



Financial and Compliance Report on Federally Assisted Programs







State of Minnesota

Financial and Compliance Report on Federally Assisted Programs

For the Year Ended June 30, 2020

Prepared by Minnesota
Management and Budget
Jim Showalter,
Commissioner
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489



State of Minnesota

2020 Financial and Compliance Report on Federally Assisted Programs

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Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
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Date: April 30, 2021

To: The Honorable Tim Walz, Governor

From: Commissioner Jim Schowalter

Cc: Chief of Staff Chris Schmitter

RE: 2020 Financial and Compliance Report on Federally Assisted Programs Transmittal
Letter from the Commissioner of Minnesota Management and Budget

Dear Governor Walz:

I am submitting the State of Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 2020. This report meets the requirements of the Federal Single Audit Act of 1984 as amended in 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) contained in 2 CFR Part 200, as applicable.

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, 2020.

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 2020, the state of Minnesota received approximately \$19.8 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 Annual Comprehensive 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 the Uniform Guidance contained in 2 CFR Part 200, as applicable.

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 Annual Comprehensive Financial Report for the year ended June 30, 2020.

All subrecipients receiving federal assistance from Minnesota state agencies have been required to have audits in accordance with the Uniform Guidance contained in 2 CFR Part 200, as applicable. 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 Annual Comprehensive Financial Report for the year ended June 30, 2020 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 controls over compliance, the summary of auditor's results, and the schedules of Federal program audit findings and questioned costs. Minnesota Management and Budget is responsible for preparing the schedule of expenditures for federal awards 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.





**Report on Compliance for Each Major Federal Program,
Report on Internal Control Over Compliance, and
Report on Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

Members of the Minnesota Legislature

The Honorable Tim Walz, Governor

Mr. James Schowalter, 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) *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, 2020. 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 the audit requirements of the Title 2, *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain 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 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 Temporary Assistance for Needy Families (CFDA 93.558)

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 one of its major federal programs. These federal requirements included verifying program eligibility for recipients of assistance, as described in the Uniform Guidance. Compliance with such requirements is necessary, in our opinion, for the State of Minnesota to comply with the requirements applicable to the Temporary Assistance for Needy Families program (CFDA 93.558), as reported in Finding 2020-018.

Qualified Opinion on Temporary Assistance for Needy Families (CFDA 93.558)

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 Temporary Assistance for Needy Families (CFDA 93.558) for the year ended June 30, 2020.

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 Audit Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, 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.

The State of Minnesota's response and corrective action plan to the noncompliance findings identified in our audit are described in the accompanying Agency Provided Corrective Action Plan. The state's response and corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Officials in the executive branch of Minnesota state government are responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the state's internal control over compliance with the requirements that could have a direct and material effect on each major federal program. The purpose of our consideration of internal control 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 control over compliance in accordance with the Uniform Guidance. Our consideration of internal control 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 control over compliance.

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

A *deficiency* in internal control 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. A *material weakness* in internal control 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. We consider the deficiencies in internal control over compliance, described in Section III of the accompanying Schedule of Findings and Questioned Costs, as Finding 2020-018, to be material weaknesses.

A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control 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. We consider the deficiencies in internal control over compliance, described in Section III of the accompanying Schedule of Findings and Questioned Costs, as Findings 2020-001 through 2020-017 and 2020-019 through 2020-069, to be significant deficiencies.

The State of Minnesota's response and corrective action plan to the internal control over compliance findings identified in our audit are described in the accompanying Agency Provided Corrective Action Plan. The state's response and corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2020, and have issued our report thereon dated December 15, 2020, 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, 2020. 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, 2020. 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 the Uniform Guidance.

The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis, as required by the Uniform Guidance, 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 opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.



Lori Leysen, CPA
Deputy Legislative Auditor



Tracy Gebhard, CPA
Audit Director

April 30, 2021

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020

CFDA Number	Federal Program Name or <i>Pass-Through Entity (Identifying Number)</i>	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Agriculture				
Supplemental Nutrition Assistance Program (SNAP) Cluster				
10.551	Supplemental Nutrition Assistance Program	Human Services	\$ 555,478,162	\$ -
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Human Services	\$ 75,661,997	\$ 61,515,946
Supplemental Nutrition Assistance Program (SNAP) Cluster Total:			\$ 631,140,159	\$ 61,515,946
Forest Service Schools and Roads Cluster				
10.665	Schools and Roads - Grants to States	MN Management & Budget	\$ 7,614,713	\$ 7,614,713
Forest Service Schools and Roads Cluster Total:			\$ 7,614,713	\$ 7,614,713
Food Distribution Cluster				
10.565	Commodity Supplemental Food Program	Health	\$ 1,068,789	\$ 1,009,921
10.568	Emergency Food Assistance Program (Administrative Costs)	Human Services	\$ 2,518,761	\$ 2,187,404
10.568	C19-Emergency Food Assistance Program (Administrative Costs)	Human Services	\$ 2,074,367	\$ 2,074,367
Food Distribution Cluster Total:			\$ 5,661,917	\$ 5,271,692
Child Nutrition Cluster				
10.553	School Breakfast Program	Education	\$ 38,879,546	\$ 38,780,967
10.555	National School Lunch Program	Education	\$ 120,999,884	\$ 120,819,821
10.556	Special Milk Program for Children	Education	\$ 501,461	\$ 501,461
10.559	Summer Food Service Program for Children	Education	\$ 18,726,917	\$ 18,202,093
10.559	C19-Summer Food Service Program for Children	Education	\$ 103,556,777	\$ 103,496,393
Child Nutrition Cluster Total:			\$ 282,664,585	\$ 281,800,735
10.001	Agricultural Research Basic and Applied Research	MnSCU	\$ 14,539	\$ -
10.025	Plant and Animal Disease, Pest Control, and Animal Care	Agriculture	\$ 717,002	\$ -
10.025	Plant and Animal Disease, Pest Control, and Animal Care	Animal Health Board	\$ 710,119	\$ -
10.025	Plant and Animal Disease, Pest Control, and Animal Care	MnSCU	\$ 1,615	\$ -
10.025	<i>Pass-Through from the Gypsy Moth Slow the Spread Foundation (Unknown)</i>	Agriculture	\$ 40,034	\$ -
Program 10.025 Total:			\$ 1,468,770	\$ -
10.093	Voluntary Public Access and Habitat Incentive Program	Natural Resources	\$ 502,067	\$ 10,564
10.170	Specialty Crop Block Grant Program - Farm Bill	Agriculture	\$ 1,340,913	\$ 1,167,062
10.171	Organic Certification Cost Share Programs	Agriculture	\$ 449,423	\$ -
10.178	Trade Mitigation Program Eligible Recipient Agency Operational Funds	Human Services	\$ 860,168	\$ 858,903
10.215	Sustainable Agriculture Research and Education			
10.215	<i>Pass-Through from the University of Minnesota (Unknown)</i>	Agriculture	\$ 48,349	\$ -
10.221	Tribal Colleges Education Equity Grants	MnSCU	\$ 106,300	\$ -
10.222	Tribal Colleges Endowment Program	MnSCU	\$ 23,862	\$ -
10.227	1994 Institutions Research Program	MnSCU	\$ 96,521	\$ -
10.307	Organic Agriculture Research and Extension Initiative	MnSCU	\$ 49,762	\$ -
10.319	Farm Business Management and Benchmarking Competitive Grants Program	MnSCU	\$ 58,332	\$ -
10.319	<i>Pass-Through from the University of Minnesota (USDA UMN FBM Benchmarking)</i>	MnSCU	\$ 25,638	\$ -
Program 10.319 Total:			\$ 83,970	\$ -
10.443	Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers	MnSCU	\$ 120,944	\$ -
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	Agriculture	\$ 2,054,015	\$ -
10.475	C19-Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	Agriculture	\$ 24,327	\$ -
Program 10.475 Total:			\$ 2,078,342	\$ -
10.479	Food Safety Cooperative Agreements	Agriculture	\$ 300,543	\$ -

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020

CFDA Number	Federal Program Name or <i>Pass-Through Entity (Identifying Number)</i>	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
10.500	Cooperative Extension Service	MnSCU	\$ 329,334	\$ -
10.536	CACFP Training Grants	Education	\$ 67,805	\$ -
10.541	Child Nutrition-Technology Innovation Grant	Education	\$ 793,881	\$ 19
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children (4)	Health	\$ 74,298,336	\$ 23,809,891
10.558	Child and Adult Care Food Program	Education	\$ 72,848,059	\$ 71,039,635
10.558	Child and Adult Care Food Program	MnSCU	\$ 36,638	\$ -
	Program 10.558 Total:		\$ 72,884,697	\$ 71,039,635
10.560	State Administrative Expenses for Child Nutrition	Education	\$ 4,902,502	\$ -
10.572	WIC Farmers' Market Nutrition Program (FMNP)	Agriculture	\$ 338,087	\$ -
10.574	Team Nutrition Grants	Education	\$ 179,853	\$ 5,535
10.575	Farm to School Grant Program	Education	\$ 23,957	\$ -
10.576	Senior Farmers Market Nutrition Program	Agriculture	\$ 125,331	\$ -
10.578	WIC Grants to States (WGS)	Health	\$ 737,371	\$ 281,705
10.579	Child Nutrition Discretionary Grants Limited Availability	Education	\$ 77,714	\$ 53,000
10.582	Fresh Fruit and Vegetable Program	Education	\$ 2,630,975	\$ 2,488,779
10.589	Child Nutrition Direct Certification Performance Awards	Education	\$ 10,222	\$ -
10.664	Cooperative Forestry Assistance	Natural Resources	\$ 1,345,462	\$ 565,938
10.664	<i>Pass-Through from the Gypsy Moth Slow the Spread Foundation (Unknown)</i>	Agriculture	\$ 204,866	\$ -
	Program 10.664 Total:		\$ 1,550,328	\$ 565,938
10.675	Urban and Community Forestry Program	Natural Resources	\$ 412,292	\$ 319,597
10.676	Forest Legacy Program	Natural Resources	\$ 24,885	\$ -
10.678	Forest Stewardship Program	Natural Resources	\$ 394,654	\$ 120,513
10.680	Forest Health Protection	Agriculture	\$ 109,370	\$ 65,000
10.680	Forest Health Protection	MnSCU	\$ 3,736	\$ -
10.680	Forest Health Protection	Natural Resources	\$ 160,947	\$ -
10.680	<i>Pass-Through from the Gypsy Moth Slow the Spread Foundation (Unknown)</i>	Agriculture	\$ 288,152	\$ -
	Program 10.680 Total:		\$ 562,205	\$ 65,000
10.890	Rural Development Cooperative Agreement Program	MnSCU	\$ 4,012	\$ -
10.902	Soil and Water Conservation	MnSCU	\$ 16,473	\$ -
10.902	Soil and Water Conservation	Water & Soil Resources	\$ 1,006,030	\$ 729,021
10.902	<i>Pass-Through from the University of Minnesota (NR1874820002C003)</i>	MnSCU	\$ 15,591	\$ -
	Program 10.902 Total:		\$ 1,038,094	\$ 729,021
10.912	Environmental Quality Incentives Program	Water & Soil Resources	\$ 26,113	\$ -
10.924	Conservation Stewardship Program	Water & Soil Resources	\$ 13,154	\$ -
10.933	Wetland Mitigation Banking Program	Water & Soil Resources	\$ 89,798	\$ -
U.S. Department of Commerce				
Economic Development Cluster				
11.300	Investments for Public Works and Economic Development Facilities	MnSCU	\$ 708,428	\$ -
11.307	Economic Adjustment Assistance	MnSCU	\$ 23,835	\$ -
	Economic Development Cluster Total:		\$ 732,263	\$ -
11.008	NOAA Mission-Related Education Awards	MnSCU	\$ 124,325	\$ -
11.407	Interjurisdictional Fisheries Act of 1986	Natural Resources	\$ 21,116	\$ -
11.419	Coastal Zone Management Administration Awards	Natural Resources	\$ 1,166,032	\$ 630,107
11.467	Meteorologic and Hydrologic Modernization Development	MnSCU	\$ 145	\$ -
11.549	State and Local Implementation Grant Program	Public Safety	\$ 279,287	\$ -

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

**State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020**

CFDA Number	Federal Program Name or Pass-Through Entity (Identifying Number)	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Defense				
12.002	Procurement Technical Assistance for Business Firms	Administration	\$ 610,210	\$ -
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	Pollution Control Agency	\$ 165,953	\$ -
12.300	Basic and Applied Scientific Research	MnSCU	\$ 2,651	\$ -
12.400	Military Construction, National Guard	Military Affairs	\$ 27,843,699	\$ -
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Military Affairs	\$ 59,934,147	\$ -
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Water & Soil Resources	\$ 2,488,025	\$ -
	Program 12.401 Total:		\$ 62,422,172	\$ -
12.404	National Guard Challenge Program	Military Affairs	\$ 1,414,890	\$ 1,414,890
12.630	Basic, Applied, and Advanced Research in Science and Engineering	MnSCU	\$ 52,380	\$ -
12.902	Information Security Grants	MnSCU	\$ 302,713	\$ -
12.903	GenCyber Grants Program	MnSCU	\$ 42,290	\$ -
U.S. Department of Housing and Urban Development				
14.150	Supplemental Loan Insurance Management Type Cooperative Projects	MnSCU	\$ 14	\$ -
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	DEED	\$ 14,042,136	\$ 13,714,971
14.231	Emergency Solutions Grant Program	Human Services	\$ 2,003,641	\$ 1,915,570
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	Health	\$ 29,625	\$ -
U.S. Department of the Interior				
Fish and Wildlife Cluster				
15.605	Sport Fish Restoration	Natural Resources	\$ 12,941,722	\$ -
15.611	Wildlife Restoration and Basic Hunter Education	Natural Resources	\$ 21,995,809	\$ -
15.626	Enhanced Hunter Education and Safety	Natural Resources	\$ 202,069	\$ -
	Fish and Wildlife Cluster Total:		\$ 35,139,600	\$ -
15.231	Fish, Wildlife and Plant Conservation Resource Management	MnSCU	\$ 789	\$ -
15.605	R&D-Sport Fish Restoration	Natural Resources	\$ 175,000	\$ -
15.608	Fish and Wildlife Management Assistance	MnSCU	\$ 277	\$ -
15.608	Fish and Wildlife Management Assistance	Natural Resources	\$ 105,759	\$ 24,772
	Program 15.608 Total:		\$ 106,036	\$ 24,772
15.611	R&D-Wildlife Restoration and Basic Hunter Education	Natural Resources	\$ 978,270	\$ -
15.615	Cooperative Endangered Species Conservation Fund	Natural Resources	\$ 368,592	\$ -
15.634	State Wildlife Grants	Natural Resources	\$ 1,057,818	\$ -
15.657	Endangered Species Recovery Implementation	MN Zoological Board	\$ 101,490	\$ 30,974
15.657	Endangered Species Recovery Implementation	Natural Resources	\$ 22,915	\$ -
	Program 15.657 Total:		\$ 124,405	\$ 30,974
15.658	Natural Resource Damage Assessment and Restoration	Pollution Control Agency	\$ 20,471	\$ -
15.662	Great Lakes Restoration	MnSCU	\$ 126,871	\$ -
15.662	Great Lakes Restoration	Natural Resources	\$ 748,068	\$ 48,720
	Program 15.662 Total:		\$ 874,939	\$ 48,720
15.666	Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention	Agriculture	\$ 57,148	\$ -
15.808	U.S. Geological Survey Research and Data Collection	Natural Resources	\$ 125,647	\$ -
15.904	Historic Preservation Fund Grants-In-Aid	Administration	\$ 945,592	\$ 39,462
15.916	Outdoor Recreation Acquisition, Development and Planning	Natural Resources	\$ 4,091,717	\$ 1,974,399
15.923	National Center for Preservation Technology and Training	MnSCU	\$ 5,135	\$ -
15.978	Upper Mississippi River Restoration Long Term Resource Monitoring	Natural Resources	\$ 694,135	\$ -

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

**State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020**

CFDA Number	Federal Program Name or Pass-Through Entity (Identifying Number)	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
15.980	National Ground-Water Monitoring Network	Natural Resources	\$ 46,438	\$ -
U.S. Department of Justice				
16.017	Sexual Assault Services Formula Program	Public Safety	\$ 487,951	\$ 480,174
16.021	Justice Systems Response to Families	Trial Courts	\$ 196,790	\$ -
16.029	Office on Violence Against Women Special Projects	Trial Courts	\$ 28,122	\$ -
16.320	Services for Trafficking Victims	Health	\$ 1,171,898	\$ 682,222
16.525	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	MnSCU	\$ 110,829	\$ -
16.540	Juvenile Justice and Delinquency Prevention	Public Safety	\$ 710,288	\$ 615,267
16.543	Missing Children's Assistance	Public Safety	\$ 317,000	\$ -
16.550	State Justice Statistics Program for Statistical Analysis Centers	Public Safety	\$ 36,644	\$ -
16.554	National Criminal History Improvement Program (NCHIP)	Public Safety	\$ 374,583	\$ -
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	Public Safety	\$ 80	\$ -
16.575	Crime Victim Assistance	Public Safety	\$ 33,427,114	\$ 32,290,183
16.576	Crime Victim Compensation	Public Safety	\$ 1,128,780	\$ -
16.582	Crime Victim Assistance/Discretionary Grants	MnSCU	\$ 12,391	\$ -
16.582	Crime Victim Assistance/Discretionary Grants	Public Safety	\$ 33,468	\$ 32,827
	Program 16.582 Total:		\$ 45,859	\$ 32,827
16.585	Drug Court Discretionary Grant Program	Trial Courts	\$ 658,565	\$ 65,391
16.588	Violence Against Women Formula Grants	Public Safety	\$ 2,080,672	\$ 1,905,105
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	Corrections	\$ 271,435	\$ -
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	Trial Courts	\$ 110,039	\$ -
	Program 16.590 Total:		\$ 381,474	\$ -
16.593	Residential Substance Abuse Treatment for State Prisoners	Public Safety	\$ 171,526	\$ 14,420
16.606	State Criminal Alien Assistance Program	Corrections	\$ 338,016	\$ -
16.609	Project Safe Neighborhoods	Public Safety	\$ 34,017	\$ 27,433
16.710	Public Safety Partnership and Community Policing Grants	Public Safety	\$ 389,758	\$ -
16.734	Special Data Collections and Statistical Studies	Public Safety	\$ 175,832	\$ -
16.738	Edward Byrne Memorial Justice Assistance Grant Program	Public Safety	\$ 3,219,781	\$ 2,849,173
16.741	DNA Backlog Reduction Program	Public Safety	\$ 840,391	\$ -
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	Public Safety	\$ 310,429	\$ 16,325
16.750	Support for Adam Walsh Act	Public Safety	\$ 315,757	\$ -
16.751	Edward Byrne Memorial Competitive Grant	Public Safety	\$ 80,050	\$ -
16.754	Harold Rogers Prescription Drug Monitoring Program	Pharmacy Board	\$ 173,717	\$ -
16.754	Harold Rogers Prescription Drug Monitoring Program	Public Safety	\$ 77,426	\$ -
	Program 16.754 Total:		\$ 251,143	\$ -
16.812	Second Chance Act Reentry Initiative	Corrections	\$ 305,373	\$ -
16.824	Emergency Law Enforcement Assistance Grant	Public Safety	\$ 1,000,000	\$ -
16.833	National Sexual Assault Kit Initiative	Public Safety	\$ 725,870	\$ 339,426
16.838	Comprehensive Opioid, Stimulant, and Substance Abuse Program	Public Safety	\$ 94,591	\$ -
16.839	STOP School Violence	Public Safety	\$ 177,945	\$ -
U.S. Department of Labor				
WIOA Cluster				
17.258	WIOA Adult Program	DEED	\$ 8,564,952	\$ 7,451,142
17.259	WIOA Youth Activities	DEED	\$ 9,440,695	\$ 8,475,571
17.278	WIOA Dislocated Worker Formula Grants	DEED	\$ 9,205,429	\$ 7,241,359
	WIOA Cluster Total:		\$ 27,211,076	\$ 23,168,072

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020

CFDA Number	Federal Program Name or Pass-Through Entity (Identifying Number)	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
Employment Service Cluster				
17.207	Employment Service/Wagner-Peyser Funded Activities	DEED	\$ 20,516,271	\$ 1,018,553
17.801	Jobs for Veterans State Grants	DEED	\$ 2,680,697	\$ -
	Employment Service Cluster Total:		\$ 23,196,968	\$ 1,018,553
17.002	Labor Force Statistics	DEED	\$ 1,398,421	\$ -
17.005	Compensation and Working Conditions	Labor and Industry	\$ 137,530	\$ -
17.225	Unemployment Insurance (5)	DEED	\$ 2,414,537,279	\$ -
17.225	ARRA-Unemployment Insurance (5)	DEED	\$ 535,495	\$ -
17.225	C19-Unemployment Insurance (5)	DEED	\$ 3,931,431,473	\$ -
	Program 17.225 Total:		\$ 6,346,504,247	\$ -
17.235	Senior Community Service Employment Program	DEED	\$ 2,285,056	\$ 2,157,692
17.245	Trade Adjustment Assistance	DEED	\$ 9,390,365	\$ -
17.268	H-1B Job Training Grants	DEED	\$ 1,151,978	\$ 1,040,228
17.271	Work Opportunity Tax Credit Program (WOTC)	DEED	\$ 172,724	\$ -
17.273	Temporary Labor Certification for Foreign Workers	DEED	\$ 143,211	\$ -
17.282	Trade Adjustment Assistance Community College and Career Training (TAACCT) Grants	MnSCU	\$ 3,836	\$ -
17.283	Workforce Innovation Fund	DEED	\$ 1,380,256	\$ -
17.285	Apprenticeship USA Grants	Labor and Industry	\$ 916,568	\$ 289,936
17.503	Occupational Safety and Health State Program	Labor and Industry	\$ 4,267,489	\$ -
17.504	Consultation Agreements	Labor and Industry	\$ 1,053,850	\$ -
17.600	Mine Health and Safety Grants	MnSCU	\$ 354,528	\$ -
17.720	Disability Employment Policy Development	DEED	\$ 1,379,528	\$ 1,221,181
17.720	Disability Employment Policy Development	MnSCU	\$ 60,165	\$ -
	Program 17.720 Total:		\$ 1,439,693	\$ 1,221,181
U.S. Department of Transportation				
Transit Services Programs Cluster				
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	Transportation	\$ 4,366,781	\$ 4,015,216
	Transit Services Programs Cluster Total:		\$ 4,366,781	\$ 4,015,216
Highway Safety Cluster				
20.600	State and Community Highway Safety	Public Safety	\$ 5,350,152	\$ 1,200,214
20.616	National Priority Safety Programs	Public Safety	\$ 4,699,140	\$ 1,258,508
	Highway Safety Cluster Total:		\$ 10,049,292	\$ 2,458,722
Highway Planning and Construction Cluster				
20.205	Highway Planning and Construction	MnSCU	\$ 112,830	\$ -
20.205	Highway Planning and Construction	Transportation	\$ 730,054,453	\$ 145,143,604
20.219	Recreational Trails Program	Natural Resources	\$ 1,417,218	\$ 721,449
20.224	Federal Lands Access Program	Transportation	\$ 2,673,010	\$ 2,673,010
	Highway Planning and Construction Cluster Total:		\$ 734,257,511	\$ 148,538,063
Federal Transit Cluster				
20.526	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Transportation	\$ 381,405	\$ 381,405
	Federal Transit Cluster Total:		\$ 381,405	\$ 381,405
Federal Motor Carrier Safety Assistance Cluster				
20.218	Motor Carrier Safety Assistance	Public Safety	\$ 6,258,949	\$ -
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	Public Safety	\$ 327,127	\$ -
	Federal Motor Carrier Safety Assistance Cluster Total:		\$ 6,586,076	\$ -
20.106	Airport Improvement Program (7)	Transportation	\$ 66,717,440	\$ 66,479,655
20.106	C19-Airport Improvement Program (7)	Transportation	\$ 341,000	\$ 341,000
	Program 20.106 Total:		\$ 67,058,440	\$ 66,820,655

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

**State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020**

CFDA Number	Federal Program Name or <i>Pass-Through Entity (Identifying Number)</i>	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
20.200	R&D-Highway Research and Development Program	Transportation	\$ 4,535,893	\$ -
20.205	R&D-Highway Planning and Construction	Transportation	\$ 4,063,553	\$ -
20.215	Highway Training and Education	Transportation	\$ 1,090,861	\$ 332,685
20.215	R&D-Highway Training and Education	Transportation	\$ 149,959	\$ -
20.232	Commercial Driver's License Program Implementation Grant	Public Safety	\$ 1,830	\$ -
20.301	Railroad Safety	Transportation	\$ 1,881	\$ -
20.314	Railroad Development	Transportation	\$ 24,000	\$ 24,000
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	Transportation	\$ 200	\$ -
20.505	Metropolitan Transportation Planning and State and Non- Metropolitan Planning and Research	Transportation	\$ 53,391	\$ 917
20.509	Formula Grants for Rural Areas and Tribal Transit Program	Transportation	\$ 11,499,015	\$ 9,142,151
20.509	C19-Formula Grants for Rural Areas and Tribal Transit Program	Transportation	\$ 13,101,559	\$ 12,729,000
	Program 20.509 Total:		\$ 24,600,574	\$ 21,871,151
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	Public Safety	\$ 146,245	\$ -
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Public Safety	\$ 6,384,757	\$ 2,829,792
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	Public Safety	\$ 90,721	\$ -
20.615	E-911 Grant Program	Public Safety	\$ 30,221	\$ 30,221
20.700	Pipeline Safety Program State Base Grant	Public Safety	\$ 1,875,312	\$ -
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	Public Safety	\$ 389,743	\$ 112,976
20.720	State Damage Prevention Program Grants	Public Safety	\$ 66,227	\$ -
20.721	PHMSA Pipeline Safety Program One Call Grant	Public Safety	\$ 52,488	\$ -
20.725	PHMSA Pipeline Safety Underground Natural Gas Storage Grant	Public Safety	\$ 4,525	\$ -
20.933	National Infrastructure Investments	Transportation	\$ 8,215,663	\$ 8,215,663
21.019	C19-Coronavirus Relief Fund	MN Management & Budget	\$ 89,767,690	\$ 361,412
U.S. General Services Administration				
39.003	Donation of Federal Surplus Personal Property	Administration	\$ 454,350	\$ -
U.S. National Aeronautics and Space Administration				
43.001	Science	MnSCU	\$ 44,359	\$ -
43.001	<i>Pass-Through from the University of Minnesota (NNX15A18H)</i>	MnSCU	\$ 34,108	\$ -
	Program 43.001 Total:		\$ 78,467	\$ -
43.008	Office of Stem Engagement (OSTEM)	MnSCU	\$ 85,696	\$ -
U.S. National Foundation Arts and Humanities				
45.024	Promotion of the Arts Grants to Organizations and Individuals	Center for Arts Education	\$ 68,341	\$ -
45.024	Promotion of the Arts Grants to Organizations and Individuals	MnSCU	\$ 17,813	\$ -
	Program 45.024 Total:		\$ 86,154	\$ -
45.025	Promotion of the Arts Partnership Agreements	Arts Board	\$ 753,009	\$ 105,470
45.310	Grants to States	Education	\$ 3,216,866	\$ 2,249,265
45.310	C19-Grants to States	Education	\$ 413	\$ -
	Program 45.310 Total:		\$ 3,217,279	\$ 2,249,265
U.S. National Science Foundation				
47.041	Engineering	MnSCU	\$ 115,331	\$ -
47.049	R&D-Mathematical and Physical Sciences	MnSCU	\$ 54,580	\$ -
47.050	Geosciences	MnSCU	\$ 32,569	\$ -
47.070	Computer and Information Science and Engineering	MnSCU	\$ 79,908	\$ -
47.074	R&D-Biological Sciences	MnSCU	\$ 158,843	\$ -
47.075	Social, Behavioral, and Economic Sciences	MnSCU	\$ 13,999	\$ -

