrollees. Some of the problems identified in the audit period were corrected in July. There is still more work to do.

We are working to ensure timely reconciliation with regard to verifications not received within 95 days. On October 3, 2014, the department mailed reminder notices to Medical Assistance and MinnesotaCare enrollees who have outstanding verifications, prompting them to submit the necessary proofs or to contact their servicing agency to find out more about what they need to provide. The department sent an announcement to county workers informing them of this mailing, and encouraging them to process all verifications they receive from enrollees as quickly as possible. On October 20, 2014, and November 5, 2014, the department issued additional guidance for workers about the process of resolving verifications in the new eligibility system.

The department is planning for the MinnesotaCare and Medical Assistance renewals process on the new eligibility system, which begins in November. The renewal process requires that all outstanding verifications are resolved for an enrollee before eligibility can be renewed. The department expects all remaining outstanding verifications will be addressed with this process.

The department is also working to ensure workers are able to view and access the information they need to do their work.

The timing of IT fixes or enhancements depends on prioritization decisions made by the MNsure Executive Steering Committee.

**Person Responsible:** Nathan Moracco, Assistant Commissioner

**Expected Completion Date:** November 2016

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

**Report 14-22**

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

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

**CFDA Number(s)/Program Name(s):**

93.767 Children's Health Insurance Program  
93.778 Medical Assistance

**Questioned Costs:** \$17,421 - Medical Assistance

**Federal Project Nos./Award Year:** See Report 15-07 - Appendix A

**Finding 2014-013 (14-22-6)** *Noncompliance with eligibility requirements over income.*

**6. The Department of Human Services paid Medical Assistance and MinnesotaCare benefits for recipients whose income exceeded federal and state program limits.**

Enrollment in public health care programs is limited to people with low incomes. Federal regulations<sup>30</sup> require MNsure to verify that income reported by an applicant is “reasonably compatible” with income records from the Minnesota Department of Employment and Economic Development, Internal Revenue Service, and Social Security Administration. If MNsure finds an applicant’s reported income is not reasonably compatible with records at these other sources, federal regulations require the state to “confirm the accuracy of the information submitted by the application filer.”<sup>31</sup>

To determine if income for our sample of recipients was within the program limits, we compared the income reported in MNsure with tax records from the Department of Revenue and wage information from the Unemployment Insurance system at the Department of Employment and Economic Development.

We found 11 of 137 recipients tested had incomes that were too high to qualify for Medical Assistance, and 1 of 41 MinnesotaCare recipients tested whose income exceeded the MinnesotaCare income limits. Eight Medical Assistance recipients had incomes above program limits at the time they applied, and three Medical Assistance recipients and one MinnesotaCare recipient had incomes that exceeded the limits after they had enrolled. We also found one

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<sup>30</sup> 45 CFR, sec.155.320 (c)(1)(i)(A) and (B) (2013).

<sup>31</sup> 45 CFR, sec. 155.315(f)(1).

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

Medical Assistance recipient who received benefits before the eligibility worker verified his income. As a result, DHS overpaid \$17,421 in health care costs for these 13 recipients.

**Incomes exceeded program limit at the time they applied**

Of the eight people whose incomes exceeded income limits at the time they applied, six reported incomes that were less than the Department Employment and Economic Development's wage records. In each case, their actual income exceeded the federal and state program income limits.<sup>32</sup>

Table 3 shows that for the six Medical Assistance people we found ineligible through our sample testing, their actual income exceeded both the program income limits and the income they reported on their applications. The table also shows the health care payments DHS made for these ineligible recipients.

**Table 3**  
**Income Comparisons for Sampled Recipients**  
**Ineligible for Medical Assistance at the**  
**Time of Application through MNSure**

<b>Sample Recipient</b>	<b>Medical Assistance Income Limits<sup>1</sup></b>	<b>Application Income<sup>2</sup></b>	<b>Auditor-verified Income<sup>3</sup></b>	<b>Health Care Payments through June 2014</b>
Adult <sup>4</sup>	\$20,628	\$17,823	\$36,580	\$2,010
Adult <sup>4</sup>	20,628	17,823	36,580	2,016
Adult	15,282	1,000	69,480	2,494
Parent <sup>5</sup>	25,975	0	67,308	1,216
Parent <sup>5</sup>	25,975	0	67,308	1,877
Child 2-18 <sup>5</sup>	53,707	0	67,308	461

<sup>1</sup> The Medical Assistance income limits were based on the number of family members in the household and the percent of the federal poverty guidelines for the type of individual.

<sup>2</sup> The application income is from MNSure.

<sup>3</sup> The auditor-verified income is the actual income amount from the Department of Employment and Economic Development available at the time of application.

<sup>4</sup> These two adults have the same income because they live in the same household.

<sup>5</sup> These three family members have the same income because they live in the same household.

Source: Office of the Legislative Auditor, based on information in MNSure and the Department of Employment and Economic Development.

<sup>32</sup> *Minnesota Statutes* 2013, 256B.056, subd. 4(b) through (e) and *Minnesota Statutes* 2013, 256B.057, subd. 1.

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MNsire enrolled all of these recipients into Medical Assistance. As part of our test, we verified the wage information from the Department of Employment and Economic Development for the quarter prior to the application date. While there is sometimes a delay in obtaining current wage information, we verified information that would have been available at the time each of these recipients applied for public health care assistance. For example, one recipient applied in January 2014. We verified the recipient's wage information for the quarter ended September 2013, which would have been available in November 2013. The income we verified was not reasonably compatible with the information the recipient entered into MNsure at the time of application.

One other person in our sample had conflicting income information at the time he applied for Medical Assistance through MNsure. The single adult applied for Medical Assistance through MNsure in February 2014 and reported a monthly household income of \$972 (annual income of \$11,664). MNsure enrolled him in Medical Assistance, based on this reported income, which was below the program income limit of \$15,282. However, in January 2014, case notes in the DHS cash and food assistance system indicated he was working for \$22 per hour and working 40 hours a week (annual income of \$42,240), and that he was denied cash and food assistant benefits because he was over the income limits. We also found that his quarterly wages reported by the Department of Employment and Economic Development for the first quarter of 2014 was \$4,831 (annual income of \$19,324). These other income amounts exceeded the program income limit, potentially making this person ineligible for Medical Assistance, and were not reasonably compatible with the income the person reported at the time he applied. DHS paid \$240 in health care costs for this person through June 2014.

For another person in our sample, during the online application process, MNsure showed her weekly unemployment benefit, but incorrectly asked her if this was her monthly benefit. She affirmed her weekly \$385 unemployment benefit as her total monthly benefit without realizing the error. MNsure multiplied the weekly amount by 12 months, to calculate an annual income of \$4,620, and enrolled her in Medical Assistance. However, if the error had not occurred, we think MNsure would have calculated her annual income as \$20,020, exceeding the income limit of \$15,282, and making her ineligible for Medical Assistance. DHS overpaid \$1,517 in health care costs for this ineligible person. DHS was aware MNsure incorrectly asked if the unemployment benefits were monthly but had not fixed this problem as of September 2014.

**Incomes exceeded the limit after enrollment**

Once enrolled in a public health care program, a recipient's income must stay below program limits. Prior to the Affordable Care Act (ACA), federal regulations required states to electronically check an applicant's reported income against state wage data at least every three months.<sup>33</sup> However, when the ACA repealed this regulation effective January 1, 2014,<sup>34</sup> DHS

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<sup>33</sup> 42 CFR, sec. 435.952 (a) (2011) and 42 CFR, sec. 435.948 (a) (2011).

<sup>34</sup> Federal Register, Vol. 77, No. 57, March 23, 2012, page 17212.

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discontinued its quarterly file matches. If DHS had continued matching applicants' reported income amounts to actual wage data, it would likely have detected the errors we found in our sample test.

We found that the incomes for 3 of 137 Medical Assistance recipients and 1 of 41 MinnesotaCare recipients we tested increased above the income limits after the person initially enrolled through MNsure. None of the recipients or their parents reported these income changes to DHS as required by Minnesota Rules.<sup>35</sup> Moreover, federal regulations require states to have procedures in place to ensure recipients report changes affecting their eligibility, including income.<sup>36</sup>

Table 4 shows the household income for these recipients increased above the income limits after they enrolled, making them ineligible. The table also shows the health care payments DHS made for these ineligible recipients.

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<sup>35</sup> *Minnesota Rules* 2013, 9505.0115, subpart 1, and *Minnesota Rules*, 2013, 9506.0040, subpart 2.

<sup>36</sup> 42 CFR, sec. 435.916(c) and (d) (2013).

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**Table 4**  
**Income Comparisons for**  
**Sampled Recipients Becoming Ineligible**  
**After Enrolling Through MNsure**  
**(Through June 30, 2014)**

Recipient	Medical Assistance			MnCare
	Child Age 2-18	Infant <sup>1</sup> under 2	Child <sup>1</sup> Age 2-18	Parent
	December 2013	November 2013	November 2013	November 2013
Month enrolled				
Household Income at enrollment <sup>2</sup>	\$35,000	\$64,320	\$64,320	\$37,325
Income limit	\$53,708	\$67,824	\$65,940	\$47,100
Month of increase	January 2014	January 2014	January 2014	January 2014
Revised household income <sup>3</sup>	\$95,576	\$70,897	\$70,897	\$56,497
Healthcare overpayments <sup>4</sup>	\$1,317	\$791	\$329	\$1,812

<sup>1</sup> The infant and child under 18 are siblings, and because of their age have different income limits.

<sup>2</sup> The household income at enrollment came from MNsure.

<sup>3</sup> We determined the revised household income using wage information from the Department of Employment and Economic Development.

<sup>4</sup> These health care overpayments are for the period these recipients were ineligible.

Source: Office of the Legislative Auditor, based on information in MNsure and the Department of Employment and Economic Development.

As mentioned above, DHS could reinstate its quarterly income verification process to identify unreported income changes to help limit paying health care costs for ineligible recipients.

#### **Income not verified prior to recipient receiving benefits**

As allowed by federal regulations, MNsure identified another recipient for further income verification because the reported income amount did not reasonably match other data sources.<sup>37</sup> Identifying this discrepancy should have delayed the person's enrollment in Medical Assistance until DHS or the county eligibility worker followed up. However, DHS paid \$1,341 in health

<sup>37</sup> 45 CFR sec. 155.320(c) (1) (i) (A) (2013).

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care costs for the person even though the county eligibility worker had not yet verified the income. Because the county eligibility worker had not verified this person's income, the person should not have received Medical Assistance benefits. DHS did not know why MNsure allowed the worker to activate the Medical Assistance benefits without a final income verification.

*Recommendations*

- *The Department of Human Services should consider developing procedures to verify reported income with external sources at least quarterly and identify income changes affecting recipients' eligibility.*
- *The Department of Human Services should fix the error that asks applicants if their unemployment income is monthly rather than weekly.*
- *The Department of Human Services should identify and fix the error that allowed the Department of Human Services to make benefit payments before eligibility workers resolved income discrepancies identified by MNsure.*

**Minnesota Department of Human Services Response:**

Most of the initial application errors that are cited in the audit are the result of problems that have been fixed. The Department of Human Services has been identifying and fixing errors in eligibility determination throughout the project. The cases identified in the audit were in error because at the time the sample was drawn the match with data from the Department of Employment and Economic Development (DEED) was not working. This was fixed in April 2014; the new eligibility system currently verifies data with DEED at the time of application.

The DEED verification is one of a number of state and federal electronic data sources used to verify income for applicants. State sources include quarterly wage data and unemployment insurance data from DEED and alimony information from the statewide child support computer system. The system also connects to the federal data services hub and receives Internal Revenue Service tax data and, since March 2014, TALX<sup>38</sup> real-time wage data. For individuals who assert income within the Medical Assistance and MinnesotaCare income limits, the system determines whether the income reported is reasonably compatible with the electronic data received from these sources. When the reported income is not reasonably compatible with electronic sources, applicants are required to submit paper verification of income.

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<sup>38</sup> TALX is a national service that provides a secure way for DHS to obtain real time employment and income information.

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We have reviewed the error that allowed benefit payments to be made when there were unresolved income discrepancies and determined that this is not a widespread issue. It appears to be an anomalous case.

The department is working to correct the system flaw that causes unemployment income to display as a monthly figure rather than weekly. The department will consider periodic data matching of enrollees' income. The timing of IT fixes or enhancements depends on prioritization decisions made by the MNSure Executive Steering Committee.

**Person Responsible:** Nathan Moracco, Assistant Commissioner

**Expected Completion Date:** November 2016



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**Report 14-22**

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

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

**CFDA Number(s)/Program Name(s):**

93.767 Children's Health Insurance Program  
93.778 Medical Assistance

**Questioned Costs:** \$4,858 – Medical Assistance

**Federal Project Nos./Award Year:** See Report 15-07 - Appendix A

**Finding 2014-014 (14-22-7)** *Noncompliance with eligibility requirements over household size and family relationships.*

**7. The Department of Human Services paid health care costs for some ineligible people based on the applicants' reported household size and family relationships.**

Federal regulations allow states to accept what applicants list as the number of people in their households and whether those people are related to one another unless the state finds contradictory information.<sup>39</sup> In addition, federal regulations require states to develop plans describing their policies and procedures for verifying applicant information.<sup>40</sup> DHS's verification plan established that it would accept an applicant's reported household size and member relationships without further review. Health care costs are based on the eligibility category<sup>41</sup> assigned to the individuals that make up the household.

DHS's decision to not verify household size and member relationships, while in compliance with the law, increases the risk that ineligible people may be enrolled in the public health care programs. We found evidence that DHS overpaid health care costs for 4 of 100 households we tested, based on inaccurate reporting of household size and member relationships, as follows:

- Two recipients in the same household were ineligible for Medical Assistance because the applicant erroneously reported that her children were the parents in the household. Consequently, MNsure used the children's income and incorrectly enrolled the children

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<sup>39</sup> 45 CFR, sec. 155.320(c)(2) (2013).

<sup>40</sup> 42 CFR, sec. 435.945(j) (2013).

<sup>41</sup> Examples of eligibility categories are children under 19, parents, and adults without children.

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in Medical Assistance. Because MNsure did not detect the reported “children” were older than the “parents,” DHS paid health care costs for ineligible recipients.<sup>42</sup>

- In another household, we determined a wife was ineligible for Medical Assistance because she reported that she and her husband were “another relative of” each other rather than married. However, the household member information in DHS’s cash and food assistance system, as of March 2014, showed the couple was married.<sup>43</sup> Because of the error, MNsure used their individual incomes to determine eligibility rather than the couple’s combined income of \$39,982. However, the Medical Assistance income limit for a married couple was \$20,628, making them both ineligible for the program. DHS overpaid \$3,311 in health care costs through June 30, 2014.
- When four members of a household applied for Medical Assistance through MNsure, they classified their relationships with each other as “another relative of” the others; however, DHS’s cash and food assistance system showed that the household was a mother and her three children. Based on that family relationship, the family was still eligible for Medical Assistance, but DHS overpaid \$1,487 in health care costs for the mother because she was incorrectly classified as an adult without children, rather than a parent.
- In the fourth household, the applicant reported that the household only included a father and his two children. MNsure enrolled the children in the Medical Assistance program. However, we verified information from DHS and the Department of Employment and Economic Development that identified the children’s mother had the same address as the father. If DHS had verified whether the mother lived in the household, the children may not have been eligible for Medical Assistance. The parent’s combined income (\$98,505) would have exceeded the income limits for this household by about \$30,000. DHS possibly overpaid \$60 in health care costs for these ineligible children.

Had DHS verified the household size and member relationships with its cash and food assistance system and information from other state systems, it may have prevented the above errors. By not performing the verifications, DHS increased the risk that it used federal and state dollars to pay the health care costs for ineligible people.

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<sup>42</sup> DHS did not begin making payments to the managed care organization for this household until July 1, 2014.

<sup>43</sup> The department uses the MAXIS system to administer the food support and cash assistance programs. MAXIS contains similar eligibility information as MNsure.

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*Recommendations*

- *The Department of Human Services should ensure MNsure will not accept invalid member relationships during the enrollment process.*
- *The Department of Human Services should consider modifying its verification plan to verify household size and member relationships with other available data, including the Department of Human Services' cash and food assistance system.*

**Minnesota Department of Human Services Response:**

**Response to Audit Recommendation 7-1**

The department will work to pursue system checks to prevent member relationship errors by applicants. In our assessment this is not a widespread issue.

The timing of IT fixes or enhancements depends on prioritization decisions made by the MNsure Executive Steering Committee.

**Person Responsible:** Nathan Moracco, Assistant Commissioner

**Expected Completion Date:** November 2016

**Response to Audit Recommendation 7-2**

The department will consider this recommendation. These verifications are not required by the federal government and are not part of our federally approved verification plan.

The department does not currently use data from the Supplemental Nutrition Assistance Program, Minnesota Supplemental Aid, General Assistance or Temporary Assistance to Needy Families programs because this data is not electronically available. Making this data available electronically is part of our long-term plan to modernize human services systems.

**Person Responsible:** Nathan Moracco, Assistant Commissioner

**Expected Completion Date:** N/A

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**Report 14-22**

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

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

**CFDA Number(s)/Program Name(s):**

93.767 Children's Health Insurance Program  
93.778 Medical Assistance

**Questioned Costs:** \$1,125 – Medical Assistance

**Federal Project Nos./Award Year:** See Report 15-07 - Appendix A

**Finding 2014-015 (14-22-8)** *Incorrectly enrolled participants in the wrong public program.*

- 8. MNSure incorrectly enrolled some people in MinnesotaCare when they were eligible for Medical Assistance, and the Department of Human Services did not transfer MinnesotaCare recipients to the Medical Assistance Program when their income dropped.**

State statutes do not allow people eligible for Medical Assistance to enroll in MinnesotaCare.<sup>44</sup> Our testing identified the following instances where MinnesotaCare recipients were eligible or may have been eligible for Medical Assistance.

**MinnesotaCare Children eligible for Medical Assistance**

Because the Medical Assistance income limit<sup>45</sup> for children is higher than the MinnesotaCare limit,<sup>46</sup> children generally qualify for Medical Assistance rather than MinnesotaCare. Through an analytical test, we identified 1,050 children receiving MinnesotaCare and selected a sample of 27 to test the children's eligibility. We found more than a third (10) of the children qualified for Medical Assistance. We found two causes for these errors: MNSure used incorrect income, and recipients made errors during the application process.

MNSure incorrectly calculated the annual household income when the applicant indicated they earned semi-monthly income. This error caused MNSure to enroll seven children in MinnesotaCare when they were eligible for Medical Assistance.

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<sup>44</sup> *Minnesota Statutes* 2013, 256L.04, subd. 14.

<sup>45</sup> *Minnesota Statutes* 2013, 256B.056, subd. 4 (b)-(e).

<sup>46</sup> *Minnesota Statutes* 2013, 256L.04, subd. 1.

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Table 5 shows the household income for the seven children was below the Medical Assistance income limit and resulted in overpayments of health care costs.