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020

CFDA Number	Federal Program Name or <i>Pass-Through Entity (Identifying Number)</i>	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
47.076	Education and Human Resources			
47.076	<i>Pass-Through from the University of Minnesota (1600927)</i>	MnSCU	\$ 11,873	\$ -
47.076	<i>Pass-Through from the University of Minnesota (1712619)</i>	MnSCU	\$ 106,630	\$ -
47.076	<i>Pass-Through from the University of Minnesota (H006117608)</i>	MnSCU	\$ 3,750	\$ -
47.076	<i>Pass-Through from the University of Minnesota (HRD-1712619)</i>	MnSCU	\$ 24,953	\$ -
	Program 47.076 Total:		\$ 147,206	\$ -
47.076	R&D-Education and Human Resources	MnSCU	\$ 4,675,421	\$ -
U.S. Small Business Administration				
59.037	Small Business Development Centers	DEED	\$ 1,350,106	\$ 1,350,106
59.037	Small Business Development Centers	MnSCU	\$ 824,674	\$ -
	Program 59.037 Total:		\$ 2,174,780	\$ 1,350,106
59.061	State Trade Expansion	DEED	\$ 42,730	\$ -
U.S. Department of Veterans Affairs				
64.005	Grants to States for Construction of State Home Facilities	Veterans Affairs	\$ 70,444	\$ -
64.027	Post-9/11 Veterans Educational Assistance	MnSCU	\$ 234,712	\$ -
64.028	Post-9/11 Veterans Educational Assistance	MnSCU	\$ 81,544	\$ -
64.203	Veterans Cemetery Grants Program	Veterans Affairs	\$ 617,570	\$ -
U.S. Environmental Protection Agency				
Drinking Water State Revolving Fund Cluster				
66.468	Capitalization Grants for Drinking Water State Revolving Funds	Health	\$ 84,426	\$ -
66.468	<i>Pass-Through from the Public Facilities Authority (2018-03)</i>	Health	\$ 2,962,529	\$ 644,555
66.468	<i>Pass-Through from the Public Facilities Authority (2016-04)</i>	Health	\$ 1,894	\$ -
66.468	<i>Pass-Through from the Public Facilities Authority (2017-06)</i>	Health	\$ 115,858	\$ 34,418
	Drinking Water State Revolving Fund Cluster Total:		\$ 3,164,707	\$ 678,973
66.032	State Indoor Radon Grants	Health	\$ 385,943	\$ -
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Pollution Control Agency	\$ 462,259	\$ -
66.040	Diesel Emissions Reduction Act (DERA) State Grants	Pollution Control Agency	\$ 435,677	\$ 371,185
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	Health	\$ 72,972	\$ -
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	Pollution Control Agency	\$ 15,243	\$ -
	Program 66.419 Total:		\$ 88,215	\$ -
66.432	State Public Water System Supervision	Health	\$ 2,334,995	\$ -
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	MnSCU	\$ 1,813	\$ -
66.444	Lead Testing in School and Child Care Program Drinking Water (SDWA 1464(d))	Health	\$ 33,955	\$ -
66.454	Water Quality Management Planning	Pollution Control Agency	\$ 293,852	\$ -
66.460	Nonpoint Source Implementation Grants	Pollution Control Agency	\$ 3,608,094	\$ 3,449,924
66.461	Regional Wetland Program Development Grants	Natural Resources	\$ 53,757	\$ -
66.461	Regional Wetland Program Development Grants	Water & Soil Resources	\$ 85,797	\$ -
	Program 66.461 Total:		\$ 139,554	\$ -
66.469	Great Lakes Program	Health	\$ 338,564	\$ 222,111
66.469	Great Lakes Program	Natural Resources	\$ 73,600	\$ -
66.469	Great Lakes Program	Pollution Control Agency	\$ 833,871	\$ 17,515
	Program 66.469 Total:		\$ 1,246,035	\$ 239,626
66.472	Beach Monitoring and Notification Program Implementation Grants	Health	\$ 183,374	\$ -

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020

CFDA Number	Federal Program Name or Pass-Through Entity (Identifying Number)	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
66.605	Performance Partnership Grants	Agriculture	\$ 559,483	\$ -
66.605	Performance Partnership Grants	Health	\$ 44,699	\$ -
66.605	Performance Partnership Grants	Pollution Control Agency	\$ 11,689,125	\$ 33,139
	Program 66.605 Total:		\$ 12,293,307	\$ 33,139
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	Health	\$ 31,276	\$ -
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	Health	\$ 310,224	\$ -
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Pollution Control Agency	\$ 698,325	\$ -
66.804	Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	Pollution Control Agency	\$ 623,130	\$ -
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	Pollution Control Agency	\$ 2,325,468	\$ -
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	Pollution Control Agency	\$ 129,386	\$ -
66.817	State and Tribal Response Program Grants	Pollution Control Agency	\$ 726,560	\$ -
66.818	Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	DEED	\$ 17,129	\$ -
66.818	Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	Pollution Control Agency	\$ 78,344	\$ -
	Program 66.818 Total:		\$ 95,473	\$ -
U.S. Department of Energy				
81.041	State Energy Program	Commerce	\$ 657,141	\$ 78,795
81.042	Weatherization Assistance for Low-Income Persons	Commerce	\$ 10,279,540	\$ 9,014,766
81.119	State Energy Program Special Projects	Commerce	\$ 573,644	\$ 479,654
U.S. Department of Education				
TRIO Cluster				
84.042	TRIO Student Support Services	MnSCU	\$ 10,380,657	\$ -
84.044	TRIO Talent Search	MnSCU	\$ 1,001,400	\$ -
84.047	TRIO Upward Bound	MnSCU	\$ 7,029,944	\$ -
84.066	TRIO Educational Opportunity Centers	MnSCU	\$ 964,466	\$ -
84.217	TRIO McNair Post-Baccalaureate Achievement	MnSCU	\$ 261,111	\$ -
	TRIO Cluster Total:		\$ 19,637,578	\$ -
Student Financial Assistance Cluster				
84.007	Federal Supplemental Educational Opportunity Grants	MnSCU	\$ 6,630,926	\$ -
84.033	Federal Work-Study Program	MnSCU	\$ 7,344,153	\$ -
84.038	Federal Perkins Loan Program Federal Capital Contributions (2)	MnSCU	\$ 25,032,468	\$ -
84.063	Federal Pell Grant Program	MnSCU	\$ 214,626,559	\$ -
84.268	Federal Direct Student Loans (3)	MnSCU	\$ 407,312,797	\$ -
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	MnSCU	\$ 408,492	\$ -
93.364	Nursing Student Loans (2)	MnSCU	\$ 18,147	\$ -
	Student Financial Assistance Cluster Total:		\$ 661,373,542	\$ -
Special Education (IDEA) Cluster				
84.027	Special Education Grants to States	Education	\$ 203,055,940	\$ 186,522,640
84.173	Special Education Preschool Grants	Education	\$ 7,664,118	\$ 6,278,649
	Special Education (IDEA) Cluster Total:		\$ 210,720,058	\$ 192,801,289
84.002	Adult Education - Basic Grants to States	Education	\$ 6,321,517	\$ 5,297,144
84.010	Title I Grants to Local Educational Agencies	Education	\$ 190,232,521	\$ 188,381,995
84.011	Migrant Education State Grant Program	Education	\$ 2,018,034	\$ 1,689,677
84.012	Educationally Deprived Children State Administration	MnSCU	\$ 253,456	\$ -

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020

CFDA Number	Federal Program Name or Pass-Through Entity (Identifying Number)	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	Education	\$ 396,122	\$ 97,000
84.016	Undergraduate International Studies and Foreign Language Programs	MnSCU	\$ 62,698	\$ -
84.031	Higher Education Institutional Aid	MnSCU	\$ 3,569,361	\$ 373,339
84.048	Career and Technical Education -- Basic Grants to States	MnSCU	\$ 18,167,373	\$ 7,320,690
84.116	Fund for the Improvement of Postsecondary Education	MnSCU	\$ 18,477	\$ -
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	DEED	\$ 51,506,487	\$ -
84.129	Rehabilitation Long-Term Training	MnSCU	\$ 396,989	\$ -
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	DEED	\$ 709,957	\$ -
84.181	Special Education-Grants for Infants and Families	Education	\$ 7,944,979	\$ 6,348,356
84.184	School Safety National Activities	Education	\$ 687,560	\$ 208,303
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	DEED	\$ 472,032	\$ -
84.196	Education for Homeless Children and Youth	Education	\$ 953,645	\$ 712,463
84.206	Javits Gifted and Talented Students Education	Education	\$ 58,056	\$ -
84.282	Charter Schools	Education	\$ 2,878,464	\$ 2,569,701
84.287	Twenty-First Century Community Learning Centers	Education	\$ 10,725,268	\$ 10,173,442
84.305	Education Research, Development and Dissemination	MnSCU	\$ 50	\$ -
84.305	Pass-Through from the University of Minnesota (R305A190182)	MnSCU	\$ 58,971	\$ -
	Program 84.305 Total:		\$ 59,021	\$ -
84.323	Special Education - State Personnel Development	Education	\$ 1,000,734	\$ 821,625
84.324	Research In Special Education	MnSCU	\$ 2,138	\$ -
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	MnSCU	\$ 231,126	\$ -
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Education	\$ 97,193	\$ 97,193
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	MnSCU	\$ 224,889	\$ -
84.335	Child Care Access Means Parents In School	MnSCU	\$ 333,391	\$ -
84.350	Transition to Teaching	MnSCU	\$ 93,971	\$ -
84.358	Rural Education	Education	\$ 222,885	\$ 219,105
84.365	English Language Acquisition State Grants	Education	\$ 10,015,116	\$ 8,787,433
84.367	Supporting Effective Instruction State Grants	Education	\$ 26,514,632	\$ 24,977,927
84.368	Competitive Grants for State Assessments	Education	\$ 456,721	\$ -
84.369	Grants for State Assessments and Related Activities	Education	\$ 4,191,879	\$ -
84.371	Comprehensive Literacy Development	Education	\$ 9,086,990	\$ 8,753,908
84.372	Statewide Longitudinal Data Systems	Education	\$ 1,832,440	\$ -
84.372	Pass-Through from the Minnesota Office of Higher Education (R372A150004)	MnSCU	\$ 41,695	\$ -
	Program 84.372 Total:		\$ 1,874,135	\$ -
84.377	School Improvement Grants	Education	\$ 4,056,800	\$ 4,056,791
84.424	Student Support and Academic Enrichment Program	Education	\$ 13,954,372	\$ 13,391,416
C19-Education Stabilization Fund				
84.425C	C19-Governor's Emergency Education Relief (GEER) Fund	Education	\$ 382,000	\$ 382,000
84.425D	C19-Elementary and Secondary School Emergency Relief (ESSER) Fund	Education	\$ 935,650	\$ 933,000
84.425E	C19-Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	MnSCU	\$ 43,317,084	\$ -
84.425F	C19-HEERF Institutional Portion	MnSCU	\$ 13,597,006	\$ -

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020

CFDA Number	Federal Program Name or <i>Pass-Through Entity (Identifying Number)</i>	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
84.425M	C19-HEERF Strengthening Institutions Program (SIP)	MnSCU	\$ 40,800	\$ -
	Program 84.425 Total:		\$ 58,272,540	\$ 1,315,000
U.S. Election Assistance Commission				
90.404	2018 HAVA Election Security Grants	Secretary of State	\$ 672,614	\$ -
U.S. Department of Health and Human Services				
Medicaid Cluster				
93.775	State Medicaid Fraud Control Units	Attorney General	\$ 2,426,879	\$ -
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health	\$ 4,186,069	\$ -
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Human Services	\$ 6,280,542	\$ -
93.778	Medical Assistance Program (4)	Human Services	\$ 7,578,369,486	\$ 233,510,555
93.778	C19-Medical Assistance Program	Human Services	\$ 418,896,917	\$ -
	Medicaid Cluster Total:		\$ 8,010,159,893	\$ 233,510,555
Child Care and Development Fund (CCDF) Cluster				
93.575	Child Care and Development Block Grant	Human Services	\$ 100,117,353	\$ -
93.575	C19-Child Care and Development Block Grant	Human Services	\$ 10,000,000	\$ 10,000,000
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	\$ 67,031,432	\$ 28,220,679
	Child Care and Development Fund (CCDF) Cluster Total:		\$ 177,148,785	\$ 38,220,679
Aging Cluster				
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	Human Services	\$ 6,698,170	\$ 5,462,381
93.044	C19-Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	Human Services	\$ 743,807	\$ 743,807
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	Human Services	\$ 10,465,160	\$ 9,803,819
93.045	C19-Special Programs for the Aging, Title III, Part C, Nutrition Services	Human Services	\$ 5,269,734	\$ 5,230,213
93.053	Nutrition Services Incentive Program	Human Services	\$ 1,786,766	\$ 1,786,766
	Aging Cluster Total:		\$ 24,963,637	\$ 23,026,986
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Human Services	\$ 4,195	\$ -
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	Human Services	\$ 305,650	\$ -
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	Human Services	\$ 391,768	\$ 391,768
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	Human Services	\$ 382,916	\$ 231,871
93.052	National Family Caregiver Support, Title III, Part E	Human Services	\$ 2,669,044	\$ 2,564,337
93.052	C19-National Family Caregiver Support, Title III, Part E	Human Services	\$ 400,532	\$ 381,067
	Program 93.052 Total:		\$ 3,069,576	\$ 2,945,404
93.058	Tobacco Regulation Awareness, Communication, and Education Program	MnSCU	\$ 81,762	\$ -
93.059	Training in General, Pediatric, and Public Health Dentistry	MnSCU	\$ 372,260	\$ -
93.059	<i>Pass-Through from the Normandale (76121)</i>	Health	\$ 10,610	\$ -
	Program 93.059 Total:		\$ 382,870	\$ -
93.068	Chronic Diseases: Research, Control, and Prevention	Health	\$ 126,592	\$ -
93.069	Public Health Emergency Preparedness	Health	\$ 1,110,986	\$ 126,334
93.070	Environmental Public Health and Emergency Response	Health	\$ 1,928,154	\$ 2,453
93.071	Medicare Enrollment Assistance Program	Human Services	\$ 300,347	\$ 300,347
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance	Health	\$ 159,670	\$ -

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

**State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020**

CFDA Number	Federal Program Name or Pass-Through Entity (Identifying Number)	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	Health	\$ 7,271,231	\$ 3,251,110
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Health	\$ 32,645	\$ -
93.080	Blood Disorder Program: Prevention, Surveillance, and Research	Health	\$ 40,858	\$ -
93.084	Prevention of Disease, Disability, and Death by Infectious Diseases			
93.084	<i>Pass-Through from the University of Wisconsin-Madison (731K301)</i>	Health	\$ 18,711	\$ -
93.088	Advancing System Improvements for Key Issues in Women's Health	Health	\$ 130,049	\$ 29,077
93.090	Guardianship Assistance	Human Services	\$ 9,474,314	\$ 158,260
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	Health	\$ 764,022	\$ 558,968
93.103	Food and Drug Administration Research	Agriculture	\$ 2,083,862	\$ 111,887
93.103	Food and Drug Administration Research	Health	\$ 71,580	\$ -
93.103	<i>Pass-Through from the Association of Food and Drug Officials (AFDO) (Unknown)</i>	Agriculture	\$ 19,782	\$ -
	Program 93.103 Total:		\$ 2,175,224	\$ 111,887
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Human Services	\$ 2,969,077	\$ 2,235,365
93.110	Maternal and Child Health Federal Consolidated Programs	Health	\$ 69,672	\$ -
93.110	<i>Pass-Through from the Association of Public Health Laboratories (56300-600-158-20-08)</i>	Health	\$ 35,944	\$ -
	Program 93.110 Total:		\$ 105,616	\$ -
93.113	Environmental Health			
93.113	<i>Pass-Through from the University of Minnesota (P008233201)</i>	Health	\$ 26,860	\$ -
93.113	<i>Pass-Through from the University of Minnesota (P008233101)</i>	Health	\$ 41,141	\$ -
	Program 93.113 Total:		\$ 68,001	\$ -
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health	\$ 1,418,698	\$ 32,427
93.127	Emergency Medical Services for Children	Emergency Med. Services	\$ 115,502	\$ 115,502
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	Health	\$ 187,705	\$ -
93.136	Injury Prevention and Control Research and State and Community Based Programs	Health	\$ 3,203,306	\$ 379,249
93.143	NIEHS Superfund Hazardous Substances Basic Research and Education			
93.143	<i>Pass-Through from the University of Minnesota (2R25ES023595- 04)</i>	MnSCU	\$ 12,096	\$ -
93.145	HIV-Related Training and Technical Assistance	MnSCU	\$ 10,257	\$ -
93.150	Projects for Assistance in Transition from Homelessness (PATH)	Human Services	\$ 788,890	\$ 760,315
93.165	Grants to States for Loan Repayment	Health	\$ 90,000	\$ -
93.178	Nursing Workforce Diversity	MnSCU	\$ 462,998	\$ -
93.184	Disabilities Prevention	Health	\$ 241,326	\$ 42,726
93.184	<i>Pass-Through from the University of Alabama-Birmingham (000512145-006)</i>	Health	\$ 49,935	\$ 7,200
	Program 93.184 Total:		\$ 291,261	\$ 49,926
93.185	Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects			
93.185	<i>Pass-Through from the Marschfield Clinic (406131-00)</i>	Health	\$ 65,178	\$ -

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020

CFDA Number	Federal Program Name or <i>Pass-Through Entity (Identifying Number)</i>	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
93.197	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	Health	\$ 577,317	\$ -
93.234	Traumatic Brain Injury State Demonstration Grant Program	Human Services	\$ 112,952	\$ 25,620
93.235	Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	Health	\$ 525,552	\$ 429,890
93.236	Grants to States to Support Oral Health Workforce Activities	Health	\$ 175,043	\$ 5,628
93.240	State Capacity Building	Health	\$ 341,438	\$ -
93.241	State Rural Hospital Flexibility Program	Health	\$ 983,046	\$ 556,647
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Health	\$ 611,924	\$ 82,804
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Human Services	\$ 3,033,467	\$ 2,771,678
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	MnSCU	\$ 517,126	\$ -
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Trial Courts	\$ 261,458	\$ -
	Program 93.243 Total:		\$ 4,423,975	\$ 2,854,482
93.251	Early Hearing Detection and Intervention	Health	\$ 274,652	\$ 35,411
93.262	Occupational Safety and Health Program	Health	\$ 169,042	\$ -
93.262	Occupational Safety and Health Program	MnSCU	\$ 22,156	\$ -
93.262	<i>Pass-Through from the University of Iowa (Unknown)</i>	Agriculture	\$ 18,510	\$ -
93.262	<i>Pass-Through from the University of Iowa (S01216-01)</i>	Health	\$ 6,955	\$ -
93.262	<i>Pass-Through from the University of Minnesota (P005501201)</i>	Health	\$ 49,485	\$ -
	Program 93.262 Total:		\$ 266,148	\$ -
93.268	Immunization Cooperative Agreements	Health	\$ 54,973,058	\$ 671,876
93.270	Viral Hepatitis Prevention and Control	Health	\$ 256,590	\$ 39,789
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	Health	\$ 241,764	\$ -
93.283	<i>Pass-Through from the University of Minnesota (N005338002)</i>	Health	\$ 52,734	\$ -
	Program 93.283 Total:		\$ 294,498	\$ -
93.296	State Partnership Grant Program to Improve Minority Health	Health	\$ 196,536	\$ 11,200
93.301	Small Rural Hospital Improvement Grant Program	Health	\$ 1,009,407	\$ 902,347
93.301	C19- Small Rural Hospital Improvement Grant Program	Health	\$ 7,251,262	\$ 7,251,262
	Program 93.301 Total:		\$ 8,260,669	\$ 8,153,609
93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	Health	\$ 1,046,988	\$ -
93.310	Trans-NIH Research Support	Health	\$ 53,561	\$ -
93.310	<i>Pass-Through from the University of Minnesota (P005395801)</i>	Health	\$ 89,999	\$ -
	Program 93.310 Total:		\$ 143,560	\$ -
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	Health	\$ 297,518	\$ 13,805
93.317	Emerging Infections Programs	Health	\$ 5,621,562	\$ 5,000
93.317	C19-Emerging Infections Program	Health	\$ 2,768	\$ -
	Program 93.317 Total:		\$ 5,624,330	\$ 5,000
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Health	\$ 7,546,682	\$ 35,050
93.323	C19-Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Health	\$ 803,795	\$ -
	Program 93.323 Total:		\$ 8,350,477	\$ 35,050
93.324	State Health Insurance Assistance Program	Human Services	\$ 1,039,343	\$ 659,839

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020

CFDA Number	Federal Program Name or <i>Pass-Through Entity (Identifying Number)</i>	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
93.334	The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels			
93.334	<i>Pass-Through from the Alzheimers Association (63682)</i>	Health	\$ 26,000	\$ -
93.336	Behavioral Risk Factor Surveillance System	Health	\$ 480,052	\$ -
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	Health	\$ 1,712,210	\$ 139,226
93.354	C19-Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	Health	\$ 2,256,745	\$ -
	Program 93.354 Total:		\$ 3,968,955	\$ 139,226
93.366	State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	Health	\$ 285,075	\$ 19,221
93.367	Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs	Agriculture	\$ 759,249	\$ -
93.369	ACL Independent Living State Grants	DEED	\$ 1,753,799	\$ 795,205
93.387	National and State Tobacco Control Program	Health	\$ 5,337	\$ -
93.413	The State Flexibility to Stabilize the Market Grant Program	Commerce	\$ 110,460	\$ -
93.423	1332 State Innovation Waivers	Commerce	\$ 84,757,861	\$ 84,757,861
93.424	NON-ACA/PPHF—Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations			
93.424	<i>Pass-Through from the Council of State & Territorial Epidemiologists (6709)</i>	Health	\$ 5,396	\$ -
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	Health	\$ 2,066,045	\$ -
93.432	ACL Centers for Independent Living	DEED	\$ 1,261,403	\$ 1,261,403
93.434	Every Student Succeeds Act/Preschool Development Grants	Education	\$ 4,243,157	\$ -
93.435	Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke	Health	\$ 1,237,356	\$ 414,766
93.436	Well-Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN)	Health	\$ 603,768	\$ 35,317
93.439	State Physical Activity and Nutrition (SPAN)	Health	\$ 825,733	\$ 81,017
93.448	Food Safety and Security Monitoring Project	Agriculture	\$ 569,892	\$ -
93.464	ACL Assistive Technology	Administration	\$ 409,566	\$ -
93.500	Pregnancy Assistance Fund Program	Health	\$ 701,339	\$ 475,181
93.516	Public Health Training Centers Program			
93.516	<i>Pass-Through from the University of Michigan (SUBK00008851)</i>	Health	\$ 2,225	\$ -
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	Health	\$ 203,111	\$ -
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	Health	\$ 210,876	\$ 53,864
93.556	MaryLee Allen Promoting Safe and Stable Families Program	Human Services	\$ 4,511,078	\$ 3,593,694
93.558	Temporary Assistance for Needy Families	Human Services	\$ 183,863,871	\$ 81,695,359
93.563	Child Support Enforcement	Human Services	\$ 126,043,931	\$ 93,834,848
93.564	Child Support Enforcement Research	Human Services	\$ 1,046	\$ -
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	Human Services	\$ 5,018,758	\$ 2,955,524
93.568	Low-Income Home Energy Assistance	Commerce	\$ 110,123,269	\$ 106,034,237

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020

CFDA Number	Federal Program Name or Pass-Through Entity (Identifying Number)	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
93.569	Community Services Block Grant	Human Services	\$ 10,834,599	\$ 10,331,179
93.569	C19-Community Services Block Grant	Human Services	\$ 39,201	\$ 39,201
	Program 93.569 Total:		\$ 10,873,800	\$ 10,370,380
93.576	Refugee and Entrant Assistance Discretionary Grants	Health	\$ 105,067	\$ -
93.584	Refugee and Entrant Assistance Targeted Assistance Grants	Human Services	\$ 76,895	\$ 76,895
93.586	State Court Improvement Program	Supreme Court	\$ 555,666	\$ -
93.590	Community-Based Child Abuse Prevention Grants	Human Services	\$ 2,384,691	\$ 1,747,173
93.597	Grants to States for Access and Visitation Programs	Human Services	\$ 151,123	\$ 151,123
93.599	Chafee Education and Training Vouchers Program (ETV)	Human Services	\$ 1,039,030	\$ 926,948
93.600	Head Start	Education	\$ 113,529	\$ -
93.603	Adoption and Legal Guardianship Incentive Payments	Human Services	\$ 959,106	\$ 959,106
93.630	Developmental Disabilities Basic Support and Advocacy Grants	Administration	\$ 1,225,742	\$ 570,001
93.640	Basic Health Program (Affordable Care Act)	Human Services	\$ 403,340,491	\$ -
93.643	Children's Justice Grants to States	Human Services	\$ 286,730	\$ 205,485
93.645	Stephanie Tubbs Jones Child Welfare Services Program	Human Services	\$ 4,805,059	\$ 1,342,054
93.658	Foster Care Title IV-E	Human Services	\$ 60,502,952	\$ 53,699,137
93.658	ARRA-Foster Care Title IV-E	MnSCU	\$ 154,371	\$ -
93.658	Pass-Through from the University of Minnesota (GRK 129722)	MnSCU	\$ 597,673	\$ -
	Program 93.658 Total:		\$ 61,254,996	\$ 53,699,137
93.659	Adoption Assistance	Human Services	\$ 49,946,452	\$ -
93.667	Social Services Block Grant	Human Services	\$ 31,668,541	\$ 30,352,343
93.669	Child Abuse and Neglect State Grants	Human Services	\$ 994,690	\$ 350,345
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Public Safety	\$ 1,803,533	\$ 1,789,221
93.674	John H. Chafee Foster Care Program for Successful Transition to Adulthood	Human Services	\$ 2,472,016	\$ 1,993,697
93.732	Mental and Behavioral Health Education and Training Grants	MnSCU	\$ 79,388	\$ -
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	Health	\$ 82,678	\$ -
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	Health	\$ 259,836	\$ 108,167
93.747	Elder Abuse Prevention Interventions Program	Human Services	\$ 223,463	\$ -
93.755	Surveillance for Diseases Among Immigrants and Refugees financed in part by Prevention and Public Health Funds (PPHF)	Health	\$ 211,917	\$ -
93.767	Children's Health Insurance Program	Human Services	\$ 89,266,980	\$ 48,718
93.767	C19-Children's Health Insurance Program	Human Services	\$ 9,087,140	\$ -
	Program 93.767 Total:		\$ 98,354,120	\$ 48,718
93.788	Opioid STR	Human Services	\$ 8,887,370	\$ 7,681,738
93.788	Opioid STR	MnSCU	\$ 441,077	\$ -
	Program 93.788 Total:		\$ 9,328,447	\$ 7,681,738
93.791	Money Follows the Person Rebalancing Demonstration	Human Services	\$ 12,650,342	\$ 756,819
93.800	Organized Approaches to Increase Colorectal Cancer Screening	Health	\$ 1,159,494	\$ 172,319
93.810	Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	Health	\$ 586,362	\$ 8,894
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health	\$ 717,972	\$ 496,661
93.859	Biomedical Research and Research Training	MnSCU	\$ 93,793	\$ -
93.859	Pass-Through from the University of Minnesota (K12GM119955)	MnSCU	\$ 91,586	\$ -
	Program 93.859 Total:		\$ 185,379	\$ -
93.870	Maternal, Infant and Early Childhood Home Visiting Grant	Health	\$ 9,310,416	\$ 7,121,117
93.876	Antimicrobial Resistance Surveillance in Retail Food Specimens	Health	\$ 125,572	\$ -

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

**State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2020**

CFDA Number	Federal Program Name or Pass-Through Entity (Identifying Number)	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
93.889	National Bioterrorism Hospital Preparedness Program	Health	\$ 1,988,964	\$ 1,251,097
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	Health	\$ 4,378,791	\$ 140,472
93.913	Grants to States for Operation of State Offices of Rural Health	Health	\$ 184,553	\$ -
93.917	HIV Care Formula Grants	Human Services	\$ 10,560,759	\$ 2,190,855
93.940	HIV Prevention Activities Health Department Based	Health	\$ 2,933,264	\$ 674,028
93.945	Assistance Programs for Chronic Disease Prevention and Control	Health	\$ 184,660	\$ 13,054
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health	\$ 479,257	\$ 104,436
93.958	Block Grants for Community Mental Health Services	Human Services	\$ 9,115,279	\$ 7,492,439
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Human Services	\$ 23,556,234	\$ 11,019,064
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants	Health	\$ 1,190,493	\$ 82,658
93.981	Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	Education	\$ 322,082	\$ 47,341
93.991	Preventive Health and Health Services Block Grant	Health	\$ 4,340,322	\$ 63,693
93.994	Maternal and Child Health Services Block Grant to the States	Health	\$ 9,072,468	\$ 6,117,018
U.S. Corporation for National and Community Service				
94.006	AmeriCorps			
94.006	Pass-Through from the ServeMinnesota (18ACHMN0010002-18)	Pollution Control Agency	\$ 347,702	\$ -
U.S. Social Security Administration				
Disability Insurance/SSI Cluster				
96.001	Social Security Disability Insurance	DEED	\$ 24,256,451	\$ -
Disability Insurance/SSI Cluster Total:			\$ 24,256,451	\$ -
U.S. Department of Homeland Security				
97.008	Non-Profit Security Program	Public Safety	\$ 134,582	\$ 134,582
97.012	Boating Safety Financial Assistance	Natural Resources	\$ 2,141,170	\$ 731,748
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	Natural Resources	\$ 318,914	\$ 1,222
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Public Safety	\$ 27,802,987	\$ 24,395,284
97.039	Hazard Mitigation Grant	Public Safety	\$ 1,081,696	\$ 1,038,429
97.041	National Dam Safety Program	Natural Resources	\$ 49,480	\$ -
97.042	Emergency Management Performance Grants	Public Safety	\$ 4,692,504	\$ 1,790,544
97.045	Cooperating Technical Partners	Natural Resources	\$ 946,460	\$ 205,843
97.047	BRIC: Building Resilient Infrastructure and Communities	Public Safety	\$ 399,504	\$ 17,981
97.067	Homeland Security Grant Program	Public Safety	\$ 7,250,071	\$ 4,670,882
97.091	Homeland Security Biowatch Program	Health	\$ 760,120	\$ -
Federal Programs Total:			\$ 19,780,056,792	\$ 2,177,357,362

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, 2020

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 2020 conform to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) contained in 2 CFR Part 200, as applicable. The required Schedule of Expenditures of Federal Awards is presented for the state's fiscal year ended June 30, 2020.

The auditor uses a risk-based approach as defined in the Uniform Guidance to determine which federal programs are audited. Programs expending \$30 million or more in federal awards are Type A programs. Type B programs are programs expending less than \$30 million in federal awards. If the auditor assesses Type A programs as high-risk, the program is audited. If the auditor assesses Type A programs as low risk, the auditor may replace Type A programs with high risk Type B programs. Type A programs must be audited at least once every three years.

For purposes of financial reporting, the Catalog of Federal Domestic Assistance (CFDA) numbers are obtained from the beta.sam.gov website. The schedule is presented in numeric CFDA order within each federal agency, except for clusters of programs.

Federal guidelines define clusters as a grouping of closely related programs that share common compliance requirements. The types of clusters are research and development (R&D), student financial aid (SFA), and others as defined by the compliance supplement. Since the state receives R&D awards from several federal agencies, those awards are not grouped together in the schedule of expenditures. Instead, the awards included in the R&D cluster are identified by the prefix "R&D" within the name of the federal program. For the year ended June 30, 2020, the total R&D cluster expenditures were \$14,791,519.

Federal guidelines require separate identification of expenditures of federal awards under the American Recovery and Reinvestment Act (ARRA) and the Coronavirus Aid, Relief, and Economic Security Act (CARES) on the Schedule of Expenditures of Federal Awards. The prefix "ARRA" was included in the name of the federal program to provide identification for ARRA. The prefix "C19" was included in the name of the federal program to provide identification for CARES.

The state typically does not elect to use the 10% de minimis cost rate covered in CFR 200.414.

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 that are controlled by or dependent upon the Minnesota Legislature or its constitutional officers. The state, as 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 & Technical 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 & 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	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 the 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 2020. These programs are administered by Minnesota State Colleges and Universities (MnSCU).

	Perkins Loans	Nursing Student Loans
Loans Receivable	\$ 25,032,468	\$ 18,147
Loan Repayments	(4,187,099)	(2,233)
Loan Cancellations	(615,151)	-
Loans Receivables, Ending	\$ 20,230,218	\$ 15,914
Allowance for Doubtful Accounts	(2,658,644)	-
Total Loans Receivable	<u>\$ 17,571,574</u>	<u>\$ 15,914</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 2020.

Federal Direct Student Loans Issued:	
Direct Federal Subsidized Stafford	\$ 149,281,221
Direct Federal Unsubsidized Stafford	241,543,728
Direct Federal Parent Loans for Undergraduate Students	15,517,095
Direct Federal Graduate PLUS	970,753
Total Federal Direct Student Loans	<u>\$ 407,312,797</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 2020, the state of Minnesota recognized a total rebate of about \$ 29,543,000 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 2020, the state of Minnesota reduced expenditures by \$593,604,000 for the federal share of the rebate.

Note 5 – Unemployment Insurance Program

For fiscal year 2020, 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 continue to be funded by American Recovery and Reinvestment Act (ARRA) funds:

	Non-ARRA Funds	ARRA Funds	COVID Funds	Total
State UI Expenditures	\$ 2,347,086,022	\$ -	\$ -	\$ 2,347,086,022
Federal UI Expenditures	15,882,857	-	3,931,373,539	3,947,256,396
Federal Admin Expenditures	51,568,400	535,495	57,934	52,161,829
Total Expenditures	<u>\$ 2,414,537,279</u>	<u>\$ 535,495</u>	<u>\$ 3,931,431,473</u>	<u>\$ 6,346,504,247</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 the Uniform Guidance, the U.S. Department of Labor requires that both federal and state unemployment insurance funds be considered federal awards for determining federal programs subject to audit 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 2020 is shown below. All loan issues are made from repaid funds and no new federal funding has been provided. Therefore, no expenditures are shown on the face of the Schedule of Expenditures.

	TLP	AG BMP	CWP
Loans Receivable, Beginning	\$ 134,888	\$ 46,595,892	\$ 15,513,930
Loan Repayments	(30,547)	(9,427,211)	(3,011,365)
New Loans Issued	-	12,044,242	3,097,664
Interest Capitalized	-	-	76,629
Loans Receivable, Ending	<u>\$ 104,341</u>	<u>\$ 49,212,923</u>	<u>\$ 15,676,858</u>

Note 7 – Airport Improvement Program

As defined by the Federal Aviation Administration (FAA) Order 5100.38, Minnesota is a channeling act state for the Airport Improvement Program. As a channeling act state and in accordance with Minnesota Statutes 360.0161, Minnesota Department of Transportation (MnDOT) acts as an agent for airports/airport sponsors (i.e. cities, counties, and airport authorities). Grant agreements are established between FAA and the airports/airport sponsors. The airport sponsor is the recipient of the grant. MnDOT's main responsibilities are to pay requests for reimbursement, approved by the FAA, to the respective airport/airport sponsor and request reimbursement from the federal government. The reimbursements to the respective airport sponsors are included in CFDA 20.106 in the Schedule of Expenditures of Federal Awards (SEFA).

Note 8 – 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, 2020**

Section I:

Summary of Audit Results

Financial Statements

Type of independent auditor's report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> No	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

Schedule of Expenditures of Federal Awards

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

Federal Awards

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

Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u> for all major programs, except for Temporary Assistance for Needy Families (CFDA 93.558), which was qualified.
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200, Section 516?	<u> X </u> Yes	<u> </u> No
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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?	<u> </u> Yes <u> X </u> No

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020**

Section I: (continued)

Major Programs Audited

<u>Federal Agency and Major Program Name</u>	<u>CFDA#</u>
U. S. Department of Agriculture	
<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
C19 - Summer Food Service Program for Children	10.559
<i>Supplemental Nutrition Assistance Program Cluster</i>	
Supplemental Nutrition Assistance Program	10.551
State Administrative Matching Grant for Supplemental Nutrition Program	10.561
Child and Adult Care Food Program	10.558
U. S. Department of Defense	
National Guard Military Operations and Maintenance Projects	12.401
U. S. Department of Education	
<i>Student Financial Assistance Cluster</i>	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Teacher Education Assistance for College and Higher Education Grants	84.379
Nursing Student Loans	93.364
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126
<i>C19 - Education Stabilization Fund</i>	
C19 - Higher Education Emergency Relief Fund Student Aid Portion	84.425E
C19 - Higher Education Emergency Relief Fund Institutional Portion	84.425F
C19 - Higher Education Emergency Relief Fund Strengthening Institutional Portion	84.425M
U. S. Department of Health & Human Services	
<i>Aging Cluster</i>	
Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers	93.044
C19 - Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers	93.044
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045
C19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020**

Section I: (continued)

Major Programs Audited

<u>Federal Agency and Major Program Name</u>	<u>CFDA#</u>
Nutrition Services Incentive Program	93.053
Temporary Assistance for Needy Families	93.558
<i>Child Care and Development Fund Cluster</i>	
Child Care and Development Block Grant	93.575
C19 - Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
Immunization Cooperative Agreements	93.268
Low-Income Home Energy Assistance	93.568
Basic Health Program (Affordable Care Act)	93.640
Adoption Assistance	93.659
<i>Medicaid Cluster</i>	
State Medicaid Fraud Control Units	93.775
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777
Medical Assistance Program	93.778
C19 - Medical Assistance Program	93.778
U. S. Department of Labor	
Unemployment Insurance	17.225
ARRA - Unemployment Insurance	17.225
C19 - Unemployment Insurance	17.225
U. S. Social Security Administration	
<i>Disability Insurance/SSI Cluster</i>	
Social Security Disability Insurance	96.001
U.S. Department of Homeland Security	
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036
U.S. Department of the Treasury	
C19 - Coronavirus Relief Fund	21.019

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020**

Section II:

Financial Statement Audit Findings

On December 15, 2020, we separately issued a report on *Internal Controls Over Statewide Financial Reporting* for the year ended June 30, 2020 in accordance with *Government Auditing Standards*. The report contained one finding. The report may be accessed electronically at:
<https://www.auditor.leg.state.mn.us/fad/2021/ICCFRFY20.pdf>.

On November 18, 2020, 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* for the year ended June 30, 2020. This report was based on an audit of the Minnesota State Colleges and Universities' financial statements performed in accordance with *Government Auditing Standards*. The report contained no findings. The report may be accessed electronically at:
<https://www.minnstate.edu/system/finance/accounting/financialstatements/yearendstatements/Systemwide-11.20.20.pdf>.

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
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2020-002	Natural Resources
2020-003	Natural Resources
2020-004	Education
2020-005	Education
2020-006	Education
2020-007	Education
2020-008	Education
2020-009	Education
2020-010	Education
2020-011	Human Services
2020-012	Human Services
2020-013	Human Services
2020-014	Human Services
2020-015	Human Services
2020-016	Human Services
2020-017	Human Services
2020-018	Human Services
2020-019	Human Services
2020-020	Human Services
2020-021	Human Services
2020-022	Human Services

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
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Federal Program Audit Findings and Questioned Costs (continued)

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SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2020

CFDA NO.	PROGRAM NAME	STATE AGENCY	SF-SAC FIND REF	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Agriculture							
10.551	Supplemental Nutrition Assistance Program	Human Services	(Note 2) 2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
10.551	Supplemental Nutrition Assistance Program	Human Services	2020-040	S	A, B, E	Inadequate internal controls regarding regular review of the security of information systems which could impact Activities Allowed or Unallowed; Allocable Costs/Cost Principles; or Eligibility	P
10.551	Supplemental Nutrition Assistance Program	Human Services	2020-042	S	N	Noncompliance with EBT card security requirements	P
10.553	School Breakfast Program	Education	2020-005	S	E	Missing eligibility documentation	P
10.555	National School Lunch Program (Child Nutrition Cluster)	Education	2020-005	S	E	Missing eligibility documentation	P
10.555	National School Lunch Program (Child Nutrition Cluster)	Education	2020-008	S	N	Noncompliance with physical inventory requirement	P
10.555	National School Lunch Program (Child Nutrition Cluster)	Education	2020-009	S	N	Noncompliance with restitution for food losses	\$14,050
10.555	National School Lunch Program (Child Nutrition Cluster)	Education	2020-010	S	P	Noncompliance with federal schedule of expenditures of Federal awards requirements	P
10.558	Child and Adult Care Food Program (Child Nutrition Cluster)	Education	2020-006	S	M	Noncompliance with monitoring of subrecipient single audits	P
10.558	Child and Adult Care Food Program (Child Nutrition Cluster)	Education	2020-007	S	M	Noncompliance with subrecipient during the award monitoring	P
10.558	Child and Adult Care Food Program (Child Nutrition Cluster)	Education	2020-010	S	P	Noncompliance with federal schedule of expenditures of Federal awards requirements	P
10.559	Summer Food Service Program for Children (Child Nutrition Cluster)	Education	2020-008	S	N	Noncompliance with physical inventory requirement	P
10.559	Summer Food Service Program for Children (Child Nutrition Cluster)	Education	2020-009	S	N	Noncompliance with restitution for food losses	\$14,050
10.559	Summer Food Service Program for Children (Child Nutrition Cluster)	Education	2020-010	S	P	Noncompliance with federal schedule of expenditures of Federal awards requirements	P
10.559	C19 - Summer Food Service Program for Children (Child Nutrition Cluster)	Education	2020-010	S	P	Noncompliance with federal schedule of expenditures of Federal awards requirements	P
10.561	State Administration Matching Grant, Supplemental Nutrition Assistance Program	Human Services	2020-036	S	M	Noncompliance with subrecipient monitoring requirements	P
10.561	State Administration Matching Grant, Supplemental Nutrition Assistance Program	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P
10.561	State Administration Matching Grant, Supplemental Nutrition Assistance Program	Human Services	2020-038	S	B	Noncompliance with federal cost allocation plan amendment requirements	P
10.561	State Administration Matching Grant, Supplemental Nutrition Assistance Program	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
10.561	State Administration Matching Grant, Supplemental Nutrition Assistance Program	Human Services	2020-040	S	A, B, E	Inadequate internal controls regarding regular review of the security of information systems which could impact Activities Allowed or Unallowed; Allocable Costs/Cost Principles; or Eligibility	P
10.561	State Administration Matching Grant, Supplemental Nutrition Assistance Program	Human Services	2020-042	S	N	Noncompliance with EBT card security requirements	P
U.S. Department of Defense							
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Military Affairs	2020-064	S	P	Noncompliance with federal schedule of expenditures of Federal awards requirements	P
U.S. Department of Education							
84.007	Federal Supplemental Educational Opportunity Grants	State Colleges and Universities	2020-065	S	C	Cash management G5 Drawdowns - overdrawn	\$1,828,715
84.007	Federal Supplemental Educational Opportunity Grants	State Colleges and Universities	2020-066	S	N	Student Refund Checks Outstanding Greater than 240 Days	\$181,915
84.007	Federal Supplemental Educational Opportunity Grants	State Colleges and Universities	2020-067	S	N	National Student Loan Data System (NSLDS) Enrollment Reporting	P
84.010	Title 1 Grants to Local Educational Agencies	Education	2020-004	S	H	Noncompliance with carryforward provisions	\$14,085
84.033	Federal Work-Study Program	State Colleges and Universities	2020-065	S	C	Cash management G5 Drawdowns - overdrawn	\$1,828,715
84.033	Federal Work-Study Program	State Colleges and Universities	2020-066	S	N	Student Refund Checks Outstanding Greater than 240 Days	\$181,915
84.033	Federal Work-Study Program	State Colleges and Universities	2020-067	S	N	National Student Loan Data System (NSLDS) Enrollment Reporting	P
84.038	Federal Perkins Loan	State Colleges and Universities	2020-065	S	C	Cash management G5 Drawdowns - overdrawn	\$1,828,715
84.038	Federal Perkins Loan	State Colleges and Universities	2020-066	S	N	Student Refund Checks Outstanding Greater than 240 Days	\$181,915
84.038	Federal Perkins Loan	State Colleges and Universities	2020-067	S	N	National Student Loan Data System (NSLDS) Enrollment Reporting	P
84.063	Federal Pell Grant Program	State Colleges and Universities	2020-065	S	C	Cash management G5 Drawdowns - overdrawn	\$1,828,715
84.063	Federal Pell Grant Program	State Colleges and Universities	2020-066	S	N	Student Refund Checks Outstanding Greater than 240 Days	\$181,915
84.063	Federal Pell Grant Program	State Colleges and Universities	2020-067	S	N	National Student Loan Data System (NSLDS) Enrollment Reporting	P
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Employment and Economic Development	2020-053	S	C	Noncompliance with cash management	\$125,250
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Employment and Economic Development	2020-054	S	P	Noncompliance with federal Schedule of Expenditures of Federal Awards Requirements	P
84.268	Federal Direct Student Loans	State Colleges and Universities	2020-065	S	C	Cash management G5 Drawdowns - overdrawn	\$1,828,715
84.268	Federal Direct Student Loans	State Colleges and Universities	2020-066	S	N	Student Refund Checks Outstanding Greater than 240 Days	\$181,915
84.268	Federal Direct Student Loans	State Colleges and Universities	2020-067	S	N	National Student Loan Data System (NSLDS) Enrollment Reporting	P
84.379	Teacher Education Assistance for College and Higher Education Grants	State Colleges and Universities	2020-065	S	C	Cash management G5 Drawdowns - overdrawn	\$1,828,715
84.379	Teacher Education Assistance for College and Higher Education Grants	State Colleges and Universities	2020-066	S	N	Student Refund Checks Outstanding Greater than 240 Days	\$181,915
84.379	Teacher Education Assistance for College and Higher Education Grants	State Colleges and Universities	2020-067	S	N	National Student Loan Data System (NSLDS) Enrollment Reporting	P
84.425E	Higher Education Emergency Relief Fund Student Aid Portion	State Colleges and Universities	2020-068	S	L	Incomplete Data Collection Form Documentation	P
84.425F	Higher Education Emergency Relief Fund Institutional Portion	State Colleges and Universities	2020-069	S	A	Noncompliance with allowable activities	P
93.364	Nursing Student Loans	State Colleges and Universities	2020-065	S	C	Cash management G5 Drawdowns - overdrawn	\$1,828,715
93.364	Nursing Student Loans	State Colleges and Universities	2020-066	S	N	Student Refund Checks Outstanding Greater than 240 Days	\$181,915
93.364	Nursing Student Loans	State Colleges and Universities	2020-067	S	N	National Student Loan Data System (NSLDS) Enrollment Reporting	P

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CFDA NO.	PROGRAM NAME	STATE AGENCY	SF-SAC FIND REF	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Health & Human Services							
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (Aging Cluster)	Human Services	2020-033	S	G	Noncompliance with earmarking requirements	\$220,742
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (Aging Cluster)	Human Services	2020-036	S	M	Noncompliance with subrecipient monitoring requirements	P
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (Aging Cluster)	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (Aging Cluster)	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.044	C19 - Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (Aging Cluster)	Human Services	2020-036	S	M	Noncompliance with subrecipient monitoring requirements	P
93.044	C19 - Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (Aging Cluster)	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.044	C19 - Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (Aging Cluster)	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services (Aging Cluster)	Human Services	2020-033	S	G	Noncompliance with earmarking requirements	\$220,742
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services (Aging Cluster)	Human Services	2020-036	S	M	Noncompliance with subrecipient monitoring requirements	P
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services (Aging Cluster)	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services (Aging Cluster)	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.045	C19 - Special Programs for the Aging – Title III, Part C – Nutrition Services (Aging Cluster)	Human Services	2020-036	S	M	Noncompliance with subrecipient monitoring requirements	P
93.045	C19 - Special Programs for the Aging – Title III, Part C – Nutrition Services (Aging Cluster)	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.045	C19 - Special Programs for the Aging – Title III, Part C – Nutrition Services (Aging Cluster)	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.053	Nutrition Services Incentive Program (Aging Cluster)	Human Services	2020-034	S	N	Noncompliance with distributing NSIP cash promptly	P
93.053	Nutrition Services Incentive Program (Aging Cluster)	Human Services	2020-036	S	M	Noncompliance with subrecipient monitoring requirements	P
93.053	Nutrition Services Incentive Program (Aging Cluster)	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.053	Nutrition Services Incentive Program (Aging Cluster)	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.268	Immunization Cooperative Agreements	Health	2020-057	S	L	Noncompliance with reporting requirements	P
93.558	Temporary Assistance for Needy Families	Human Services	2020-017	S	A	Noncompliance with allowable activities	\$13,966,934
93.558	Temporary Assistance for Needy Families	Human Services	2020-018	M	E	Noncompliance with federal eligibility requirements	\$20,833
93.558	Temporary Assistance for Needy Families	Human Services	2020-019	S	L	Noncompliance with reporting requirements	P
93.558	Temporary Assistance for Needy Families	Human Services	2020-020	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.558	Temporary Assistance for Needy Families	Human Services	2020-021	S	N	Benefits not always reduced	\$11,842
93.558	Temporary Assistance for Needy Families	Human Services	2020-022	S	N	Benefits not always reduced	\$450
93.558	Temporary Assistance for Needy Families	Human Services	2020-035	S	P	Noncompliance with schedule of expenditures of federal awards requirements	P
93.558	Temporary Assistance for Needy Families	Human Services	2020-036	S	M	Noncompliance with subrecipient monitoring requirements	P
93.558	Temporary Assistance for Needy Families	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.558	Temporary Assistance for Needy Families	Human Services	2020-038	S	B	Noncompliance with federal cost allocation plan amendment requirements	P
93.558	Temporary Assistance for Needy Families	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.563	Child Support Enforcement	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.563	Child Support Enforcement	Human Services	2020-038	S	B	Noncompliance with federal cost allocation plan amendment requirements	P
93.566	Refugee and Entrant Assistance	Human Services	2020-038	S	B	Noncompliance with federal cost allocation plan amendment requirements	P
93.568	Low-Income Home Energy Assistance	Commerce	2020-043	S	L	Noncompliance with reporting requirements	P
93.568	Low-Income Home Energy Assistance	Commerce	2020-044	S	M	Noncompliance with subrecipient monitoring requirements	P
93.568	Low-Income Home Energy Assistance	Commerce	2020-045	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
93.575	Child Care and Development Block Grant	Human Services	2020-011	S	E	Noncompliance with eligibility requirements	\$13,854
93.575	Child Care and Development Block Grant	Human Services	2020-012	S	N	Noncompliance with monitoring health and safety requirements	P
93.575	Child Care and Development Block Grant	Human Services	2020-013	S	M	Noncompliance with county license reviews	P
93.575	Child Care and Development Block Grant	Human Services	2020-014	S	H	Noncompliance with period of performance	\$4,454,134
93.575	Child Care and Development Block Grant	Human Services	2020-038	S	B	Noncompliance with federal cost allocation plan amendment requirements	P
93.575	Child Care and Development Block Grant	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.575	C19 - Child Care and Development Block Grant	Human Services	2020-036	S	M	Noncompliance with subrecipient monitoring requirements	P
93.575	C19 - Child Care and Development Block Grant	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P

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CFDA NO.	PROGRAM NAME	STATE AGENCY	SF-SAC FIND REF	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
93.575	C19 - Child Care and Development Block Grant	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	2020-011	S	E	Noncompliance with eligibility requirements	\$13,854
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	2020-012	S	N	Noncompliance with monitoring health and safety requirements	P
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	2020-013	S	M	Noncompliance with county license reviews	P
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	2020-014	S	H	Noncompliance with period of performance	\$4,454,134
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	2020-036	S	M	Noncompliance with subrecipient monitoring requirements	P
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.640	Basic Health Program	Human Services	2020-027	S	N	Noncompliance with revalidation of provider requirements	P
93.640	Basic Health Program	Human Services	2020-028	S	E	Noncompliance with eligibility requirements	\$5,313
93.640	Basic Health Program	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.640	Basic Health Program	Human Services	2020-041	S	N	Inadequate internal controls over the implementation of the quarterly Medicaid NCCI edit files which could impact Activities Allowed or Unallowed	P
93.658	Foster Care Title IV-E	Human Services	2020-015	S	L	Noncompliance with reporting requirements	P
93.658	Foster Care Title IV-E	Human Services	2020-016	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.658	Foster Care Title IV-E	Human Services	2020-035	S	P	Noncompliance with schedule of expenditures of federal awards requirements	P
93.658	Foster Care Title IV-E	Human Services	2020-036	S	M	Noncompliance with subrecipient monitoring requirements	P
93.658	Foster Care Title IV-E	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.658	Foster Care Title IV-E	Human Services	2020-038	S	B	Noncompliance with federal cost allocation plan amendment requirements	P
93.658	Foster Care Title IV-E	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.659	Adoption Assistance	Human Services	2020-029	S	B	Reimbursement for unallowable costs	\$45,860
93.659	Adoption Assistance	Human Services	2020-030	S	A, B	Unallowable costs and activities	\$21,780
93.659	Adoption Assistance	Human Services	2020-031	S	C	Noncompliance with cash management requirements	P
93.659	Adoption Assistance	Human Services	2020-032	S	L	Noncompliance with Federal reporting requirements	P
93.659	Adoption Assistance	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.659	Adoption Assistance	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.667	Social Services Block Grant	Human Services	2020-023	S	L	Inaccurate financial reports	P
93.667	Social Services Block Grant	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.767	Children's Health Insurance Program	Human Services	2020-024	S	E	Noncompliance with eligibility requirements	\$78,203
93.767	Children's Health Insurance Program	Human Services	2020-027	S	N	Noncompliance with revalidation of provider requirements	P
93.767	Children's Health Insurance Program	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.767	Children's Health Insurance Program	Human Services	2020-041	S	N	Inadequate internal controls over the implementation of the quarterly Medicaid NCCI edit files which could impact Activities Allowed or Unallowed	P
93.767	C19 - Children's Health Insurance Program	Human Services	2020-024	S	E	Noncompliance with eligibility requirements	\$78,203
93.767	C19 - Children's Health Insurance Program	Human Services	2020-027	S	N	Noncompliance with revalidation of provider requirements	P
93.767	C19 - Children's Health Insurance Program	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.767	C19 - Children's Health Insurance Program	Human Services	2020-041	S	N	Inadequate internal controls over the implementation of the quarterly Medicaid NCCI edit files which could impact Activities Allowed or Unallowed	P
93.778	Medical Assistance	Human Services	2020-025	S	E	Noncompliance with eligibility requirements	\$17,260
93.778	Medical Assistance	Human Services	2020-026	S	E	Noncompliance with eligibility requirements	\$12,620
93.778	Medical Assistance	Human Services	2020-027	S	N	Noncompliance with revalidation of provider requirements	P
93.778	Medical Assistance	Human Services	2020-035	S	P	Noncompliance with schedule of expenditures of federal awards requirements	P
93.778	Medical Assistance	Human Services	2020-036	S	M	Noncompliance with subrecipient monitoring requirements	P
93.778	Medical Assistance	Human Services	2020-037	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.778	Medical Assistance	Human Services	2020-038	S	B	Noncompliance with federal cost allocation plan amendment requirements	P
93.778	Medical Assistance	Human Services	2020-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SECTION III
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2020

CFDA NO.	PROGRAM NAME	STATE AGENCY	SF-SAC FIND REF	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
93.778	Medical Assistance	Human Services	2020-041	S	N	Inadequate internal controls over the implementation of the quarterly Medicaid NCCI edit files which could impact Activities Allowed or Unallowed	P
93.778	C19 - Medical Assistance	Human Services	2020-025	S	E	Noncompliance with eligibility requirements	\$17,260
93.778	C19 - Medical Assistance	Human Services	2020-026	S	E	Noncompliance with eligibility requirements	\$12,620
93.778	C19 - Medical Assistance	Human Services	2020-027	S	N	Noncompliance with revalidation of provider requirements	P
93.778	C19 - Medical Assistance	Human Services	2020-035	S	P	Noncompliance with schedule of expenditures of federal awards requirements	P
93.778	C19 - Medical Assistance	Human Services	2020-039	S	A,B,E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.	P
93.778	C19 - Medical Assistance	Human Services	2020-041	S	N	Inadequate internal controls over the implementation of the quarterly Medicaid NCCI edit files which could impact Activities Allowed or Unallowed	P
U.S. Department of Homeland Security							
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Public Safety	2020-059	S	L	Noncompliance with reporting requirements	P
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Public Safety	2020-060	S	L	Noncompliance with reporting requirements	P
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Public Safety	2020-061	S	M	Noncompliance with subrecipient monitoring requirements	P
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Public Safety	2020-062	S	M	Noncompliance with subrecipient monitoring requirements	P
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Public Safety	2020-063	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
U.S. Department of Interior							
15.605	Sport Fish Restoration	Natural Resources	2020-002	S	P	Noncompliance with federal schedule of expenditures of federal award requirements	P
15.605	Sport Fish Restoration	Natural Resources	2020-003	S	A, B	Noncompliance with Allowable Costs and Activities	P
15.611	Wildlife Restoration and Basic Hunter Education	Natural Resources	2020-003	S	A, B	Noncompliance with Allowable Costs and Activities	P
15.626	Enhanced Hunter Education	Natural Resources	2020-003	S	A, B	Noncompliance with Allowable Costs and Activities	P
U.S. Department of Justice							
16.575	Crime Victim Assistance	Public Safety	2020-052	S	M	Noncompliance with subrecipient monitoring requirements	P
16.575	Crime Victim Assistance	Public Safety	2020-062	S	M	Noncompliance with subrecipient monitoring requirements	P
U.S. Department of Labor							
17.225	Unemployment Insurance	Employment and Economic Development	2020-046	S	A,B	Insufficient controls over allowable activities and costs	P
17.225	Unemployment Insurance	Employment and Economic Development	2020-050	S	H	Noncompliance with period of performance	\$14,650
17.225	Unemployment Insurance	Employment and Economic Development	2020-051	S	L	Noncompliance with reporting requirements	P
17.225	C19 - Unemployment Insurance	Employment and Economic Development	2020-047	S	E	Noncompliance with eligibility	\$1,800
17.225	C19 - Unemployment Insurance	Employment and Economic Development	2020-048	S	E	Noncompliance with eligibility	\$3,000
17.225	C19 - Unemployment Insurance	Employment and Economic Development	2020-049	S	E	Noncompliance with eligibility	\$234
U.S. Social Security Administration							
96.001	Social Security Disability Insurance	DEED	2020-055	S	A, B	Noncompliance with allowable activities and costs	\$75
96.001	Social Security Disability Insurance	DEED	2020-056	S	B	Noncompliance with allowable costs	\$6,389
U.S. Department of Transportation							
20.600	State and Community Highway Safety	Public Safety	2020-058	S	B	Noncompliance with allowable cost provisions	\$78,439
20.600	State and Community Highway Safety	Public Safety	2020-063	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
20.616	National Priority Safety Programs	Public Safety	2020-058	S	B	Noncompliance with allowable cost provisions	\$78,439
20.616	National Priority Safety Programs	Public Safety	2020-063	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
U.S. Department of Treasury							
21.019	C19 - Coronavirus Relief Fund	Management and Budget	2020-001	S	P	Incorrect Expenditures Reported on Schedule of Expenditures of Federal Awards (SEFA)	\$162,191

Notes:

This summary schedule highlights federal program audit findings presented in the Financial and Compliance Report on Federally Assisted Programs. The SF-SAC FIND REF is the Single Audit Report finding number for fiscal year 2020. The internal control (INT CONT) identifies whether the finding is a Material (M) weakness or a Significant (S) deficiency. The compliance requirement (COMP REQ) identifies the applicable requirement (A-N) or other (P). The financial impact of a finding is shown as procedural (P) or as a questioned cost.

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

State Agency	Minnesota Department of Management and Budget
Federal Agency	U.S. Department of the Treasury
CFDA Number(s)/ Program Name(s):	CFDA 21.019 – C19 – Coronavirus Relief Fund (CRF)
Questioned Costs:	\$162,191
Federal Project Nos./ Award Year	Not Provided.