**Table 5**  
**Sampled MinnesotaCare Children**  
**With Incorrect Household Incomes in MNsure**  
**Who Should be on Medical Assistance**

<b>Child</b>	<b>Medical Assistance Income Limit<sup>1</sup></b>	<b>Household Income<sup>2</sup></b>	<b>Overpaid Health Care Costs Through June 2014</b>
1	\$97,927	\$56,520	\$288
2	42,652	20,016	433
3	53,707	28,800	144
4	53,707	17,952	214
5	64,762	45,171	268
6	53,707	32,100	171
7	64,762	45,940	214

<sup>1</sup> The Medical Assistance income threshold is based on the number of people in the household and the percent of the federal poverty guidelines for the type of individual.

<sup>2</sup> The household income is from the income reported by the enrollee in MNsure.

Source: Office of the Legislative Auditor, based on information in MNsure and the Medicaid Management Information System.

DHS said it was aware of this programming error and corrected it in May 2014; however, it had not identified all the MinnesotaCare recipients affected by the error and taken corrective action.

MNsure incorrectly enrolled three other children in MinnesotaCare, rather than Medical Assistance, when the applicants erroneously reported that the children received Minnesota Supplemental Aid (MSA).<sup>47</sup> When the applicant responded that the children receive MSA, MNsure should have stopped the process and directed the applicant to contact DHS or the county because DHS uses another system to determine Medical Assistance eligibility for MSA recipients.<sup>48</sup> However, MNsure enrolled the applicants in MinnesotaCare. Had the applicant reported the children were not enrolled in MSA, MNsure would have correctly enrolled them in Medical Assistance. DHS overpaid \$560 in health care costs for the ineligible children. DHS

<sup>47</sup> *Minnesota Statutes* 2013, sec. 256B.055, subd. 4 - Medical assistance may be paid for a person who is receiving public assistance under the Minnesota supplemental aid program.

<sup>48</sup> DHS used the MAXIS system to determine eligibility for Medical Assistance recipients whose incomes were not calculated on the modified adjusted gross income, including people on Minnesota Supplemental Aid.

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said it was aware of this programming error but had not fully resolved the problem by September 2014.

**MinnesotaCare recipients whose income decreased below Medical Assistance income limits**

Two MinnesotaCare recipients, a husband and wife, became eligible for Medical Assistance when the husband stopped working in May 2014. The husband called the eligibility worker saying he stopped working, but DHS could not update his income in MNsure and enroll the couple in Medical Assistance. As previously discussed in Finding 4, DHS said it was aware of this system weakness and was working to correct it; however, DHS had not fully resolved the problem as of September 2014. As a result, DHS underpaid the managed care organization \$295 for June 2014.

**MinnesotaCare recipients who may have been eligible for Medical Assistance**

From October 2013 through March 2014, MNsure did not verify the MinnesotaCare household income with other data sources, including the Social Security Administration, Internal Revenue Service, and the Minnesota Department of Employment and Economic Development.<sup>49</sup> In March 2014, DHS worked with MNsure to ensure the system verified the applicants' income with these other sources. DHS, however, did not retroactively verify the income for the MinnesotaCare recipients who enrolled prior to March 2014.

Based on income information we reviewed from the departments of Revenue and Employment and Economic Development, 5 of 41 MinnesotaCare recipients we tested may have been eligible for Medical Assistance. Table 6 shows that the income we verified for these five recipients was less than the Medical Assistance limits. All five recipients enrolled between October 2013 and March 2014.

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<sup>49</sup> 42 CFR, sec. 435.603(h) (2013) requires that Medical Assistance income be based on current monthly income, and *Minnesota Statutes* 2013, 256L.01, subd. 5 and 26 CFR, sec. 1.36B-1 (2013) requires that MinnesotaCare income be based on the taxable year income.

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**Table 6**  
**Sampled MinnesotaCare Recipients**  
**Who May Have Been Eligible for Medical Assistance**

<b>Recipient</b>	<b>Medical Assistance Income Limit<sup>1</sup></b>	<b>Household Income<sup>2</sup></b>	<b>Auditor verified Income<sup>3</sup></b>	<b>Incorrect Health Care Payments through June 2014</b>
Adult <sup>4</sup>	\$15,281	\$30,615	\$4,297	\$(1,257)
Parent	25,974	36,000	0	128
Parent <sup>5</sup>	36,668	39,000	2,281	128
Parent <sup>5</sup>	36,668	39,000	2,281	128
Parent	20,628	22,880	18,999	0

<sup>1</sup> The Medical Assistance income limit was based on the number of people in the household and 133 percent of the federal poverty guidelines.

<sup>2</sup> The household income was from the current income reported by the enrollee in MNsure.

<sup>3</sup> The auditor-verified income came from the Unemployment Insurance system at the Department of Employment and Economic Development. We noted any additional information from the 2013 income tax records that may indicate the recipient had more income than that reported in the Unemployment Insurance system.

<sup>4</sup> This recipient had business income per his 2013 income tax records, but his adjusted gross income was less than \$10,000.

<sup>5</sup> These two parents are married and living in the same household. The only additional income on their 2013 income tax record was \$15 of taxable interest.

Source: Office of the Legislative Auditor, based on information in MNsure, the Medicaid Management Information System, and the departments of Revenue and Employment and Economic Development.

*Recommendations*

- *The Department of Human Services should identify the recipients affected by MNsure's miscalculation of semi-monthly income and the impact of the Minnesota Supplemental Aid system error and enroll the recipients in the correct health care program.*
- *The Department of Human Services should continue its efforts to correct MNsure weaknesses that prevent eligibility workers from closing cases when income changes affect recipient eligibility.*
- *The Department of Human Services should review and verify the income of recipients who enrolled in MinnesotaCare prior to March 2014 and ensure that these recipients are enrolled in the correct program.*

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**Minnesota Department of Human Services Response:**

The system flaw that caused miscalculation of semimonthly income was fixed in May 2014. An enhancement to prevent applicants who erroneously report Minnesota Supplemental Aid from being denied Medical Assistance is scheduled to be deployed by the end of November 2014.

The department is working to implement the necessary procedures for changes in circumstances, which will enable workers to update eligibility data and income. Entering new income data will trigger a redetermination of eligibility, and closure of individuals who are no longer eligible for Medical Assistance or MinnesotaCare.

The department is reviewing all cleanup activities that are necessary from the first year of public program enrollment in the new eligibility system. We will prioritize cleanup activities based on our overall assessment.

**Person Responsible:** Nathan Moracco, Assistant Commissioner

**Expected Completion Date:** March 2015 for changes in circumstances procedures  
July 2015 for prioritization of cleanup activities



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**Report 14-22**

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

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

**CFDA Number(s)/Program Name(s):**

93.778 Medical Assistance

**Questioned Costs:** \$5,593 – Medical Assistance

**Federal Project Nos./Award Year: See Report 15-07 - Appendix A**

**Finding 2014-016 (14-22-9)** *Paid benefits for participants in both public program and Medicare.*

**9. The Department of Human Services paid benefits for MinnesotaCare recipients who were also enrolled in Medicare.**

State law prohibits MinnesotaCare recipients from having other health insurance coverage, including Medicare.<sup>50</sup>

We found one person in our sample of 41 people in MinnesotaCare who also received Medicare benefits. As a result, we expanded our testing and identified 1,063 people aged 65 or older enrolled in MinnesotaCare.<sup>51</sup> We tested 25 of these people and found six who were enrolled in Medicare and, therefore, were not eligible for MinnesotaCare. DHS paid \$5,593 in health care costs for these seven people through June 30, 2014.

In March 2014, DHS identified that several MinnesotaCare recipients were also receiving Medicare. In April 2014, DHS clarified the wording in the MNsure application question that asked if the person had other health care coverage. DHS also told us it created a report in June 2014, which identified the Medicare beneficiaries enrolled in MinnesotaCare. DHS closed the ineligible cases and notified the recipients why it terminated their MinnesotaCare coverage. DHS said it continues to create and review a report each month and takes the appropriate action on ineligible cases.

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<sup>50</sup> *Minnesota Statutes* 2013, 256L.07, subd. 3(a).

<sup>51</sup> Some people aged 65 or older are not eligible to receive Medicare benefits, for example, individuals who do not qualify for Social Security benefits. See 42, U.S. Code, Chapter 7, Subpart XVIII, Part A, Section 1395c.

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*Recommendation*

- *The Department of Human Services should continue to identify Medicare beneficiaries who are also enrolled in MinnesotaCare and close the cases prior to paying health care costs.*

**Minnesota Department of Human Services Response:**

Since the department learned of this issue in March 2014, we have determined the source of the error and taken corrective action. The error was caused when applicants with Medicare coverage incorrectly answered “no” to the online application question about having other health insurance. We have taken the following steps to correct this error:

1. On April 27, 2014, the online application question about other health insurance was changed to specifically ask applicants if they have Medicare.
2. Applicants who were Medicare beneficiaries were disenrolled from MinnesotaCare effective June 30, 2014. The department mailed a supplemental application to these people and invited them to apply for Medicare Savings Programs or Medical Assistance for people who are age 65 and older or persons who are blind or disabled.

The department will continue to run monthly reports to identify Medicare beneficiaries and those newly qualifying for Medicare and will continue to take action to prevent incorrect MinnesotaCare enrollment.

**Person Responsible:** Nathan Moracco, Assistant Commissioner

**Expected Completion Date:** Ongoing activity

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**Report 14-22**

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

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

**CFDA Number(s)/Program Name(s):**

93.767 Children's Health Insurance Program  
93.778 Medical Assistance

**Questioned Costs:** \$3,987 – Children's Health Insurance Program

**Federal Project Nos./Award Year:** See Report 15-07 - Appendix A

**Finding 2014-017 (14-22-10)** *Noncompliance with eligibility verification requirements.*

**10. The Department of Human Services did not assign women to the correct eligibility category and did not ensure the women were enrolled in the correct program when they were no longer eligible for the Children's Health Insurance Program.**

The Children's Health Insurance Program primarily covers low income pregnant women until 60 days after their pregnancy ends.<sup>52</sup> After 60 days and depending on the outcome of her pregnancy and age, a woman's health care eligibility category should change to parent, adult without children, or a child age 19 or 20. In addition, the woman is no longer eligible for the Children's Health Insurance Program, and DHS should determine if she is eligible for another public health care program. If she is eligible for another program, DHS uses the eligibility categories to determine the health care program costs.

We tested a sample of eight women who had passed the 60-day period. As explained below, we found errors in five of the eight cases we tested. It is likely there are other cases in which similar errors occurred.

**Incorrect eligibility category**

DHS overpaid \$2,680 in health care costs through June 30, 2014, for three of eight women we tested because MNsure did not correctly update their eligibility categories. DHS did not identify eligibility category errors for these women who reached the end of the 60-day period. The errors occurred because the updated eligibility category in MNsure did not transfer to the

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<sup>52</sup> *Minnesota Statutes* 2013, 256B.06, subd. 4(i), and *Minnesota Statutes* 2013, 256B.055, subd. 6.

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DHS medical payment system. In May 2014, DHS said MNSure fixed this problem but did not review all the affected cases, including these three.

**Incorrect health care program**

DHS did not verify the accuracy of two women's eligibility for health care programs 60 days after their pregnancies ended.

- DHS did not close the case of a woman who was no longer eligible for any public health care program 60 days after her pregnancy ended because she was not a legal immigrant. DHS overpaid \$1,307 in managed care premiums through June 30, 2014, for this ineligible woman.
- MNSure incorrectly enrolled a woman in Medical Assistance after the 60 days ended without reassessing her program eligibility. Her income was too high for Medical Assistance but was within the income limits for MinnesotaCare.

DHS was aware that MNSure did not reassess the program women were eligible for at the end of their 60-day pregnancy status. As of September 2014, DHS had not fixed this problem and had not identified the women enrolled in the wrong program or not eligible for any program.

*Recommendations*

- *The Department of Human Services should ensure that MNSure and the DHS medical payment system have the correct eligibility category for women 60 days after their pregnancies end.*
- *The Department of Human Services should ensure that MNSure redetermines eligibility before it enrolls women in Medical Assistance 60 days after their pregnancies end.*
- *The Department of Human Services should identify and correct all the eligibility category and program enrollment errors to ensure the women past the 60-day period are enrolled in the correct health care program.*

**Minnesota Department of Human Services Response:**

The department will work to improve system functionality toward ensuring correct eligibility for women following pregnancy. This defect is on our list of cleanup activities. We have fixed all such cases that have come to our attention, including the ones identified by the auditor.

The department is reviewing all cleanup activities that are necessary from the first year of public program enrollment in the new eligibility system. We will prioritize cleanup activities based on our overall assessment.

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The timing of IT fixes depends on prioritization decisions made by the MNsure Executive Steering Committee.

**Person Responsible:** Nathan Moracco, Assistant Commissioner

**Expected Completion Date:** November 2016

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**Report 15-01**

**State Agency:** Minnesota Office of MN.IT Services

**Federal Agency(ies):** U. S. Department of Agriculture  
U. S. Department of Labor  
U. S. Department of Education  
U. S. Department of Health and Human Services  
U. S. Department of Homeland Security

**CFDA Number(s)/Program Name(s):**

10.551	Supplemental Nutrition Assistance Program
10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.557	Special Supp. Nutrition Prgm for Women, Infants, Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program
10.561	Supplemental Nutrition Assistance Administration
17.225	Unemployment Insurance
84.007	Federal Supplemental Educational Opportunity Grants
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.033	Federal Work Study Program
84.038	Federal Perkins Loans
84.063	Federal Pell Grant Program
84.126	Vocational Rehabilitation
84.173	Special Education – Preschool Grants
84.268	Federal Direct Student Loans
84.376	National Science and Mathematics Talent Grants
84.379	Teacher Education Asst. for College and Higher Education
93.525	State Planning, Establishment Grants for ACA Exchanges
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Fund
93.658	Foster Care – Title IV-E
93.667	Social Services Block Grant
93.767	Children’s Health Insurance Program
93.777	State Health Care Providers Survey
93.778	Medical Assistance Program
97.036	Disaster Grants – Public Assistance Program

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**Questioned Costs:** Not Quantifiable

**Federal Project Nos./Award Year:** NA

**Finding 2014-018 (15-01-1)** *Noncompliance with federal cost principles and excess reserves.*

- 1. The Office of MN.IT Services used billing rates that significantly overcharged for some shared information technology services to offset other billing rates that significantly undercharged for some shared information technology services.**

For fiscal year 2014, as in previous fiscal years, the Office of MN.IT Services developed billing rates that were significantly higher than the break-even rates it calculated for certain shared information technology services. For example, the 2014 rate for mainframe services was nearly 56 percent higher than the break-even rate MN.IT calculated was necessary to cover the estimated cost of providing those services.

MN.IT management told us they overcharged for some shared services to offset other shared services where it set rates below break-even. (For example, MN.IT proposed a 2014 rate to charge agencies for email and other office software services that was about 20 percent lower than the estimated cost of providing those services.) MN.IT management asserted that they were reluctant to increase the below break-even rates because of the impact these increases would have on agencies' budgets. Although MN.IT management told us they planned to move rates toward break even, they could not identify the timeline for that plan.

The Department of Management and Budget provisionally approved the rates MN.IT proposed for fiscal year 2014, and required MN.IT to address some long-standing concerns about the rates MN.IT used. In an August 2013 memorandum,<sup>53</sup> the department required MN.IT to submit a plan, to address four specific issues, including the following issues most relevant to our finding:

- Significant variances between projected revenues and projected expenditures. The department stated, "Some of your product lines have significant long-standing variances that should be brought into closer alignment." The department found that MN.IT derived about \$49.5 million (almost half) of its projected revenue for fiscal year 2014 from proposed rates that were 20 percent or more higher or lower than the estimated cost of providing the related services. The memorandum further stated, "For example, the proposed rate for your largest product line, Mainframe, is set to collect \$34.7 million on estimated costs of \$22.5 million, over collecting by \$12.2 million or 56%."

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<sup>53</sup> Memorandum from Margaret Kelly, Department of Management and Budget, State Budget Director, to Carolyn Parnell, Commissioner of the Office of MN.IT Services and State Chief Information Officer, August 21, 2013.

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

- Excess reserves and federal excess reserve penalties. The department was concerned that MN.IT's proposed rate plan would continue to keep the revolving fund's balance too high. Overall, MN.IT projected its proposed rates would collect \$2.5 million more than the projected costs, keeping the revolving fund balance "at a level that exceeds the two months working capital guideline used by the federal government." Citing that MN.IT would have paid \$16 million of overcharge adjustments to the federal government for fiscal years 2011 through 2014 (projected), the department stated, "Additional efforts are necessary to reduce excess reserves."

The Department of Management and Budget raised appropriate issues. MN.IT's response concerned us. In a June 2014 memorandum, MN.IT management stated that they believed it was "appropriate" to their business and "advantageous" to their customers "to maximize federal dollars."<sup>54</sup> The memorandum stated, "This is a strategy that Minnesota and many other states have historically used successfully to benefit state government, balancing federal penalties against leveraging the dollars for state investments."

We found no federal authorization to support MN.IT's strategy. We believe this strategy (initially overbilling the federal government and subsequently paying refunds to the federal government for the overcharges) does not comply with federal cost principles, state statutes, or policies. While federal regulations allow for an annual adjustment (refund) when billing rates result in revenue greater than the cost of providing services, that does not eliminate the federal requirement that the billing rates "must be based on the estimated costs of providing the services."<sup>55</sup> State statutes and policies also require that state agencies set billing rates for shared services "as close to the break-even rate" as possible.

As part of its process to review the rates MN.IT proposed for fiscal year 2015, the Department of Management and Budget had MN.IT calculate the effect on agencies' reimbursements if it set all rates to break-even. MN.IT's analysis identified that the two departments whose reimbursements would decline the most were the Department of Human Services (with a decline of about \$7.2 million) and the Department of Employment and Economic Development (with a decline of about \$1.2 million). These departments administer the state's two largest federal programs and rely heavily on MN.IT's mainframe services, for which MN.IT has set billing rates well above the cost of those services.

We also think MN.IT did not adequately consider how using rates that significantly varied from the break-even rate could result in the misuse of state funds. For example, because the Department of Human Services often splits the reimbursement for information technology services between federal and state resources, it pays for some of the reimbursement for mainframe services with state money that is restricted by state statutes for a specific purpose.

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<sup>54</sup> Memorandum from Carolyn Parnell, Commissioner of the Office of MN.IT Services and State Chief Information Officer, to Margaret Kelly, Department of Management and Budget, State Budget Director, June 19, 2014. This memorandum updated MN.IT's initial response provided on September 3, 2013.

<sup>55</sup> 2 Code of Federal Regulations, Part 200, Appendix V.



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While the inflated rate for mainframe services allows MN.IT to “maximize federal dollars,” it also inappropriately increased the reimbursement of information technology services paid for with other legally restricted money.

Finally, the overcharges increased the revolving fund’s reserve (or retained earnings) balance beyond the 60-day cash flow limit allowed by federal cost principles, which we estimate to be about \$15 million. The fund’s reserve balance increased from \$16.7 million at the end of fiscal year 2007 to \$27.3 million at the end of fiscal year 2013, even though the department paid refunds during that period to the federal government totaling nearly \$20.6 million.

*Recommendations*

- *The Office of MN.IT Services should revise its billing rates for shared information technology services it provides to state agencies to ensure that the rates comply with federal and state legal requirements.*
- *The Office of MN.IT Services should work with the Department of Management and Budget to identify and resolve the inappropriate use of federal and state legally restricted money resulting from the overcharges for some shared information technology services.*

**Minnesota MN.IT Services Response:**

MN.IT Services agrees with this finding and will use the established rate setting and approval process to implement the recommendations.