Finding Number 2020-001 *Incorrect Expenditures Reported on Schedule of Expenditures of Federal Awards (SEFA).*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

Title 2 U.S. *Code of Federal Regulations* § 200.510(b) states that the auditee must prepare a SEFA for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with § 200.502, *Basis for determining Federal awards expended*.

In addition, the Statewide Operating Procedure Manual Number 0402-02.1 states that state agencies must track financial activity in the state's accounting system for each federal financial assistance program. State agencies are required to periodically run and review the SEFA report to ensure they properly set up federal grants in the accounting system and that the expenditures of federal funds received are being included and properly reported. Procedures also require state agencies provide adjusting entries to ensure accurate reporting of expenditures on the SEFA report.

Condition:

During audit testing of Coronavirus Relief Fund (CRF) expenditures, it was noted that Minnesota Management and Budget did not properly identify the amount expended for CRF (CFDA No. 21.019) on its SEFA. The expenditures reported by Minnesota Trial Courts were underreported by \$36,510, and Minnesota Department of Health expenditures were underreported by \$125,681, for a total of \$162,191.

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

Questioned Costs:

\$162,191.

Context:

A preliminary SEFA was provided by Minnesota Management and Budget for the year ended June 30, 2020, which reported CRF expenditures of \$89,617,298. After audit adjustments for Minnesota Trial Courts of \$36,510 and Minnesota Department of Health of \$125,681, and an (\$11,799) adjustment identified by the Minnesota Department of Health, federal CRF expenditures total \$89,767,690.

Cause:

Minnesota Trial Courts and Minnesota Department of Health staff responsible for preparing the SEFA indicated expenditures were incorrectly posted into the State's accounting system (SWIFT) using fiscal year 2021 when fiscal year 2020 should have been entered.

Effect:

The inability to properly identify and track federal expenditures or to detect misstatements in the SEFA increases the likelihood that federal expenditures would not be fairly reported and that noncompliance with direct and material compliance requirements may occur.

Repeat Finding:

No.

Auditor's Recommendation:

We recommend Minnesota Management and Budget work with the Minnesota Trial Courts and Minnesota Department of Health and review internal controls currently in place and design and implement procedures to improve internal controls over identifying the expenditures of federal awards for SEFA reporting.

Views of Responsible Officials:

Concur.

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

State Agency	Minnesota Department of Natural Resources
Federal Agency	U.S. Department of the Interior
CFDA Number(s)/ Program Name(s):	Fish and Wildlife Cluster CFDA 15.605 – Sport Fish Restoration
Questioned Costs:	None
Federal Project Nos./ Award Year	F13AF00585, F18AF00941, F19AF00047

Finding Number 2020-002 *Noncompliance with federal schedule of expenditures of federal award requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 510(b) states, “The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended...”

The *Code of Federal Regulations*, Title 2, Part 200, Section 502(a) states, “The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs.”

Condition:

The Department of Natural Resources inaccurately reported expenditures on the schedule of expenditures of Federal awards for the Fish and Wildlife Cluster.

Questioned Costs:

None.

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

Context:

CFDA 15.605 in the Fish and Wildlife Cluster was understated by \$64,760 in accrued expenditures omitted from the schedule, which was approximately 0.5% of the federal expenditures specifically for this CFDA.

We proposed an audit adjustment to correct the schedule, and the Department of Management and Budget posted the adjustment.

Cause:

The department's documented procedures, which it developed to address this finding identified in the prior year, did not address how it should account for accrued expenditures on the schedule. As a result, the department did not include accrued expenditures in the schedule. In addition, the department could not demonstrate that it performed an effective secondary review of the schedule that would have discovered these errors.

Effect:

Since the schedule of expenditures of Federal awards is the basis for planning and conducting a Single Audit, an inaccurate schedule could result in federal expenditures not being properly subjected to audit.

Repeat Finding:

Yes, prior year finding 2019-008.

Auditor's Recommendation:

The Department of Natural Resources should strengthen its procedures to include instruction on how to accurately account for all expenditures on the schedule of expenditures of Federal awards.

The Department of Natural Resources should establish procedures to perform an effective secondary review of the schedule of expenditures of Federal awards and document this review to ensure accuracy.

Views of Responsible Officials:

The Department of Natural Resources agrees with this finding.

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

State Agency	Minnesota Department of Natural Resources
Federal Agency	U.S. Department of the Interior
CFDA Number(s)/ Program Name(s):	CFDA 15.605 Sport Fish Restoration Program CFDA 15.611 Wildlife Restoration and Basic Hunter Education CFDA 15.626 Enhanced Hunter Education
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 15.605 – F17AF00294, F17AF00943, F18AF00035, F18AF00730, F19AF00189, F19AF00258, F19AF00745, F20AF00106 CFDA 15.611 – F16AF00442, F17AF00281, F17AF00282, F17AF00943, F18AF00036, F18AF00381, F18AF00387, F18AF00595, F18AF00730, F19AF00260, F19AF00278, F19AF00427, F19AF00745, F20AF00106, F20AF00308 (09) CFDA 15.626 – F18AF00036, F20AF00106

Finding Number 2020-003 *Noncompliance with Allowable Costs and Activities.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 430 (a) states, “costs of compensation are allowable to the extent that...the services rendered...conforms to the established written policy of the non-federal entity...”

State Payroll Policy PAY0017 states, “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.”

State Payroll Procedure for PAY0017 states that, when reviewing bi-weekly time entry audit reports, payroll staff should “obtain an explanation of why employees did not complete their own time entry, or why a backup approver approved the time.”

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

Condition:

The Department of Natural Resources did not properly review bi-weekly time entry audit reports to ensure compliance with the state's payroll policies and procedures.

Questioned Costs:

None.

Context:

We randomly selected and tested 7 of the 22 bi-weekly time entry audit reports reviewed by the department. In five of the seven reports tested, the department either did not obtain an explanation or documentation for exceptions identified in its review of bi-weekly time entry audit reports. An exception is any timesheet not initially completed by employees or approved by primary supervisors.

Our sample was not statistically valid sample.

Cause:

The Department of Natural Resources did not design and implement controls to ensure it obtained an explanation and documentation for exceptions identified in its review of bi-weekly time entry audit reports.

Effect:

There is an increased risk that timesheets will erroneously report federal hours worked when modified or approved by someone other than the employee or their direct supervisor.

Repeat Finding:

Yes, prior year finding 2019-006. The Department of Natural Resources designed and implemented controls to address exceptions where payroll and human resources staff completed or approved the timesheet. As such, the department initially reported the prior finding resolved on the summary schedule of prior audit findings. This materially misrepresented the status of the finding. We corrected the status on the summary schedule for finding 2019-006 to "Findings are not corrected or are only partially corrected."

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

Auditor's Recommendation:

The Department of Natural Resources should properly review bi-weekly time entry audit reports to ensure compliance with the state's payroll policies and procedures.

The Department of Natural Resources should design and implement controls to ensure it obtains an explanation and documentation for exceptions identified in its review of bi-weekly time entry audit reports.

Views of Responsible Officials:

The Department of Natural Resources agrees with this finding.

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

State Agency	Minnesota Department of Education
Federal Agency(ies)	U.S. Department of Education
CFDA Number(s)/ Program Name(s):	CFDA 84.010 – Title I Grants to Local Educational Agencies
Questioned Costs:	\$14,085
Federal Project Nos./ Award Year	S010A160023-16B, S010A180023-18A

Finding Number 2020-004 *Noncompliance with carryforward provisions.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *United States Code*, Title 20, Chapter 70, Section 6339(a), states that a local educational agency may not carryforward more than 15 percent of the Title I funds allocated for a fiscal year to the subsequent fiscal year.

The *United States Code*, Title 20, Chapter 70, Section 6339(b), allows a state educational agency to grant a waiver of the carryforward limitation to a local educational agency once every three years.

Condition:

For one local education agency, the Department of Education did not reduce the carryforward amount to 15 percent of Title I funds allocated for federal Fiscal Year 2018.

Questioned Costs:

\$14,085.

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

Context:

We randomly selected 11 out of 44 local educational agencies with federal Fiscal Year 2018 allocations over \$50,000 that had spent less than 85 percent of their award after the initial 12 months. Three of the four local educational agencies, identified with carryforward amounts in excess of the 15 percent, were eligible for a waiver. The department granted those waivers in March 2021. The total carryforward amount above the 15 percent limitation for the one local educational agency not eligible for a waiver was \$14,085.

Our sample was not a statistically valid sample.

Cause:

The Department of Education did not: (1) use the correct amount of Title I funds allocated for a federal fiscal year; and (2) monitor performance of the internal controls over the reduction of funds for local educational agencies not eligible for a waiver. The department designed and began to implement new controls for federal Fiscal Year 2019, but did not apply these controls retroactively to federal Fiscal Year 2018.

Effect:

Local educational agencies could spend more Title 1 funds than allowed.

Repeat Finding:

Yes, see prior audit finding 2019-015.

Auditor's Recommendation:

For the local educational agency cited that was not eligible for a waiver, the Department of Education should reduce the carryforward amount to 15 percent of the Title 1 funds allocated.

The Department of Education should fully implement internal controls to ensure compliance with the carryforward provisions.

Views of Responsible Officials:

The Department of Education agrees with this finding.

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

State Agency	Minnesota Department of Education
Federal Agency	U.S. Department of Agriculture
CFDA Number(s)/ Program Name(s):	CFDA 10.553 – School Breakfast Program CFDA 10.555 – National School Lunch Program
Questioned Costs:	None
Federal Project Nos./ Award Year	201818N109942, 201819N109942, 202020N109942

Finding Number 2020-005 *Missing eligibility documentation.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 7, Part 210, Section 7 (d)(2) states, “School food authorities seeking to obtain performance-based cash assistance must submit certification documentation to the State agency in accordance with State agency certification procedures, including documentation to support receipt of performance-based cash assistance. School food authorities must attest that the documentation provided is representative of the ongoing meal service within the school food authority.”

The *Code of Federal Regulations*, Title 7, Part 210, Section 7 (d)(1)(B)(v) requires that state agencies “...review submitted materials and notify school food authorities of the certification determination, the date that performance-based cash assistance is effective, and consequences for noncompliance.”

Condition:

For two new sponsors tested, the Department of Education could not provide required documentation to support the eligibility for performance-based assistance. In addition, for one of these sponsors the department did not properly document results of its review of menus submitted by the sponsor to qualify for performance-based assistance.

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

Questioned Costs:

None.

Context:

The Department of Education required all new sponsors, as part of the application process, to attest that (1) the sponsor and all affiliated schools will follow the meal pattern requirements, as set forth in federal regulations, and (2) the sponsors are aware of consequences for noncompliance with these requirements.

In addition, the department did not consistently use a menu certification form to document its review of menus submitted by sponsors to determine if sponsors qualify for performance-based payments. When the department did not use the form, it could not provide any other support that it reviewed the menu, as required.

These requirements only apply to sponsors that did not participate in the programs previously. We identified 11 new sponsors out of 663 total. We randomly selected and tested 4 out of 11 new sponsors. Our sample was not a statistically valid sample.

Cause:

The Department of Education did not obtain and retain completed applications and supporting documentation to ensure the program staff obtained and reviewed all required documentation before approving applications.

The department created a menu certification form to document its review of menus, but stated that it did not always use the menu certification form as it did not see the value in completing the form.

Effect:

There is an increased risk that the Department of Education may not hold sponsors accountable for noncompliance with meal patterns or sponsors may not be aware of consequences for noncompliance with meal patterns requirements. In addition, without consistent use of the menu certification form, it is difficult to determine when the performance-based cash assistance was effective.

Repeat Finding:

No.

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

Auditor's Recommendation:

The Department of Education should ensure it obtains and retains required documentation to support the eligibility for performance-based assistance.

The Department of Education should implement controls, such as a secondary review of applications, to ensure all required documentation is in proper order.

The Department of Education should implement controls to ensure all menus submitted by sponsors are reviewed. The controls should include the date when sponsors qualified for performance-based assistance payments, as required.

Views of Responsible Officials:

The Department of Education agrees with this finding.

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

State Agency	Minnesota Department of Education
Federal Agency	U.S. Department of Agriculture
CFDA Number(s)/ Program Name(s):	CFDA 10.558 – Child and Adult Care Food Program
Questioned Costs:	None
Federal Project Nos./ Award Year	201817N202042, 201818N202042, 202019N202042, 202020N202042

Finding Number 2020-006 *Noncompliance with monitoring of subrecipient single audits.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Section 200, Part 521 (c) states, "...the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients."

The *Code of Federal Regulations*, Title 2, Section 200, Part 521 (d) states, "The...pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the Federal Audit Clearinghouse."

The *Code of Federal Regulations*, Title 2, Section 200, Part 332 (f) (formerly Part 331(f)) states, "Verify that every subrecipient is audited as required by Subpart F of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501."

Condition:

The Department of Education did not review all subrecipient single audits as required by federal regulations. The department did not identify or review single audits for 31 subrecipients for which it was not the cognizant agency. In addition, the department could not provide documentation to show it obtained and reviewed the single audit reports for three subrecipients tested.

Questioned Costs:

None.

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

Context:

Of the 74 Child and Adult Care Food Program subrecipients that required audits, the Department of Education only reviewed the 43 subrecipients for which it was the cognizant agency. The department did not identify or review any of the 31 Child and Adult Care Food Program subrecipients for which it was not the cognizant agency. Of the 31 subrecipients, 7 had findings, none of which related to the Child and Adult Care Food Program, and 4 did not have reports available on the Federal Audit Clearinghouse website, as they were tribes.

In addition, the document used to track one division's review of subrecipient audits was not complete for 10 of 13 subrecipients it was required to review. We randomly selected 3 of the 13 subrecipients required to be tracked by this division. For all three subrecipients, the department could not provide evidence that it obtained and reviewed the single audit report. Our sample was not a statistically valid sample.

Cause:

The Department of Education's controls were not designed to identify and review all subrecipients requiring an audit. Additionally, one division did not consider its document used to track single audit reports as a control to ensure it obtained and reviewed single audit reports for all subrecipients and did not know such documentation needed to be completed and retained.

Effect:

Without reviewing the corrective action plans for all subrecipients, the Department of Education does not have assurance that the subrecipients are operating in accordance with regulations and properly using federal funds. By not documenting its review, the department cannot provide assurance that it monitored subrecipients as required by federal guidelines.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Education should review all subrecipient single audits as required by federal regulations.

The Department of Education should design and implement controls to ensure it reviews all subrecipient single audits and follows up on all audit findings to verify subrecipients took appropriate and timely corrective action, as required by federal regulations.

Views of Responsible Officials:

The Department of Education agrees with this finding.

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

State Agency	Minnesota Department of Education
Federal Agency	U.S. Department of Agriculture
CFDA Number/ Program Name:	CFDA 10.558 – Child and Adult Care Food Program
Questioned Costs:	None
Federal Project Nos./ Award Year	201817N202042, 201818N202042, 202019N202042, 202020N202042

Finding Number 2020-007 *Noncompliance with subrecipient during the award monitoring.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 7, Part 226, Section 6(m)(1) states, “The State agency must maintain documentation of supervisory assistance activities, including reviews conducted, corrective actions, prescribed, and follow-up efforts.”

The *Code of Federal Regulations*, Title 7, Part 226, Section 6(m)(3)(xii) states, “As part of its conduct of reviews, the State agency must assess each institution’s compliance with the requirements of this part.”

Condition:

The Department of Education did not accurately communicate to one subrecipient the results of its monitoring review. Specifically, the department omitted two instances of noncompliance it identified and incorrectly identified five instances of noncompliance. In addition, the department could not provide a corrective action plan from the subrecipient.

Questioned Costs:

None.

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

Context:

We randomly selected a sample of 22 of 140 subrecipient administrative reviews completed within state Fiscal Year 2020. Our sample was not a statistically valid sample.

Cause:

The Department of Education did not design and implement controls to ensure the results of its monitoring review are accurately communicated and it obtained the subrecipient's corrective action plan.

Effect:

By not accurately communicating the results of its monitoring review and obtaining corrective action plans from subrecipients, the Department of Education increases its risk that subrecipients may not comply with the program requirements and continue to receive federal funding.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Education should ensure it accurately communicates to subrecipients the results of its monitoring review and obtains a corrective action plan from subrecipients.

The Department of Education should design and implement controls to ensure the results of its monitoring review are accurately communicated and it obtains the subrecipient's corrective action plans.

Views of Responsible Officials:

The Department of Education agrees with this finding.

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

State Agency	Minnesota Department of Education
Federal Agency	U.S. Department of Agriculture
CFDA Number(s)/ Program Name(s):	CFDA 10.555 – National School Lunch Program CFDA 10.559 – Summer Food Service Program for Children
Questioned Costs:	None
Federal Project Nos./ Award Year	201817N109942, 201818N109942, 202019N109942, 202020N109942

Finding Number 2020-008 *Noncompliance with physical inventory requirement.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 7, Part 250, Section 12 (b) states, “On an annual basis, the distributing agency must conduct a physical review of donated food inventories at all storage facilities used by the distributing agency (or by a subdistributing agency), and must reconcile physical and book inventories of donated foods.”

Condition:

The Department of Education did not conduct a physical inspection of the storage facility and did not reconcile physical and book inventory of donated foods as required.

Questioned Costs:

None.

Context:

The Department of Education told us it verbally communicated to the federal government its inability to conduct a physical inventory in June 2020 at its storage facility, due to the COVID-19 pandemic. However, the department did not obtain written approval from the federal government waiving the requirement to conduct a physical inventory.

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

In addition, we found that the department's procedure for annual inventory did not include a reconciliation of book records with physical items at the warehouse. The inventory is typically performed after all food is either distributed to schools or donated to a charitable organization.

Cause:

The Department of Education assumed that the federal government waived the requirement for annual physical inventory due to COVID-19 pandemic, but did not verify that requirement was waived or notify the federal government of its intent not to complete an annual physical inventory.

Effect:

Without proper oversight from the Department of Education, there is an increased risk that the inventory is inaccurately valued, mismanaged or misappropriated.

Repeat Finding:

No

Auditor's Recommendation:

The Department of Education should conduct a physical inspection of its storage facility and reconcile physical and book inventory of donated foods, as required, or seek a waiver from the federal government.

The Department of Education should design and implement controls to ensure it conducts a physical inspection of its storage facility and reconciles physical and book inventory of donated foods.

Views of Responsible Officials:

The Department of Education agrees with this finding.

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

State Agency	Minnesota Department of Education
Federal Agency	U.S. Department of Agriculture
CFDA Number(s)/ Program Name(s):	CFDA 10.555 – National School Lunch Program CFDA 10.559 – Summer Food Service Program for Children
Questioned Costs:	\$14,050
Federal Project Nos./ Award Year	201817N109942, 201818N109942, 202019N109942, 202020N109942

Finding Number 2020-009 *Noncompliance with restitution for food losses.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 7, Part 250, Section 16 (a) requires that “the distributing agency must ensure that restitution is made for the loss of donated foods, or for the loss of improper use of funds provided for, or obtained as an incident of, the distribution of donated foods. The distributing agency must identify, and seek restitution from, parties responsible for the loss, and implement corrective actions to prevent future losses.”

The Department of Education’s contract with its warehouse vendor states, “The State Distribution Center shall be financially responsible for shortages and damages to products or packages that make them unacceptable to distributors.”

Condition:

The Department of Education did not investigate or seek restitutions from the responsible party for losses and damages of donated foods and did not implement corrective action to prevent future losses.

Questioned Costs:

\$14,050.

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

Context:

The contracted warehouse vendor informed the Department of Education that some donated foods were damaged or lost while in the warehouse. However, the department did not agree that it was responsible for seeking restitutions and instead stated that it was the sponsor's responsibility to identify any discrepancies. Consequently, the department did not seek restitution from its contracted warehouse vendor for losses and damages.

Cause:

The Department of Education did not design and implement controls to investigate losses and damages and to hold the responsible party accountable for these losses and damages.

Effect:

The Department of Education or its sponsors are absorbing the financial burden of the lost and damaged food items. There is no accountability and incentive for the contracted warehouse vendor to reduce losses and damages.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Education should seek restitutions for losses and damages identified in this audit from the responsible party and implement a corrective action plan, if feasible.

The Department of Education should track losses, ensure restitution is made, and implement corrective action to prevent future losses.

Views of Responsible Officials:

The Department of Education agrees with this finding.

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

State Agency	Minnesota Department of Education
Federal Agency(ies)	U.S. Department of Agriculture
CFDA Number(s)/ Program Name(s):	CFDA 10.555 – National School Lunch Program (Child Nutrition Cluster) CFDA 10.559 – Summer Food Service Program for Children (Child Nutrition Cluster) CFDA 10.559 – C19 – Summer Food Service Program for Children (Child Nutrition Cluster) CFDA 10.558 – Child and Adult Care Food Program
Questioned Costs:	None
Federal Project Nos./ Award Year	201817N109942, 201818N109942, 202019N109942, 202020N109942, 202020N850342

Finding Number 2020-010 *Noncompliance with federal schedule of expenditures of Federal awards requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 510(b) states, “The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended...”

The *Code of Federal Regulations*, Title 2, Part 200, Section 502(a) states, “The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs.”

The *Code of Federal Regulations*, Title 2, Part 200, Appendix VII, Other Audit Advisories, I. Novel Coronavirus (COVID-19), additionally states, “To maximize the transparency and accountability of COVID-19 related award expenditures, non-federal entities should separately identify COVID-19 expenditures on the schedule of expenditures of Federal awards...”

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

Condition:

The Department of Education inaccurately reported expenditures on the schedule of expenditures of Federal awards for the Child Nutrition Cluster and Child and Adult Care Food Program.

Questioned Costs:

None.

Context:

The Department of Education received Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds and expended the funds to reimburse subrecipients for the Summer Food Program (CFDA 10.559), but reported expenditures paid for with these funds as National School Lunch Program (CFDA 10.555C) expenditures on the schedule of expenditures of Federal awards. As a result, the department overstated CFDA 10.555C by \$127,553,383 and understated CFDA 10.559C by \$103,556,777. The difference of \$23,996,606 is due to the department incorrectly including claims incurred in July 2020. The net overstatement of \$23,996,606 represents about 7.8 percent of total expenditures for the cluster.

In addition, CFDA 10.558 was overstated by approximately \$13,000 because the department included claims for July 2019 and July 2020 and inaccurately accounted for outstanding advance payments made to subrecipients in state Fiscal Year 2020.

We proposed audit adjustments to correct the schedules, and the Department of Management and Budget posted the adjustments.

Cause:

The Department of Education did not develop written procedures to ensure it correctly reports all expenditures on the schedule by CFDA and includes accrued expenditures. The responsibility for identifying accrued expenditures shifted to a different employee for the state Fiscal Year 2020 schedule. In addition, the department did not design its review of the schedule to identify these errors or validate accrued expenditures.

Effect:

Since the schedule of expenditures of Federal awards is the basis for planning and conducting a Single Audit, an inaccurate schedule could result in federal expenditures not being properly subjected to audit.

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

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Education should develop written procedures for the schedule of expenditures of Federal awards.

The Department of Education should design and implement an effective secondary review to ensure the accuracy of the schedule of expenditures of Federal awards.

Views of Responsible Officials:

The Department of Education agrees with this finding.

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

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.575 – Child Care and Development Block Grant CFDA 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Questioned Costs:	\$13,854
Federal Project Nos./ Award Year	CFDA 93.575 – 1901MNCCDD, 2001MNCCDD CFDA 93.596 – 1701MNCCDF, 1801MNCCDF, 1901MNCCDM, 1901MNCCDF, 2001MNCCDM, 2001MNCCDF

Finding Number 2020-011 *Noncompliance with eligibility requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

Eligibility determination is based on the *Code of Federal Regulations*, Title 45, Part 98, Section 20(a)(1)(i) through (a)(3)(i). In addition, the *Code of Federal Regulations*, Title 45, Part 98, Section 20(b) states, “a grantee or other administering agency may establish eligibility conditions or priority rules in addition to those specified in this section...”

Condition:

The Department of Human Services did not ensure counties accurately determined eligibility of applicants or the amounts of the subsidies paid.

Questioned Costs:

\$13,854. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

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

Context:

The Department of Human Services delegates the responsibility for determining eligibility for CCDF benefits and calculating CCDF benefit amounts to county employees. To monitor the performance of county employees, the department randomly selected a sample of CCDF recipients each month and reviewed the case file to determine if the recipient met eligibility requirements and if the benefit amounts were accurate. Of the 276 case files reviewed by the department, 118 included errors in eligibility determinations or administrative errors with 53 resulting in improper payments. The total amount of improper payments for the 53 cases was \$13,854 out of \$193,006 (or a 7.18 percent improper payment rate) in benefits paid during the review month.

We randomly selected 60 of 276 case files reviewed by the department and independently determined if the recipients met eligibility requirements. Ten of 60 samples we tested resulted in an improper payment. Counties incorrectly miscalculated child care hours in four cases, household income in three cases, and both hours and income in two cases. In addition, counties did not have documentation to support the child's citizenship and parental relationship to the child in one case.

Our sample was not a statistically valid sample.

Cause:

The Department of Human Services did not have effective internal controls to ensure counties accurately assessed applicant asset amounts, income calculations, or other employment factors. We also reviewed if counties timely responded with the corrective action plans for errors identified by the department. We found that counties often either responded past the due date or did not respond.

Effect:

The Department of Human Services made \$13,854 in improper payments.

Repeat Finding:

Yes, see prior audit finding 2019-024.

Auditor's Recommendation:

The Department of Human Services should strengthen internal controls to ensure counties accurately determine eligibility and benefits.

The Department of Human Services should ensure counties correct all errors.

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

Views of Responsible Officials:

The Department of Human Services disagrees with this finding; however, the department acknowledged in its response an improper payment rate of 7.18 percent – the same rate presented in the finding above. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.575 – Child Care and Development Block Grant CFDA 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 93.575 – 1901MNCCDD, 2001MNCCDD CFDA 93.596 – 1701MNCCDF, 1801MNCCDF, 1901MNCCDM, 1901MNCCDF, 2001MNCCDM, 2001MNCCDF

Finding Number 2020-012 *Noncompliance with monitoring health and safety requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 45, Part 98, Section 42(a), requires that the state comply with the State Plan [Child Care Development Plan]. In addition, the Child Care Development Plan, section 5.3.2, requires that the state conduct licensing reviews at least annually.

The *Code of Federal Regulations*, Title 45, Part 98, Section 42, (2)(i) requires the following: “For licensed child care providers and facilities, (A) Not less than one pre-licensure inspection for compliance with health, safety, and fire standards, and (B) Not less than annually, an unannounced inspection for compliance with all child care licensing standards, which shall include an inspection for compliance with health and safety, (including, but not limited to, those requirements described in §98.41) and fire standards (inspectors may inspect for compliance with all three standards at the same time)....”

The *Code of Federal Regulations*, Title 45, Part 98, Section 42, (2)(ii), requires the following: “For license-exempt child care providers and facilities that are eligible to provide services for which assistance is made available in accordance with this part, an annual inspection for compliance with health and safety (including, but not limited to, those requirements described in §98.41), and fire standards....”

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

Condition:

The Department of Human Services did not comply with federal requirements and complete health and safety inspections, as required by its Child Care Development Plan.

Questioned Costs:

None.

Context:

The Department of Human Services did not complete the required annual health and safety inspections for 149 of 1,400 (10.64 percent) for licensed childcare providers and 6 of 539 for licensed-exempt childcare providers. In total, the department did not complete the required annual health and safety inspections for 155 of 1,939 (7.99 percent) of licensed and licensed-exempt child care providers.

Cause:

The Department of Human Services did not design and implement controls to ensure a licensing review was completed timely. The department has an information technology system it uses to schedule health and safety inspections; however, the system does not maintain historical records or notify the department when inspections are due.

Effect:

There is an increased risk that health and safety issues at childcare centers will go undetected, which may result in potential harm to the children and families served.

Repeat Finding:

Yes, see prior year finding 2019-026. The Department of Human Services materially misrepresented the status of this finding. We corrected the status on the summary schedule, status of prior audit findings.

Auditor's Recommendation:

The Department of Human Services should complete all required health and safety inspections.

The Department of Human Services should design and implement adequate internal controls to ensure required health and safety inspections are completed timely.

Views of Responsible Officials:

The Department of Human Services disagrees with this finding and interprets the requirement of "not less than annually" to mean "once per calendar year." We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.575 – Child Care and Development Block Grant CFDA 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 93.575 – 1901MNCCDD, 2001MNCCDD CFDA 93.596 – 1701MNCCDF, 1801MNCCDF, 1901MNCCDM, 1901MNCCDF, 2001MNCCDM, 2001MNCCDF

Finding Number 2020-013 *Noncompliance with county license reviews.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 45, Part 98, Section 42(b), requires that the state comply with the State Plan [Child Care Development Plan]. The State Plan, section 5.1, and *Minnesota Statutes* 245A.16, subd. 6, requires the Department of Human Services to review the county licensing at least every four years and certify or decertify the county based upon this review.

Condition:

The Department of Human Services did not review counties that license family child care providers at least every four years and recertify or decertify counties based on that review, as required by the Child Care Development Plan.

Questioned Costs:

None.

Context:

When reviewing the department's documentation used to track reviews, we identified five counties for which the department should have completed a review during our audit scope, but did not.

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

In addition, we randomly selected 7 out of 20 counties that were required to have a review conducted during our audit period. For two of the seven counties, the department's documentation used to track when reviews were last completed and when the next review was due clearly identified the two counties as recertified. However, the department never completed its recertification process or notified the county of its recertification.

Our sample was not a statistically valid sample.