MN.IT has been working for several years to move closer towards break-even rates for individual products in the rate-based portfolio. However, MN.IT will move more aggressively to address these longstanding variances. MN.IT operates on an overall break-even basis and reaps no benefit by overcharging for some products and undercharging for others. In fact, this practice results in added accounting complexity that MN.IT would prefer to avoid.

MN.IT recognizes that moving towards break-even rates must be done thoughtfully because there will be cost implications for customers and programs. Based on an analysis compiled by MN.IT, the audit highlights two agencies that would see their costs reduced by \$8.4 million with break-even rates. However, the audit does not point out that these same amounts must be recovered from other customers because the portfolio as a whole must balance. These are some of the issues that we will address through the established rate setting and approval process.

**Person Responsible:** Tu Tong, Chief Financial Officer

**Expected Completion Date:** MN.IT will implement break-even rates for all products over the course of the next four rate setting and approval cycles.

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

**Report 15-04**

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

**Federal Agency(ies):** U. S. Department of Homeland Security

**CFDA Number(s)/Program Name(s):**

97.036 Disaster Grants – Public Assistance Program

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

**Federal Project Nos./Award Year:** 1830DRMNP00000001, 1900DRMNP00000001, 1921DRMNP00000001, 1941DRMNP00000001, 1982DRMNP00000001, 1990DRMNP00000001, 4009DRMNP00000001, 4069DRMNP00000001, 4113DRMNP00000001, 4131DRMNP00000001, 4182DRMNP00000001

**Finding 2014-019 (15-04-1) Noncompliance with FFATA reporting requirements.**

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

The department did not establish a process to report to the federal government information about recipients of subawards<sup>56</sup> from Disaster Grants – Public Assistance (CFDA 97.036), as required by the Federal Funding Accountability and Transparency Act.<sup>57</sup> 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.

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<sup>56</sup> 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.

<sup>57</sup> 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.

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

*Recommendation*

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

**Minnesota Department of Public Safety 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.

**Persons Responsible:** John Moore, Branch Director of Recovery and Mitigation

**Expected Completion Date:** June 30, 2015

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

**Report 15-05**

**State Agency:** Minnesota Department of Commerce

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

**CFDA Number(s)/Program Name(s):**

93.568 Low-Income Home Energy Assistance

**Questioned Costs:** None

**Federal Project Nos./Award Year:** #G-13B1MNLIEA, #G-14B1MNLIEA, #G-1401MNLIE4

**Finding 2014-020 (15-05-1)** *Noncompliance with single audit reporting requirements, including FFATA.*

**1. The Department of Commerce did not comply with certain federal reporting requirements for the Low-Income Home Energy Assistance program. This is a repeat finding.<sup>58</sup>**

The department had weaknesses in its financial reporting process that resulted in untimely and incomplete reporting to the federal government. The department had the following problems.

- The department submitted its Federal Financial Report (SF-425) 40 days late. The September 30, 2014, report was due on December 31, 2014; however, the department transmitted the report on February 9, 2015. While the report contained accurate financial information, the federal government required the report to be transmitted within 90 days. Timely reporting to the federal government is essential in fulfilling the state's responsibility in managing the federal grant.
- The Department of Commerce did not comply with federal reporting requirements of the Federal Funding Accountability and Transparency Act<sup>59</sup> for the Low-Income Home Energy Assistance program. In response to a prior audit finding, the Department of

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<sup>58</sup> Office of the Legislative Auditor's Financial Audit Division Report 14-08, *Department of Commerce*, issued March 21, 2014, Finding 1.

<sup>59</sup> 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.

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

Commerce established a process to report subaward<sup>60</sup> information as required by the federal government. However, the department did not report subaward information for three service providers that received over \$25,000 during fiscal year 2014 for the Low-Income Home Energy Assistance program (CFDA 93.568). Federal reporting requirements state that the department “*must report each action that obligates \$25,000 or more in federal funds ...for a subaward to an entity...no later than the month following the month in which the obligation was made.*”<sup>61</sup> In total, the department provided the three service providers with \$410,000 from the Low-Income Home Energy Assistance program.

Department staff told us they did not report the subaward information for the three service providers because they did not have the service providers’ Data Universal Numbering System (DUNS) numbers. The federal government requires the state to obtain DUNS numbers before it passes federal money through to those organizations.<sup>62</sup> Specifically, federal regulations indicate:

*“If you are authorized to make subawards under this award, you:*

- 1. Must notify potential subrecipients that no entity...may receive a subaward from you unless the entity has provided its DUNS number to you.*
- 2. May not make a subaward to an entity unless the entity has provided its DUNS number to you.”*<sup>63</sup>

Because the department did not comply with federal transparency reporting requirements, the federal website did not have complete financial information about certain service providers that received funding from the state’s Low-Income Home Energy Assistance program.

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<sup>60</sup> 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.

<sup>61</sup> Title 2, Code of Federal Regulations, Part 170, Appendix A.

<sup>62</sup> Office of Management and Budget guidance specifies that a prime awardee must report information and location of the subaward recipient, the date of the subaward, the subawardee’s nine-digit Data Universal Numbering System (DUNS) number, the amount of federal funds awarded, including modifications, authorized date of the subaward agreement, date the information was submitted, and an assigned subaward identification number.

<sup>63</sup> Title 2, Code of Federal Regulations, Part 25, Appendix A.

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

*Recommendation*

- *The Department of Commerce should comply with federal reporting requirements by:*
  - *transmitting the Federal Financial Report (SF-425) by the required federal due date; and*
  - *obtaining DUNS numbers from all entities that receive pass-through grants and report subawards, as required by the Federal Funding Accountability and Transparency Act.*

**Minnesota Department of Commerce Response:**

The Commerce Department has already developed an internal calendar that contains all federal reporting dates and deadlines. This calendar provides lead time and a notification process to ensure that future federal reporting due dates are met.

The Department has made strong efforts in the past year to correct this finding by obtaining sub-award information from our service providers, which is done for all service providers that have received DUNS numbers. In the past year, the Department has significantly decreased the number of service providers out of compliance with only three remaining. The sub-award amounts were not reported for the three service providers because they have not provided DUNS numbers. The Department will suspend funding, after sufficient notice, for these providers until a DUNS number is received.

**Persons Responsible:** Tim Jahnke, Chief Financial Officer

**Expected Completion Date:** Completed

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

**Report 15-06**

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

**Federal Agency(ies):** U.S. Department of Labor  
U.S. Department of Education

**CFDA Number(s)/Program Name(s):**

17.225 Unemployment Insurance

**Questioned Costs:** \$842,400

**Federal Project Nos./Award Year:** UI-25212-14-55-A-27

**Finding 2014-021 (15-06-1)** *Nonassessment of penalties for applicants who filed fraudulent extended benefits.*

**1. The Department of Employment and Economic Development did not assess financial penalties for applicants who filed fraudulent claims and inappropriately received federal extended unemployment benefits totaling \$2.1 million for fiscal year 2014.**

The department did not comply with federal and state law requiring it to assess and pursue recovery of penalties on fraudulent claims for \$2.1 million of federal extended<sup>64</sup> unemployment insurance benefits (CFDA 17.225).<sup>65</sup> The department also had not assessed penalties on fraudulent extended benefit claims in prior fiscal years.

Table 2 shows our estimate of penalties that the department did not assess on fraudulent claims from extended benefits paid during fiscal year 2014 and the two preceding fiscal years.

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<sup>64</sup> Applicants were eligible for extended benefit programs after their regular 26-week unemployment benefits were exhausted. The last federal extended benefit program ended on December 28, 2013.

<sup>65</sup> For regular unemployment claims, the department appropriately issued penalties on nearly \$12 million of fraudulent benefits paid in fiscal year 2014.

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

**Table 2**  
**Department of Employment and Economic Development**  
**Penalties Not Imposed on Fraudulent Extended Benefits**  
**Fiscal Year 2014 and Two Preceding Fiscal Years**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
Fraudulent extended unemployment benefits detected by the department	\$ 2,105,998	\$ 4,679,212	\$ 7,117,482
Penalties not imposed	\$ 842,400	\$ 1,871,685	\$ 2,846,993

Source: Auditor calculation from Department of Employment and Economic Development Unemployment Insurance System data.

The Unemployment Insurance Program is a federal-state partnership based on federal law but implemented through state statutes. Federal law requires the state to impose a minimum 15 percent penalty on overpayments resulting from fraudulent claims and deposit the penalty into the state's account in the Unemployment Trust Fund.<sup>66</sup> *Minnesota Statutes* 2014, 268.18, subd. 2 (a), sets the state penalty well above the federal minimum, stating:

*Any applicant who receives unemployment benefits by knowingly misrepresenting, misstating, or failing to disclose any material fact ...has committed fraud. ...the commissioner must assess a penalty of 40 percent of the amount fraudulently obtained.*

Department staff indicated that the unemployment insurance computer system was not programmed to assess penalties for extended benefit programs, but it did notify applicants of their overpayment and that a determination of ineligibility was made due to fraud. *Minnesota Statutes* 2014, 268.101, subd. 2 (f), indicates a “*determination of ineligibility is final unless an appeal is filed by the applicant or notified employer within 20 calendar days after sending.*” As a result, since the department notified applicants of a final determination and the appeal period has passed, department staff indicated they are legally unable to submit a new determination letter that retroactively includes the penalty amount.

The purpose of the penalty is to discourage fraud and create a significant consequence should it occur. In addition, noncompliance with the state and federal penalty requirements resulted in lost revenues that could have been available for the purposes of the Unemployment Trust Fund and the General Fund.<sup>67</sup>

<sup>66</sup> Public Law 112-40, Sec. 251, required mandatory penalties of not less than 15 percent of the erroneous payment due to fraud committed by individuals.

<sup>67</sup> *Minnesota Statutes* 2014, 268.199, establishes a contingent account for the Minnesota Unemployment Insurance Program. *Laws of Minnesota* 2013, chapter 85, art. 1, sec. 15, requires that deposits into the contingent account “*estimated to be \$7.5 million each year, shall be transferred before the closing of each fiscal year to the general fund.*” For fiscal year 2014, the department made a transfer of \$7,153,550 to the General Fund.



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

*Recommendation*

- *The Department of Employment and Economic Development should ensure the unemployment insurance system is programmed to assess penalties, as required by state and federal law, from applicants who filed fraudulent claims for federal extended benefits.*

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

DEED agrees with the finding that the department should ensure that the Unemployment Insurance (UI) system is programmed to assess additional financial penalties against applicants who were found to be overpaid Federal extended benefits due to fraud.

Minnesota has special laws that bar an applicant who has committed UI fraud from obtaining any additional UI benefits until the fraud debt is repaid in full or for ten years if the debt is not repaid. This integrity law, which has been implemented in a couple of states, is the strongest deterrent to UI fraud. In fiscal year 2014, DEED issued fraud determinations totaling \$2.1 million for Federal extended unemployment benefits. Those individuals cannot collect benefits until the funds have been repaid in full or for ten years.

The UI computer system was not programmed to assess and perform all functions related to accounting and assigning the additional fraud penalties applicable to the Federal emergency UI program. The Federal extended unemployment benefit program ended on December 31, 2013.

The UI programming effort has faced numerous challenges. Emergency benefits were stopped and started on thirteen separate occasions. Programming time was also consumed by special Federal sequestration laws that had to be implemented.

DEED will make the programming changes to the UI system which will enable the assessment of additional financial penalties on applicants who are assessed fraud determinations related to Federal extended benefits. Fraud determinations and additional penalties do not necessarily ensure collections. DEED utilizes all available collection tools including revenue recapture of state and Federal tax refunds. Those efforts still do not enable collection of the face amount of any determinations which are issued. The key integrity sanction and deterrent is barring future UI benefits. That deterrent and sanction was in effect for all Federal extended benefits.

**Person Responsible:** Rick Caligiuri, Unemployment Insurance Director

**Estimated Completion Date:** October 1, 2015

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**Report 15-06**

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

**Federal Agency(ies):** U.S. Department of Labor  
U.S. Department of Education

**CFDA Number(s)/Program Name(s):**

17.225 Unemployment Insurance  
84.126 Vocational Rehabilitation

**Questioned Costs:** None – Procedural finding only

**Federal Project Nos./Award Year:** UI-25212-14-55-A-27; H126A 140032 – 14C and H126A 140033 – 14C

**Finding 2014-022 (15-06-2)** *Insufficient monitoring of equipment purchased with federal funds.*

- 2. The Department of Employment and Economic Development did not have effective internal controls for equipment; it did not maintain inventory records sufficient to identify and locate its equipment and did not complete a physical inventory. This is a repeat finding.**

The department did not maintain sufficient detail in its inventory of equipment, purchased with federal money, in the asset management module in the state’s accounting system. During fiscal year 2014, the department purchased equipment totaling \$3.2 million for the Unemployment Insurance Program (CFDA 17.225) and \$345,000 for the Vocational Rehabilitation Program (CFDA 84.126). Since our prior audit, the department appropriately removed nonequipment items and nonstate equipment purchased for vocational rehabilitation clients, from equipment inventory records.<sup>68</sup> However, it had not updated important information (individual asset tag numbers, custodian, or specific locations) assigned to individual pieces of equipment purchased in the current and prior fiscal years. In addition, the department had not conducted a physical inventory since December 2011.

Title 2 Code of Federal Regulations, 200.313, requires that the “*state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.*” The federal regulation’s equipment management requirements include the following:

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<sup>68</sup> Office of the Legislative Auditor’s Financial Audit Division Report 14-10, *Department of Employment and Economic Development*, issued March 21, 2014, Finding 1.

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including FAIN) [Federal Award Identification Number], who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.*
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.*

Until the department updates specific identification and location information in the inventory records, it will be unable to complete an effective physical inventory.

*Recommendation*

- *The Department of Employment and Economic Development should improve controls over its equipment inventory by:*
  - *including specific equipment identification, custodian, and locations in the equipment inventory records; and*
  - *conducting a physical inventory at least every two years.*

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

DEED concurs with the finding and has implemented a number of procedures to ensure the integrity of its assets and prepare for an agency wide physical inventory:

- In September 2014, DEED added three experienced employees within the Administrative Financial Services (AFS) to fill some key vacancies. These employees focus on procurement and asset management activities.
- DEED established a centralized email location for procurement and asset management. This enables employees to submit purchase requests and asset questions to the AFS procurement team for technical assistance and support.
- DEED has removed the purchase order buyer role from users who have initiated very limited procurement activity. Furthermore, DEED will refrain from expanding the purchase order buyer role to any employees for administrative type orders.
- For FY2016 purchases, DEED is implementing an on-line, automated purchase request system for administrative purchases and will be using the centralized procurement and asset management staff for the buys. This approach will provide for more consistency and internal control and compliance, which should greatly improve the accuracy of the asset records.

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

- DEED's Internal Auditor randomly audits procurement transactions initiated by DEED buyers each month and offers assistance as needed when procurement or asset management errors are found.
- An interface table in the asset management module is now being reviewed by an AFS procurement/asset management specialist. This is performed at least once each week. This review helps identify items which have been incorrectly coded as 'tracked assets' before being placed into the asset management module. This process should significantly reduce the number of items which are incorrectly recorded as assets. This activity is being paired with proactive technical assistance and support provided to the buyers and receivers to avoid the errors from occurring.
- In addition, DEED has performed the following functions to improve the asset management system and records in preparation for the upcoming physical inventory:
  - Updated assets listed in the asset management module as received, but not in service.
  - Recorded cost data for some assets which lacked such information
  - Updated locations for 30 assets.
  - Split assets showing a quantity of 1 when they reflected multiple assets such as 25 laptops showing as 1 asset in the asset management system.
  - Reviewed and updated assets which had an initial quantity received which was not equal to 1 due to multiple funding streams/cost allocations used by DEED.
  - Researched and removed items with a unit cost below \$250 that are not considered assets or sensitive items.
  - Reviewed and reclassified 57 assets which were initially determined to be sensitive items. In addition, we reclassified some non-capital equipment assets as sensitive items.
  - Removed any client asset which was inaccurately reflected in the asset records as a state-owned asset since the asset is client-owned.
  - Removed incidentals such as bottled water and car repairs that were not assets but had automatically migrated to the asset management system based on an incorrect category code selected at the time of the purchase by the local buyers.
  - Added or updated asset descriptions, as needed.

Created a physical inventory and asset management project team to address the upcoming physical inventory and streamline, automate and improve the processes for the future statutorily required audits which will be conducted in calendar year 2017 and every two years thereafter.

DEED will complete an agency-wide physical inventory by August 31, 2015.

**Person Responsible:** Julie Freeman, Chief Financial Officer

**Estimated Completion Date:** August 31, 2015

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

**Report 15-07**

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

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

**CFDA Number(s)/Program Name(s):**

10.551	Supplemental Nutrition Assistance Program (SNAP)
93.558	Temporary Assistance for Needy Families (TANF)
93.575	Child Care and Development Block Grant
93.596	Child Care and Development Mandatory and Matching Funds
93.767	Children's Health Insurance Program
93.778	Medical Assistance

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

**Federal Project Nos./Award Year:** See Report 15-07 - Appendix A

**Finding 2014-023 (15-07-1) *Noncompliance with federal eligibility requirements.***

- 1. The Department of Human Services did not adequately ensure that recipients receiving benefits met the eligibility requirements for Medical Assistance, Children's Health Insurance, Temporary Assistance for Needy Families, Child Care and Development Fund, and Supplemental Nutrition Assistance programs. This is a repeat finding.<sup>69</sup>**

In fiscal year 2014, the department continued to have deficiencies in its processes to determine recipients' eligibility for the benefits they received through several federal programs.<sup>70</sup> The department generally works in coordination with the counties to determine eligibility for these programs, although the implementation of the state's health insurance exchange (MNsure) in October 2013 changed the process for the Medical Assistance and Children's Health Insurance programs.

The department had the following weaknesses in its eligibility oversight processes:

**Insufficient action taken in response to high error rates** – As part of its oversight of the eligibility determinations made by county workers for the Temporary Assistance for Needy

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<sup>69</sup> Office of the Legislative Auditor, Financial Audit Division Report 14-11, *Department of Human Services Federal Compliance Audit*, (Finding 5) issued March 26, 2014.

<sup>70</sup> For more than 10 years, we have reported deficiencies in the state's oversight of eligibility determinations.

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Families<sup>71</sup> and the Child Care and Development Fund<sup>72</sup> programs, the department reviews the documentation for a sample of cases for each federal program. The reviews include whether the county worker complied with the department's policies and procedures, and whether the eligibility determinations were correct. Through its sample case reviews, the department can identify changes needed in its policies, procedures, and training to help county workers avoid future errors, and can recover identified overpayments.

Although the department developed guidance to assist county workers in making eligibility determinations for the Temporary Assistance for Needy Families (CFDA 93.558)<sup>73</sup> program, it had not developed a process to use the information obtained through its sample case reviews. The department's case reviews found that county workers had not followed certain policies and procedures when determining eligibility for 137 of 240 recipients (57 percent). The department's testing identified various deficiencies. For example, in some cases, the county worker's documentation did not show adequate verification of household member relationships or assets, had incomplete applications or inconsistent information, or was missing identity documents.

For the Child Care and Development Fund Cluster programs (CFDA 93.575 and 93.596),<sup>74</sup> the department had taken steps to reduce the types of errors found through its sample case reviews, but its fiscal year 2014 sample case reviews did not yet show significant reductions in the error rates. Department staff told us that they expected to see the full effect of their error reduction efforts starting in July 2014. Steps the department took to reduce errors found through its sample case reviews included:

- webinars in December 2013 for county staff about the most frequent types of errors,
- meetings with staff at several counties from November 2013 through February 2014,
- updated curriculum for training of new county staff starting in 2014, and
- ongoing clarification of various policies in program manuals used by county workers.

In its fiscal year 2014 sample case reviews for the Child Care Cluster programs, the department continued to find high rates of error, especially with county workers' ability to support the maximum number of childcare hours they authorized for a specific recipient. The department found that in 103 of 150 cases reviewed, or 69 percent, county workers did not obtain or retain

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<sup>71</sup> *Minnesota Statutes* 2014, chapter 256J, provides the basis for Temporary Assistance for Needy Families eligibility determinations.

<sup>72</sup> *Minnesota Statutes* 2014, chapter 119B, provides the basis for Child Care and Development program eligibility determinations.

<sup>73</sup> See Appendix A (page 17) for federal award numbers for this program.

<sup>74</sup> *Ibid.*

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sufficient documentation to support the authorized childcare hours,<sup>75</sup> or they incorrectly determined family copayments.<sup>76</sup> Our testing of 20 cases reviewed by the department identified 2 instances where overpayments occurred (one for \$156 and the other for \$8) because the county workers miscalculated the families' overall income that resulted in incorrect bi-weekly copayment amounts.

**Ineffective file matching process to monitor changes in recipients' eligibility** – The department had not made changes to its automated eligibility system<sup>77</sup> to better use file matches to identify income and eligibility discrepancies that had a higher risk of affecting eligibility for the Temporary Assistance for Needy Families and Supplemental Nutrition Assistance (CFDA 10.551)<sup>78</sup> programs. As required by federal regulations, the department periodically matches recipients' social security numbers and reported incomes to electronic data files at the Internal Revenue Service, Social Security Administration, and Minnesota Department of Employment and Economic Development.<sup>79</sup> Because the file matches identify many discrepancies (about 346,000 during fiscal year 2014), we have been skeptical about the diligence of county workers' resolution efforts.

In our previous audit, we recommended that the department<sup>80</sup> improve its monitoring of counties' resolution of these discrepancies to ensure they are effective and that recipients were eligible for the benefits they received through these programs. We also recommended that they make changes to the file match process so that it better identified discrepancies that have a higher risk of affecting a recipient's eligibility or level of benefits. Although the department submitted a request to the state's information technology office to change the automated eligibility system,<sup>81</sup> as of January 2015, the changes were not expected to be implemented until some time in fiscal year 2016.

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<sup>75</sup> These errors did not necessarily result in over- or under-payments to child care providers because those payments are based on the actual hours of childcare services scheduled, which may have been less than the correct maximum number. Examples of the missing documentation included work and school schedules, along with wage information, or verification of residency, relationship, identity, student income, and unearned income.

<sup>76</sup> The amount of family copayments paid to childcare providers depends on the overall family income and size.

<sup>77</sup> The department's automated eligibility system for the Temporary Assistance for Needy Families and Supplemental Nutritional Assistance programs is MAXIS.

<sup>78</sup> See Appendix A (page 17) for federal award numbers for this program.

<sup>79</sup> 45 CFR, sec. 205.55 and 205.56 (a)(1)(iv) for the Temporary Assistance for Needy Families program, and 7 CFR, sec. 273.2 (f)(9) for Supplemental Nutrition Assistance Program.

<sup>80</sup> Office of the Legislative Auditor, Financial Audit Division Report 13-05, *Department of Human Services Information Verification in Eligibility Determinations*, (Finding 2) issued March 26, 2013.

<sup>81</sup> In fiscal year 2014, the department used an automated eligibility system called MAXIS for Temporary Assistance for Needy Families, and Supplemental Nutrition Assistance programs. In fiscal year 2014, the department transitioned eligibility for the Medical Assistance program to its health insurance exchange, MNsure, which it implemented on October 1, 2013.

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**Inadequate oversight of recipient eligibility determined through the state's health insurance exchange** – As mentioned earlier in this finding, the eligibility determination process for new enrollees in Medical Assistance (CFDA 93.778) and the Children's Health Insurance Program (CFDA 93.767) changed when the state implemented its health insurance exchange (MNsure) in October 2013.<sup>82</sup> The federal Patient Protection and Affordable Care Act requires that MNsure rely on the federal data hub to verify applicants' information as a basis for eligibility.

In November 2014, we issued a report that concluded that the department had not ensured that Medical Assistance, MinnesotaCare (a state program partially funded with Medical Assistance money), and Children's Health Insurance Program recipients who enrolled through MNsure were eligible for the benefits they received. The report identified many instances where the department had not complied with the federal and state legal requirements related to recipients' eligibility. Significantly, 17 percent of the 193 people we tested were not eligible for the public health care program in which they were enrolled. The report included recommendations to the department to improve its oversight processes.

**Lack of recipient eligibility redeterminations** – In February 2015, we issued a report evaluating the state's development of MNsure.<sup>83</sup> That report disclosed that, contrary to federal and state requirements, the department had not annually redetermined the eligibility of recipients who had enrolled in Medical Assistance or the Children's Health Insurance programs before the state implemented MNsure in October 2013.<sup>84</sup> In December 2014, the department received an extension to its waiver from the federal government to delay redeterminations. The extension allowed the department to delay redeterminations for some recipients to November 2015. Despite this waiver of the federal redetermination requirements, the department had not complied with state law that requires a redetermination of recipient eligibility every 12 months. These delays increase the risk that the department would use both federal and state money to pay for benefits on behalf of ineligible recipients.

While verifying the eligibility of people enrolled in these programs is challenging, it is one of the department's essential and fundamental responsibilities to ensure compliance with federal and state laws.

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<sup>82</sup> See Appendix A (page 17) for federal award numbers for these programs.

<sup>83</sup> Office of the Legislative Auditor, Program Evaluation Division Report, *Minnesota Health Insurance Exchange (MNsure)*, issued February 17, 2015.

<sup>84</sup> *Ibid.*, pages 45-46.



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*Recommendations*

- *The department's Temporary Assistance for Needy Families program policy staff should use the errors found by the internal audit division to develop a process that educates the county workers and ensures only eligible recipients receive benefits.*
- *The department's Child Care Assistance Program staff should continue its efforts to train county workers to ensure only eligible recipients receive benefits and the benefits authorized are accurate.*
- *The department should consider changes to the automated eligibility system to better identify higher risk income and eligibility discrepancies for Temporary Assistance for Needy Families and Supplemental Nutrition Assistance programs.*

**Minnesota Department of Human Services Response:**

**Response to Audit Recommendation 1-1**

Since this finding last year, the 2014 Minnesota Legislature passed program uniformity and simplification changes for Temporary Assistance for Needy Families (TANF) effective in State Fiscal Year 2015 and State Fiscal Year 2016. This will lessen the number of errors due to complexity of program eligibility. The Department has coordinated with the counties to implement the related policy changes.

The TANF program/policy area recently implemented a process for tracking and monitoring the corrective action plans (CAPS) sent to counties when errors are detected. Counties are required to return the CAPS within 15 days of receiving the error notification. Additionally, by May 1, 2015, the Program Compliance and Audit unit of the Internal Audit Office will make available quarterly data that will show trends over time in the types of errors identified in eligibility review audits by county by month. CAPS and quarterly data will be used by the program area to help identify eligibility vs. technical errors and what sort of additional education/guidance county eligibility workers may need in order to clarify and reinforce policy and procedures. Updates will be made to training curriculum, policy manuals or other resources.

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**Persons Responsible:** Donna Biederman  
Laurie Grussing

**Estimated Completion Date:** Implementation of 2014 Legislation is ongoing through State Fiscal Year 2016. CAPS, quarterly data, and updates to training curriculum, policy manuals and other resources ongoing as common errors are reviewed.

**Response to Audit Recommendation 1-2**

The department agrees with this finding and recommendation and will continue its efforts to train and provide technical assistance to county workers in order to reduce errors.

**Person Responsible:** Elizabeth Roe

**Estimated Completion Date:** This is an ongoing activity.

**Response to Audit Recommendation 1-3**

The processes to match income data on MAXIS against state and federal databases can be more efficient, continue to support strong program integrity and significantly free up frontline eligibility worker time for more productive activities. The Department has submitted and prioritized the data matching on the Agency Technical Project List. The Project kickoff meeting is scheduled on March 19, 2015 to assign resources and identify expected completion dates.

**Person Responsible:** Mark Toogood  
Karla Larsen

**Estimated Completion Date:** December 31, 2015

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

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

**CFDA Number(s)/Program Name(s):**

93.563	Child Support Enforcement
93.575	Child Care and Development Block Grant
93.596	Child Care and Development Mandatory and Matching Funds
93.658	Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.777	State Health Care Providers Survey
93.778	Medical Assistance
93.959	Block Grants for Substance Abuse

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

**Federal Project Nos./Award Year:** See Report 15-07 - Appendix A

**Finding 2014-024 (15-07-2)** *No documented internal control structure ensuring compliance.*

- 2. The Department of Human Services did not fully identify, analyze, and document its internal controls related to compliance with federal internal control requirements for several federal programs. This is a repeat finding.<sup>85</sup>**

The department had not developed and documented comprehensive risk assessments regarding internal controls over federal single audit compliance requirements for five major federal programs. We first reported this finding in 2009.<sup>86</sup>

The federal government requires states to establish adequate internal controls to ensure states comply with federal statutes, regulations, and the terms of the federal award.<sup>87</sup> One component

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<sup>85</sup> Office of the Legislative Auditor, Financial Audit Division Report 14-11, *Department of Human Services Federal Compliance Audit* (Finding 1), issued March 26, 2014.

<sup>86</sup> Office of the Legislative Auditor, Financial Audit Division Report 09-10, *Department of Human Services Federal Compliance Audit* (Finding 1), issued March 26, 2009.

<sup>87</sup> 2 CFR, sec. 200.303 (a).

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of good internal controls is assessing risks and developing adequate controls to help manage those risks, especially those that could prevent the department from achieving its objectives.<sup>88</sup> State policy requires agencies to assess the risks annually.<sup>89</sup>

Table 2 shows the status of the risk assessments for all the major federal programs as of December 2014.

**Table 2**  
**Status of Major Federal Program Risk Assessments**  
**As of December 2014**

<b><u>Federal Program</u><sup>1</sup></b>	<b><u>CFDA</u><sup>2</sup></b>	<b><u>Status</u></b>
Temporary Assistance for Needy Families Cluster	93.558	Completed November 2014
Supplemental Nutrition Assistance Program Cluster	10.551 & 10.561	Completed November 2014
Social Services Block Grant	93.667	Completed January 2013
Child Care and Development Fund Cluster	93.575 & 93.596	Started
Child Support Enforcement	93.563	Started
Medical Assistance Cluster	93.777 & 93.778	Started
Foster Care	93.658	Not Started
Children's Health Insurance	93.767	Not Started

<sup>1</sup> This finding also applies to federal programs that were major federal programs in prior years but not in fiscal year 2014, including Adoption Assistance (CFDA 93.659, federal awards 1201MN1407, 1301MN1407, and 1401MN1407) and Substance Abuse (CFDA 93.959 federal awards 10B1MNSAPT, 11B1MNSAPT, 12B1MNSAPT, and 13B1MNSAPT) programs. As of December 2014 the department had not started these risk assessments.

<sup>2</sup> See Appendix A (page 17) for the federal award numbers for these programs.

Source: Auditor prepared based on discussions and documents from the department's management and policy staff.

As shown in Table 2 above, the department completed the risk assessment for the Social Services Block Grant program in January 2013; however, it had not done a follow up assessment as required. State policies require agencies to annually “*determine if changes to the internal and external business environment require updates to the completed risk assessment(s).*”<sup>90</sup>

The other findings in this report identify deficiencies in the department's internal control procedures and ongoing noncompliance with federal requirements that the department's internal control structure did not prevent or detect. If the department had a comprehensive internal

<sup>88</sup> U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, September 2014.

<sup>89</sup> Minnesota Management and Budget's Statewide Operating Policy 0102-01, *Internal Controls*, and Minnesota Management and Budget's Statewide Operating Procedure 0102-01.2, *Risk Assessment*.

<sup>90</sup> Minnesota Management and Budget's Statewide Operating Procedure 0102-01.2, *Risk Assessment*.

**Minnesota Office of the Legislative Auditor**  
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control structure, it may have identified these deficiencies, assessed the degree of risk for 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 acceptable 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 complete its review and documentation of its risks, control activities, and internal control and monitoring functions for its key financial and compliance processes related to federal programs and annually assess whether the risk assessments need updating.*

**Minnesota Department of Human Services Response:**

The Department recognizes the importance of risk assessments in maintaining a strong control environment. We have been working diligently on our assessments and have made significant progress.

- We have completed comprehensive risk evaluations on the Social Services Block Grant, the Supplemental Nutrition Assistance Program (SNAP), and the Temporary Assistance for Needy Families (TANF) program.
- On February 19, 2015 we completed the annual re-assessment of the Social Services Block Grant.
- In January 2015 risk assessments were completed on the Child Care and Child Support Enforcement programs, with control implementation for Child Support to commence April 2015 and for Child Care to commence July 2015.
- We have made significant progress on our Medical Assistance risk assessment, which will be completed by December 2015.
- We have hired an Enterprise Risk Manager, chartered an Enterprise Risk Management Planning Team and Steering Committee, and invested in training to strengthen our internal control awareness.

The Department is mindful that we still have some work ahead in light of the inclusion of three new federal programs to our risk plan: Adoption, Substance Abuse and CHIP. However, we continue to build our capacity and momentum to meet our commitment.

The Department also understands that the risk assessment process is a perpetual endeavor requiring that we continually assess processes, evaluate controls, manage changes, and measure effectiveness. We are integrating this work into our agency work plans going forward.

**Person Responsible:** David Forbes  
**Estimated Completion Date:** December 2015

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**Report 15-07**

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

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

**CFDA Number(s)/Program Name(s):**

10.551	Supplemental Nutrition Assistance Program (SNAP)
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.575	Child Care and Development Block Grant
93.596	Child Care and Development Mandatory and Matching Funds
93.658	Foster Care
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.778	Medical Assistance

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

**Federal Project Nos./Award Year:** See Report 15-07 - Appendix A

**Finding 2014-025 (15-07-3) *Incompatible system access without mitigating controls.***

**3. The Department of Human Services did not consistently ensure county workers with access to the department's computer systems needed the access.**

The department did not ensure that counties completed the annual recertification of county workers' access to various state systems.<sup>91</sup> County workers need access to these systems if their job duties require them to determine eligibility for public assistance recipients and/or to process payments on behalf of these recipients.<sup>92</sup> The purpose of the annual recertification is to determine if the access provided to county workers is still needed. The department did not have completed recertifications on file for 13 out of 20 counties we reviewed.

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<sup>91</sup> The department's systems include software applications used by department and county employees to determine the eligibility of recipients on public assistance and process various benefit payments. These subsystems include: Minnesota Eligibility Child Care, MAXIS (the cash and food assistance system), Medicaid Management Information System, Social Services Information System, and PRISM (the child support enforcement system).

<sup>92</sup> This finding applies to the following major federal programs: Supplemental Nutrition Assistance Program (CFDA 10.551), Temporary Assistance for Needy Families (CFDA 93.558), Child Support Enforcement (CFDA 93.563), Child Care and Development Fund Cluster (CFDA 93.575 and 93.596), Foster Care (CFDA 93.658), Social Services Block Grant (CFDA 93.667), Children's Health Insurance Program (CFDA 93.767), and Medical Assistance Program (CFDA 93.778). See Appendix A (page 17) for federal award numbers for this program.

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Good information technology controls require that entities restrict access to electronic systems to only users who need the access to accomplish assigned tasks. It also requires a periodic review of the access granted to ensure that only current employees with valid business needs have access to the electronic systems.<sup>93</sup>

By not ensuring that counties recertify that their employees still need the access they have, the department increased the risk that workers who are no longer employed by the counties or who do not have a business need may still have access to the department's systems.

*Recommendation*

- *The department should ensure that all counties annually recertify that their employees have job-related duties corresponding to their access to the department's computer systems.*

**Minnesota Department of Human Services Response:**

We concur with the finding and recommendation. While recertification of access was initiated, the audit helped us identify shortcomings with our escalation processes for completeness. MN.IT Services will work with the department to identify and implement procedures to help ensure that recertification reports are returned timely.

**Person Responsible:** Mark Mathison

**Estimated Completion Date:** December 31, 2015

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<sup>93</sup> National Institute of Standards and Technology 800-53, Revision 4, Audit Control-6 "Least Privilege," Control Enhancement (7), and Minnesota Management and Budget's Statewide Operating Policy, *Security and Access*, Number 1101-07.

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**Report 15-07**

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

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

**CFDA Number(s)/Program Name(s):**

10.561	Supplemental Nutrition Assistance Administration
93.558	Temporary Assistance for Needy Families (TANF)
93.767	Children's Health Insurance Program
93.778	Medical Assistance

<b>Questioned Costs:</b>	\$4,610	10.561	SNAP Administration
	\$1,855	93.558	Temporary Assistance for Needy Families
	\$813	93.767	Children's Health Insurance Program
	\$450,653	93.778	Medical Assistance

**Federal Project Nos./Award Year:** See Report 15-07 - Appendix A

**Finding 2014-026 (15-07-4) Noncompliance with cost allocation plan controls and monitoring.**

- 4. The Department of Human Services did not did not correctly allocate \$936,072 in costs according to its federally approved cost allocation plan, causing the department to claim \$457,931 more in federal reimbursement than allowed.**

A state receives reimbursement from the federal government for a share of the administrative expenses incurred by the state in support of federal programs. Federal regulations require a state to claim reimbursement only in accordance with the state's approved cost allocation plan.<sup>94</sup> In its cost allocation plan, the state describes how it will identify, measure, and allocate all state administrative expenses.

The department's cost allocation plan groups costs by specific administrative activities or divisions and then allocates the administrative costs to programs that benefited from those activities based on relevant metrics. In fiscal year 2014, the department's cost allocation system allocated over \$380 million in administrative expenses; the federal share of these costs was almost \$180 million.

The department had the following instances where it did not allocate costs in accordance with its cost allocation plan, causing the department to claim \$457,931 more from the federal government than allowable:

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<sup>94</sup> 45 CFR, sec. 95.517 (a).



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- The department included in the administrative costs it allocated to federal programs \$568,440 of costs that are not eligible for federal reimbursement. This error led to the department claiming \$282,873 more in federal reimbursement than allowed, including \$813 for the Children's Health Insurance Program (CFDA 93.767) and \$282,060 for the Medical Assistance Program (CFDA 93.778).<sup>95</sup>
- The department incorrectly calculated the federal reimbursement of \$24,548 of administrative costs by using a 75% federal reimbursement rate rather than the correct 50% rate. This error led to the department claiming \$6,053 more in federal reimbursement than allowed for the Medical Assistance Program (CFDA 93.778).
- The department inadvertently obtained duplicate reimbursement through the cost allocation process for costs totaling \$169,005 that had already been reimbursed by the federal government. The controls to prevent this type of error failed in two isolated instances. These errors led to the department claiming duplicate reimbursement of \$162,540 for the Medical Assistance Program (CFDA 93.778), \$1,855 for the Temporary Assistance for Needy Families Program (CFDA 93.558), and \$4,610 for the Supplemental Nutrition Assistance Program, State Administrative Matching Grants (CFDA 10.561).