Cause:

The Department of Human Services did not design and implement effective controls to ensure it reviews counties and recertifies or decertifies counties based on that review at least every four years. The department's documentation used to track when reviews were last completed and when the next review was done contained inaccurate information.

Effect:

By not completing reviews of counties, the Department of Human Services risks counties incorrectly reviewing and licensing family child care providers.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should ensure it reviews counties that license family child care providers at least every four years and recertify or decertify counties based on that review, as required by the Child Care Development Plan

The Department of Human Services should design and implement effective controls to ensure it reviews counties and recertifies or decertifies counties based on that review at least every four years.

Views of Responsible Officials:

The Department of Human Services partially agrees with this finding. The department does not believe the review of counties that license family child care providers is a federal requirement or that this requirement is referenced in the State Plan. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.575 – Child Care and Development Block Grant CFDA 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Questioned Costs:	\$4,454,134
Federal Project Nos./ Award Year	CFDA 93.575 – 1901MNCCDD CFDA 93.596 – 1701MNCCDF, 1801MNCCDF, 1901MNCCDM, 1901MNCCDF

Finding Number 2020-014 *Noncompliance with period of performance.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 45, Part 98, Section 60 (d), states “The following obligation and liquidation provisions apply to States and Territories: (1) Discretionary Fund allotments shall be obligated in the fiscal year in which funds are awarded or in the succeeding fiscal year. Unliquidated obligations as of the end of the succeeding fiscal year shall be liquidated within one year. (2)(i) Mandatory Funds for States requesting Matching Funds per §98.55 shall be obligated in the fiscal year in which the funds are granted and are available until expended...(3) Both the Federal and non-Federal share of the Matching Fund shall be obligated in the fiscal year in which the funds are granted and liquidated no later than the end of the succeeding fiscal year.”

Condition:

The Department of Human Services charged costs to an award that were incurred after the period of the performance.

Questioned Costs:

\$4,454,134.

Context:

We reviewed costs charged to the 2017, 2018, and 2019 grant awards after the period of performance. The period of performance end date was September 30, 2018, for the 2017 discretionary award and September 30, 2019, for the 2018 discretionary, 2019 mandatory, and

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

2019 matching awards. In addition, we randomly selected 60 expenditures charged to grant awards after the period of performance.

Cause:

The Department of Human Services did not design or implement internal controls to ensure it charged costs to the correct federal award and obligated expenditures during the period of performance. The department did not update the funding codes for payroll in the state's accounting system, so employees continued to record time to a project after the period of performance; the department obligated expenditures after the period of performance.

Effect:

The Department of Human Services obligated and charged:

Payroll

- \$3,190 to the 2017 award, and
- \$412,567 to the 2018 award.

Administrative Expenditures

- \$3,597,880 to the 2018 award;

Benefit Payments

- \$241,071 to the 2019 award

In addition, we tested a random sample of expenditures and found \$199,426 in Administrative Expenditures to 2019 awards after period of performance.

Repeat Finding:

Yes, see prior year finding 2019-025.

Auditor's Recommendation:

The Department of Human Services should reallocate \$4,454,134 of costs to subsequent awards.

The Department of Human Services should design and implement internal controls to ensure that costs are obligated and charged to the correct federal award.

Views of Responsible Officials:

The Department of Human Services partially agrees with this finding. The department agrees with the recommendations, but not the questioned costs identified. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.658 – Foster Care – Title IV-E
Questioned Costs:	None
Federal Project Nos./ Award Year	1901MNFOST, 2001MNFOST

Finding Number 2020-015 *Noncompliance with federal reporting requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

According to the *Title IV-E Programs Quarterly Financial Report, Form CB-496* instructions, the individual who signs the report is certifying the correctness and accuracy of the information reported.

Condition:

The Department of Human Services did not accurately report expenditures and prior period adjustments.

Questioned Costs:

None.

Context:

We randomly selected two of the four quarterly reports. We found errors in both reports.

Our sample was not a statistically valid sample.

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

Cause:

The department did not have effective internal controls in place to ensure all items on the report were reported correctly. Specifically, the second level reviewer and the authorized personnel signing the report were not able to identify the errors made by the preparer.

Effect:

On the report for quarter ending September 30, 2019, the Department of Human Services overstated training costs by \$50,883 and \$38,162 for the total and federal share, respectively. For the same quarter, the department overstated prior quarter adjustments for Tribal-State Agreement maintenance payments by \$23,643 and \$19,622 for the total and federal share, respectively. On the report for quarter ending December 31, 2019, the department overstated training costs by \$10,408 and \$7,806 for total and federal share, respectively.

Repeat Finding:

Yes, see prior year finding 2019-027.

Auditor's Recommendation:

The Department of Human Services should report accurate amounts on the CB-496 quarterly report.

The Department of Human Services should enhance its internal controls to ensure that the correct amounts are being reported on the CB-496 quarterly report.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.658 – Foster Care – Title IV-E
Questioned Costs:	None
Federal Project Nos./ Award Year	1901MNFOST, 2001MNFOST

Finding Number 2020-016 *Noncompliance with federal subrecipient monitoring requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 331(d), states that the pass through entity must monitor the activities of the subrecipient as necessary to ensure the subaward is used for authorized purposes.

Specifically, the Department of Human Services' contract states that subrecipients must submit biannual program reports by the last business day of January and August for each contract year. The contract also states that the department must conduct annual visits with the subrecipient.

Condition:

The Department of Human Services did not receive some biannual program reports to ensure that the subrecipient was meeting the terms and conditions of the federal award and received some reports late. In addition, the department did not complete all parts of its annual monitoring visits with subrecipients.

Questioned Costs:

None.

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

Context:

We tested five of the five universities that received grants from the federal award. In our testing, we found that three of the five universities failed to submit at least one required program report. In addition, four universities submitted reports past the required due dates. We also found that the department conducted virtual annual monitoring visits but did not complete a review of student files, which is part of the department's stated procedure.

Cause:

The department did not design and implement a control to ensure that grantees submitted required program reports. The department did not design an alternative procedure to review student files when the annual monitoring visits could not be conducted on-site.

Effect:

There is an increased risk that subrecipients are not meeting the terms and conditions of the subaward.

Repeat Finding:

Yes, see prior year finding 2019-028.

Auditor's Recommendation:

The Department of Human Services should design and implement controls to ensure that subrecipients comply with the terms of the contract.

The Department of Human Services should enforce the requirement for subrecipients to submit required reports and to submit the report by the required due date.

The Department of Human Services should review student files during its annual monitoring visits to ensure that students met the requirements to receive subsidies.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.558 – Temporary Assistance for Needy Families (TANF)
Questioned Costs:	\$13,966,934
Federal Project Nos./ Award Year	1901MNTANF

Finding Number 2020-017 *Noncompliance with allowable activities.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Appendix XI, Page 4-93.558-5, states, “A state may transfer up to 30 percent of its total of current fiscal year funds (not prior fiscal year funds carried into the current fiscal year) received under the SFAG to carry out programs under the Social Services Block Grant (Title XX) (CFDA 93.667) and/or the Child Care and Development Block Grant (CFDA 93.575).”

Condition:

The Department of Human Services did not perform transfers to the Social Services Block Grant and the Child Care Development Block Grant within the permitted time period.

Questioned Costs:

\$13,966,934.

Context:

We reviewed all transfers related to the 1901MNTANF award and identified two transfers that occurred after the first federal fiscal year of the award, which ended September 30, 2019. The department stated that the incorrect project identification number was used in the state’s accounting system resulting in the transfers being applied to the wrong award.

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

Cause:

The department did not implement effective internal controls to ensure it completed transfers to the Social Services Block Grant and Child Care Development Block Grant within the permitted time period.

Effect:

From the 1901MNANF award, the department erroneously transferred \$9,176,934 on January 27, 2020, to the Child Care Development Block Grant and \$4,790,000 on August 14, 2020, to the Social Services Block Grant. Both transfers were after the first federal fiscal year of award, which occurred on September 30, 2019.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should implement effective internal controls to ensure that it completes transfers to the Social Services Block Grant and Child Care Development Block Grant within the first federal fiscal year of the award.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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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):	CFDA 93.558 – Temporary Assistance for Needy Families (TANF)
Questioned Costs:	\$20,833
Federal Project Nos./ Award Year	1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF, 2001MNTANF

Finding Number 2020-018 *Noncompliance with federal eligibility requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Material Weakness in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *United States Code*, Title 42, Chapter 7, Subchapter IV, Part A, Section 602(1)(B)(iii), requires each state to create a document that sets forth the determination of eligibility for TANF benefits. *Minnesota Statutes* 2019, 256J.10, established the general eligibility requirements for TANF benefits. Those eligibility requirements include U.S. citizenship and Minnesota residency and the presence of at least one minor child or pregnant woman in the family.

Condition:

The Department of Human Services provided TANF benefits to some ineligible recipients and provided inaccurate TANF benefit amounts to some recipients.

Questioned Costs:

\$20,833. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

Context:

The department delegates the responsibility for determining eligibility for TANF benefits and calculating TANF benefit amounts to county employees. To monitor the performance of county employees, the department randomly selected a sample of TANF recipients each month and reviewed the case files to determine if the recipients met eligibility requirements and if the benefit amounts were accurate for the sampled month. Of the 190 case files reviewed by the

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

department, 65 included benefits paid to ineligible recipients or inaccurate benefit amounts. We randomly selected 46 of the 190 case files reviewed by the department, independently determined if the recipients met eligibility requirements and if benefit amounts were accurate, and verified that our results matched the department's results. The known questioned costs represent the net overpayments for the cases and benefit months the department reviewed. However, the errors identified do not take into consideration the possible impact on additional benefit months.

Our sample was not a statistically valid sample.

Cause:

The department's internal controls were not sufficient to ensure it only provided TANF benefits to eligible recipients and provided accurate TANF benefit amounts to recipients.

The department provides training, a policy manual, and bulletins to county employees responsible for determining eligibility for TANF benefit amounts. TANF eligibility determinations and benefit amount calculations require manual intervention by county employees. For the errors found, the county employee did not properly intervene in accordance with the policy.

The department requests corrective action plans from counties for all TANF eligibility determination and benefit amount errors found during the case file reviews; however, counties are not required to respond. Of the 46 case files that we reviewed, 15 contained eligibility determination or benefit amount errors. For those 15 case files, the department did not receive corrective action plans for 2 cases.

Effect:

Recipients received TANF benefits that they were not entitled to receive.

Repeat Finding:

Yes, see prior year finding 2019-020.

Auditor's Recommendation:

The Department of Human Services should improve its internal controls to ensure it provides accurate TANF benefit amounts and provides TANF benefits to only eligible recipients.

The Department of Human Services should collect the overpaid TANF benefits for the 65 cases cited.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.558 – Temporary Assistance for Needy Families (TANF)
Questioned Costs:	None
Federal Project Nos./ Award Year	1801MNTANF, 1901MNTANF, 2001MNTANF

Finding Number 2020-019 *Noncompliance with reporting requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

According to the ACF-196R reporting instructions, “Effective FY 2015, a state will report actual Transfers, actual Expenditures, and actual Unliquidated Obligations...made with each open grant year award during a fiscal year.”

The ACF-196R reporting instructions require the state to “Report expenditures in the most specific and appropriate category.”

Condition:

For the TANF ACF-196R Financial Report, the Department of Human Services did not accurately report expenditures or transfers.

Questioned Costs:

None.

Context:

We randomly tested three of the eight reports for the accuracy of expenditures. For one of the three reports tested, the department understated expenditures and reported expenditures in the incorrect categories. In addition, we tested all eight reports for the accuracy of transferred

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Section III: Federal Program Audit Findings (Continued)

amounts. For all eight reports, the department reported estimated transfers as opposed to actual transfers.

Our sample was not a statistically valid sample.

Cause:

The department did not have effective internal controls to identify errors and accurately report expenditures and transfers according to the federal requirements.

Effect:

On the report for the quarter ending December 31, 2019, the department understated Administrative Costs by \$7,520,757 and Other Costs by \$1,425,000. In addition, Pre-Kindergarten/Head Start and Assessment/Service Provision expenditures were overstated by \$1,425,000 and \$4,547,299, respectively. These expenditures were reported in the incorrect category. The Pre-Kindergarten/Head Start and Assessment/Service Provision expenditures should have been reported as Other Costs, and the Assessment/Service Provision expenditures as Administrative Costs.

For seven of the eight reports tested for accuracy of transfer amounts, the department overstated transfers to the Social Services Block Grant and Child Care Development Block Grant in amounts ranging from \$4,790,000 to \$54,448,000. For one of the eight reports tested for transfer amounts, the department understated transfers to the Child Care Development Block Grant by \$11,207,000.

Repeat Finding:

Yes, see prior year finding 2019-022.

Auditor's Recommendation:

The Department of Human Services should correct and resubmit the ACF-196R financial reports.

The Department of Human Services should implement effective internal controls to ensure it accurately reports required information to the federal government.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.558 – Temporary Assistance for Needy Families (TANF)
Questioned Costs:	None
Federal Project Nos./ Award Year	1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF, 2001MNTANF

Finding Number 2020-020 *Noncompliance with federal subrecipient monitoring requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 332(d), requires the state to “Monitor the activities of the subrecipient as necessary to ensure the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.”

Condition:

The Department of Human Services did not always monitor the activities of subrecipients.

Questioned Costs:

None.

Context:

The Department of Human Services includes varying monitoring requirements in its MFIP Consolidated Fund and Innovation Program contracts. However, the department stated that all subrecipients are required to submit performance reports, participate in a financial reconciliation, and participate in a desk review or site visit. We tested all active contracts. In 5 of the 13 contracts, no monitoring occurred during state fiscal year 2020. For six contracts, the department received only performance reports. For the remaining two contracts, the department only conducted a site visit and financial reconciliation.

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Section III: Federal Program Audit Findings (Continued)

Cause:

The Department of Human Services did not have adequate internal controls to ensure that subrecipients used the subaward for authorized purposes, were in compliance with applicable requirements, and met performance goals. In addition, the department does not provide oversight over those employees responsible for monitoring subrecipients to ensure that monitoring occurred.

Effect:

There is an increased risk that the department's subrecipients may not be using the subaward for authorized purposes, complying with applicable legal criteria, or meeting performance goals.

Repeat Finding:

Yes, see prior year finding 2019-023.

Auditor's Recommendation:

The Department of Human Services should monitor subrecipients.

The Department of Human Services should implement effective controls to ensure subrecipient monitoring activities are being conducted.

Views of Responsible Officials:

The Department of Human Services did not explicitly agree or disagree with this finding. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions that the department did not consistently comply with federal requirements throughout state fiscal year 2020.

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Schedule of Findings and Questioned Costs
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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):	CFDA 93.558 – Temporary Assistance for Needy Families (TANF)
Questioned Costs:	\$11,842
Federal Project Nos./ Award Year	1502MNTANF, 1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF, 2001MNTANF

Finding Number 2020-021 *Benefits not always reduced.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

When an individual who receives TANF benefits is not cooperating with child support requirements, the *Code of Federal Regulations*, Title 45, Part 264, Section 30(c), requires the state to either reduce the benefits provided to the family of the individual by at least 25 percent or deny the family any assistance under the program.

The department's policy is to reduce the TANF benefits by 30 percent for the first through the sixth occurrence of not cooperating with child support requirements and to deny all benefits upon the seventh occurrence.

Condition:

The Department of Human Services did not always reduce TANF benefits provided to the families of individuals who did not cooperate with child support requirements.

Questioned Costs:

\$11,842. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

Context:

We randomly tested 60 samples from a population of 265 cases in noncooperation status for child support requirements. We found that the department did not properly reduce TANF benefits for ten of those samples. In addition, the department did not apply sanctions to TANF

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applicants in noncooperation status as of March 20, 2020, due to a state imposed waiver instead of evaluating good cause on an individual basis. Although authorized by the state, it did not seek federal authorization for this blanket waiver.

Our sample was not a statistically valid sample.

Cause:

The department's internal controls were not sufficient to ensure it properly reduced TANF benefits to the families of individuals not cooperating with child support requirements.

The department delegates the responsibility for reducing TANF benefits for noncooperation with child support requirements to county employees and provides training, a policy manual, and bulletins to those employees. Those reductions require manual intervention by the county employees. For the exceptions we found, the county employees did not properly intervene in accordance with the policy.

Effect:

Individuals received TANF benefits they were not entitled to receive. Specifically, the department did not properly reduce \$7,330 in cash benefits and \$4,512 in food benefits.

Repeat Finding:

Yes, see prior year finding 2019-019.

Auditor's Recommendation:

The Department of Human Services should enhance its internal controls to ensure it properly reduces TANF benefits to the families of individuals who are not cooperating with child support requirements.

The Department of Human Services should collect the overpaid TANF benefits for the ten cases cited.

Views of Responsible Officials:

The Department of Human Services did not explicitly agree with this finding. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions that the department did not consistently comply with federal requirements from July 2019 through March 2020.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.558 – Temporary Assistance for Needy Families (TANF)
Questioned Costs:	\$450
Federal Project Nos./ Award Year	1502MNTANF, 1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF, 2001MNTANF

Finding Number 2020-022 *Benefits not always reduced.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

When an individual who receives TANF benefits is refusing to work, and is without good cause, the *Code of Federal Regulations*, Title 45, Part 261, Section 14 states that “the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish.”

The department’s policy is to reduce the TANF benefits for refusing to work without good cause for pre 60-month time limit participants by 10 percent for the first occurrence, 30 percent for the second through the sixth occurrence, and to deny all benefits upon the seventh occurrence; and for post 60-month time limit participants, 10 percent for the first occurrence, 30 percent for the second through the third occurrence, and to deny all benefits upon the fourth occurrence.

Condition:

The Department of Human Services did not always reduce TANF benefits provided to the families of individuals who refused to work without good cause.

Questioned Costs:

\$450. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

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Section III: Federal Program Audit Findings (Continued)

Context:

We randomly tested 40 samples from a population of 11,373 cases in noncooperation status for employment requirements. We found that the department did not properly reduce TANF benefits for one of those samples. In addition, the department did not apply sanctions to TANF applicants in noncooperation status as of March 20, 2020, due to a state imposed waiver instead of evaluating good cause on an individual basis. Although authorized by the state, it did not seek federal authorization for this blanket waiver.

Our sample was not a statistically valid sample.

Cause:

The department's internal controls were not sufficient to ensure it properly reduced TANF benefits to the families of individuals refusing to work without good cause.

The department delegates the responsibility for reducing TANF benefits for individuals refusing to work to county employees and provides training, a policy manual, and bulletins to those employees. Those reductions require manual intervention by the county employees. For the exceptions we found, the county employees did not properly intervene in accordance with the policy.

Effect:

Individuals received TANF benefits they were not entitled to receive.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should enhance its internal controls to ensure it properly reduces TANF benefits to the individuals who are refusing to work without good cause.

The Department of Human Services should collect the overpaid TANF benefits for the case cited.

Views of Responsible Officials:

The Department of Human Services did not explicitly agree with this finding. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions that the department did not consistently comply with federal requirements from July 2019 through March 2020.

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Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.667 – Social Services Block Grant (SSBG)
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 93.667 – 1801MNSOSR; 1901MNSOSR

Finding Number 2020-023 *Inaccurate financial reports.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 45, Part 75, Section 341, requires states to submit a Federal Financial Report (FFR) for each federal award at least annually.

The *United States Code*, Title 42, Chapter 7, Subchapter XX, Section 1397e(a), requires annual reports for SSBG awards.

Condition:

The Department of Human Services did not report the correct indirect cost base amounts on the FFR for each SSBG award in 2018 and 2019 at the time the original reports were submitted. The Department of Human Services submitted corrected reports to the U.S. Department of Health and Human Services; however, the department did not correct and submit the revised reports until after we began our audit work.

Questioned Costs:

None.

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

Context:

We tested the Department of Human Services' revised annual FFRs for the period ending September 30, 2019, for both 2018 and 2019 SSBG awards open during that period to determine whether the Department of Human Services accurately reported indirect cost rates and indirect cost base amounts. We performed this testing as follow-up to prior year audit findings. Although the reports provided to us were accurate, the reports were submitted as corrections to previous reports. Department of Human Services staff told us they did not have copies of the originally submitted reports and could not obtain electronic versions after the corrected reports were submitted.

Cause:

The Department of Human Services' internal controls were not sufficient to ensure the department identified and corrected errors and accurately reported SSBG financial information on the FFR.

The Department of Human Services employee who prepared each FFR recorded incorrect indirect cost base amounts in the report, and the supervisor that reviewed and certified the report did not identify the errors.

Effect:

The Department of Human Services submitted incorrect reports to the federal government during the audit period. Due to lack of documentation kept by the Department of Human Services, we could not calculate the magnitude of the original report errors.

Repeat Finding:

Yes, prior year finding 2019-033.

Auditor's Recommendation:

The Department of Human Services should enhance its internal controls to ensure it accurately reports indirect cost rates and indirect cost base amounts on the FFR for SSBG awards.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.767 – Children’s Health Insurance Program (CHIP) CFDA 93.767 – C19 – Children’s Health Insurance Program (CHIP)
Questioned Costs:	\$78,203
Federal Project Nos./ Award Year	CFDA 93.767 - 1905MN5021, 2005MN5021 CFDA 93.767 – C19 – Not Provided

Finding Number 2020-024 *Noncompliance with eligibility requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 42, Part 435, Sections 945, 948, and 949; and *Code of Federal Regulations*, Title 42, Part 457, Sections 350 and 380(d), require the state Medicaid agency to determine eligibility and request and use information relevant to verifying an individual’s eligibility, through available electronic sources, for the Children’s Health Insurance Program. When the information among these sources is not reasonably compatible, the agency must seek additional information from the individual to determine their eligibility.

The *Code of Federal Regulations*, Title 42, Part 435, Section 917; *Code of Federal Regulations*, Title 42, Part 457, Section 340(d); and *Minnesota Rules*, 9505.0090, requires the state to make eligibility determinations timely.

Condition:

The Department of Human Services did not accurately determine eligibility and paid capitation payments to managed care organizations for some enrollees who were not eligible for the Children’s Health Insurance Program.

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

Questioned Costs:

\$78,203. There are likely additional questioned costs that exceeded \$25,000 that we did not identify in our testing.

Context:

The Department of Human Services uses an eligibility IT system—the Minnesota Eligibility Technology System (METS)—to obtain electronically available information from federal and state sources and determine eligibility for applicants and enrollees of CHIP. If METS is unable to determine eligibility based on the information from the individual, a county caseworker must request information from the individual and accurately enter that information into METS for the system to make the determination. For 16 of the 60 random sample enrollees that we tested, the department did not accurately determine enrollee eligibility for CHIP. For 12 of these 16 sample enrollees, the caseworker did not obtain relevant wage data that appeared available through an electronic service identified in the state’s verification plan, or did not correctly update METS to reflect enrollees’ income documentation. For 1 of these 16 enrollees, the caseworker did not receive a completed application before determining eligibility. For 3 of these 16 enrollees, the department enrolled the individuals in the incorrect public health care program (CHIP) due to a technical deficiency in METS.

For 5 of these 16 samples, the Department of Human Services did not make the eligibility determination timely in accordance with federal case processing requirements.

Our sample was not a statistically valid sample.

Cause:

The Department of Human Services did not have effective internal controls to ensure county caseworkers obtained required documentation and properly entered information into METS so that the system correctly determined eligibility of enrollees in the Children’s Health Insurance Program.

The Department of Human Services did not have effective internal controls to ensure certain individuals were enrolled in the correct public health care program through METS.

The Department of Human Services did not have effective internal controls to ensure determination decisions were made timely.

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

Effect:

The Department of Human Services paid managed care organizations \$78,203 in capitation payments from the date of determination through June 30, 2020, for enrollees who were not eligible for the Children's Health Insurance Program. Without effective controls over county eligibility actions, the department risks enrolling individuals into CHIP who are not eligible for the program.

Repeat Finding:

Yes, prior year finding 2019-042.

Auditor's Recommendation:

The Department of Human Services should improve its internal controls to ensure county caseworkers obtain all required documentation and properly enter information into METS to correctly determine eligibility for the Children's Health Insurance Program.

The Department of Human Services should improve its IT internal controls to ensure METS enrolls eligible individuals in the correct public health care program.

The Department of Human Services should improve its internal controls to ensure caseworkers make timely eligibility determinations for the Children's Health Insurance Program.

The Department of Human Services should correct the determination errors in the 16 eligibility cases with deficiencies.

Views of Responsible Officials:

The Department of Human Services did not explicitly agree with this finding; however, the department stated in its response that it will take steps to improve program integrity. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.778 – Medical Assistance Program CFDA 93.778 – C19 – Medical Assistance Program
Questioned Costs:	\$17,260
Federal Project Nos./ Award Year	CFDA 93.778 – 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1905MN5MAP, 1905MN5ADM, 1905MNINCT, 2005MN5MAP, 2005MN5ADM, 2005MNIMPL, 2005MNINCT CFDA 93.778 – C19 - 2005MN5MAP

Finding Number 2020-025 *Noncompliance with eligibility requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 42, Part 435, Sections 911 and 945, require the state Medicaid agency to determine and verify eligibility of enrollees in Medicaid.

The *Code of Federal Regulations*, Title 42, Part 435, Sections 948(b), 949(b), 952, and 956, require the state Medicaid agency to obtain financial and non-financial information relating to eligibility, including information related to wages and household size, to the extent that the information is available through an electronic service or request for documentation.

Condition:

The Department of Human Services did not accurately determine eligibility and paid capitation payments to managed care organizations for some enrollees who were not eligible for the state's Medicaid program (Medical Assistance).

Questioned Costs:

\$17,260. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

Context:

The Department of Human Services uses an eligibility IT system—the Minnesota Eligibility Technology System (METS)—to obtain electronically available eligibility information from federal

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

and state sources and determine eligibility for applicants and enrollees of Medical Assistance. If METS is unable to determine eligibility based on the information from the individual, a county caseworker must request information from the individual and accurately enter that information into METS for the system to make the determination. For 3 of the 60 random sample enrollees that we tested, the department did not accurately determine eligibility for Medical Assistance. For two of these three sample enrollees, the caseworker did not obtain sufficient income information to determine eligibility; for the other sample enrollee, the caseworker did not obtain the correct signed documentation to determine household composition and eligibility.

Our sample was not a statistically valid sample.

Cause:

The Department of Human Services did not have effective internal controls to ensure county caseworkers obtained and accurately verified sufficient documentation when determining eligibility for Medical Assistance.

Effect:

The Department of Human Services paid managed care organizations \$17,260 in capitation payments from the date of determination through June 30, 2020, for enrollees who were not eligible for Medical Assistance. Without effective controls over county worker actions, the department risks enrolling individuals into Medical Assistance who are not eligible for the program.

Repeat Finding:

Yes, prior year finding 2019-034.

Auditor's Recommendation:

The Department of Human Services should improve its internal controls to ensure county caseworkers obtain all required documentation and accurately enter information into METS to correctly determine eligibility for Medical Assistance.

The Department of Human Services should correct the determination errors in the three eligibility cases with deficiencies.

Views of Responsible Officials:

The Department of Human Services did not explicitly agree with this finding; however, the department stated in its response that it will take steps to improve program integrity. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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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):	CFDA 93.778 – Medical Assistance CFDA 93.778 – C19 – Medical Assistance
Questioned Costs:	\$12,620
Federal Project Nos./ Award Year	CFDA 93.778 – 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1905MN5MAP, 1905MN5ADM, 1905MNINCT, 2005MN5MAP, 2005MN5ADM, 2005MNIMPL, 2005MNINCT CFDA 93.778 – C19 - 2005MN5MAP

Finding Number 2020-026 *Noncompliance with eligibility requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 42, Part 435, Section 10(b), requires that the state specify the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups.

The *Code of Federal Regulations*, Title 42, Part 435, Sections 948, 949, and 952, requires the department to obtain and verify financial and other information either by electronic sources or the individual themselves and to determine eligibility for Medicaid.

Minnesota Statutes 2020, 256B.056, subd. 3(a), states that a person must not individually own more than \$3,000 in assets to be eligible for medical assistance.

Condition:

The Department of Human Services did not accurately determine eligibility and paid capitation payments to managed care organizations for some enrollees who were not eligible for the Minnesota's Medicaid program (Medical Assistance).

Questioned Costs:

\$12,620; there are likely additional questioned costs that exceeded \$25,000 that we did not identify in our testing.

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

Context:

Minnesota provides Medical Assistance coverage to qualifying individuals who are aged or blind or have a disability. The Department of Human Services delegates the responsibility for determining Medical Assistance eligibility for these populations to county caseworkers, who must verify income and assets and other information when determining eligibility. We tested the eligibility determinations for a random sample of 60 enrollees and found that, for 5 of the 60 samples, the individuals were not eligible. For four of these five samples, the caseworker did not verify either the value of an asset owned by the enrollee or the amount of income received by the enrollee; for one of these five samples, the value of the enrollee's assets exceeded the limit.

Our sample was not a statistically valid sample.

Cause:

The Department of Human Services did not have effective internal controls to ensure that caseworkers obtained required documentation, sufficiently verified information and assets, and correctly determined eligibility.

Effect:

The Department of Human Services paid managed care organizations \$12,620 in capitation payments from the date of determination through June 30, 2020, for five enrollees who were not eligible for Medical Assistance.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should improve its internal controls to ensure county caseworkers obtain all available documentation and accurately verify and determine enrollee eligibility for Medical Assistance.

The Department of Human Services should correct the determination errors in the five eligibility cases with deficiencies.