*Recommendations*

- *The department should adjust future reimbursement claims to offset the \$457,931 of questioned costs.*
- *The department should ensure that it uses the correct reimbursement rates for different types of administrative costs.*
- *The department should ensure it does not claim reimbursement for federal expenditures twice.*

**Minnesota Department of Human Services Response:**

The department agrees with the recommendations. \$157,763 has been reimbursed to the federal government in February 2015. The remaining \$300,168 will be refunded to the federal government through expenditure adjustments made on the January-March 2015 quarterly Central Office Cost Allocation System (COCAS) schedules. We will implement additional internal reviews to ensure that correct reimbursement rates are applied to expenditures. Action has been taken to ensure that the department does not claim reimbursement for the same expenditures

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<sup>95</sup> See Appendix A (page 17) for federal award numbers for these programs.

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twice. All COCAS programs have been reviewed and those that should not have invoices printed have been flagged for identification. These will be reviewed quarterly.

**Person Responsible:** Martin L. Cammack

**Estimated Completion Date:** April 30, 2015

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**Report 15-07**

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

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

**CFDA Number(s)/Program Name(s):**

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

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

**Federal Project Nos./Award Year:** See Report 15-07 - Appendix A

**Finding 2014-027 (15-07-5)** *Not adequately monitoring program activities.*

**5. The Department of Human Services did not always perform licensing visits to child care facilities in timely manner. This is a repeat finding.<sup>96</sup>**

The department licenses all child care centers in the state of Minnesota. Many child care centers receive federal monies from the department because they provide services to child care assistance program recipients. The department uses money from the Child Care and Development Fund (CFDA 93.575 and 93.596)<sup>97</sup> to administer the program. The Child Care and Development Fund allows each state the maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within the State. In the Child Care and Development Fund plan it submits to the federal government,<sup>98</sup> the department certifies that procedures are in place to ensure that child care service providers comply with applicable state health and safety requirements.<sup>99</sup> The plan states that the department's licensing staff will perform site visits to child care providers once every two years to ensure compliance with these requirements.<sup>100</sup>

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<sup>96</sup> Office of the Legislative Auditor, Financial Audit Division Report 14-11, *Department of Human Services Federal Compliance Audit* (Finding 4), issued March 26, 2014.

<sup>97</sup> 45 CFR, sec. 98, established the Child Care and Development Fund (CCDF). The purpose of the fund is to increase the availability, affordability, and quality of child care services. This program offers federal funding to states, Indian Tribes, and tribal organizations in order to provide low-income families with necessary child care services and to enhance the quality of child care and early development programs.

<sup>98</sup> To the US Health and Human Services' Administration for Children and Family (ACF).

<sup>99</sup> 45 CFR, sec. 98.41 (d), requires the department to certify that procedures are in effect to ensure that child care service providers comply with applicable health and safety requirements.

<sup>100</sup> Child Care Development Plan, section 3.1.2.

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The department did not always perform visits to child care centers once every two years. We selected 38 child care centers for review and found that the department delayed visits beyond two years to 21 child centers, with an average delay of three months. Table 3 below shows the results from our testing:

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**Table 3**  
**Length of the Delays in Child Care Center Visits**

<u>Delay in Visits (in months)</u>	<u>Number of Child Care Centers</u>
2 months or under	6
Between 2 and 4 months	11
Between 5 and 6 months	<u>4</u>
<b>Total number of delayed visits</b>	<b>21</b>

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Source: Auditor prepared based on documentation provided by the department's licensing division.

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During licensing visits, the state inspectors can verify that the child care centers met requirements pertaining to the prevention and control of infectious diseases, the safety of building and physical premises, and providers' training for basic health and safety practices. Without timely licensing visits, health and safety issues may exist at child care centers and not be detected and corrected.

In response to this finding in our 2013 audit report, the department hired additional staff; those staff were completing training in their site visit duties as of January 2015.

*Recommendation*

- *The department should ensure it performs site visits and enforces licensing requirements for child care centers within the required two-year period.*

**Minnesota Department of Human Services Response:**

The Department agrees. Due to some staffing shortages, there were licensed programs that had slight delays in receiving their routine licensing inspections. As this occurred, the Licensing Division focused its resources on monitoring high risk programs that were identified through previous compliance problems and complaints received regarding the services. As stated in the report, the 2013 Legislature increased the resources from eight licensing staff in 2013 to twelve licensing staff in 2014. Those staff are now trained and their contribution will help bring the department into compliance.

**Person Responsible:** Regina Wagner

**Estimated Completion Date:** December 2015

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**Report 15-07**

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

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**Appendix A**  
**Major Federal Programs**  
**Department of Human Services**  
**Fiscal Year 2014**

<b>CFDA<sup>1</sup></b>	<b><u>Program Name</u></b> <b><u>Supplemental Nutrition Assistance Program</u></b> <b><u>Cluster</u></b>	<b><u>Federal Award Number</u></b>
10.551	Supplemental Nutrition Assistance Program	2013ID281142, 2013ID282142, 2013IS601842, 2013IS604542, 2013IS802642, 2014ID281142, 2014ID282142, 2014IS601842, 2014IS604542, 2014IS802642
10.561	State Administrative Matching Grants	2012IS820442, 2013CE251842, 2103IE251842, 2013IS251442, 2013IS251942, 2013IS252042, 2013IS750342, 2013IS803642, 2014OE251842, 2014IE251842, 2014IQ390342, 2014IQ750342, 2014IS251442, 2014IS251942, 2014IS252042, 2014IS803642
93.558	Temporary Assistance for Needy Families Cluster	1302MNTANF, 1402MNTANF
93.563	Child Support Enforcement	1304MN4005, 1404MN4005
	<b><u>Child Care and Development Fund Cluster</u></b>	
93.575	Child Care and Development Block Grant	1101MNCCDF
93.596	Child Care Mandatory and Matching Fund	1201MNCCDF, 1301MNCCDF, 1401MNCCDF
93.658	Foster Care – Title IV-E	1301MN1401, 1401MN1401
93.667	Social Services Block Grant	1201MNSOSR, 1301MNSOSR, 1401MNSOSR
93.767	Children's Health Insurance Program	1105MN5021, 1305MN5021, 1405MN5021
	<b><u>Medicaid Cluster</u></b>	
93.775	State Medical Fraud Control Units	G06011301MN5050
93.777	State Health Care Providers Survey	1305MN5001, 1405MN5001
93.778	Medical Assistance Program	1305MN5ADM, 1305MN5MAP, 1305MNINCT, 1405MN5ADM, 1405MN5MAP, 1405MNIMPL, 1405MNINCT

Source: The state accounting system and staff at the Department of Human Services and Office of the Attorney General.

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

**Report 15-08**

**State Agency:** Minnesota Department of Education

**Federal Agency(ies):** U. S. Department of Agriculture  
U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

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

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

**Federal Project Nos./Award Year: See Report 15-08 - Appendix A**

**Finding 2014-028 (15-08-1)** *No documented internal control structure ensuring compliance.*

**1. The Minnesota Department of Education did not identify and analyze its risks related to noncompliance with federal requirements. This is a repeat finding.**

The department did not make sufficient progress to implement a comprehensive internal control structure for fiscal year 2014.<sup>101</sup> It continued to work on its risk assessment plan by identifying significant business processes within its various divisions and assessing risks related to those processes; however, it had not yet completed that work for several divisions, including those primarily responsible for its major federal programs. As a result, the department did not identify or assess the effectiveness of its controls over compliance with federal requirements for its major federal programs. In response to this finding in our prior audit report, the department stated that its goal was to complete the risk assessment plan by December 31, 2014. Since we first reported this deficiency for fiscal year 2008, the department has repeatedly missed their initial and revised target implementation dates.<sup>102</sup>

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<sup>101</sup> This finding affects all major federal programs identified in Table 1. See Appendix A (on page 13 of this report) for the federal award numbers for these programs.

<sup>102</sup> Office of the Legislative Auditor's Financial Audit Division Report 09-08, *Department of Education*, issued March 26, 2009.

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**Schedule of Findings and Questioned Costs**  
**Section III: Federal Program Audit Findings (Continued)**

The federal government has the following requirements for the state to have effective internal controls to ensure compliance with federal program requirements:

- U.S. Office of Management and Budget Circular A-133, Subpart C, section 300, states that entities receiving federal awards, “*Shall maintain internal control over Federal programs that provides reasonable assurance that [it] is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.*”
- U.S. Office of Management and Budget Circular A-133 Compliance Supplement, Part 6, provided to help nonfederal entities comply with internal control requirements states, “*The characteristics of internal control are presented in the context of the components of internal control discussed in Internal Control-Integrated Framework (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.*” Risk assessment, one of the *Internal Control-Integrated Framework’s* five components of internal control, is described in the compliance supplement as “*...the entity’s identification and analysis of risks relevant to achievement of its objectives, forming a basis for determining how the risk should be managed.*”

In addition to the federal requirements, the state’s internal controls policy states, “An effective system of internal controls will increase the state’s operational effectiveness and efficiency, safeguard public funds, ensure compliance with state and federal laws, rules, and regulations, and minimize instances of fraud, waste, and abuse.”<sup>103</sup> The policy requires the department to use the Internal Control-Integrated Framework as its standard model for organizing, documenting, and discussing internal controls.

The findings in this report 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 may have identified these deficiencies, assessed the degree of risk for 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.

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<sup>103</sup> The Department of Management and Budget’s Statewide Operating Policy 0102-01, *Internal Controls*.

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

*Recommendation*

- *The Minnesota Department of Education should identify and assess its risks related to noncompliance with federal requirements for its major federal programs and document internal controls designed to limit those risks.*

**Minnesota Department of Education Response:**

MDE believes strongly in financial integrity and concurs with this finding. During this review period, the department continued its intensive agency-wide risk assessment and mitigation efforts. We focused our work on the major financial business processes for state funding, which represents over \$8.0 billion annually. The activities included the financial reconciliations for special education payments but did not encompass all federal requirements or divisions responsible for major federal programs. We will adjust the FY15 risk plan to provide the necessary coverage of major federal program areas. By making this adjustment, we plan to complete the risk assessment and identify mitigation activities for major federal program areas by June 30, 2015.

**Persons Responsible:** Denise Anderson, MDE Chief Financial Officer  
Paul Kurtenbach, Internal Audit Unit

**Estimated Completion Date:** June 30, 2015



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

**Report 15-08**

**State Agency:** Minnesota Department of Education

**Federal Agency(ies):** U. S. Department of Agriculture  
U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants

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

**Federal Project Nos./Award Year:** See Report 15-08 - Appendix A

**Finding 2014-029 (15-08-2)** *Noncompliance with federal standards for payroll cost allocations.*

**2. The Minnesota Department of Education did not comply with federal standards for payroll cost allocations to federal programs. This is a repeat finding.<sup>104</sup>**

The department did not have sufficient controls to ensure that it complied with federal standards for payroll cost allocations to federal programs. In fiscal year 2014, the department allocated payroll costs, totaling about \$19.2 million, to its federal program funds; about \$9.2 million of that amount was allocated to the major federal programs included in our audit.

The department had the following instances of noncompliance:

- The department did not create and retain the required documentation for some employees' payroll costs charged directly to federal programs.<sup>105</sup> The department did not have certifications or some personnel activity reports for 10 of the 53 employees we tested. Specifically, the department (1) did not have certifications for two employees who worked on a single federal program, (2) did not have any personnel activity reports

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<sup>104</sup> Office of the Legislative Auditor's Financial Audit Division Report 14-09, *Department of Education*, issued March 21, 2014. The department did resolve the portion of the prior finding related to inequitable allocations of the costs of fringe benefits to federal programs.

<sup>105</sup> This portion of the finding affects the Child and Adult Care Food Program (CFDA 10.558), Title I Grants to Local Education Agencies (CFDA 84.010), Special Education – Grants to States (CFDA 84.027), and Special Education – Preschool Grants (CFDA 84.173).

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

for six employees who split their time between two or more federal or state programs, and (3) did not have personnel activity reports for some pay periods for two employees.

Office of Management and Budget Circular A-87, Attachment B, sections 8.h.(3) and (4) states, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.... Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports...”

The department also reallocated \$46,431 of an employee’s fiscal year 2013 payroll costs from a nonmajor federal program to the Summer Food Service Program for Children (CFDA 10.559), but did not have sufficient documentation to validate that amount. The department originally charged all of that employee’s payroll costs to the nonmajor program, but subsequently determined that the employee had worked on activities for both programs. However, the employee did not complete any certifications or personnel activity reports to document her actual work activities. Instead, the employee’s supervisor told us that the department used the employee’s work plan to estimate the payroll costs related to the major program, and provided us with copies of the employee’s monthly calendars. Although those calendars did show that the employee worked on activities related to the major program, they were not sufficient to support the amount reallocated.

- The department did not ensure that personnel activity reports matched the actual allocation of payroll costs to federal programs, as required by Office of Management and Budget Circular A-87, Attachment B, section 8.h.(5a), which states, “Personnel activity reports...must reflect an after-the-fact distribution of the actual activity of each employee.”<sup>106</sup> We compared the hours reported by employees on the certifications and personnel activity reports available for 45 employees in our sample, to the state’s accounting system showing the federal programs that paid for that work. For five of those employees, there were discrepancies in some pay periods between payroll cost allocations on certifications or personnel activity reports and actual payroll cost allocations in the state’s accounting system. Those discrepancies affected about \$11,836 in payroll costs allocated between both major and nonmajor federal programs.

The purpose of the certifications and personnel activity reports is to ensure that each federal program only pays for payroll costs necessary to accomplish its objectives. Because the department did not have a process to identify and resolve these types of discrepancies, it is likely that other payroll discrepancies existed.

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<sup>106</sup> This portion of the finding affects the Child and Adult Care Food Program (CFDA 10.558), Summer Food Service Program for Children (CFDA 10.559), and Title I Grants to Local Education Agencies (CFDA 84.010).

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

In its response to this finding in our prior audit report, the department stated that it would develop tools to ensure compliance with payroll documentation requirements. We observed that the department did develop a new automated process to create personnel activity reports each pay period for each employee and procedures to ensure that employees and supervisors either certify the accuracy of those reports or identify necessary corrections. The department tested this new process for some employees during the last half of fiscal year 2014 and fully implemented it for fiscal year 2015.

*Recommendation*

- *The Minnesota Department of Education should ensure that it complies with federal standards for payroll cost allocations to federal programs.*

**Minnesota Department of Education Response:**

MDE concurs with this finding. An application to conduct PAR reporting was developed, and the administrative policy titled: Time Reporting, Time & Effort (PAR) and Semi-Annual Certification Reporting was updated to reflect policies and procedures for meeting the federal reporting requirements. MDE piloted the new application between January 1, 2013 and June 30, 2014. Training was provided and the application went live on July 1, 2014. The new policy and reporting application will enable MDE to stay in compliance with federal standards for payroll cost allocation to federal programs. Additional reviews of payroll cost allocations occur periodically throughout the year.

This finding is resolved for FY15 and on-going.

**Persons Responsible:** Denise Anderson, MDE Chief Financial Officer

**Estimated Completion Date:** This finding is resolved for FY15 and on-going.

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

**Report 15-08**

**State Agency:** Minnesota Department of Education

**Federal Agency(ies):** U. S. Department of Agriculture  
U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

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

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

**Federal Project Nos./Award Year:** See Report 15-08 - Appendix A

**Finding 2014-030 (15-08-3)** *Noncompliance with single audit Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.*

**3. The Department of Education did not comply with the reporting requirements of the Federal Funding Accountability and Transparency Act. This is a repeat finding.<sup>107</sup>**

The department did not establish a process to report information about recipients of subawards of federal grants,<sup>108</sup> as required by the Federal Funding Accountability and Transparency Act.<sup>109</sup> Title 2, Part 170 of the Code of Federal Regulations states that an entity “...*must 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.*” The department did not report subaward information for any of the 2,285 recipients of subawards

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<sup>107</sup> Office of the Legislative Auditor’s Financial Audit Division Report 14-09, *Department of Education*, issued March 21, 2014.

<sup>108</sup> 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.

<sup>109</sup> 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.

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

exceeding \$25,000 in fiscal year 2014; in total, the department provided these subaward recipients with nearly \$580 million from its major federal programs.<sup>110</sup>

In response to this finding in our prior audit report, the department stated that it would assign an employee to implement a reporting process. Department staff told us that they did assign that task to an employee, but that the employee did not complete it before leaving the department in July 2014. The department then assigned the task to a different employee, but the process had not been implemented as of March 2015.

*Recommendation*

- *The Minnesota Department of Education should establish a process to report subawards of federal grants, as required by the Federal Funding Accountability and Transparency Act.*

**Minnesota Department of Education Response:**

MDE's Agency Finance Division is developing a policy on FFATA reporting at MDE. The policy will provide a mechanism to identify all current and future federal awards subject to FFATA reporting, and outline the process for reporting in FSRs.gov. This policy will be implemented by July 1, 2015.

**Persons Responsible:** Denise Anderson, MDE Chief Financial Officer  
Andre' Prah, Director of Agency Finance

**Estimated Completion Date:** July 1, 2015

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<sup>110</sup> This finding affects all major federal programs identified in Table 1. See Appendix A (on page 13 of this report) for the federal award numbers for these programs.

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

**Report 15-08**

**State Agency:** Minnesota Department of Education

**Federal Agency(ies):** U. S. Department of Agriculture  
U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants

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

**Federal Project Nos./Award Year:** See Report 15-08 - Appendix A

**Finding 2014-031 (15-08-4)** *Noncompliance with subrecipient monitoring requirements.*

**4. The Department of Education did not ensure that all recipients of federal grants through the department met the audit requirements established by the federal government.**

The department did not determine whether 21 of its subrecipients<sup>111</sup> of federal funds had audits performed on their federal expenditures.<sup>112</sup> The federal Office of Management and Budget's *Circular A-133* requires nonfederal entities that expend at least \$500,000 in federal awards during a fiscal year to have compliance audits conducted on federal expenditures. It also requires that entities (like the Department of Education) that pass federal awards through to subrecipients ensure that those subrecipients have audits conducted. The Department of Management and Budget identified all of the state's subrecipients of federal awards and assigned monitoring responsibilities for each to the state agency that provided the most federal funds. The Department of Education was assigned to monitor 407 subrecipients that received at least \$500,000 in federal funds from state agencies during fiscal year 2013. The department ensured that schools and

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<sup>111</sup> A subrecipient is an entity that received a grant from the state paid from a federal award to accomplish the purpose for which the state received that award.

<sup>112</sup> This finding affects the Special Milk Program for Children (CFDA 10.556), Child and Adult Care Food Program (CFDA 10.558), Summer Food Service Program for Children (CFDA 10.559), Title I Grants to Local Education Agencies (CFDA 84.010), Special Education – Grants to States (CFDA 84.027), and Special Education – Preschool Grants (CFDA 84.173).