Views of Responsible Officials:

The Department of Human Services did not explicitly agree with this finding; however, the department stated in its response that it will take steps to improve program integrity. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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State Agency	Minnesota Department of Human Services
Federal Agency	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.640 – Basic Health Program CFDA 93.767 – Children’s Health Insurance Program CFDA 93.767 – C19 – Children’s Health Insurance Program CFDA 93.778 – Medical Assistance Program CFDA 93.778 – C19 - Medical Assistance Program
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 93.640 – Not Applicable CFDA 93.767 – 1905MN5021, 2005MN5021 CFDA 93.767 – C19 – Not Provided CFDA 93.778 – 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1905MN5MAP, 1905MN5ADM, 1905MNINCT, 2005MN5MAP, 2005MN5ADM, 2005MNIMPL, 2005MNINCT CFDA 93.778 – C19 – 2005MN5MAP

Finding Number 2020-027 *Noncompliance with revalidation of provider requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 42, Part 455, Section 414, requires that the state Medicaid agency revalidate the enrollment of all providers, regardless of provider type, at least every five years.

The *Code of Federal Regulations*, Title 42, Part 455, Section 104, requires that the state Medicaid agency “must obtain disclosures from disclosing entities, fiscal agents, and managed care entities.” Specifically, (c)(1) requires a disclosure at the following times: “(i) upon the provider or disclosing entity submitting the provider application. (ii) Upon the provider or disclosing entity executing the provider agreement. (iii) Upon request of the Medicaid agency during the re-validation of enrollment process under 455.414. (iv) Within 35 days after any change in ownership of the disclosing entity.”

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

The *Code of Federal Regulations*, Title 42, Part 455, Section 432, requires that the state Medicaid agency “must conduct pre-enrollment and post-enrollment site visits of providers who are designated as “moderate” or “high” categorical risks to the Medicaid program.”

Condition:

The Department of Human Services did not revalidate the enrollment of providers in Medical Assistance—Minnesota’s Medicaid program—or conduct site visits within the required five-year period for some high or moderate risk providers that we tested.

Additionally, the department did not yet revalidate the enrollment of nine providers that we previously identified as errors in the fiscal year 2019 Single Audit. For five of these nine providers, the department did not obtain the required disclosure within the required five-year period.

Questioned Costs:

None.

Context:

We tested a random sample of 60 Medical Assistance-enrolled providers deemed as high or moderate risk to the Medicaid program by CMS rating criteria to determine whether the Department of Human Services timely revalidated the enrollment of these providers and conducted required site visits. These high or moderate risk providers included hospices, community mental health centers, independent diagnostic testing facilities, home health agencies, private duty nurses, independent laboratories, independent x-ray facilities, and medical transportation. For 7 of these 60 sample providers, the department did not comply with federal requirements and revalidate their enrollment. For five of these seven sample providers, the department did not obtain the required disclosure within the five-year period and, for six of these seven sample providers, the department did not complete a provider site visit within the required five-year period.

The department implemented a new web-based provider portal in calendar year 2019 to assist in provider revalidation. Department of Human Services staff stated their plan was to revalidate providers in phases over 2020; however, they said they were not able to complete their planned revalidation activities due to the COVID-19 pandemic.

Our sample was not a statistically valid sample.

Cause:

The Department of Human Services did not have effective controls to ensure public health care program providers were licensed and enrolled according to federal requirements.

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

Effect:

The Department of Human Services risks allowing providers that it would have terminated upon revalidation to continue furnishing medical or pharmaceutical services or supplies through public health care programs.

Repeat Finding:

Yes, prior year finding 2019-036.

Auditor's Recommendation:

The Department of Human Services should improve its internal control procedures to ensure that it conducts revalidations required under federal law for providers enrolled in the Medical Assistance program.

The Department of Human Services should revalidate the enrollment for the 16 providers that we identified herein as lacking the federally required reviews.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.640 – Basic Health Program
Questioned Costs:	\$5,313
Federal Project Nos./ Award Year	Not Applicable

Finding Number 2020-028 *Noncompliance with eligibility requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 45, Part 155, Sections 302, 305, 310, 315, and 330, require a state agency to determine the eligibility of individuals who apply for public health care programs and, for those states that employ a health exchange, the state agency must verify or obtain information relevant to verifying an individual's eligibility, through available electronic sources, for the Basic Health Program. When the information among these sources is not reasonably compatible, the agency must seek additional information from the individual to determine their eligibility.

The *Code of Federal Regulations*, Title 42, Part 433, Section 111(b)(2), requires that the use of various systems to administer public health care programs and determine eligibility requires interoperability between the systems.

Condition:

The Department of Human Services did not accurately determine eligibility and paid capitation payments to managed care organizations for some enrollees who were not eligible for Minnesota's Basic Health Program (MinnesotaCare).

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

Questioned Costs:

\$5,313. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

Context:

The Department of Human Services uses an eligibility IT system—the Minnesota Eligibility Technology System (METS)—to obtain electronically available eligibility information from federal and state sources and determine eligibility for applicants and enrollees of MinnesotaCare. If METS is unable to determine eligibility based on the information from the individual, a caseworker must request information from the individual and accurately enter that information into METS for the system to make the determination. For 2 of 60 random sample enrollees that we tested, the department did not accurately determine eligibility for MinnesotaCare. For one of these two sample enrollees, the caseworker erred in the determination as part of a manual verification process; for the other sample enrollee, the case was not properly closed in MMIS when the individual was no longer eligible for the program.

For 4 of the 60 random sample enrollees, the department had implemented a system update in METS that inadvertently caused these eligible enrollees to be placed into the incorrect MinnesotaCare enrollee category.

Our sample was not a statistically valid sample.

Cause:

The Department of Human Services did not have effective internal controls to ensure employees accurately used the enrollee’s projected annual income for METS to determine eligibility during the renewal process.

The Department of Human Services did not correctly close one enrollee’s case in METS due to either a caseworker input error or a METS system interface error with MMIS.

The Department of Human Services’ software update to METS caused the system to place four eligible enrollees into the incorrect capitation payment category.

Effect:

The Department of Human Services paid managed care organizations \$5,312.76 in capitation payments from the date of determination through June 30, 2020, for enrollees who were not eligible for MinnesotaCare or who were placed in the incorrect program category. Without effective controls over eligibility determinations, the department risks enrolling individuals into MinnesotaCare who are not eligible for the program.

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

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should strengthen its internal controls to ensure that caseworkers obtain all required documentation and accurately enter information into METS to correctly determine eligibility for MinnesotaCare.

The Department of Human Services should strengthen its internal controls to ensure the complete and accurate transfer of case closure data from METS to MMIS.

The Department of Human Services should strengthen its IT internal controls and change management processes when implementing METS updates to ensure enrollees are placed into the correct MinnesotaCare category.

The Department of Human Services should correct the errors in the six eligibility cases with deficiencies. The department also should recover payments to the managed care organization for the one case that was not correctly closed.

Views of Responsible Officials:

The Department of Human Services did not explicitly agree with this finding; however, the department stated in its response that it will take steps to improve program integrity. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.659 – Adoption Assistance
Questioned Costs:	\$45,860
Federal Project Nos./ Award Year	1901MNADPT, 2001MNADPT

Finding Number 2020-029 *Reimbursement for unallowable costs.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 1, states that improper payments “includes...any duplicate payment.”

The *Code of Federal Regulations*, Title 31, Part 205, Section 11(b), states, “A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State’s actual and immediate cash needs.”

Condition:

The Department of Human Services incorrectly requested and received reimbursement from the federal government for Public Private Adoption Incentive (PPAI) expenditures for which it had already received payment. In addition, the Department of Human Services did not design and implement adequate controls to detect and prevent requests for duplicate payments and ensure compliance with federal law.

Questioned Costs:

\$45,860.

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

Context:

Due to similar errors in the prior year audit, we tested all PPAI-related expenditures for the Department of Human Services Adoption Assistance program to determine if the payment requests were accurate. Out of \$863,466 in expenditures that we tested, we identified \$45,860 in reimbursement requests that were submitted twice to the federal government.

Cause:

The Department of Human Services did not have effective internal controls to identify previously reimbursed expenditures and prevent duplicate payments. The department had written policies and procedures for processing payments, but they did not adequately describe how to identify prior reimbursements.

Effect:

The Department of Human Services incorrectly requested and received \$45,860 in federal funds for expenditures for which it had already received payment, resulting in duplicate payments. The department's weakness in internal controls could allow for additional errors and continued noncompliance with federal law.

Repeat Finding:

Yes, prior year finding 2019-029.

Auditor's Recommendation:

The Department of Human Services should revise its written policies and procedures to prevent duplicate requests for reimbursement from the federal government.

The Department of Human Services should return the \$45,860 in excess funds requested, plus any interest owed to the federal government, or reduce future claims by that amount as directed by federal guidance.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.659 – Adoption Assistance
Questioned Costs:	\$21,780
Federal Project Nos./ Award Year	1901MNADPT, 2001MNADPT

Finding Number 2020-030 *Unallowable costs and activities.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *United States Code*, Title 42, Chapter 7, Section 673(a)(3), states that the amount of the payments shall be determined through agreement between the adoptive parents and the State or local agency; in no case may the amount of the adoption assistance payment made exceed the foster care maintenance payment (which would have been paid during the period) if the child with respect to whom the adoption assistance payment is made had been in a foster family home.

The *United States Code*, Title 42, Chapter 7, Section 1320a-9 (8)(h), states, “The Secretary may not authorize a State to conduct a demonstration project under this section unless the Secretary determines that the total amount of Federal funds that will be expended under (or by reason of) the project over its approved term (or such portion thereof or other period as the Secretary may find appropriate) will not exceed the amount of such funds that would be expended by the State under the State plans approved under parts B and E of Title IV if the project were not conducted.”

Condition:

The Department of Human Services reimbursed counties for requests for Minnesota Post Demonstration (MnPD) subsidies paid to parents that exceeded limits imposed by federal law. In addition, the department did not design effective internal controls to ensure counties detected and prevented expenditures that did not comply with requirements in federal law.

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

Questioned Costs:

\$21,780; likely questioned costs totaled \$72,041.

Context:

We randomly selected 27 of the 170 reimbursement requests submitted to the Department of Human Services by a county on behalf of an adoptee. We found that the department payments for 10 of the 27 sample requests that we tested did not meet the requirements of allowability and limits in federal law. Federal law requires that the MnPD payment may not exceed the foster care maintenance payment as if the department had placed the child in a foster family home.

Our sample was not a statistically valid sample.

Cause:

The Department of Human Services did not have effective internal controls to ensure it prevented and detected overpayments by counties for Post Demonstration subsidies and prevented department payments to counties for subsidies that did not comply with federal law.

Effect:

There is an increased risk that Department of Human Services' expenditures for the Minnesota Post Demonstration program will not comply with restrictions in federal law.

The payments in excess of the allowed amount for the ten samples in question totaled \$21,780.

Repeat Finding:

Yes, prior year finding 2019-030.

Auditor's Recommendation:

The Department of Human Services should enhance its internal controls to ensure it effectively reviews and approves reimbursements to counties for payments to adoptees.

The Department of Human Services should enhance its internal controls to ensure counties effectively review and approve the appropriateness of county payments to adoptees and ensure that expenditures comply with federal requirements for the MnPD program.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.659 – Adoption Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	1901MNADPT

Finding Number 2020-031 *Noncompliance with cash management requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 305(b), states, “For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.”

The signed grant agreements between the Department of Human Services and the adoption agencies include a “Pay By” date to indicate when the department must disburse the payment.

Condition:

The Department of Human Services did not reimburse adoption agencies in accordance with the grant agreements and federal cash management requirements.

Questioned Costs:

None.

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

Context:

The Department of Human Services makes grant payments to adoption agencies for services they provide to place children in adoptive homes in accordance with signed grant agreements. Each grant agreement has a “Pay By” date to show when the department should make the payment to the agency. We tested all 19 department payments to the agencies during fiscal year 2020 and found that, for 6 of the 19 payments we tested, the department reimbursed the agency between 2 and 40 days after the “Pay By” date. These payments totaled \$80,750.

Cause:

The Department of Human Services did not have effective internal controls to ensure the appropriate department adoption assistance accountants processed payments in compliance with the grant agreements.

Effect:

The Department of Human Services did not comply with federal payment processing requirements and made late payments of \$80,750 to adoption agencies after the “Pay By” date in the grant agreement.

Repeat Finding:

No.

Auditor’s Recommendation:

The Department of Human Services should enhance its internal controls to ensure that it reimburses adoption agencies in accordance with the grant agreements and federal requirements.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.659 – Adoption Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	1701MNADPT, 1801MNADPT, 1901MNADPT, 2001MNADPT

Finding Number 2020-032 *Noncompliance with Federal reporting requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

Instructions to states for completing the federal CB-496 report, *Title IV-E Programs Quarterly Financial Report*, state that the individual who signs the report is certifying the correctness and accuracy of the information reported.

Instructions for the CB-496 report, *Title IV-E Programs Quarterly Financial Report*, include requirements to report “Line 10. Expenditures of Adoption Savings On Post-Adoption or Post-Guardianship Services” and “Line 12. Reporting Period - Expenditures of Adoption Savings on Other Title IV-B or Title IV-E Allowable Services.”

Condition:

For the CB-496 reports (*Title IV-E Programs Quarterly Financial Report* and *Annual Adoption Savings Calculation and Accounting Report*) that we tested, the Department of Human Services did not accurately report expenditures. In addition, the Department of Human Services did not design and implement effective internal controls to ensure compliance with these reporting requirements.

Questioned Costs:

None.

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

Context:

The Department of Human Services' federal CB-496 report is reviewed and used by various components of the federal Administration for Children and Families (ACF) to award future funds, determine the allowability of reported expenditures, and provide reports to Congress.

We tested a random sample of one CB-496 quarterly report (quarter ending September 30, 2019) for federal Fiscal Year 2019, one CB-496 quarterly report (quarter ending December 31, 2019) for federal Fiscal Year 2020, and one CB-496 annual report for Adoption Savings (year-end September 30, 2019), and we found errors in report line items that the federal government identifies as key line items. The department's designee signed the reports tested. The department stated that it reviewed the reports before it signed and submitted them to the federal government.

Our samples were not statistically valid samples.

Cause:

The Department of Human Services did not have effective internal controls to identify miscalculations and errors and accurately report expenditures in accordance with federal requirements. Specifically, the second level reviewer and the authorized personnel signing the report did not identify the errors made by the preparer.

Effect:

Department of Human Services' errors on 13 key line items for these reports resulted in the department understating claims by a net total of \$1,425,414. Specifically:

- On the report for quarter ending September 30, 2019, DHS under-reported the federal share of current quarter claims (administrative and training costs) by \$17,422.
- On the report for quarter ending December 31, 2019, DHS under-reported the federal share of current quarter claims (payments, administrative costs, and training costs) by \$167,432.
- On the annual Adoption Savings report ending September 30, 2019, DHS (1) under-reported the federal share of current federal fiscal year claims (payments and administrative costs) by \$8,064 and under-reported prior quarter adjustments (payments and administrative costs) by \$1,332,496; and (2) miscategorized Adoption Savings expenditures, in which current federal fiscal year expenditures for Post-Adoption or Post-Guardianship Services were overstated by \$711,110 and expenditures for Other Title IV-B or IV-E Allowable Services were understated by \$711,110, and prior federal fiscal year expenditures for Post-Adoption or Post-Guardianship Services were

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

overstated by \$303,514 and expenditures for Other Title IV-B or IV-E Allowable Services were understated by \$203,514.

Repeat Finding:

Yes, prior year finding 2019-032.

Auditor's Recommendation:

The Department of Human Services should improve its internal controls to ensure it reports Adoption Savings expenditures correctly on the CB-496 report.

The Department of Human Services should submit a corrected CB-496 annual report to the Federal government for Adoption Savings.

The Department of Human Services should make adjustments on their next quarterly CB-496 report to correct the errors noted herein. In addition, the Department of Human Services should implement effective internal controls to ensure it accurately reports required information to the federal government.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.044 – Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Aging Cluster) CFDA 93.045 – Special Programs for the Aging, Title III, Part C, Nutrition Services (Aging Cluster)
Questioned Costs:	\$220,742
Federal Project Nos./ Award Year	CFDA 93.044 – 1901MNOASS CFDA 93.045 – 1901MNOACM, 1901MNOAHD

Finding Number 2020-033 *Noncompliance with earmarking requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

According to the *United States Code*, Title 42, Chapter 35, Section 3028(b)(1), overall expenditures for state administration are limited to the greater of five percent of the overall allotment to a state under Title III.

Condition:

The Department of Human Services did not comply with the federal earmarking requirement for the federal fiscal year 2019 awards and overcharged the awards by \$220,742, as of June 30, 2020. The department also did not submit required reports to the federal Administration for Community Living (ACL). In addition, the Department of Human Services did not design and implement adequate controls to monitor and prevent state administration expenditures from going over the allowed amount.

Questioned Costs:

\$220,742.

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

Context:

The Department of Human Services uses the required SF-425 report and supplemental form as a control to ensure compliance with the federal administration earmarking requirement. Due to the complexity with completing the SF-425 reports and supplemental forms, we tested all required reports (five reports) during the audit scope. We found that the department did not submit three required reports to the federal government. We also found that, for the 2019 awards, the department allocated \$220,742 in excess of the allowed administration expenditures amount. The error that we identified represented a systemic internal control issue as well as a compliance issue.

Cause:

The Department of Human Services did not have effective policies and procedures over the coding and monitoring of administration expenditures to ensure these expenditures did not exceed federal limits. In addition, the department's secondary review over the SF-425 reports was not sufficient to catch errors in reported amounts.

Effect:

The Department of Human Services incorrectly charged \$220,742 more for state administration expenditures than what was allowed under federal law. The department's weakness in internal controls could allow for additional errors.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should design and implement effective internal controls to ensure it does not exceed federally imposed administration expenditure limits.

The Department of Human Services should move the excess administration expenditures allocated to the federal fiscal year 2019 award to an allowable source of funds.

Views of Responsible Officials:

The Department of Human Services disagreed with this finding; however, the department stated it will continue to work through the process of aligning expenditures with the appropriate year of federal funding and will implement a permanent structure to ensure alignment of expenditures on an ongoing basis. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.053 – Nutrition Services Incentive Program (Aging Cluster)
Questioned Costs:	None
Federal Project Nos./ Award Year	1901MNOANS, 2001MNOANS

Finding Number 2020-034 *Noncompliance with distributing NSIP cash promptly.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *United States Code*, Title 42, Chapter 35, Section 3030a(d)(4), states that each state agency shall promptly and equitably disburse amounts received under this subsection to recipients of grants and contracts.

Condition:

The Department of Human Services did not promptly pay Nutrition Services Incentive Program (NSIP) requests for reimbursement to grantees. In addition, the department did not design and implement adequate controls to ensure prompt payment of grantee reimbursement requests and ensure compliance with federal law.

Questioned Costs:

None.

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

Context:

We selected a random sample of 9 of the 31 reimbursement requests submitted by grantees to the Department of Human Services and found that 3 of the 9 samples did not meet the requirements of prompt payment in federal law. Federal law does not state the number of days it considers payments to be prompt, so the standard we used is *Minnesota Statutes*, 16A.124, which says invoices must be paid within 30 days of receipt of invoice from a grantee. Payments for the three samples were issued 33 to 42 days after the department received the reimbursement requests. These late payments totaled \$245,479 out of total payments of \$1,786,766 to grantees. The errors we identified represented a systemic internal control issue as well as a compliance issue.

Our sample was not a statistically valid sample.

Cause:

The Department of Human Services did not have written policies and procedures for processing NSIP requests for reimbursement and the department's internal controls were not sufficient to ensure it promptly paid NSIP reimbursement requests by grantees.

Effect:

In addition to not complying with the federal rules, the Department of Human Services' failure to promptly pay grantees may create a burden on those grantees' financial capabilities.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should develop procedures to ensure it timely reviews and approves NSIP reimbursement requests and makes payments to grantees.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.558 – Temporary Assistance for Needy Families CFDA 93.658 – Foster Care CFDA 93.778 – Medical Assistance CFDA 93.778 – C19 – Medical Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 93.558 – 1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF, 2001MNTANF CFDA 93.658 – 1701MNFOST, 1801MNFOST, 1901MNFOST, 2001MNFOST CFDA 93.778 – 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1905MN5MAP, 1905MN5ADM, 1905MNINCT, 2005MN5MAP, 2005MN5ADM, 2005MNIMPL, 2005MNINCT CFDA 93.778 – C19 – 2005MN5MAP

Finding Number 2020-035 *Noncompliance with schedule of expenditures of federal awards requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 510(b) (schedule of expenditures of Federal awards), states, “The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended....”

Condition:

The Department of Human Services misstated total expenditures and subrecipient expenditures reported on the schedule of expenditures of Federal awards.

Questioned Costs:

None.

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

Context:

The Department of Human Services made the following errors when it reported on the schedule of expenditures for Federal awards:

- CFDA 93.558 – Understated total expenditures by \$1,891,950 or 1.03 percent and subrecipient expenditures by \$3,048,019 or 3.73 percent.
- CFDA 93.658 – Overstated subrecipient expenditures by \$531,021 or 0.99 percent.
- CFDA 93.778 – Overstated total expenditures by \$30,372 or 0.0004 percent.
- CFDA 93.778C – Overstated total expenditures by \$52,065,578 or 12.43 percent.

We proposed audit adjustments to correct the schedules, and the Department of Management and Budget posted the adjustments.

Cause:

The Department of Human Services did not design and implement effective internal controls to ensure it (1) recorded expenditures in the state fiscal year in which the expenditure was incurred, (2) correctly reversed prior year adjustments, and (3) identified and included expenditures incurred within the state fiscal year but recorded after the books were closed.

Effect:

Since the schedule of expenditures of Federal awards is the basis for planning and conducting a Single Audit, an inaccurate schedule could result in federal expenditures not being properly subjected to audit.

Repeat Finding:

Yes, see prior year finding 2019-041.

Auditor's Recommendation:

The Department of Human Services should design and implement internal controls to ensure it (1) records expenditures in the state fiscal year in which the expenditure was incurred, (2) correctly reverses prior year adjustments, and (3) identifies and includes expenditures incurred within the state fiscal year but recorded after the books are closed.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

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):	CFDA 10.561 – State Admin Matching Grants for Supplemental Nutrition Assistance Program (SNAP) CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers (Aging Cluster) CFDA 93.044 – C19 – Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Aging Cluster) CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services (Aging Cluster) CFDA 93.045 – C19 – Special Programs for the Aging, Title III, Part C, Nutrition Services (Aging Cluster) CFDA 93.053 – Nutrition Services Incentive Program (Aging Cluster) CFDA 93.558 – Temporary Assistance for Needy Families (TANF) CFDA 93.575 – C19 – Child Care and Development Fund CFDA 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund CFDA 93.658 – Foster Care Title IV-E CFDA 93.778 – Medical Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 10.561 – 201818Q390342, 201919S251442, 201919S803642, 201919S802642, 201919S806942, 201919S601842, 201918Q750342, 201919S251942, 201919S252042, 201919Q390342, 201919Q750342, 202020S251442, 202020S803642, 202020S601842, 202020S251942, 202020S252042, 202020Q390342, 202020Q750342 CFDA 93.044 – 18AAMNT3SS, 1901MNOASS, 2001MNOASS CFDA 93.044C – 2001MNSSC3 CFDA 93.045 – 18AAMNT3CM, 18AAMNT3HD, 1901MNOACM, 1901MNOAHD, 2001MNOACM, 2001MNOAHD CFDA 93.045C – 2001MNCMC2, 2001MNHDC2, 2001MNHDC3 CFDA 93.053 – 1901MNOANS, 2001MNOANS CFDA 93.558 – 1502MNTANF 1601MNTANF 1701MNTANF 1801MNTANF 1901MNTANF 2001MNTANF CFDA 93.575C – 2001MNCCC3 CFDA 93.596 – 1801MNCCDF, 1701MNCCDF, 1901MNCCDF, 2001MNCCC3, 1901MNCCDM, 2001MNCCDF, 2001MNCCDM CFDA 93.658 – 1701MNFOST, 1801MNFOST, 1901MNFOST, 2001MNFOST CFDA 93.778 – 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1905MN5MAP, 1905MN5ADM, 1905MNINCT, 2005MN5MAP, 2005MN5ADM, 2005MNIMPL, 2005MNINCT

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Section III: Federal Program Audit Findings (Continued)

Finding Number 2020-036 *Noncompliance with subrecipient monitoring requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 521(d), states, “The...pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC [Federal Audit Clearinghouse].”

Condition:

The Department of Human Services did not issue the management decision letters within the required six-month timeframe for all samples tested that required a letter.

Questioned Costs:

None.

Context:

We reviewed a random sample of 27 of 157 subrecipient audits. Among these 27 samples, 15 required a management decision; for all 15 samples, the Department of Human Services issued the management decisions between 3 and 53 days late.

Our sample was not a statistically valid sample.

Cause:

Prior to March 2020, an employee at the Department of Human Services completed and sent the management decision letters without a secondary review. Since March, the department did implement a secondary review. However, due to the COVID-19 pandemic, the department delayed sending all letters until May 15, 2020.

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Effect:

The Department of Human Services' noncompliance with subrecipient monitoring requirements increases the risk that subrecipients do not administer subawards in compliance with the terms and conditions of the subawards.

Repeat Finding:

Yes, see prior year finding 2019-037. The Department of Human Services materially misrepresented the status of this finding. We corrected the status on the summary schedule.

Auditor's Recommendation:

The Department of Human Services should ensure that management decision letters are sent within six months of the acceptance of the audit report by the Federal Audit Clearinghouse.

Views of Responsible Officials:

The Department of Human Services agrees with this finding, but not with the statement that it materially misrepresented the status of the prior audit finding. The department certified that this finding was resolved; however, our audit work revealed that the department did not resolve the audit finding by the end of the audit scope.

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State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services U.S. Department of Agriculture
CFDA Number(s)/ Program Name(s):	CFDA 10.561 – State Admin Matching Grants for Supplemental Nutrition Assistance Program (SNAP) CFDA 93.044 – Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers (Aging Cluster) CFDA 93.044 – C19 – Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Aging Cluster) CFDA 93.045 – Special Programs for the Aging Title III, Part C Nutrition Services (Aging Cluster) CFDA 93.045 – C19 – Special Programs for the Aging, Title III, Part C, Nutrition Services (Aging Cluster) CFDA 93.053 – Nutrition Services Incentive Program (Aging Cluster) CFDA 93.558 – Temporary Assistance for Needy Families (TANF) CFDA 93.563 – Child Support Enforcement – States Program CFDA 93.575 – C19 – Child Care and Development Block Grant CFDA 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund CFDA 93.658 – Foster Care Title IV-E CFDA 93.659 – Adoption Assistance CFDA 93.667 – Social Services Block Grant (SSBG) CFDA 93.778 – Medical Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 10.561 – 201818Q390342, 201919S251442, 201919S803642, 201919S802642, 201919S806942, 201919S601842, 201918Q750342, 201919S251942, 201919S252042, 201919Q390342, 201919Q750342, 202020S251442, 202020S803642, 202020S601842, 202020S251942, 202020S252042, 202020Q390342, 202020Q750342 CFDA 93.044 – 18AAMNT3SS, 1901MNOASS, 2001MNOASS CFDA 93.044C – 2001MNSSC3 CFDA 93.045 – 18AAMNT3CM, 18AAMNT3HD, 1901MNOACM, 1901MNOAHD, 2001MNOACM, 2001MNOAHD CFDA 93.045C – 2001MNCMC2, 2001MNHDC2, 2001MNHDC3 CFDA 93.053 – 1901MNOANS, 2001MNOANS CFDA 93.558 – 1502MNTANF 1601MNTANF 1701MNTANF 1801MNTANF 1901MNTANF 2001MNTANF CFDA 93.563 – 1804MNCSES, 1901MNCSES, 1901MNCES, 2001MNCSES, 2001MNCES CFDA 93.575C – 2001MNCCE3 CFDA 93.596 – 1801MNCCDF, 1701MNCCDF, 1901MNCCDF, 1901MNCCDM, 2001MNCCDF, 2001MNCCDM CFDA 93.658 – 1701MNFOT, 1801MNFOT, 1901MNFOT, 2001MNFOT CFDA 93.659 – 1701MNADPT, 1801MNADPT, 1901MNADPT, 2001MNADPT CFDA 93.667 – 1901MNSOSR, 2001MNSOSR CFDA 93.778 – 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1905MN5MAP, 1905MN5ADM, 1905MNINCT, 2005MN5MAP, 2005MN5ADM, 2005MNIMPL, 2005MNINCT

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

Finding Number 2020-037 *Noncompliance with federal subrecipient monitoring requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 331(a), requires the state to clearly identify to the subrecipient the required information at the time of the subaward.

Condition:

The Department of Human Services did not communicate all of the required information to the subrecipient at the time of the subaward.

Specifically, the department did not always communicate the following information: (1) subrecipient's unique entity identifier; (2) federal award identification number; (3) federal award date of award to the recipient by the federal agency; (4) amount of federal funds obligated by this action by the pass-through entity to the subrecipient; (5) total amount of federal funds obligated to the subrecipient by the pass-through entity including the current obligation; (6) total amount of the federal award committed to the subrecipient by the pass-through entity; (7) name of the federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity; (8) CFDA number and name; (9) indirect cost rate for the federal award; and (10) appropriate terms and conditions concerning closeout of the subaward.

Questioned Costs:

None.

Context:

This is a systemic issue. For Adoption Assistance, Child Care Development Block Grant, Child Services Enforcement, Foster Care, Medical Assistance, Social Services Block Grant, SNAP, and TANF subawards, we reviewed all grant contract templates, along with the department's county excel file and bulletins. We also conducted a sample test, randomly selecting a sample of subrecipients for the aforementioned programs with grant contracts starting during state fiscal year 2020. The sample size out of the total population for each federal program and type of subrecipient is listed below.

- Aging Cluster – Tested 2 of 7 nongovernmental organizations.

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- Child Care Development Block Grant – Tested 2 of 10 nongovernmental organizations.
- Child Services Enforcement – Tested 13 of 80 counties.
- SNAP – Tested 7 of 41 nongovernmental organizations.
- TANF – Tested 13 of 72 counties.

Our sample was not a statistically valid sample.

Cause:

The department did not have effective internal controls in place to ensure it communicated all federal award information for all federal programs to subrecipients. Specifically, the department's grant contract templates and county excel file and corresponding bulletins did not include all the required information.

Effect:

There is an increased risk that the department's subrecipients are not aware of federal requirements and are not compliant with federal requirements.

Repeat Finding:

Yes, see prior year finding 2019-038.

Auditor's Recommendation:

The Department of Human Services should enhance its internal controls to ensure it communicates the required federal award information to its subrecipients.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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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):	CFDA 10.561 – State Admin Matching Grant Supplemental Nutrition Assistance Program (SNAP) CFDA 93.558 – Temporary Assistance for Needy Families (TANF) CFDA 93.563 – Child Support Enforcement CFDA 93.566 – Refugee and Entrant Assistance CFDA 93.575 – Child Care and Development Block Grant CFDA 93.658 – Foster Care CFDA 93.778 – Medical Assistance Program
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 10.551 – 201919S802642, 201919S806942, 201919S601842, 202020S601842 CFDA 93.558 – 1502MNTANF, 1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF, 2001MNTANF CFDA 93.563 – 1804MNCSES, 1901MNCES, 1901MNCSES, 2001MNCES, 2001MNCSES CFDA 93.566 – 1901MNRCSMA, 1701MNRCSOC, 1801MNRCSOC, 1901MNRCSOC, 2001MNRCSMA, 1801MNRCSMA CFDA 93.575 – 1901MNCCDD, 2001MNCCDD CFDA 93.658 – 1701MNFOST, 1801MNFOST, 1901MNFOST, 2001MNFOST CFDA 93.778 – 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1905MN5MAP, 1905MN5ADM, 1905MNINCT, 2005MN5MAP, 2005MN5ADM, 2005MNIMPL, 2005MNINCT

Finding Number 2020-038 *Noncompliance with federal cost allocation plan amendment requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance

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Section III: Federal Program Audit Findings (Continued)

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 45, Section 95.509, states, “(a) The State shall promptly amend the cost allocation plan and submit the amended plan to the Director, DCA if any of the following events occur:

- (1) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in Federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures.
- (2) A material defect is discovered in the cost allocation plan by the Director, DCA or the State.
- (3) The State plan for public assistance programs is amended so as to affect the allocation of costs.
- (4) Other changes occur which make the allocation basis or procedures in the approval cost allocation plan invalid.

(b) If a State has not submitted a plan or plan amendment during a given State fiscal year, an annual statement shall be submitted to the Director, DCA certifying that its approved cost allocation plan is not outdated. This statement shall be submitted within 60 days after the end of that fiscal year.”

Condition:

The Department of Human Services did not promptly amend their cost allocation plan to address newly implemented cost centers and submit the amendment to the federal Department of Health and Human Services Cost Allocation Services.

Questioned Costs:

None.

Context:

Historically, the Department of Human Services submitted quarterly amendments to seek federal approval for changes implemented to their cost allocation plan; however, the department last submitted a cost allocation plan amendment in September 2019. During state Fiscal Year 2020, the department implemented seven new cost centers and allocated \$867,098 to these cost centers without seeking required federal approval for the changes. As of the date of this report, these cost centers had been implemented for a period of 15 to 19 months. To determine whether the department had allocated expenditures without seeking federal

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approval, we reviewed cost centers that the department had recently implemented but did not include within a cost allocation amendment.

Additionally, the department incorrectly stated how they would allocate costs for two cost centers on the September 2019 amendment that it did submit to the federal government. As of the date of this audit report, these errors have not been corrected and have been in place for 19 months. We selected these two cost centers as key items based on inconsistencies in the data provided by the department.

Our sample was not a statistically valid sample.

Cause:

The Department of Human Services' Financial Operations Division representatives stated that they made a decision to not submit quarterly amendments in Fiscal Year 2020 in order to focus on higher priority projects.

Effect:

The Department of Human Services allocated expenditures to seven cost centers for which it had not sought federal approval.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should promptly amend their cost allocation plan and submit the amendment to the U.S. Department of Health and Human Services' Cost Allocation Services.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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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):	CFDA 10.551 – Supplemental Nutrition Assistance Program (SNAP) CFDA 10.561 – State Admin Matching Grant Supplemental Nutrition Assistance Program (SNAP) CFDA 93.044 – Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Aging Cluster) CFDA 93.044 – C19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Aging Cluster) CFDA 93.045 – Special Programs for the Aging, Title III, Part C, Nutrition Services (Aging Cluster) CFDA 93.045 – C19 Special Programs for the Aging, Title III, Part C, Nutrition Services (Aging Cluster) CFDA 93.053 – Nutrition Services Incentive Program (Aging Cluster) CFDA 93.558 – Temporary Assistance for Needy Families (TANF) CFDA 93.575 – Child Care and Development Block Grant CFDA 93.575 – C-19 Child Care and Development Block Grant CFDA 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund CFDA 93.640 – Basic Health Program CFDA 93.658 – Foster Care Title IV-E CFDA 93.659 – Adoption Assistance CFDA 93.767 – Children’s Health Insurance Program (CHIP) CFDA 93.767 – C19 – Children’s Health Insurance Program (CHIP) CFDA 93.778 – Medical Assistance CFDA 93.778 – C19 Medical Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 10.551 – 202020S601842, 201919S601842, 201919S806942, 201919S802642 CFDA 10.561 – 201818Q390342, 201918Q750342, 201919Q390342, 201919Q750342, 201919S251442, 201919S251942, 201919S252042, 201919S803642, 202020Q390342, 202020Q750342, 202020S251442, 202020S251942, 202020S252042, 202020S803642 CFDA 93.044 – 18AAMNT3SS, 1901MNOASS, 2001MNOASS CFDA 93.044 – C19 – 2001MNSSC3 CFDA 93.045 – 18AAMNT3CM, 18AAMNT3HD, 1901MNOACM, 1901MNOAHD, 2001MNOACM, 2001MNOAHD CFDA 93.045 – C19 – 2001MNSSC3, 2001MNCMC2, 2001MNHDC2, 2001MNHDC3 CFDA 93.053 – 1901MNOANS, 2001MNOANS CFDA 93.558 – 1502MNTANF, 1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF, 2001MNTANF CFDA 93.575 – 1901MNCCDD, 2001MNCCDD CFDA 93.575 – C19 – 2001MNCCC3 CFDA 93.596 – 1801MNCCDF, 1701MNCCDF, 1901MNCCDF, 1901MNCCDM, 2001MNCCDF, 2001MNCCDM CFDA 93.640 – Not Applicable CFDA 93.658 – 1701MNFOST, 1801MNFOST, 1901MNFOST, 2001MNFOST CFDA 93.659 – 1701MNADPT, 1801MNADPT, 1901MNADPT, 2001MNADPT CFDA 93.767 – 1905MN5021, 2005MN5021 CFDA 93.767 – C19 – Not Provided CFDA 93.778 – 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1905MN5MAP, 1905MN5ADM, 1905MNINCT, 2005MN5MAP, 2005MN5ADM, 2005MNIMPL, 2005MNINCT CFDA 93.778 – C19 – 2005MN5MAP

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

Finding Number 2020-039 *Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The Department of Human Services administers a variety of federal programs that are highly dependent on extensive and complex computer systems that include controls for ensuring the proper payment and accounting for federal awards. Numerous state and federal regulations mandate that the department safeguard these computer systems, and the information within these systems, with proper information security controls.¹ In response, the State of Minnesota has one set of statewide information security policies and standards, published by Minnesota IT Services. In particular, Enterprise Identity and Access Management Standards, Control Number 6, requires regular review of logical access accounts to ensure access is appropriate.²

Condition:

The Department of Human Services and Minnesota IT Services did not complete some reviews of computer system accounts to validate that access was still needed and appropriate.

Questioned Costs:

None.

Context:

We reviewed access controls for a variety of computerized systems that support major federal programs at the Department of Human Services. However, for three of its systems—MAXIS, the

¹ *Minnesota Statutes* 2020, 16E.03, subd. 7; 42 *CFR*, section 433.112(b)(9); 45 *CFR*, section 164.306(a); 5 *U.S. Code*, section 552a(e)(10); 26 *U.S. Code*, section 6103; and 7 *CFR*, section 277.18(m).

² MNIT, Identity and Access Management Standard Control 6, Account Review, states, “All accounts must be reviewed upon changes in user role and at least annually for user accounts and every 6 months for privileged accounts and service accounts. The review must validate and recertify that all access privileges are still needed and authorized. The results of the review must be documented, and unnecessary access privileges must be communicated to account administrators for removal. Review documentation must be maintained by the account administrator for at least 2 years and made available to central access control team upon request.”

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Interface Warrant Process (IWP) system, and the state's accounting and procurement system (SWIFT – StateWide Integrated Financial Tools)—the departments did not have evidence to support that a review of logical access permissions had been completed.

For MAXIS, the agencies indicated that they began, but did not complete, an annual recertification of system users within Fiscal Year 2020. Due to timing of the COVID-19 pandemic and implementation of the new Department of Human Services Access Recertification System (ARS) for this purpose, the agencies completed their review of MAXIS access permissions in September 2020 (Fiscal Year 2021, Quarter 1).

For IWP, no access recertification took place in Fiscal Year 2020 (July 1, 2019, through June 30, 2020). The agency developed and implemented access review procedures for the system in August 2020 and completed a review of logical access permissions in fall 2020. Auditor testing identified one user who had changed positions within the agency and no longer required system access.

For SWIFT, no access recertification took place within Fiscal Year 2020. The agencies completed their access review and submitted it to the Department of Management and Budget (MMB), the owner of the SWIFT system, on March 1, 2021.

Cause:

The Department of Human Services and Minnesota IT Services noted that limited resources and the timing of the COVID-19 pandemic had hindered full compliance with the requirements. The Department of Human Services owns, and MNIT maintains, more than 300 computerized systems. Many of these systems have diverse and separate repositories to control logical access. The agencies launched a new Access Recertification System (ARS) to assist with logical access review and training compliance for state and county system users as part of a project spanning fiscal years 2020 and 2021. However, the project scope was limited to three of the agency's systems, and annual access review was only completed for one system within Fiscal Year 2020. Additional access reviews occurred within the new ARS tool in Fiscal Year 2021. Absent of robust automated tools for all systems, the agencies must rely on disparate manual processes to regularly review and validate logical access permissions, which can cause missed or inconsistent implementations of the control.

Effect:

In addition to not complying with the state and federal rules, failure to verify that logical access to critical systems is necessary and appropriate significantly increases the risk of system misuse.

While additional layers of access controls could prevent these active accounts from being used, it is important to regularly review logical access permissions.

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Repeat Finding:

Yes, prior year finding 2019-039.

Auditor's Recommendation:

The Department of Human Services, with its partnering state agency, Minnesota IT Services, should consistently perform and document the annual security recertification of system users.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Agriculture
CFDA Number(s)/ Program Name(s):	CFDA 10.551 – Supplemental Nutrition Assistance Program (SNAP) CFDA 10.561 – State Admin Matching Grant Supplemental Nutrition Assistance Program (SNAP)
Questioned Costs:	None – Procedural Finding Only
Federal Project Nos./ Award Year	CFDA 10.551 – 202020S601842, 201919S601842, 201919S806942, 201919S802642 CFDA 10.561 – 201818Q390342, 201918Q750342, 201919Q390342, 201919Q750342, 201919S251442, 201919S251942, 201919S252042, 201919S803642, 202020Q390342, 202020Q750342, 202020S251442, 202020S251942, 202020S252042, 202020S803642

Finding Number 2020-040 *Inadequate internal controls regarding regular review of the security of information systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 7, Part 277, Section 18(m)(3), requires the Department of Human Services to review the security of information systems involved in the administration of SNAP on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security, operating procedures, and personnel practices. State agencies shall maintain reports of their biennial information security reviews, together with pertinent supporting documentation, for Federal review upon request.

Condition:

The Department of Human Services and Minnesota IT Services (MNIT) did not complete an information system security review of the MAXIS application and environment, which would help identify new and validate any existing risks and vulnerabilities.

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Section III: Federal Program Audit Findings (Continued)

Questioned Costs:

None.

Context:

The Department of Human Services, working with MNIT, has a process for completing system security reviews and annual risk assessments for information systems. However, the MAXIS application, a computer system used by state and county workers to determine eligibility for public assistance and health care, did not have a recent risk review or system security plan.

Cause:

The agencies stated that one of the main causes is attributable to the number of large systems at the Department of Human Services and the lack of staff resources. The Risk Management position responsible for completing these assessments had been vacant for some time and was not able to be filled until recently due to a statewide hiring freeze. An exception to the freeze was processed and the position has now been filled.

Effect:

In addition to not complying with the state and federal rules, failure to perform regular system security reviews could allow security gaps or vulnerabilities of the system to go undetected, which can increase the risk of a security breach or fraud.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services, with its partnering state agency, Minnesota IT Services, should conduct regular risk assessments of its information systems that store, process, or transmit information applicable to its federal programs. Security reviews should incorporate elements outlined within the FNS Handbook 901 – A State Systems Guide to America's Food Program.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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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):	CFDA 93.640 – Basic Health Program CFDA 93.767 – Children’s Health Insurance Program CFDA 93.767 – C19 – Children’s Health Insurance Program CFDA 93.778 – Medical Assistance Program CFDA 93.778 – C19 – Medical Assistance Program
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 93.640 – Not Applicable CFDA 93.767 – 1905MN5021, 2005MN5021 CFDA 93.767 – C19 – Not Provided CFDA 93.778 – 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1905MN5MAP, 1905MN5ADM, 1905MNINCT, 2005MN5MAP, 2005MN5ADM, 2005MNIMPL, 2005MNINCT CFDA 93.778 – C19 – 2005MN5MAP

Finding Number 2020-041 *Inadequate internal controls over the implementation of the quarterly Medicaid NCCI edit files which could impact Activities Allowed or Unallowed.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

State Medicaid agencies are required under Section 6507 of the Affordable Care Act to completely and correctly implement the six Medicaid National Correct Coding Initiative (NCCI) methodologies in their Medicaid Enterprise Systems (formerly referred to as Medicaid Management Information Systems) to ensure that only proper payments of procedures are reimbursed.

Condition:

The Department of Human Services and Minnesota IT Services have not implemented standardized change management controls to ensure that the quarterly Medicaid NCCI edit files are approved and consistently implemented, providing traceability and accountability for parties involved in and affected by the implementation event.

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Questioned Costs:

None.

Context:

Current processes to implement the quarterly Medicaid NCCI edit files occur outside of the Release Management team and process for the Medicaid Management Information System (MMIS) system. Implementation relies on e-mail-based communication to request file processing and load jobs within each MMIS region (test and production). Beyond file processing reports, the Department of Human Services and Minnesota IT Services could not provide documentation illustrating specific tests had occurred to validate the new files had been put in place or that approvals or additional communication occurred outside of the group of individuals responsible for the implementation.

Cause:

While the Department of Human Services and Minnesota IT Services do have formal change management processes, the Department of Human Services has relied on a largely manual and informal process for the update of quarterly Medicaid NCCI edit files. This process has been performed by a few key staff (one of whom has left the Department of Human Services as of this review) and little knowledge of the quarterly files or implementation process exists outside of these individuals.

Effect:

The quarterly Medicaid NCCI edit files contain edit rules necessary for properly adjudicating Medicaid claims. A lapse or untimely quarterly implementation of the Medicaid NCCI edit files may result in improperly adjudicated claims and improper payments based on expired claim coding rules.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services, with its partnering state agency, Minnesota IT Services, should develop and implement standardized change management controls over the quarterly Medicaid NCCI edit file implementation.

Views of Responsible Officials:

The Department of Human Services agrees with this finding.

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State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Agriculture
CFDA Number(s)/ Program Name(s):	CFDA 10.551 – Supplemental Nutrition Assistance Program (SNAP) CFDA 10.561 – State Administrative Matching Grant Supplemental Nutrition Assistance Program (SNAP)
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 10.551 – 202020S601842, 201919S601842, 201919S806942, 201919S802642 CFDA 10.561 – 201818Q390342, 201918Q750342, 201919Q390342, 201919Q750342, 201919S251442, 201919S251942, 201919S252042, 201919S803642, 202020Q390342, 202020Q750342, 202020S251442, 202020S251942, 202020S252042, 202020S803642

Finding Number 2020-042 *Noncompliance with EBT card security requirements*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 7, Part 274, Section 8(b)(3) states, “the State agency shall ensure that the following EBT security requirements are established: (i) Storage and control measures to control blank unissued EBT cards and PINs...”

Condition:

The Department of Human Services did not maintain adequate security over EBT cards on hand and did not have evidence that it destroyed returned EBT cards.

Questioned Costs:

None.

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

Context:

This is a systemic issue. However, a majority of the EBT cards are held at the department's vendor. The department and counties have a limited number of EBT cards on hand.

Cause:

The Department of Human Services did not design or implement internal controls to ensure it maintained adequate security over EBT cards on hand. The department established guidelines that required counties to secure EBT cards on hand and send any returned EBT cards to the department. However, the department did not monitor counties to ensure they complied with the requirements.

In addition, the department did not document that it destroyed returned EBT cards. The department established procedures to log returned EBT cards and deactivate them, but it did not document that returned cards were destroyed. The department assigned one employee responsibility for logging, deactivating, and destroying returned cards.

Effect:

Although there are other internal controls in place to prevent the use of EBT cards by ineligible individuals, it is possible that, in certain conditions, unassigned or returned EBT cards could be used inappropriately.

Repeat Finding:

Yes, prior year finding 2019-017.

Auditor's Recommendation:

The Department of Human Services should maintain adequate security over EBT cards, destroy returned EBT cards, and make and preserve documentation related to the destruction of EBT cards.

The Department of Human Services should design and implement internal controls to ensure it (1) secured EBT cards on hand, (2) documented that it destroyed returned EBT cards, and (3) segregated duties for logging, deactivating, and destroying returned EBT cards.

Views of Responsible Officials:

The Department of Human Services did not explicitly agree or disagree with this finding. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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

State Agency	Minnesota Department of Commerce
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.568 – Low-Income Home Energy Assistance (LIHEAP)
Questioned Costs:	None
Federal Project Nos./ Award Year	18B1MNLIEA, 1801MNLIE4, 1901MNLIEA, 1902MNLIE4

Finding Number 2020-043 *Noncompliance with reporting requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 45, Part 96, Section 30, requires annual federal financial reports for each LIHEAP award. Those reports must include the total amount obligated during the reporting period, and the date of the last obligation.

Condition:

The Department of Commerce overstated the federal share of unliquidated obligations on the Federal Financial Report for one LIHEAP award by \$2,646,623.

The Department of Commerce did not report the date of the last obligation on the Federal Financial Report for four LIHEAP awards.

Questioned Costs:

None.

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

Context:

The department submitted annual Federal Financial Reports for four separate LIHEAP awards during the scope of the audit. For three of the awards, the reports were final reports with the entire award amount reported as expended. For the other award, the department reported \$14,791,080 as the federal share of unliquidated obligations, but had formally obligated just \$12,147,457 as of the reporting period end date.

Cause:

The department misunderstood what should be reported on the federal share of unliquidated obligations line item on the Federal Financial Report. The department reported the entire difference between the award amount and the expended amount on that line instead of the portion of that difference that it had formally obligated in the accounting system. In addition, the department was not aware of the requirement to report the date of the last obligation in the remarks section of the reports.

Effect:

The total federal share of expenditures and unliquidated obligations was overstated by \$2,646,623, and the unobligated balance was understated by \$2,646,623. The federal government did not receive complete and accurate information about the LIHEAP awards.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Commerce should establish procedures to identify the portion of unspent LIHEAP awards that was formally obligated in the accounting system as of the reporting period end date, and report that amount on the federal share of unliquidated obligations line item on the Federal Financial Report.

The Department of Commerce should establish procedures to identify the date of the last obligation before the reporting period end date for each LIHEAP award, and report that date in the remarks section of the Federal Financial Report.

Views of Responsible Officials:

The Department of Commerce agrees with this finding.

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

State Agency	Minnesota Department of Commerce
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.568 – Low-Income Home Energy Assistance (LIHEAP)
Questioned Costs:	None
Federal Project Nos./ Award Year	18B1MNLIEA, 1801MNLIE4, 1901MNLIEA, 1902MNLIE4, 2002MNLIEA, 2002MNLIE4

Finding Number 2020-044 *Noncompliance with subrecipient monitoring requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 331, states, “All pass-through entities must (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward.... Required information includes: (1) Federal Award Identification...(iii) Federal Award Identification Number (FAIN); (iv) Federal Award Date...”

Condition:

The Department of Commerce did not communicate the federal award identification number to its LIHEAP subrecipients for the Energy Assistance Program (EAP), or the federal award date to any of its LIHEAP subrecipients.

Questioned Costs:

None.

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

Context:

The department had 33 LIHEAP subrecipients, including 29 that participated in EAP and 23 that participated in the Weatherization Assistance Program (WAP). Several subrecipients participated in both EAP and WAP.

Cause:

The department omitted the federal award date from its subaward agreement and notice of funds available templates for all subrecipients, and the FAIN from those templates for EAP subrecipients, due to an oversight.

Effect:

Omitting required federal award information could prevent subrecipients from clearly identifying the federal award from which the subawards originated, which increases the risk that subrecipients are not aware of and compliant with federal requirements.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Commerce should communicate the FAIN to its LIHEAP subrecipients participating in EAP, and the federal award date to all of its LIHEAP subrecipients.

The Department of Commerce should include the FAIN in its subaward agreement and notice of funds available templates for EAP subrecipients, and the federal award date in those templates for all subrecipients.

Views of Responsible Officials:

The Department of Commerce agrees with this finding.

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

State Agency	Minnesota Department of Commerce
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.568 – Low-Income Home Energy Assistance (LIHEAP)
Questioned Costs:	None
Federal Project Nos./ Award Year	18B1MNLIEA, 1801MNLIE4, 1901MNLIEA, 1902MNLIE4, 2002MNLIEA, 2002MNLIE4

Finding Number 2020-045 *Noncompliance with federal schedule of expenditures of federal awards requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 510(b), (Schedule of expenditures of Federal awards) states, “The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended...the schedule must.... Include the total amount provided to subrecipients from each Federal program.”

Condition:

The Department of Commerce understated the amounts provided to subrecipients reported on the Schedule of Expenditures of Federal Awards for LIHEAP by \$188,844.

Questioned Costs:

None.

Context:

The understatement was about 0.18 percent of the reported amounts provided to subrecipients. We proposed an audit adjustment to correct the schedule, and the Department of Management and Budget posted the adjustment.

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

The same error occurred each year since Fiscal Year 2016, which was the first year the federal government required the schedule to include the amounts provided to subrecipients. We did not identify the error the last time we audited LIHEAP in Fiscal Year 2017. The amounts provided to subrecipients was understated on the schedule for fiscal years 2016 through 2019 by the following amounts:

- Fiscal Year 2016 – \$239,148
- Fiscal Year 2017 – \$282,651
- Fiscal Year 2018 – \$321,347
- Fiscal Year 2019 – \$262,027

Cause:

The department coded a portion of the expenditures to subrecipients to an account in the state's accounting system that, based on instructions from the Department of Management and Budget, is omitted from the amounts provided to subrecipients reported on the schedule. The department did not recognize that those expenditures should have been included in the amount provided to subrecipients based on the nature of the expenditures.

Effect:

The schedule did not accurately represent the portion of program expenditures that passed through the department to subrecipients for the subrecipients to carry out the federal award.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Commerce should include the expenditures coded with the referenced account in the state's accounting system in the amounts provided to subrecipients reported on the Schedule of Expenditures of Federal Awards for LIHEAP.

Views of Responsible Officials:

The Department of Commerce agrees with this finding.

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

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency(ies)	U.S. Department of Labor
CFDA Number(s)/ Program Name(s):	CFDA 17.225 – Unemployment Insurance
Questioned Costs:	None
Federal Project Nos./ Award Year	UI-29849-17-55-A-27, UI-31384-18-55-A-27, UI-32607-19-55-A-27, UI-32847-19-60-A-27, UI-34066-20-55-A-27, UI-34504-20-90-A-27

Finding Number 2020-046 *Insufficient Controls Over Allowable Activities and Costs.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 303, states, “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

State Payroll Policy PAY0017 states that payroll staff should “...complete a comprehensive review of the report each pay period. If a comprehensive review is not possible, review a representative sample each pay period. A comprehensive review must be completed on a quarterly basis. Audited sections...from the report must be kept with documented explanations.”

Condition:

The Department of Employment and Economic Development did not maintain effective internal controls to ensure payroll expenditures were for allowable activities and costs.

Questioned Costs:

None.

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

Context:

The department did not perform a review of the payroll report for 9 of 27 bi-weekly reports and, in the remaining 18 reports, a comprehensive review of instances where the employee did not complete their time entry, was not performed quarterly.

We reviewed departments that charged payroll to the Unemployment Insurance program within 4 of 18 randomly selected bi-weekly reports. For three reports, the department did not follow-up on 9 of 21 instances where the back-up did not indicate why they were approving time entry.

Our sample was not statistically valid.

Cause:

Between pay periods ending July 9, 2019 and October 29, 2019, the payroll department did not prioritize review of the payroll report. After pay period ending October 29, 2019, the payroll department developed a spreadsheet to track exceptions listed in the report and the follow-up performed. However, they did not identify and follow-up on all exceptions.

Effect:

If the department is not fully reviewing the payroll exception report, and following-up when explanations are not provided, it is less likely on-going problems or patterns would be identified so management can take action to ensure the payroll integrity.

Repeat Finding:

Yes, see prior audit finding 2019-043. The department initially reported the prior audit finding as resolved on the summary schedule of prior audit findings. This materially misrepresented the status of the finding. The compliance issue related to the Unemployment Insurance program was resolved but the control issue was not. We corrected the status on the summary schedule to "Findings are not corrected or are only partially corrected."

Auditor's Recommendation:

The Department of Employment and Economic Development should implement internal controls to ensure a comprehensive review of the payroll report is conducted each pay period, or a comprehensive review is completed quarterly, if a representative sample is reviewed.

Views of Responsible Officials:

The Department of Employment and Economic Development agrees with this finding.

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

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency	U.S. Department of Labor
CFDA Number(s)/ Program Name(s):	CFDA 17.225 – C19 – Unemployment Insurance
Questioned Costs:	\$1,800
Federal Project Nos./ Award Year	UI-34723-20-55-A-27

Finding Number 2020-047 *Noncompliance with eligibility.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *United States Code*, Title 15, Chapter 116, Section 9023(b)(1), states, ...“the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law of the State were applied...in a manner such that the amount of regular compensation...payable for any week shall be equal to – (A) the amount determined under the State law..., plus (B) an additional amount of \$600.”

The *United States Code*, Title 26, Chapter 23, Section 3304(a)(6)(A)(i), states, ... “with respect to services in an instructional, research, or principal administrative capacity for an educational institution...compensation shall not be payable based on such services for any week commencing during the period between two successive academic years or terms....”

Condition:

The Department of Employment and Economic Development issued Federal Pandemic Unemployment Compensation, although insufficient wages made the applicant ineligible.

Questioned Costs:

\$1,800. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

Context:

We tested a random sample of 25 applicants who received unemployment compensation from a population of 286 applicants receiving \$1,311,905 in benefits.

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

One applicant received standard unemployment benefits and Federal Pandemic Unemployment Compensation. We found that the department identified the potential eligibility issue prior to payment; however, an adjudication error allowed payments to be issued. An overpayment was applied to the applicant's account for the standard unemployment benefits after the audit scope, but an overpayment was not issued for the Federal Pandemic Unemployment Compensation payments.

Our sample was not statistically valid.

Cause:

The department did not implement internal controls to ensure adjudicators consider supplemental overpayments when evaluating applicant issues. Additionally, the state's Unemployment Insurance system was not programmed to identify overpayments related to Federal Pandemic Unemployment Compensation.

Effect:

The department overpaid a single applicant \$1,800 in Federal Pandemic Unemployment Compensation.

Repeat Finding:

No.

Auditor's Recommendations:

The Department of Employment and Economic Development should recover the overpayment.

The Department of Employment and Economic Development should implement internal controls to ensure adjudicators consider supplemental overpayments when evaluating applicant issues.

The Department of Employment and Economic Development should ensure the state's Unemployment Insurance system can identify overpayments related to Federal Pandemic Unemployment Compensation.

Views of Responsible Officials:

The Department of Employment and Economic Development partially disagreed with this finding. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency	U.S. Department of Labor
CFDA Number(s)/ Program Name(s):	CFDA 17.225 – C19 – Unemployment Insurance
Questioned Costs:	\$3,000
Federal Project Nos./ Award Year	UI-34723-20-55-A-27

Finding Number 2020-048 *Noncompliance with eligibility.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *United States Code*, Title 15, Chapter 116, Section 9023(b)(1), states, “...the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law of the State were applied...in a manner such that the amount of regular compensation...payable for any week shall be equal to – (A) the amount determined under the State law..., plus (B) an additional amount of \$600.”