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

sponsors of family day care homes met the audit requirements; however, the department had not developed procedures to ensure that 21 other subrecipients met the audit requirements.

*Recommendation*

- *The Minnesota Department of Education should establish procedures to ensure that subrecipients meet federal audit requirements.*

**Minnesota Department of Education Response:**

MDE's Internal Audit Unit is developing an agency-wide policy and process to provide the necessary oversight and monitoring to ensure compliance. The new process will be a coordinated effort with federal program areas, as necessary, to strengthen audit review and corrective action follow-up. This policy will be implemented by December 30, 2015.

**Persons Responsible:** Denise Anderson, MDE Chief Financial Officer  
Paul Kurtenbach, Internal Audit Unit

**Estimated Completion Date:** December 30, 2015

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

**Report 15-08**

**State Agency:** Minnesota Department of Education

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**Appendix A**  
**Major Federal Programs**  
**Minnesota Department of Education**  
**Fiscal Year 2014**

<b>CFDA<sup>1</sup></b>	<b>Program Name</b>	<b>Federal Award Number</b>
	<u>Child Nutrition Cluster:</u> <sup>2</sup>	
10.553	School Breakfast	2MN300061
10.555	National School Lunch	Same as above
10.556	Special Milk Program for Children	Same as above
10.559	Summer Food Service Program for Children	Same as above
10.558	Child and Adult Care Food	2MN300061, 2MN300066
84.010	Title 1 Grants to Local Education Agencies	S010A120023, S010A130023
	<u>Special Education Cluster:</u> <sup>2</sup>	
84.027	Special Education – Grants to States	H027A120087, H027A130145
84.173	Special Education – Preschool Grants	H173A120086, H173A130086

<sup>1</sup> The Catalog of Federal Domestic Assistance (CFDA) includes unique numbers assigned by the federal government to identify its programs.

<sup>2</sup> A cluster of programs is a grouping of closely related programs that have similar compliance requirements and is treated as a single program for audit purposes.

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

**Report 15-09**

**State Agency:** Minnesota Department of Health

**Federal Agency(ies):** U.S. Department of Agriculture

**CFDA Number(s)/Program Name(s):**

10.557 Special Supplemental Nutrition Program – Women, Infant,  
Children (WIC)

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

**Federal Project Nos./Award Year:** See Report 15-09 - Appendix A

**Finding 2014-032 (15-09-1)** *Inaccurate reporting of federal expenditures on the SEFA.*

- 1. The Minnesota Department of Health did not accurately report federal expenditures for the Special Supplemental Nutrition Program for Women, Infants, and Children in the state’s Schedule of Expenditures of Financial Awards.**

The department incorrectly reported to the Department of Management and Budget the amount of federal expenditures for the Special Supplemental Nutrition Program for Women, Infants, and Children. As a result, the federal expenditures for the program in the state’s Schedule of Expenditures of Financial Awards were overstated by about \$19.5 million. The federal Office of Management and Budget requires states to issue reports on compliance with federal requirements for major federal programs, and to include the Schedule of Expenditures of Financial Awards in that report. The department created a worksheet to calculate the federal expenditures for the program, but the worksheet contained errors, and the department’s controls were not sufficient to identify and correct those errors.

*Recommendation*

- *The Minnesota Department of Health should strengthen its controls to ensure that it accurately reports federal program expenditures in the State of Minnesota’s Schedule of Expenditures of Financial Awards.*

**Minnesota Department of Health Response:**

We agree with this recommendation. The department has taken action to document necessary process changes to ensure proper reporting of federal program expenditures. In addition, we will implement a secondary review prior to submitting the final report to Minnesota Management and Budget. We consider this finding resolved.

**Person Responsible:** Sherry Kromschroeder, Director of Financial Services

**Estimated Completion Date:** We consider this finding resolved.

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

**Report 15-09**

**State Agency:** Minnesota Department of Health

**Federal Agency(ies):** U.S. Department of Agriculture

**CFDA Number(s)/Program Name(s):**

10.557 Special Supplemental Nutrition Program – Women, Infant, Children (WIC)

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

**Federal Project Nos./Award Year:** See Report 15-09 - Appendix A

**Finding 2014-033 (15-09-2)** *Noncompliance with subrecipient monitoring requirements.*

- 2. The Minnesota Department of Health did not always perform financial reviews of local agencies for the Special Supplemental Nutrition Program for Women, Infants, and Children at least once every two years.**

The department did not complete monitoring reviews on 9 of the 56 local agencies that participated in the Special Supplemental Nutrition Program for Women, Infants, and Children during fiscal year 2014 within the last two years.

The Code of Federal Regulations states:

*The State agency shall establish an on-going management evaluation system which includes at least the monitoring of local agency operations, the review of local agency financial and participation reports, the development of corrective action plans to resolve Program deficiencies, the monitoring of the implementation of corrective action plans, and on-site visits.... The State agency shall conduct monitoring reviews of each local agency at least once every two years.*<sup>113</sup>

The department did perform management evaluations of local agency operations and eligibility determinations for each of those 9 local agencies within the last two years, but did not perform financial reviews. A financial review is an examination of a local agency's accounting system, documentation supporting expenditures, and requests for reimbursements from program funds. The most recent financial reviews of 5 of those local agencies occurred between August and October 2011; the most recent financial reviews for the other 4 were between June and September 2012. The department did not have an effective method to track financial reviews to ensure that they were completed as required.

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<sup>113</sup> 7 CFR, sec. 246.19 (2014).

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

*Recommendation*

- *The Minnesota Department of Health should strengthen its controls to ensure it completes monitoring reviews, including financial reviews of all local agencies at least once every two years.*

**Minnesota Department of Health Response:**

We agree with the recommendation and have already strengthened our oversight procedures by requiring supervisors to review and report quarterly to the section Manager the status of all monitoring and financial reviews. This will assure that we meet federal monitoring requirements.

All nine of the local agencies that did not receive financial reviews within the two year required period were under the oversight of an employee new to the position. Once apprised of the situation, staff promptly scheduled all nine financial reviews and re-assigned additional staff to complete the reviews in a timely manner. We consider this finding resolved.

**Person Responsible:** Sherry Kromschroeder, Director of Financial Services

**Estimated Completion Date:** We consider this finding resolved.

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

**Report 15-09**

**State Agency:** Minnesota Department of Health

**Federal Agency(ies):** U.S. Department of Agriculture

**CFDA Number(s)/Program Name(s):**

10.557 Special Supplemental Nutrition Program – Women, Infant,  
Children (WIC)

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

**Federal Project Nos./Award Year:** See Report 15-09 - Appendix A

**Finding 2014-034 (15-09-3)** *Noncompliance with cash management requirements.*

**3. The Minnesota Department of Health did not comply with the state’s agreement with the U.S. Treasury for the transfer of funds from the federal government for the Special Supplemental Nutrition Program for Women, Infants, and Children.**

The cash management agreement between the state and the U.S. Treasury required the department to limit requests of federal funds for the program to reimbursements for actual administrative expenditures and for actual payments to vendors for redeemed food vouchers. The department had the following instances of noncompliance with that agreement:

- The department twice requested federal funds as reimbursement for Special Supplemental Nutrition Program for Women, Infants, and Children administrative expenditures that significantly exceeded actual administrative expenditures. The first excess reimbursement request was in October 2013 and resulted in an excess of about \$2.7 million; the second excess reimbursement request was in June 2014 and resulted in an excess of nearly \$3 million. The department recognized the reimbursement errors within a few weeks after they occurred and took steps that it believed offset the excess balances against future federal reimbursement claims over the following two or three months. However, staff did not recognize that, due to an accounting error, it still had about \$1.2 million of the excess remaining.
- From July 1, 2013, to December 4, 2013, the department maintained a cash balance ranging from \$269,129 to \$960,892 in its bank account used to pay vendors for redeemed food vouchers. The department eliminated the cash balance in the bank account after it recognized that the practice was not allowed by the agreement.

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

*Recommendation*

- *The Minnesota Department of Health should strengthen its controls to ensure it complies with the state's agreement with the U.S. Treasury for the transfer of funds from the federal government.*

**Minnesota Department of Health Response:**

In response to the first bullet point, we have isolated the incident that caused the account to be overdrawn and will be working with the U.S. Department of Agriculture, Food and Nutrition Services, to issue a refund. We anticipate this finding will be resolved by May 1, 2015.

Person responsible: Sherry Kromschroeder, Director of Financial Services

Regarding the second bullet point, the department completed a risk assessment exercise during the fiscal year and strengthened its internal controls. During the review we discovered a change in the State's U.S. Treasury agreement related to the clearance time technique used to draw funds in the federal ASAP system. The change involved moving from an ACH payment, which required the department to maintain a bank account balance, to a same day wire payment. Under the same day payment method an average daily balance is not necessary, so the department reduced the bank account balance to zero in December 2013. We consider this finding resolved.

**Person Responsible:** Sherry Kromschroeder, Director of Financial Services

**Estimated Completion Date:** May 1, 2015

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

**Report 15-09**

**State Agency:** Minnesota Department of Health

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**Appendix A**  
**Major Federal Programs**  
**Minnesota Department of Health**  
**Fiscal Year 2014**

<b><u>CFDA</u><sup>1</sup></b>	<b><u>Program Name</u></b>	<b><u>Federal Award Number</u></b>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	2013IW500342, 2014IW100242, 2014IW100642, 2014IW500342
93.069	Public Health Emergency Preparedness <sup>2</sup>	5U90TP000529
93.889	National Bioterrorism Hospital Preparedness <sup>3</sup>	5U90TP000529

<sup>1</sup> The Catalog of Federal Domestic Assistance (CFDA) includes unique numbers assigned by the federal government to identify its programs.

<sup>2</sup> Public Health Emergency Preparedness fiscal year 2013 federal award number is 1U90TP000529.

<sup>3</sup> National Bioterrorism Hospital Preparedness fiscal year 2013 federal award number is 1U90TP000529.

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

**Report CLA-14**

**State Agency:** Minnesota State Colleges and Universities

**Federal Agency(ies):** U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

84.007 – Federal Supplemental Education Opportunity Grants  
84.033 – Federal Work Study Program  
84.038 – Federal Perkins Loans  
84.063 – Federal Pell Grant Program  
84.268 – Federal Direct Student Loans  
84.376 – National Science and Mathematics Talent Grants  
84.379 – Teacher Education Assistance for College and Higher  
Education Grants

**Questioned Costs:** None

**Federal Project Nos./Award Year:** Not applicable – procedure finding only.

**Finding 2014-035 (CLA-14-1) (CLA Report 2014-001)** *Two colleges had errors related to the return of Title IV funds.*

**Condition – Late Return of Title IV:**

We noted two errors in our testing of 40 sampled return of Title IV calculations. Bemidji State University did not properly round to three decimal places for one student's return to Title IV calculation. North Hennepin Community College did not timely identify that a student never began attendance and therefore did not return the funds within the required 30 days.

**Criteria:**

Under Federal regulations, institutions are required to complete accurate return to Title IV calculations as defined in the regulations. They are also required to have a system in place to identify when a student does not begin attendance and return those funds within 30 days of the start of the term.

**Questioned Costs:**

Insignificant

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

**Possible Asserted Effect:**

Bemidji State University is not completing accurate return to Title IV calculations as defined by the regulations and North Hennepin Community College does not have a process in place to timely identify students that do not begin attendance.

**Auditors' Recommendation:**

We recommend Bemidji State University review their policies and procedures as well as hold training sessions for staff completing the return of Title IV calculations to ensure the calculations are proper. We recommend North Hennepin Community College implement procedures to identify students that never began attendance within 30 days of the start of the term so that they can timely return any funds as necessary.

**Minnesota State Colleges and Universities Response:**

The institutions agree with the auditor's recommendation and will review their procedures to assure that all Return to Title IV calculations are done in a timely manner and are rounded to three decimal places.

**Person Responsible:**

Bemidji State University	Lesa Lawrence, Financial Aid Director
North Hennepin Community College	Jackie Olsson, Dean of Student Affairs

**Estimated Completion Date:** March 1, 2015



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

**Report CLA-14**

**State Agency:** Minnesota State Colleges and Universities

**Federal Agency(ies):** U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

84.268 – Federal Direct Student Loans

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

**Federal Project Nos./Award Year:** Not provided.

**Finding 2014-036 (CLA-14-2) (CLA Report 2014-002)** *One college did not complete a loan reconciliation.*

**Condition – Direct Loan Reconciliations:**

During our testing of direct loan reconciliations, we noted Minnesota State Community and Technical College did not complete the February 2014 reconciliation of the direct loans.

**Criteria:**

Under Federal regulations, schools are required to complete monthly reconciliation of the direct loan program.

**Questioned Costs:**

None

**Possible Asserted Effect:**

Errors with administration of the direct loan program may not be timely identified and corrected.

**Auditors' Recommendation:**

We recommend the Minnesota State Community and Technical College review their policies and implement procedures to ensure direct loan reconciliations are completed on a monthly basis and timely completed.

**Minnesota State Colleges and Universities Response:**

The institution agrees with the auditor's recommendation and will review their policies and implement procedures to ensure that Direct Loan reconciliations are completed on a monthly basis and in a timely manner.

**Persons Responsible:**

Minnesota State Community and Technical College      Wendy Olds, Financial Aid Director

**Estimated Completion Date:** March 1, 2015

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

**Report CLA-14**

**State Agency:** Minnesota State Colleges and Universities

**Federal Agency(ies):** U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

84.007 – Federal Supplemental Education Opportunity Grants  
84.033 – Federal Work Study Program  
84.038 – Federal Perkins Loans  
84.063 – Federal Pell Grant Program  
84.268 – Federal Direct Student Loans  
84.376 – National Science and Mathematics Talent Grants  
84.379 – Teacher Education Assistance for College and Higher  
Education Grants

**Questioned Costs:** None

**Federal Project Nos./Award Year:** Not applicable – procedure finding only.

**Finding 2014-037 (CLA-14-3) (CLA Report 2014-003)** *Inaccurate information on National Student Loan Data System status update reports.*

**Condition – Status Updates on National Student Loan Data System (NSLDS):**

We selected a sample of twelve MnSCU colleges and universities to test for timeliness of reporting student status changes to the National Student Loan Data System (NSLDS). During our testing, we noted that the rosters returned, for all twelve colleges and universities in our sample, yielded error reports that were not corrected and resubmitted within the required 10 days.

This issue occurred at many colleges and universities in the U.S. during Fall 2014 attributable to a processing error on the NSLDS website. However, it is possible for colleges and universities to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which would have detected these types of errors.

**Criteria:**

Federal regulation requires enrollment status for each student be reported accurately to NSLDS. In addition, regulations require that an institution make necessary corrections and return the records within 10 days for any roster files that don't pass the NSLDS enrollment reporting edits.

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

**Questioned Costs:**

None

**Possible Asserted Effect:**

The Institution did not update student enrollment statuses correctly or timely to NSLDS.

**Auditors' Recommendation:**

We recommend that the colleges and universities put a process in place to ensure determination of all students who withdraw are accurately and timely reported to NSLDS.

**Minnesota State Colleges and Universities Response:**

The system agrees with the auditor's recommendation and will put a process in place to ensure determination of all students who withdraw are accurately and timely reported to NSLDS.

**Person Responsible:**

Minnesota State Colleges and Universities

Chris Halling, System Director for Student  
Financial Aid

**Estimated Completion Date:**

June 30, 2015

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

**Report CLA-14**

**State Agency:** Minnesota State Colleges and Universities

**Federal Agency(ies):** U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

84.007 – Federal Supplemental Education Opportunity Grants  
84.033 – Federal Work Study Program  
84.038 – Federal Perkins Loans  
84.063 – Federal Pell Grant Program  
84.268 – Federal Direct Student Loans  
84.376 – National Science and Mathematics Talent Grants  
84.379 – Teacher Education Assistance for College and Higher  
Education Grants

**Questioned Costs:** \$10,040

**Federal Project Nos./Award Year:** Not provided.

**Finding 2014-038 (CLA-14-4) (CLA Report 2014-004)** *One college did not verify eligibility  
for one student.*

**Condition – Verification:**

During our testing, we noted one out of the 60 student's tested for eligibility did not have the required verification procedures completed. The student at Lake Superior College was selected under the tracking flag V1 on the student's ISIR but the school did not obtain the necessary documents to perform the verification.

**Criteria:**

Schools are required to verify applications of students who will receive subsidized student financial assistance that are selected by the Central Processing System (CPS).

**Questioned Costs:**

\$10,040

**Possible Asserted Effect:**

The Institution is awarding subsidized financial assistance to student that may not qualify.

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

**Auditors' Recommendation:**

We recommend that Lake Superior College review their verification procedures and make the necessary corrections to ensure all students selected for verification by the CPS are properly verified.

**Minnesota State Colleges and Universities Response:**

The institution accepts the auditor's recommendation and will review their verification procedures and make any necessary corrections to ensure that all students selected by the CPS are properly verified.

**Person Responsible:**

Lake Superior College

LaNita Robinson, Financial Aid Director

**Estimated Completion Date:**

March 1, 2015

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

**Report CLA-14**

**State Agency:** Minnesota State Colleges and Universities

**Federal Agency(ies):** U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

84.268 – Federal Direct Student Loans

**Questioned Costs:** \$1,000 of subsidized loans that should have been unsubsidized loans.

**Federal Project Nos./Award Year:** Not provided.

**Finding 2014-039 (CLA-14-5) (CLA Report 2014-005)** *One college incorrectly awarded a Stafford loan to one student.*

**Condition – Awarding of Subsidized Stafford Loans:**

During our testing, we noted one out of the 60 student's tested for eligibility were not properly awarded subsidized Stafford loans. A student at Vermillion Community College was enrolled in a certificate program that was one semester in length that is required for enrollment in another program. The student's Stafford loans were incorrectly prorated and the student was overawarded \$1,000 of subsidized loans.

**Criteria:**

Institutions are required to award Stafford loans within the annual and aggregate limits.

**Questioned Costs:**

\$1,000 of subsidized loans that should have been unsubsidized loans.

**Possible Asserted Effect:**

The Institution is awarding subsidized Stafford loans for which the student is not eligible. However, the overawarded subsidized loan can be corrected by awarding an unsubsidized loan in place of it.

**Auditors' Recommendation:**

We recommend that Vermillion Community College review their awarding procedures and implement procedures to ensure the Stafford loans are awarded within the annual and aggregate limits.

**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 institution agrees with the auditor's recommendation and will review their awarding procedure and implement any needed corrections to ensure that Stafford loans are awarded within the annual and aggregate limits. The loan referenced in the finding has been changed to an unsubsidized loan.

**Person Responsible:**

Vermillion Community College

Kristi L'Allier, Financial Aid Director

**Estimated Completion Date:**

March 1, 2015





**State of Minnesota**  
**Financial and Compliance Report on Federally Assisted Programs**  
**Fiscal Year Ended June 30, 2014**

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Report 09-10	Human Services
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STATE OF MINNESOTA  
STATUS OF PRIOR FEDERAL AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2014

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	Supplemental Nutrition Assistance Program	Human Services	No documented internal control structure ensuring compliance	1	09-10	1	2008
10.551	Supplemental Nutrition Assistance Program	Human Services	No documented internal control structure ensuring compliance	1	10-11	1	2009
10.551	Supplemental Nutrition Assistance Program	Human Services	No documented internal control structure ensuring compliance	1	11-13	2	2010
10.551	Supplemental Nutrition Assistance Program	Human Services	No documented internal control structure ensuring compliance	1	12-07	1	2011
10.551	Supplemental Nutrition Assistance Program	Human Services	Insufficient monitoring of resolution of income discrepancies	2	13-05	2	2012
10.551	Supplemental Nutrition Assistance Program	Human Services	No documented internal control structure ensuring compliance	1	13-15	2	2012
10.551	Supplemental Nutrition Assistance Program	Human Services	No documented internal control structure ensuring compliance	1	14-11	1	2013
10.551	Supplemental Nutrition Assistance Program	Human Services	Incompatible system access without mitigating controls	1	14-11	2	2013
10.551	Supplemental Nutrition Assistance Program	Human Services	Insufficient monitoring of resolution of income discrepancies	2	14-11	5	2013
10.553	School Breakfast Program	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.553	School Breakfast Program	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.553	School Breakfast Program	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
10.553	School Breakfast Program	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
10.553	School Breakfast Program	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
10.553	School Breakfast Program	Education	No documented internal control structure ensuring compliance	2	13-14	1	2012
10.553	School Breakfast Program	Education	Noncompliance with review and monitoring of payroll reports	1	13-14	2	2012
10.553	School Breakfast Program	Education	No documented internal control structure ensuring compliance	2	14-09	1	2013
10.553	School Breakfast Program	Education	No documented internal control structure ensuring compliance	2	14-09	2	2013
10.553	School Breakfast Program	Education	Noncompliance with federal standards for payroll cost allocations	1	14-09	2	2013
10.553	School Breakfast Program	Education	Noncompliance with single audit FFATA reporting requirements	2	14-09	3	2013
10.555	National School Lunch Program	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.555	National School Lunch Program	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.555	National School Lunch Program	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
10.555	National School Lunch Program	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
10.555	National School Lunch Program	Education	No documented internal control structure ensuring compliance	2	13-14	1	2012
10.555	National School Lunch Program	Education	No documented internal control structure ensuring compliance	2	13-14	1	2012
10.555	National School Lunch Program	Education	Noncompliance with review and monitoring of payroll reports	1	13-14	2	2012
10.555	National School Lunch Program	Education	No documented internal control structure ensuring compliance	2	14-09	1	2013
10.555	National School Lunch Program	Education	No documented internal control structure ensuring compliance	2	14-09	2	2013
10.555	National School Lunch Program	Education	Noncompliance with federal standards for payroll cost allocations	1	14-09	2	2013
10.555	National School Lunch Program	Education	Noncompliance with single audit FFATA reporting requirements	2	14-09	3	2013
10.556	Special Milk Program for Children	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.556	Special Milk Program for Children	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.556	Special Milk Program for Children	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
10.556	Special Milk Program for Children	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
10.556	Special Milk Program for Children	Education	No documented internal control structure ensuring compliance	2	13-14	1	2012
10.556	Special Milk Program for Children	Education	Noncompliance with review and monitoring of payroll reports	1	13-14	2	2012
10.556	Special Milk Program for Children	Education	No documented internal control structure ensuring compliance	2	14-09	1	2013
10.556	Special Milk Program for Children	Education	No documented internal control structure ensuring compliance	2	14-09	2	2013
10.556	Special Milk Program for Children	Education	Noncompliance with federal standards for payroll cost allocations	1	14-09	2	2013
10.556	Special Milk Program for Children	Education	Noncompliance with single audit FFATA reporting requirements	2	14-09	3	2013
10.558	Child and Adult Care Food Program	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.558	Child and Adult Care Food Program	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.558	Child and Adult Care Food Program	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
10.558	Child and Adult Care Food Program	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
10.558	Child and Adult Care Food Program	Education	No documented internal control structure ensuring compliance	2	13-14	1	2012
10.558	Child and Adult Care Food Program	Education	Noncompliance with review and monitoring of payroll reports	2	13-14	2	2012
10.558	Child and Adult Care Food Program	Education	No documented internal control structure ensuring compliance	2	14-09	1	2013
10.558	Child and Adult Care Food Program	Education	No documented internal control structure ensuring compliance	2	14-09	2	2013
10.558	Child and Adult Care Food Program	Education	Noncompliance with federal standards for payroll cost allocations	1	14-09	3	2013
10.558	Child and Adult Care Food Program	Education	Noncompliance with single audit FFATA reporting requirements	2	14-09	3	2013
10.559	Summer Food Service Program	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.559	Summer Food Service Program	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.559	Summer Food Service Program	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
10.559	Summer Food Service Program	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
10.559	Summer Food Service Program	Education	No documented internal control structure ensuring compliance	2	13-14	1	2012
10.559	Summer Food Service Program	Education	Noncompliance with review and monitoring of payroll reports	2	13-14	2	2012
10.559	Summer Food Service Program	Education	No documented internal control structure ensuring compliance	2	14-09	1	2013
10.559	Summer Food Service Program	Education	No documented internal control structure ensuring compliance	2	14-09	2	2013
10.559	Summer Food Service Program	Education	Noncompliance with federal standards for payroll cost allocations	1	14-09	3	2013
10.559	Summer Food Service Program	Education	Noncompliance with single audit FFATA reporting requirements	2	14-09	3	2013
10.561	Supplemental Nutrition Assistance Administration	Human Services	No documented internal control structure ensuring compliance	1	09-10	1	2008

STATE OF MINNESOTA  
STATUS OF PRIOR FEDERAL AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2014

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 (continued)</b>							
10.561	Supplemental Nutrition Assistance Administration	Human Services	No documented internal control structure ensuring compliance	1	10-11	1	2009
10.561	Supplemental Nutrition Assistance Administration	Human Services	No documented internal control structure ensuring compliance	1	11-13	2	2010
10.561	Supplemental Nutrition Assistance Administration	Human Services	Insufficient notification of federal award information to subrecipients	1	11-13	6	2010
10.561	Supplemental Nutrition Assistance Administration	Human Services	No documented internal control structure ensuring compliance	1	12-07	1	2011
10.561	Supplemental Nutrition Assistance Administration	Human Services	Insufficient notification of federal award information to subrecipients	1	12-07	10	2011
10.561	Supplemental Nutrition Assistance Administration	Human Services	No documented internal control structure ensuring compliance	1	13-15	2	2012
10.561	Supplemental Nutrition Assistance Administration	Human Services	Insufficient notification of federal award information to subrecipients	1	13-15	8	2012
10.561	Supplemental Nutrition Assistance Administration	Human Services	No documented internal control structure ensuring compliance	1	14-11	1	2013
10.561	Supplemental Nutrition Assistance Administration	Human Services	Incompatible system access without mitigating controls	1	14-11	2	2013
10.561	Supplemental Nutrition Assistance Administration	Human Services	Did not obtain required information from subrecipients prior to award	1	14-11	7	2013
10.561	Supplemental Nutrition Assistance Administration	Human Services	Insufficient notification of federal award information to subrecipients	1	14-11	8	2013
<b>U.S. Department of Defense</b>							
12.401	National Guard Military Operations and Maintenance	Military Affairs	Insufficient review of payroll reports	1	14-05	1	2013
<b>U.S. Department of Labor</b>							
17.225	Unemployment Insurance	Employment and Economic Development	Insufficient monitoring of equipment purchased with federal funds	2	13-08	6	2012
17.225	Unemployment Insurance	Employment and Economic Development	Insufficient monitoring of equipment purchased with federal funds	2	14-10	1	2013
17.258	WIA Adult Program	Employment and Economic Development	Insufficient monitoring of equipment purchased with federal funds	4	13-08	6	2012
17.258	WIA Adult Program	Employment and Economic Development	Insufficient monitoring of equipment purchased with federal funds	4	14-10	1	2013
17.259	WIA Youth Activities	Employment and Economic Development	Insufficient monitoring of equipment purchased with federal funds	4	13-08	6	2012
17.259	WIA Youth Activities	Employment and Economic Development	Insufficient monitoring of equipment purchased with federal funds	4	14-10	1	2013
17.278	WIA Dislocated Worker Formula Grants	Employment and Economic Development	Insufficient monitoring of equipment purchased with federal funds	4	13-08	6	2012
17.278	WIA Dislocated Worker Formula Grants	Employment and Economic Development	Insufficient monitoring of equipment purchased with federal funds	4	14-10	1	2013
<b>U.S. Department of Energy</b>							
81.041	State Energy Program	Commerce	Noncompliance in developing and monitoring indirect cost plans	1	13-07	1	2012
81.041	ARRA - State Energy Program	Commerce	Noncompliance in developing and monitoring indirect cost plans	1	13-07	1	2012
81.041	State Energy Program	Commerce	Noncompliance with approved indirect cost plans	1	14-08	2	2013
81.041	ARRA - State Energy Program	Commerce	Noncompliance with approved indirect cost plans	1	14-08	2	2013
81.042	Weatherization Assistance For Low-Income Persons	Commerce	Noncompliance in developing and monitoring indirect cost plans	1	13-07	1	2012
81.042	ARRA - Weatherization For Low-Income Persons	Commerce	Noncompliance in developing and monitoring indirect cost plans	1	13-07	1	2012
81.042	Weatherization Assistance For Low-Income Persons	Commerce	Noncompliance with approved indirect cost plans	1	14-08	2	2013
81.042	ARRA - Weatherization For Low-Income Persons	Commerce	Noncompliance with approved indirect cost plans	1	14-08	2	2013
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	Commerce	Noncompliance in developing and monitoring indirect cost plans	1	13-07	1	2012
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	Commerce	Noncompliance with approved indirect cost plans	1	14-08	2	2013
<b>U.S. Department of Education</b>							
84.007	Federal Supp Educational Opportunity Grants	Minnesota State Colleges and Universities	One college did not accurately calculate the return of Title IV funds	1	CLA-13	1	2013
84.010	Title I Grants to Local Educational Agencies	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
84.010	Title I Grants to Local Educational Agencies	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
84.010	Title I Grants to Local Educational Agencies	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
84.010	Title I Grants to Local Educational Agencies	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
84.010	Title I Grants to Local Educational Agencies	Education	No documented internal control structure ensuring compliance	2	13-14	1	2012
84.010	Title I Grants to Local Educational Agencies	Education	Noncompliance with review and monitoring of payroll reports	2	13-14	2	2012
84.010	Title I Grants to Local Educational Agencies	Education	No documented internal control structure ensuring compliance	2	14-09	1	2013
84.010	Title I Grants to Local Educational Agencies	Education	Noncompliance with federal standards for payroll cost allocations	2	14-09	2	2013
84.010	Title I Grants to Local Educational Agencies	Education	Noncompliance with single audit FFATA reporting requirements	2	14-09	3	2013
84.027	Special Education-Grants to States	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
84.027	Special Education-Grants to States	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
84.027	Special Education-Grants to States	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
84.027	Special Education-Grants to States	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
84.027	Special Education-Grants to States	Education	No documented internal control structure ensuring compliance	2	13-14	1	2012
84.027	Special Education-Grants to States	Education	Noncompliance with review and monitoring of payroll reports	1	13-14	2	2012

STATE OF MINNESOTA  
STATUS OF PRIOR FEDERAL AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2014

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 (continued)</b>							
84-027	Special Education-Grants to States	Education	No documented internal control structure ensuring compliance	2	14-09	1	2013
84-027	Special Education-Grants to States	Education	Noncompliance with federal standards for payroll cost allocations	2	14-09	2	2013
84-027	Special Education-Grants to States	Education	Noncompliance with single audit FFATA reporting requirements	2	14-09	3	2013
84-033	Federal Work-Study Program	Minnesota State Colleges and Universities	One college did not accurately calculate the return of Title IV funds	1	CLA-13	1	2013
84-038	Federal Perkins Loan	Minnesota State Colleges and Universities	One college did not accurately calculate the return of Title IV funds	1	CLA-13	1	2013
84-063	Federal Pell Grant Program	Minnesota State Colleges and Universities	One college did not accurately calculate the return of Title IV funds	1	CLA-13	1	2013
84-126	Vocational Rehabilitation Grants	Employment and Economic Development	Insufficient controls over monitoring and reporting financial activity	1	13-08	5	2012
84-126	Vocational Rehabilitation Grants	Employment and Economic Development	Insufficient monitoring of equipment purchased with federal funds	2	13-08	6	2012
84-126	Vocational Rehabilitation Grants	Employment and Economic Development	Insufficient monitoring of equipment purchased with federal funds	2	14-10	1	2013
84-126	Vocational Rehabilitation Grants	Employment and Economic Development	Insufficient monitoring of subrecipients use of federal funds	2	14-10	2	2013
84-173	Special Education-Preschool Grants	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
84-173	Special Education-Preschool Grants	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
84-173	Special Education-Preschool Grants	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
84-173	Special Education-Preschool Grants	Education	No documented internal control structure ensuring compliance	2	13-14	1	2012
84-173	Special Education-Preschool Grants	Education	Noncompliance with review and monitoring of payroll reports	1	13-14	2	2012
84-173	Special Education-Preschool Grants	Education	No documented internal control structure ensuring compliance	2	14-09	1	2013
84-173	Special Education-Preschool Grants	Education	Noncompliance with federal standards for payroll cost allocations	2	14-09	2	2013
84-173	Special Education-Preschool Grants	Education	Noncompliance with single audit FFATA reporting requirements	2	14-09	3	2013
84-173	Special Education-Preschool Grants	Education	One college did not accurately calculate the return of Title IV funds	1	CLA-13	1	2013
84-268	Federal Direct Student Loans	Minnesota State Colleges and Universities	Three colleges did not timely conduct exit counseling	1	CLA-13	2	2013
84-268	Federal Direct Student Loans	Education	Inadequate internal control structure over single audit requirements	4	09-08	1	2008
84-367	Improving Teacher Quality State Grants	Education	No documented internal control structure ensuring compliance	4	10-08	1	2009
84-367	Improving Teacher Quality State Grants	Education	No documented internal control structure ensuring compliance	4	11-12	1	2010
84-367	Improving Teacher Quality State Grants	Education	No documented internal control structure ensuring compliance	4	12-04	1	2011
84-367	Improving Teacher Quality State Grants	Education	No documented internal control structure ensuring compliance	4	13-14	1	2012
84-367	Improving Teacher Quality State Grants	Education	No documented internal control structure ensuring compliance	4	14-09	1	2013
84-367	Improving Teacher Quality State Grants	Education	No documented internal control structure ensuring compliance	4	14-09	2	2013
84-367	Improving Teacher Quality State Grants	Education	Noncompliance with federal standards for payroll cost allocations	4	14-09	3	2013
84-367	Improving Teacher Quality State Grants	Education	Noncompliance with single audit FFATA reporting requirements	4	14-09	3	2013
84-375	Academic Competitiveness Grants	Minnesota State Colleges and Universities	One college did not accurately calculate the return of Title IV funds	1	CLA-13	1	2013
84-376	National Science and Mathematics Talent Grants	Minnesota State Colleges and Universities	One college did not accurately calculate the return of Title IV funds	1	CLA-13	1	2013
84-379	Teacher Education Assistance for College and Higher Ed. Grants	Minnesota State Colleges and Universities	One college did not accurately calculate the return of Title IV funds	1	CLA-13	1	2013
<b>U.S. Department of Health and Human Services</b>							
93-558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring compliance	1	09-10	1	2008
93-558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring compliance	1	10-11	1	2009
93-558	Temporary Assistance for Needy Families	Human Services	Inadequately addressing responsibility for monitoring accurate eligibility determinations	1	10-11	2	2009
93-558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring accurate eligibility determinations	1	11-13	1	2010
93-558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring compliance	1	11-13	2	2010
93-558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring compliance	1	12-07	1	2011
93-558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring accurate eligibility determinations	1	12-07	2	2011
93-558	Temporary Assistance for Needy Families	Human Services	Insufficient notification of federal award information to subrecipients	1	12-07	10	2011
93-558	Temporary Assistance for Needy Families	Human Services	Insufficient monitoring of resolution of income discrepancies	2	13-05	2	2012
93-558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring accurate eligibility determinations	1	13-15	1	2012
93-558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring compliance	1	13-15	2	2012
93-558	Temporary Assistance for Needy Families	Human Services	Federal requirements for reducing cash assistance for noncooperation not followed	1	13-15	5	2012
93-558	Temporary Assistance for Needy Families	Human Services	Insufficient notification of federal award information to subrecipients	1	13-15	8	2012
93-558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring compliance	1	14-11	1	2013
93-558	Temporary Assistance for Needy Families	Human Services	Incompatible system access without mitigating controls	1	14-11	2	2013
93-558	Temporary Assistance for Needy Families	Human Services	Department did not follow federal requirements for reducing cash assistance for noncooperation	1	14-11	3	2013
93-558	Temporary Assistance for Needy Families	Human Services	Insufficient monitoring of resolution of income discrepancies	2	14-11	5	2013
93-558	Temporary Assistance for Needy Families	Human Services	Did not obtain required information from subrecipients prior to award	1	14-11	7	2013
93-558	Temporary Assistance for Needy Families	Human Services	Insufficient notification of federal award information to subrecipients	1	14-11	8	2013

STATE OF MINNESOTA  
STATUS OF PRIOR FEDERAL AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2014

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 and Human Services (continued)							
93.563	Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.563	Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.563	Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.563	Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.563	Child Support Enforcement	Human Services	Insufficient controls to ensure appropriate access to state business systems	1	13-06	4	2012
93.563	Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance	2	13-15	2	2012
93.563	Child Support Enforcement	Human Services	Insufficient controls to ensure appropriate access to state business systems	1	14-04	3	2013
93.563	Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance	2	14-11	1	2013
93.563	Child Support Enforcement	Human Services	Incompatible system access without mitigating controls	1	14-11	2	2013
93.568	Low-Income Home Energy Assistance	Commerce	Noncompliance in developing and monitoring indirect cost plans	1	13-07	1	2012
93.568	Low-Income Home Energy Assistance	Commerce	Insufficient controls to ensure complete and accurate federal financial reports	2	14-08	1	2013
93.575	Child Care and Development Block Grant	Human Services	Noncompliance with approved indirect cost plans	1	14-08	2	2013
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.575	Child Care and Development Block Grant	Human Services	Inadequately addressing responsibility for monitoring accurate eligibility determinations	1	10-11	2	2009
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring accurate eligibility determinations	1	11-13	1	2010
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring accurate eligibility determinations	1	12-07	2	2011
93.575	Child Care and Development Block Grant	Human Services	No monitoring of counties' efforts to detect fraudulent child care payments	1	12-07	4	2011
93.575	Child Care and Development Block Grant	Human Services	Insufficient notification of federal award information to subrecipients	1	12-07	10	2011
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring accurate eligibility determinations	1	13-15	1	2012
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring compliance	2	13-15	2	2012
93.575	Child Care and Development Block Grant	Human Services	No monitoring of counties' efforts to detect fraudulent child care payments	1	13-15	8	2012
93.575	Child Care and Development Block Grant	Human Services	Insufficient notification of federal award information to subrecipients	2	14-11	1	2013
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring compliance	2	14-11	2	2013
93.575	Child Care and Development Block Grant	Human Services	Incompatible system access without mitigating controls	1	14-11	4	2013
93.575	Child Care and Development Block Grant	Human Services	Not adequately monitoring program activities	1	14-11	7	2013
93.596	Child Care Mandatory and Matching Fund	Human Services	Did not obtain required information from subrecipients prior to award	2	09-10	1	2008
93.596	Child Care Mandatory and Matching Fund	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.596	Child Care Mandatory and Matching Fund	Human Services	No documented internal control structure ensuring compliance	2	10-11	2	2009
93.596	Child Care Mandatory and Matching Fund	Human Services	Inadequately addressing responsibility for monitoring accurate eligibility determinations	1	11-13	1	2010
93.596	Child Care Mandatory and Matching Fund	Human Services	No documented internal control structure ensuring accurate eligibility determinations	2	11-13	2	2010
93.596	Child Care Mandatory and Matching Fund	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.596	Child Care Mandatory and Matching Fund	Human Services	No documented internal control structure ensuring accurate eligibility determinations	1	12-07	2	2011
93.596	Child Care Mandatory and Matching Fund	Human Services	No monitoring of counties' efforts to detect fraudulent child care payments	1	12-07	4	2011
93.596	Child Care Mandatory and Matching Fund	Human Services	Insufficient notification of federal award information to subrecipients	1	12-07	10	2011
93.596	Child Care Mandatory and Matching Fund	Human Services	No documented internal control structure ensuring accurate eligibility determinations	1	13-15	1	2012
93.596	Child Care Mandatory and Matching Fund	Human Services	No documented internal control structure ensuring compliance	2	13-15	2	2012
93.596	Child Care Mandatory and Matching Fund	Human Services	No monitoring of counties' efforts to detect fraudulent child care payments	1	13-15	3	2012
93.596	Child Care Mandatory and Matching Fund	Human Services	Insufficient notification of federal award information to subrecipients	1	13-15	8	2012
93.596	Child Care Mandatory and Matching Fund	Human Services	No documented internal control structure ensuring compliance	2	14-11	1	2013
93.596	Child Care Mandatory and Matching Fund	Human Services	Incompatible system access without mitigating controls	1	14-11	2	2013
93.596	Child Care Mandatory and Matching Fund	Human Services	Not adequately monitoring program activities	2	14-11	4	2013
93.596	Child Care Mandatory and Matching Fund	Human Services	Did not obtain required information from subrecipients prior to award	2	09-10	1	2008
93.658	Foster Care-Title IV-E	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.658	Foster Care-Title IV-E	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.658	Foster Care-Title IV-E	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.658	Foster Care-Title IV-E	Human Services	Insufficient notification of federal award information to subrecipients	1	12-07	10	2011

STATE OF MINNESOTA  
STATUS OF PRIOR FEDERAL AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2014

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 and Human Services (continued)							
93.658	Foster Care-Title IV-E	Human Services	No documented internal control structure ensuring compliance	2	13-15	2	2012
93.658	Foster Care-Title IV-E	Human Services	Insufficient notification of federal award information to subrecipients	1	13-15	8	2012
93.658	Foster Care-Title IV-E	Human Services	No documented internal control structure ensuring compliance	2	14-11	1	2013
93.658	Foster Care-Title IV-E	Human Services	Incompatible system access without mitigating controls	1	14-11	2	2013
93.658	Foster Care-Title IV-E	Human Services	Did not obtain required information from subrecipients prior to award	1	14-11	7	2013
93.659	Adoption Assistance	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.659	Adoption Assistance	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.659	Adoption Assistance	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.659	Adoption Assistance	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.659	Adoption Assistance	Human Services	No documented internal control structure ensuring compliance	2	13-15	2	2012
93.659	Adoption Assistance	Human Services	No documented internal control structure ensuring compliance	2	14-11	1	2013
93.667	Social Services Block Grant	Human Services	Incompatible system access without mitigating controls	1	14-11	2	2013
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	Insufficient notification of federal award information to subrecipients	4	12-07	10	2011
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	Insufficient notification of federal award information to subrecipients	4	13-15	8	2012
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	Insufficient notification of federal award information to subrecipients	4	14-11	1	2013
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	Incompatible system access without mitigating controls	4	14-11	2	2013
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	Insufficient notification of federal award information to subrecipients	4	14-11	8	2013
93.767	Children's Health Insurance Program	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.767	Children's Health Insurance Program	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.767	Children's Health Insurance Program	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.767	Children's Health Insurance Program	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.767	Children's Health Insurance Program	Human Services	No documented internal control structure ensuring compliance	2	13-15	2	2012
93.767	Children's Health Insurance Program	Human Services	No documented internal control structure ensuring compliance	2	14-11	1	2013
93.777	State Health Care Providers Survey	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.777	State Health Care Providers Survey	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.777	State Health Care Providers Survey	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.777	State Health Care Providers Survey	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.777	State Health Care Providers Survey	Human Services	No documented internal control structure ensuring compliance	2	13-15	2	2012
93.777	State Health Care Providers Survey	Human Services	No documented internal control structure ensuring compliance	2	14-11	1	2013
93.778	Medical Assistance Program	Human Services	Incompatible system access without mitigating controls	1	14-11	2	2013
93.778	Medical Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.778	Medical Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.778	Medical Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.778	Medical Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.778	Medical Assistance Program	Human Services	Insufficient notification of federal award information to subrecipients	1	12-07	10	2011
93.778	Medical Assistance Program	Human Services	Noncompliance with federal eligibility requirements	4	13-05	1	2012
93.778	Medical Assistance Program	Human Services	Insufficient monitoring of resolution of income discrepancies	4	13-05	2	2012
93.778	Medical Assistance Program	Human Services	No documented internal control structure ensuring accurate eligibility determinations	1	13-15	1	2012
93.778	Medical Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	13-15	2	2012
93.778	Medical Assistance Program	Human Services	Insufficient notification of federal award information to subrecipients	1	13-15	8	2012
93.778	Medical Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	14-11	1	2013
93.778	Medical Assistance Program	Human Services	Incompatible system access without mitigating controls	1	14-11	2	2013
93.778	Medical Assistance Program	Human Services	Insufficient monitoring of resolution of income discrepancies	4	14-11	5	2013
93.778	Medical Assistance Program	Human Services	Did not perform required percentage of long-term care facility audits	1	14-11	6	2013
93.778	Medical Assistance Program	Human Services	Did not obtain required information from subrecipients prior to award	1	14-11	7	2013

STATE OF MINNESOTA  
STATUS OF PRIOR FEDERAL AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2014

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 Health and Human Services (continued)</b>							
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Human Services	No documented internal control structure ensuring compliance	2	13-15	2	2012
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Human Services	No documented internal control structure ensuring compliance	2	14-11	1	2013
<b>U.S. Department of Homeland Security</b>							
97.036	Disaster Grants - Public Assistance	Public Safety	Insufficient notification of federal award information to subrecipients	1	13-11	1	2012
97.036	Disaster Grants - Public Assistance	Public Safety	Insufficient notification of federal award information to subrecipients	1	14-07	1	2013
<p>Note 1: Beginning in Fiscal Year 2010, the regularly appropriated and Recovery Act funded benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA 10.551) are no longer separately reported per federal requirements. Therefore, prior audit findings for this program, regardless of funding source, are being reported under CFDA 10.551, Supplemental Nutrition Assistance Program.</p> <p>* CATEGORY OF CORRECTIVE ACTION TAKEN</p> <p>1 - Findings have been fully corrected.</p> <p>3 - Corrective action taken was significantly different than previously reported.</p> <p>For Categories 2 and 3, please refer to Status of Prior Federal Program Audit Findings supplemental information for further details.</p>							



## State of Minnesota

### Financial and Compliance Report on Federally Assisted Programs Fiscal Year Ended June 30, 2014

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

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

#### Report 09-08

**State Agency:** Minnesota Department of Education

**Federal Agency(ies):** U.S. Department of Agriculture  
U.S. Department of Education

**CFDA Number(s)/Program Name(s):**

10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
84.010	Title 1 – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants

**Finding 09-08-1**      *Inadequate internal control structure over single audit requirements.*

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

This finding is repeated in the current audit report. See Section III, Report 15-08, Finding 1 (2014-028), for the Department of Education's response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 09-10**

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

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

**CFDA Number(s)/Program Name(s):**

93.563	Child Support Enforcement
93.575	Child Care and Development Block Grant
93.596	Child Care and Development – Mandatory and Matching
93.658	Foster Care
93.659	Adoption Assistance
93.767	State Children's Health Insurance Program
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.959	Substance Abuse

**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.**

This finding is repeated in the current audit report. See Section III, Report 15-07, Finding 2 (2014-024), for the Department of Human Services' response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 10-08**

**State Agency:** Minnesota Department of Education

**Federal Agency(ies):** U.S. Department of Agriculture  
U.S. Department of Education

**CFDA Number(s)/Program Name(s):**

10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
84.010	Title 1 – Grant to Local Education Agencies
84.027	Special Education – State Grants

**Finding 10-08-1**     *No documented internal control structure ensuring compliance.*

**1. Prior Finding Partially Resolved: The Department did not identify, analyze, and document its internal controls over compliance with federal single audit requirements. (Prior Finding 09-08-1)**

This finding is repeated in the current audit report. See Section III, Report 15-08, Finding 1 (2014-028), for the Department of Education's response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 10-11**

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

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

**CFDA Number(s)/Program Name(s):**

93.563	Child Support Enforcement
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care
93.659	Adoption Assistance
93.767	Children's Health Insurance Program
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.959	Block Grants for Substance Abuse

**Finding 10-11-1**      No documented internal control structure ensuring compliance.

**1. Prior Finding Partially Resolved: The Department of Human Services did not identify, analyze, and document its internal controls related to business operations and the schedules of federal expenditures. (Prior Finding 09-10-1)**

This finding is repeated in the current audit report. See Section III, Report 15-07, Finding 2 (2014-024), for the Department of Human Services' response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 11-12**

**State Agency:** Minnesota Department of Education

**Federal Agency(ies):** U.S. Department of Agriculture  
U.S. Department of Education

**CFDA Number(s)/Program Name(s):**

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

**Finding 11-12-1**      No documented internal control structure ensuring compliance.

- 1. Prior Finding Partially Resolved:** The Department of Education did not identify, analyze, and document its internal controls over compliance with federal single audit requirements.

This finding is repeated in the current audit report. See Section III, Report 15-08, Finding 1 (2014-028), for the Department of Education's response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 11-13**

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

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

**CFDA Number(s)/Program Name(s):**

93.563	Child Support Enforcement
93.575	Child Care and Development – Discretionary
93.596	Child Care and Development – Mandatory and Matching
93.658	Foster Care
93.659	Adoption Assistance
93.767	Children’s Health Insurance Program
93.777	State Health Care Providers Survey
93.778	Medical Assistance
93.959	Block Grants for Substance Abuse

**Finding 11-13-2**      No documented internal control structure ensuring compliance.

**2. Prior Finding Partially Resolved: The Department of Human Services did not fully identify, analyze, and document its internal controls related to compliance with federal single audit requirements.**

This finding is repeated in the current audit report. See Section III, Report 15-07, Finding 2 (2014-024), for the Department of Human Services’ response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 12-04**

**State Agency:** Minnesota Department of Education

**Federal Agency(ies):** U. S. Department of Agriculture  
U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

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

**Finding 12-04-1**      No documented internal control structure ensuring compliance.

- 1. Prior Finding Not Resolved: The Department of Education did not identify, analyze, and document its internal controls over compliance with federal single audit requirements.**

This finding is repeated in the current audit report. See Section III, Report 15-08, Finding 1 (2014-028), for the Department of Education's response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 12-07**

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

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

**CFDA Number(s)/Program Name(s):**

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
93.767	Children’s Health Insurance Program
93.777	State Health Care Providers Survey
93.778	Medical Assistance
93.959	Block Grants for Substance Abuse

**Finding 12-07-1**      *No documented internal control structure ensuring compliance.*

- 1. Prior Finding Partially Resolved: The Department of Human Services did not fully identify, analyze, and document its internal controls related to compliance with federal single audit requirements.**

This finding is repeated in the current audit report. See Section III, Report 15-07, Finding 2 (2014-024), for the Department of Human Services’ response.



**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 13-05**

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

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

**CFDA Number(s)/Program Name(s):**

10.551 Supplemental Nutrition Assistance Program (SNAP)  
93.558 Temporary Assistance for Needy Families (TANF)

**Finding 13-05-2** *Insufficient monitoring of resolution of income discrepancies.*

**2. The Department of Human Services did not effectively monitor resolution of social security number and income discrepancies for several public assistance programs.**

This finding is repeated in the current audit report. See Section III, Report 15-07, Finding 1 (2014-023), for the Department of Human Services' response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 13-08**

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

**Federal Agency(ies):** U.S. Department of Labor  
U.S. Department of Education

**CFDA Number(s)/Program Name(s):**

17.225 Unemployment Insurance  
84.126 Vocational Rehabilitation

**Finding 13-08-6** *Insufficient monitoring of equipment purchased with federal funds.*

**6. The Department of Employment and Economic Development did not properly update federal equipment purchases in the state's accounting system.**

This finding is repeated in the current audit report. See Section III, Report 15-06, Finding 2 (2014-022), for the Department of Employment and Economic Development's response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 13-14**

**State Agency:** Minnesota Department of Education

**Federal Agency(ies):** U. S. Department of Agriculture  
U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

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

**Finding 13-14-1**      No documented internal control structure ensuring compliance.

- 1. Prior Finding Not Resolved: The Minnesota Department of Education did not identify, analyze, and document its internal controls related to compliance with federal requirements.**

This finding is repeated in the current audit report. See Section III, Report 15-08, Finding 1 (2014-028), for the Department of Education's response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 13-14**

**State Agency:** Minnesota Department of Education

**Federal Agency(ies):** U. S. Department of Agriculture  
U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

10.558 Child and Adult Care Food Program  
84.010 Title I – Grant to Local Education Agencies

**Finding 13-14-2** *Noncompliance with review and monitoring of payroll reports.*

**2. The Minnesota Department of Education did not comply with federal standards for payroll documentation.**

This finding is repeated in the current audit report. See Section III, Report 15-08, Finding 2 (2014-029), for the Department of Education's response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 13-15**

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

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

**CFDA Number(s)/Program Name(s):**

93.563	Child Support Enforcement
93.575	Child Care and Development Block Grant
93.596	Child Care and Development Mandatory and Matching Funds
93.658	Foster Care
93.659	Adoption Assistance
93.767	Children's Health Insurance Program
93.777	State Health Care Providers Survey
93.778	Medical Assistance
93.959	Block Grants for Substance Abuse

**Finding 13-15-2**      No documented internal control structure ensuring compliance.

- 2. Prior Finding Not Resolved: The Department of Human Services did not fully identify, analyze, and document its internal controls related to compliance with federal single audit requirements.**

This finding is repeated in the current audit report. See Section III, Report 15-07, Finding 2 (2014-024), for the Department of Human Services' response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 14-08**

**State Agency:** Minnesota Department of Commerce

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

**CFDA Number(s)/Program Name(s):**

93.568 Low-Income Home Energy Assistance

**Finding 2013-003 (14-08-1)** *Insufficient controls to ensure complete and accurate federal financial reports.*

- 1. The Department of Commerce did not submit complete and accurate financial reports to the federal government for the Low-Income Home Energy Assistance program.**

This finding is repeated in the current audit report. See Section III, Report 15-05, Finding 1 (2014-020), for the Department of Commerce's response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 14-09**

**State Agency:** Minnesota Department of Education

**Federal Agency(ies):** U. S. Department of Agriculture  
U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

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

**Finding 2013-005 (14-09-1)** *No documented internal control structure ensuring compliance.*

- 1. The Minnesota Department of Education did not identify and analyze its risks related to noncompliance with federal requirements. This is a repeat finding.**

This finding is repeated in the current audit report. See Section III, Report 15-08, Finding 1 (2014-028), for the Department of Education's response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 14-09**

**State Agency:** Minnesota Department of Education

**Federal Agency(ies):** U. S. Department of Agriculture  
U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants

**Finding 2013-006 (14-09-2)** *Noncompliance with federal standards for payroll cost allocations.*

- 2. The Minnesota Department of Education did not comply with federal standards for payroll for payroll cost allocations to federal programs. (A portion of this is a repeat finding.)**

This finding is repeated in the current audit report. See Section III, Report 15-08, Finding 2 (2014-029), for the Department of Education's response.



**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 14-09**

**State Agency:** Minnesota Department of Education

**Federal Agency(ies):** U. S. Department of Agriculture  
U. S. Department of Education

**CFDA Number(s)/Program Name(s):**

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

**Finding 2013-007 (14-09-3)** *Noncompliance with single audit Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.*

**3. The Department of Education did not comply with the reporting requirements of the Federal Funding Accountability and Transparency Act.**

This finding is repeated in the current audit report. See Section III, Report 15-08, Finding 3 (2014-030), for the Department of Education's response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 14-10**

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

**Federal Agency(ies):** U.S. Department of Labor  
U.S. Department of Education

**CFDA Number(s)/Program Name(s):**

17.225 Unemployment Insurance  
84.126 Vocational Rehabilitation

**Finding 2013-008 (14-10-1)** *Insufficient monitoring of equipment purchased with federal funds.*

- 1. The Department of Employment and Economic Development did not effectively control equipment and maintain accurate equipment inventory records in the state's accounting system. This is a repeat finding.**

This finding is repeated in the current audit report. See Section III, Report 15-06, Finding 2 (2014-022), for the Department of Employment and Economic Development's response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 14-11**

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

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

**CFDA Number(s)/Program Name(s):**

93.563	Child Support Enforcement
93.575	Child Care and Development Block Grant
93.596	Child Care and Development Mandatory and Matching Funds
93.658	Foster Care
93.659	Adoption Assistance
93.767	Children's Health Insurance Program
93.777	State Health Care Providers Survey
93.778	Medical Assistance
93.959	Block Grants for Substance Abuse

**Finding 2013-010 (14-11-1)** *No documented internal control structure ensuring compliance.*

- 1. The Department of Human Services did not fully identify, analyze, and document its internal controls related to compliance with federal single audit requirements. This is a repeat finding.**

This finding is repeated in the current audit report. See Section III, Report 15-07, Finding 2 (2014-024), and Report 15-07, Finding 1 (2014-023) for the Department of Human Service's response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 14-11**

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

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

**CFDA Number(s)/Program Name(s):**

93.575 Child Care and Development Block Grant

93.596 Child Care and Development Mandatory and Matching Funds

**Finding 2013-013 (14-11-4)** *Not adequately monitoring program activities.*

**4. The Department of Human Services did not adequately monitor some aspects of the Child Care Assistance Program.**

This finding is repeated in the current audit report. See Section III, Report 15-07, Finding 5 (2014-027), for the Department of Human Service's response.

**Supplemental Information (continued)**  
**Status of Prior Federal Program Audit Findings**

**Report 14-11**

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

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

**CFDA Number(s)/Program Name(s):**

10.551 Supplemental Nutrition Assistance Program (SNAP)  
93.558 Temporary Assistance for Needy Families (TANF)

**Finding 2013-014 (14-11-5)** *Insufficient monitoring of resolution on income discrepancies.*

**5. The Department of Human Services did not adequately monitor the validity of income discrepancies for several major federal programs. This is a repeat finding.**

This finding is repeated in the current audit report. See Section III, Report 15-07, Finding 1 (2014-023), for the Department of Human Services' response.