Minnesota Statutes, 268.095, subd. 1, states, “An applicant who quit employment is ineligible for all unemployment benefits....”

Condition:

The Department of Employment and Economic Development issued Federal Pandemic Unemployment Compensation, although the reason for unemployment made the applicant ineligible.

Questioned Costs:

\$3,000. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

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

Context:

We tested a random sample of 40 applicants who received \$81,537 of unemployment compensation from a population of 376,750 applicants receiving \$987,249,915 in standard benefits.

One applicant received standard unemployment benefits and Federal Pandemic Unemployment Compensation, although they quit employment to relocate. We found that the department applied an overpayment to the applicant's account for the standard unemployment benefits. However, an overpayment was not issued for the supplemental Federal Pandemic Unemployment Compensation payments.

Our sample was not statistically valid.

Cause:

The state's Unemployment Insurance system was not programmed to identify overpayments related to Federal Pandemic Unemployment Compensation.

Effect:

The department overpaid a single applicant \$3,000 in Federal Pandemic Unemployment Compensation.

Repeat Finding:

No.

Auditor's Recommendations:

The Department of Employment and Economic Development should recover the overpayment.

The Department of Employment and Economic Development should ensure the Unemployment Insurance system can identify overpayments related to Federal Pandemic Unemployment Compensation.

Views of Responsible Officials:

The Department of Employment and Economic Development partially disagreed with this finding. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency	U.S. Department of Labor
CFDA Number(s)/ Program Name(s):	CFDA 17.225 – C19 – Unemployment Insurance
Questioned Costs:	\$234
Federal Project Nos./ Award Year	UI-34723-20-55-A-27

Finding Number 2020-049 *Noncompliance with eligibility.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The Unemployment Insurance Program is a federal-state partnership based upon federal law but administered by state employees under state law.

Minnesota Statutes, 268.085, subd. 4(a), states, “If all of the applicant’s wage credits were earned while the applicant was claiming Social Security old age benefits, there is no deduction of the Social Security benefits from the applicant’s weekly unemployment benefit amount.”

Minnesota Statutes, 268.085, subd. 4(b), states, “Unless paragraph (a) applies, 50 percent of the weekly equivalent of the primary Social Security old age benefit the applicant has received, has filed for, or intends to file for, with respect to that week must be deducted from an applicant’s weekly unemployment benefit amount.”

Condition:

The Department of Employment and Economic Development issued Pandemic Unemployment Assistance benefits, although Social Security income made the applicant ineligible.

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

Questioned Costs:

\$234. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

Context:

We tested a random sample of 40 applicants who received \$99,193 in unemployment compensation from a population of 89,416 applicants receiving \$238,544,544 in Pandemic Unemployment Assistance benefits, resulting in an exception rate of 0.2 percent.

Our sample was not statistically valid.

Cause:

The department did not implement internal controls to ensure payments cease after applicants were deemed ineligible.

Effect:

The department overpaid a single applicant \$234.

Repeat Finding:

No.

Auditor's Recommendations:

The Department of Employment and Economic Development should recover the overpayment.

The Department of Employment and Economic Development should implement internal controls to ensure payments cease after applicants are deemed ineligible.

Views of Responsible Officials:

The Department of Employment and Economic Development partially disagreed with this finding. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency	U.S. Department of Labor
CFDA Number(s)/ Program Name(s):	CFDA 17.225 – Unemployment Insurance
Questioned Costs:	\$14,650
Federal Project Nos./ Award Year	UI-31384-18-55-A-27, UI-32847-19-60-A-27, UI-34504-20-60-A-27, UI-32607-19-55-A-27, UI- 34066-20-55-A-27, UI-34723-20-55-A-27

Finding Number 2020-050 *Noncompliance with period of performance.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The Code of Federal Regulations, Title 2, Part 200, Section 334, states, “Financial records, supporting documents...must be retained for a period of three years from the date of submission of the final expenditure report....”

Condition:

The Department of Employment and Economic Development did not retain documentation for all transactions.

Questioned Costs:

\$14,650. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

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

Context:

We reviewed a random sample of 6 expenditure corrections with an absolute value of \$82,606 from a population of 25 expenditure corrections with an absolute value of \$763,978. The department did not retain documentation of the underlying expenditures for four corrections with absolute values of \$14,650, resulting in a 17.7 percent exception rate.

Our sample was not statistically valid.

Cause:

The department did not implement policies and procedures to ensure that corrections could be traced to support for the underlying expenditures.

Effect:

Awards could be charged for unallowable costs and for costs outside of the period of performance.

Repeat Finding:

Yes, see prior audit finding 2019-045.

Auditor's Recommendations:

The Department of Employment and Economic Development should implement controls through policies, to ensure corrections can be traced to underlying expenditures.

The Department of Employment and Economic Development should retain support for its expenditures.

Views of Responsible Officials:

The Department of Employment and Economic Development agrees with this finding.

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

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency	U.S. Department of Labor
CFDA Number(s)/ Program Name(s):	CFDA 17.225 – Unemployment Insurance
Questioned Costs:	None
Federal Project Nos./ Award Year	UI-29849-17-55-A-27, UI-31384-18-55-A-27, UI-32607-19-55-A-27, UI-32847-19-60-A-27, UI-34066-20-55-A-27, UI-34504-20-60-A-27, UI-34723-20-55-A-27

Finding Number 2020-051 Noncompliance with reporting.

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Chapter 2, Part 200.334 states, “...supporting documents...must be retained for a period of three years from the date of submission of the final expenditure report....”

Condition:

The Department of Employment and Economic Development did not always retain supporting documentation for the ETA 581 Contribution Operations report. For quarters ending September 2019 and December 2019, the department did not retain any supporting documentation. For the quarter ending March 2020, the department did not retain supporting documentation for three items.

Questioned Costs:

None.

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

Context:

We could not complete testing on two of three quarterly reports submitted in Fiscal Year 2020. For the quarterly report we were able to test, we could not validate 3 of 61 data elements. Two of the data elements were included in the prior year audit finding.

Cause:

The department did not retain a static copy of the data or support for adjustments to system generated amounts.

Effect:

Without supporting documentation, the department is not able to substantiate the accuracy of its reports.

Repeat Finding:

Yes, see prior audit finding 2019-046.

Auditor's Recommendation:

The Department of Employment and Economic Development should retain support for the ETA 581 report.

Views of Responsible Officials:

The Department of Employment and Economic Development did not explicitly agree or disagree with this finding. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency(ies)	U.S. Department of Education
CFDA Number(s)/ Program Name(s):	CFDA 84.126 – Rehabilitation Services – Vocational Rehabilitation Grants to States
Questioned Costs:	\$125,250
Federal Project Nos./ Award Year	H126A190033-19B

Finding Number 2020-053 *Noncompliance with cash management.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 31, Part 205, Section 11(b), states, “A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State’s actual and immediate cash needs.”

The *Code of Federal Regulations*, Title 34, Part 361, Section 63(c)(3)(ii), states, “...to the extent that program income funds are available, a State must disburse those funds...before requesting additional funds from the Department.”

Condition:

The Department of Employment and Economic Development did not calculate cash draws correctly.

Questioned Costs:

\$125,250.

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

Context:

There were 28 draws during the audit scope. For three draws, the department miscalculated the federal reimbursement due to a miscalculation of the state match. The overdraws were resolved with equivalent expenditures within 25 to 47 days.

Cause:

The department did not implement internal controls to ensure that cash draw calculations were accurate. One individual calculated the request of the funds from the federal government and another individual reviewed the request. However, the review was not comprehensive enough to identify the errors that caused the overdraws.

Effect:

For three draws, the department requested \$125,250 more in federal funds than it spent on allowable program costs. The associated federal awards were not overspent.

Repeat Finding:

Yes, prior year finding 2019-048.

Auditor's Recommendation:

The Department of Employment and Economic Development should implement internal controls to properly account for the state match when calculating cash draws.

Views of Responsible Officials:

The Department of Employment and Economic Development agrees with this finding.

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

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency(ies)	U.S. Department of Education
CFDA Number(s)/ Program Name(s):	CFDA 84.126 – Rehabilitation Services – Vocational Rehabilitation Grants to States
Questioned Costs:	None
Federal Project Nos./ Award Year	H126A180032-18E, H126A190032-19B, H126A20032-20B

Finding Number 2020-054 *Noncompliance with federal Schedule of Expenditures of Federal Awards Requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 34, Part 76, Section 50(c), states, “The regulations in part 76 on subgrants apply to a program only if subgrants are authorized under that program.” State Vocational Rehabilitation Services program is authorized by the Rehabilitation Act of 1973 as amended, which does not authorize subgrants.

Condition:

The Department of Employment and Economic Development erroneously reported expenditures on the Schedule of Expenditures of Federal Awards as grants to subrecipients, although they were for contracted services.

Questioned Costs:

None.

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

Context:

The department incorrectly reported subrecipient expenditures of \$1,092,307. We proposed an audit adjustment to correct the schedules, and the Department of Management and Budget posted the adjustments.

Cause:

The department classified Vocational Rehabilitation contracted services as subrecipient expenditures on the Schedule of Expenditures of Federal Awards.

Effect:

The department may not be applying the correct regulatory requirements to this population.

Repeat Finding:

Yes, see prior audit finding 2019-047. The department initially reported the prior finding as resolved on the summary schedule of prior audit findings. This materially misrepresented the status of the finding. We corrected the status on the summary schedule to "Findings are not corrected or are only partially corrected."

Auditor's Recommendation:

The Department of Employment and Economic Development should not continue to report subrecipient expenditures on the Schedule of Expenditures of Federal Awards.

Views of Responsible Officials:

The Department of Employment and Economic Development agrees with this finding.

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

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency(ies)	U.S. Social Security Administration
CFDA Number(s)/ Program Name(s):	CFDA 96.001 – Social Security-Disability Insurance
Questioned Costs:	\$75
Federal Project Nos./ Award Year	1804MNDI00, 1904MNDI00, 2004MNDI00

Finding Number 2020-055 *Noncompliance with allowable activities and costs.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

Section 39545.600 of the Social Security Administration’s Program Operations Manual System states that, “DDS [Disability Determination Services] should not enter into any negotiated agreement that would result in fee payments in excess of the maximum amount of their fee schedule without obtaining prior written approval from the RO [Regional Office].”

Condition:

The Department of Employment and Economic Development did not receive regional office approval for charges not allowed by the fee schedule.

Questioned Costs:

\$75. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

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

Context:

We reviewed a random sample of 23 consultative examination invoices totaling \$4,397 from a stratum of 16,167 invoices totaling \$3,464,518. One invoice included a \$75 expense not included on the fee schedule or approved by the regional office resulting in a 1.7 percent exception rate.

Our sample was not statistically valid.

Cause:

Management did not design and implement controls to ensure regional office approval is obtained for consultative examination charges that are not on the fee schedule.

Effect:

Providers may be reimbursed for charges that are not allowed by the program.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Employment and Economic Development should implement internal controls through policies to ensure consultative examination charges, that are not included on the fee schedule, are approved by the regional office.

Views of Responsible Officials:

The Department of Employment and Economic Development agrees with this finding.

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

State Agency	Minnesota Department of Employment and Economic Development
Federal Agencies	U.S. Social Security Administration
CFDA Number(s)/ Program Name(s):	CFDA 96.001 – Social Security Disability Insurance
Questioned Costs:	\$6,389
Federal Project Nos./ Award Year	1904MNDI00, 2004MNDI00

Finding Number 2020-056 *Noncompliance with allowable costs.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 430(a) states, “...Costs of compensation are allowable to the extent that...the total compensation for individual employees...conforms to the established written policy of the non-Federal entity...”

State Payroll Policy PAY0017 states, “When backup approvers...approve timesheets, they should document the reason...and notify the primary supervisor/manager to ensure that the timesheet...approval was appropriate.”

Condition:

The Department of Employment of Economic Development did not properly approve two Disability Determination Services’ employee timesheets in compliance with state policy. Specifically, backup approvers approved the timesheets without documenting the reason for their approval.

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

Questioned Costs:

\$6,389. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

Context:

We tested a random sample of 40 employee timesheets with Social Security Disability Insurance payments of \$126,582 from a population of 3,708 timesheets with \$10,757,969 in payments. Two timesheets were approved by backup approvers without a documented explanation. These timesheets included \$6,389 in payroll costs, which represented 5 percent of the total payroll costs tested.

Our sample was not statistically valid.

Cause:

The department did not perform a review of the payroll report for 9 of 27 bi-weekly reports and, in the remaining 18 reports a comprehensive review of instances where the employee did not complete their time entry, was not performed quarterly in accordance with State Payroll Policy PAY0017.

We reviewed departments that charged payroll to the Social Security Disability Insurance program within 4 of 18 randomly selected bi-weekly reports. For one report, the department did not follow-up on 14 of 16 instances where the back-up did not indicate why they were approving time entry as required by State Payroll Policy PAY0017.

Effect:

The assigned primary approvers of timesheets are the most knowledgeable about the work schedule of the employee. Backup approvers are not as knowledgeable, which increases the risk of inaccurate timesheets that could result in unallowable costs charged to the federal program.

If the department is not fully reviewing the payroll exception report, and following up when explanations are not provided, it is less likely on-going problems or patterns would be identified so management can take action to ensure the payroll integrity.

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

Repeat Finding:

Yes, see prior audit finding 2019-049. The department initially reported the prior audit finding as resolved on the summary schedule of prior audit findings. This materially misrepresented the status of the finding. There were control and compliance issues related to the Disability Determination Services program during the audit scope. We corrected the status on the summary schedule to "Findings are not corrected or are only partially corrected."

Auditor's Recommendations:

The Department of Employment and Economic Development should ensure it properly documents reasons for timesheet approval by backup approvers in compliance with state policy.

The Department of Employment and Economic Development should implement internal controls to ensure a comprehensive review of the payroll report is conducted each pay period, or a comprehensive review is completed quarterly, if a representative sample is reviewed.

Views of Responsible Officials:

The Department of Employment and Economic Development agrees with this finding.

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

State Agency	Minnesota Department of Health
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.268 – Immunization Cooperative Agreements
Questioned Costs:	None
Federal Project Nos./ Award Year	6 NH23IP000737-05-03, 6 NH23IP000781-05-02

Finding Number 2020-057 *Noncompliance with reporting requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 327, allows the Federal awarding agency to require the submission of a Federal Financial Report (FFR). In the *Notices of Awards for the Immunization Cooperative Agreements*, the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, required annual FFRs.

Condition:

The Department of Health understated the total indirect expense amounts reported on the FFR for award numbers 6 NH23IP000737-05-03 and 6 NH23IP000781-05-02 by \$72,631 and \$20,472, respectively.

Questioned Costs:

None.

Context:

The department submitted annual FFRs for three Immunization Cooperative Agreements awards during the scope of the audit. The department accurately reported the total federal expenditures on the FFR for each award, but understated the total indirect expense amounts reported on the FFR for two of the awards. The understatements for award numbers

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

6 NH23IP000737-05-03 and 6 NH23IP000781-05-02 were 1.39 percent and 8.28 percent of the reported total indirect expense amounts, respectively.

Cause:

The department summarized expenditures for each award from the state's accounting system and accurately recorded those amounts in a worksheet. The amounts recorded in the worksheet included the indirect expense base and indirect expense amount for each project within each award, and for each budget period within the project period for each award. The department calculated the total indirect expense base amount for each budget period from multiple tabs in the worksheet, and reported those amounts on the FFR. However, the department did not accurately calculate the total indirect expense base amount from the worksheet for one of the seven budget periods for award number 6 NH23IP000737-05-03, and for two of the seven budget periods for award number 6 NH23IP000781-05-02. The indirect expense amount reported on the FFR is calculated by multiplying the indirect expense base amount reported on the FFR by the indirect expense rate reported on the FFR. Since the department reported some inaccurate indirect expense base amounts on the FFR, it caused corresponding inaccurate indirect expense amounts reported on the FFR.

The department's secondary review of the FFRs occurred after the reports were submitted, and did not identify the discrepancies between the indirect expense amounts reported on the FFRs and the actual indirect cost expenditures recorded in the state's accounting system.

Effect:

The federal government did not receive complete and accurate information about the Immunization Cooperative Agreements awards.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Health should strengthen its secondary review procedures to ensure the review identifies and corrects any discrepancies between amounts reported on the FFRs and actual amounts recorded in the state's accounting system, and should perform those procedures before submitting the FFRs.

Views of Responsible Officials:

The Department of Health agrees with this finding.

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

State Agency	Minnesota Department of Public Safety
Federal Agency(ies)	U.S. Department of Justice
CFDA Number(s)/ Program Name(s):	CFDA 16.575 – Crime Victim Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	2017-VA-GX-0080, 2018-V2-GX-0069, 2019-V2-GX-0033

Finding Number 2020-052 *Noncompliance with subrecipient monitoring requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 28, Part 94, Section 106, requires states to develop a monitoring plan for Crime Victim Assistance subawards. The department's monitoring plan requires annual site visits for subawards of \$250,000 or higher.

Condition:

The Department of Public Safety did not fully implement internal controls designed to ensure it conducted all annual site visits for Crime Victim Assistance subawards of \$250,000 or higher.

Questioned Costs:

None.

Context:

The department granted Crime Victim Assistance subawards to 176 subrecipients with grant periods from October 1, 2019, to September 30, 2021. Those subawards exceeded \$250,000 for 111 of the subrecipients. The department's tracking worksheet for Crime Victim Assistance site visits indicated that the department completed site visits for 66 of the 111 subrecipients during the first year of the grant period, but did not complete site visits for the other 45. After we discussed the missing site visits, the department located and provided evidence that site visits were completed during the first year of the grant period for 44 of those subrecipients. For the other subrecipient, the department completed a site visit about three weeks before the start of the grant period and another about two weeks after the end of the first year of the grant period.

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

Cause:

In response to the prior audit finding, the department created a centralized worksheet to track site visits for all Crime Victim Assistance subrecipients, which were conducted by several grant managers. The department also implemented a quarterly supervisory review of the worksheet to ensure the grant managers conducted all required site visits. The first supervisory review documented on the worksheet was March 5, 2021; however, the review did not address the 45 subrecipients with no site visits documented on the tracking worksheet during the first year of the grant period.

Effect:

The internal controls implemented by the department were not sufficiently effective to ensure it completed all site visits required by its monitoring plan for Crime Victim Assistance subrecipients. The site visits are essential to provide reasonable assurance that subrecipients administer subawards in compliance with the terms and conditions of the subaward.

Repeat Finding:

Yes. See prior audit finding 2019-010. The department implemented some of our recommendations for the prior audit finding by revising its monitoring plan to eliminate inconsistencies, and by adding a quarterly supervisory review of the worksheets used to track subrecipient site visits. As such, the department reported the prior finding resolved on the summary schedule of prior audit findings. This materially misrepresented the status of the finding. We corrected the status on the summary schedule for finding 2019-010 to "Findings are not corrected or are only partially corrected."

Auditor's Recommendation:

The Department of Public Safety should strengthen its control procedures related to monitoring Crime Victim Assistance subrecipients to ensure it conducts all site visits in accordance with its monitoring plan.

Views of Responsible Officials:

The Department of Public Safety agrees with this finding.

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

State Agency	Minnesota Department of Public Safety
Federal Agency(ies)	U.S. Department of Transportation
CFDA Number(s)/ Program Name(s):	Highway Safety Cluster CFDA 20.600 – State and Community Highway Safety CFDA 20.616 – National Priority Safety Programs
Questioned Costs:	\$78,349
Federal Project Nos./ Award Year	CFDA 20.600 – 69A37519300004020MNO, 69A37520300004020MNO CFDA 20.616 – 69A3751930000405BMNH, 69A3751930000405CMNO, 69A3751930000405DLMNO, 69A3751930000405DMNL, 69A3751930000405FMNO, 69A3752030000405BMNH, 69A3752030000405CMNO, 69A3752030000405DMNL, 69A3752030000405FMNO, 69A3752030000405HMNO

Finding Number 2020-058 Noncompliance with allowable cost provisions.

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 430(a), states, “Costs of compensation are allowable to the extent that...the total compensation for individual employees...conforms to the established written policy of the non-Federal entity....”

State Payroll Policy PAY0017 states, “When backup approvers...approve timesheets, they should document the reason...and notify the primary supervisor/manager to ensure that the timesheet...approval was appropriate.”

Condition:

The Department of Public Safety did not properly approve 39 employee timesheets in compliance with state policy. Specifically, backup approvers approved the timesheets without documenting the reason for their approval instead of the primary approver.

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

Questioned Costs:

\$78,349.

Context:

The department charged \$2,891,885 in payroll expenditures to the Highway Safety Cluster during Fiscal Year 2020 from 3,114 individual employee timesheets. We found that 369 of those timesheets, with total payroll expenditures of \$360,685, were approved by backup approvers. The department had documented explanations for the backup approvals for 330 of those timesheets, with total payroll expenditures of \$282,336. The 39 timesheets with backup approvals without documented explanations had total payroll expenditures of \$78,349.

The department made improvements after we reported this finding in our Single Audit report for Fiscal Year 2019. Of the 39 timesheets approved by backup approvers without documented explanations, just 2 occurred after we issued our report, with total payroll expenditures of \$550.

Cause:

Backup approvers did not always remember to add comments to document the reasons for their approvals. The department's payroll coordinators generated a payroll system exception report each pay period that identified instances of timesheet approval by backup approvers. However, the coordinators did not always identify missing comments from those approvals when reviewing the report, or did not always obtain and document explanations from backup approvers after identifying missing comments.

Effect:

The assigned primary approvers of timesheets are the most knowledgeable about the work schedule of the employee. Backup approvers are not as knowledgeable, which increases the risk of inaccurate timesheets that could result in unallowable costs charged to the federal program.

Repeat Finding:

Yes, prior year audit finding 2019-012.

Auditor's Recommendation:

The Department of Public Safety should strengthen internal controls to ensure it properly documents reasons for timesheet approval by backup approvers in compliance with state policy.

Views of Responsible Officials:

The Department of Public Safety agrees with this finding.

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

State Agency	Minnesota Department of Public Safety
Federal Agency	U.S. Department of Homeland Security
CFDA Number/ Program Name:	CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Questioned Costs:	None
Federal Project Nos./ Award Year	4069DRMNP0000001, 4113DRMNP0000001, 4131DRMNP0000001, 4182DRMNP0000001, 4390DRMNP0000001, 4414DRMNP0000001, 4442DRMNP0000001

Finding Number 2020-059 *Noncompliance with reporting requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 327, allows the Federal awarding agency to require the submission of a Federal Financial Report (FFR). The agreement between the state and the Department of Homeland Security for each disaster grant award includes a provision that requires the state to submit quarterly FFRs until the closeout of the award.

Condition:

The Department of Public Safety submitted FFRs for Disaster Grants – Public Assistance awards that contained some inaccurate amounts.

The Department of Public Safety did not submit one quarterly FFR for two Disaster Grants – Public Assistance awards.

Questioned Costs:

None.

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

Context:

During the scope of the audit, the department had 9 active Disaster Grants – Public Assistance awards and submitted 30 quarterly FFRs and 2 final FFRs for those awards. We reviewed the two final FFRs and a randomly selected sample of seven quarterly FFRs. Each of the FFRs we reviewed contained at least one inaccurate amount. Specific errors were as follows:

- The cash disbursements and federal share of expenditures line items on one FFR were understated by \$2,161.
- The federal share of unliquidated obligations line item was understated by \$148,593 on one FFR and overstated by \$313,387 on another.
- The total recipient share required line item was misstated on five FFRs, ranging from an understatement of \$555,155 to an overstatement of \$2,083,755.
- The recipient share of expenditures line item was misstated on five FFRs, ranging from an understatement of \$67,759 to an overstatement of \$31,960.
- The total indirect expense amount charged line item was misstated on eight FFRs, ranging from an understatement of \$9,575 to an overstatement of \$4,945.
- The state management costs expended this quarter line item was misstated on four FFRs, ranging from an understatement of \$27,865 to an overstatement of \$2,663.
- The state management costs expended to date line item was understated on two FFRs by \$65,065 and \$2,148, respectively.

Our sample was not a statistically valid sample.

Cause:

The department generally extracted the appropriate data from the state's accounting system needed to accurately calculate line item amounts for the FFRs. However, the department made various clerical errors in its calculations of those line item amounts.

A single department employee prepared and submitted the FFRs without any secondary review to ensure the accuracy of the reports.

The department did not submit the two quarterly FFRs due to an oversight. Each quarterly FFR would have been the first submitted for each Disaster Grant – Public Assistance award.

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

Effect:

The federal government did not receive complete and accurate information about the disaster grant awards.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Public Safety should reassess and revise its procedures for preparing the FFRs for Disaster Grants – Public Assistance awards to minimize the risk of inaccurate amounts due to clerical errors.

The Department of Public Safety should implement procedures for a secondary review of FFRs to ensure the accuracy of the reports.

The Department of Public Safety should implement internal controls to ensure it submits all quarterly FFRs for Disaster Grants – Public Assistance awards.

Views of Responsible Officials:

The Department of Public Safety agrees with this finding.

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

State Agency	Minnesota Department of Public Safety
Federal Agency	U.S. Department of Homeland Security
CFDA Number/ Program Name:	CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Questioned Costs:	None
Federal Project Nos./ Award Year	1941DRMNP0000001, 4069DRMNP0000001, 4113DRMNP0000001, 4131DRMNP0000001, 4182DRMNP0000001, 4290DRMNP0000001, 4390DRMNP0000001, 4414DRMNP0000001, 4442DRMNP0000001

Finding Number 2020-060 *Noncompliance with reporting requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 44, Part 206, Section 204(f), requires the state to submit quarterly progress reports on the status of all open projects for disaster grant awards. The progress reports must include the total expenditures to date, the federal funds drawn and the date of the last draw, the federal funds disbursed to subrecipients and the date of the final payment, the approved completion date of the project, and the percent of work completed.

Condition:

The Department of Public Safety submitted incomplete quarterly progress reports for Disaster Grants – Public Assistance awards.

Questioned Costs:

None.

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

Context:

Each quarterly progress report submitted during the scope of the audit included between 135 and 149 projects, and each included multiple projects with one or more of the required data elements missing. For example, total expenditures to date were not reported for between 22 and 37 projects each quarter.

Cause:

A single department employee prepared and submitted the progress reports without any secondary review to ensure the completeness and accuracy of the reports. The department indicated that contributing factors included time limitations for the responsible employee, non-centralized sources of data needed for the reports, and the occasional lack of timely data available from subrecipients.

Effect:

The federal government did not receive complete and accurate information about the progress of open projects for Disaster Grants – Public Assistance awards.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Public Safety should strengthen its procedures for preparing the quarterly progress reports to ensure it submits complete and accurate data.

The Department of Public Safety should implement procedures for a secondary review of the quarterly progress reports to ensure the completeness and accuracy of the reports.

Views of Responsible Officials:

The Department of Public Safety agrees with this finding.

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

State Agency	Minnesota Department of Public Safety
Federal Agency	U.S. Department of Homeland Security
CFDA Number/ Program Name:	CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Questioned Costs:	None
Federal Project Nos./ Award Year	1941DRMNP0000001, 4069DRMNP0000001, 4113DRMNP0000001, 4131DRMNP0000001, 4182DRMNP0000001, 4290DRMNP0000001, 4390DRMNP0000001, 4442DRMNP0000001

Finding Number 2020-061 *Noncompliance with subrecipient monitoring requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 331, states, “All pass-through entities must (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward.... Required information includes: (1) Federal Award Identification...(ii) Subrecipient’s unique entity identifier; (iii) Federal Award Identification Number (FAIN); (iv) Federal Award Date of award to the recipient by the Federal agency; (v) Subaward Period of Performance Start and End Date;...(vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation; (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;...(xi) CFDA Number and Name....”

Condition:

The Department of Public Safety did not communicate the following data elements to its Disaster Grants – Public Assistance subrecipients:

- Subrecipient’s unique entity identifier
- FAIN
- Federal award date
- Subaward period of performance start and end dates
- Total amount of federal funds obligated to the subrecipient by the department including the current obligation

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

- Total amount of the federal award committed to the subrecipient by the department
- CFDA Number and Name

Questioned Costs:

None.

Context:

The department did not communicate the missing data elements to any of its Disaster Grants – Public Assistance subrecipients. During the scope of the audit, the department disbursed Disaster Grants – Public Assistance subawards to 654 subrecipients.

Cause:

The department sends a welcome packet to each subrecipient, which includes an award letter, a completed project worksheet (application), and a project completion certification form. The department did not include the missing data elements in the packet due to an oversight.

Effect:

Omitting required federal award information could prevent subrecipients from clearly identifying the federal award from which the subawards originated, which increases the risk that subrecipients are not aware of and compliant with federal requirements.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Public Safety should include all the required federal award information in the welcome packet sent to each Disaster Grants – Public Assistance subrecipient.

Views of Responsible Officials:

The Department of Public Safety agrees with this finding.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Public Safety
Federal Agency(ies)	U.S. Department of Justice U.S. Department of Homeland Security
CFDA Number(s)/ Program Name(s):	CFDA 16.575 – Crime Victim Assistance CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 16.575 – 2016-VA-GX-0054; 2017-VA-GX-0080; 2018-V2-GX-0069 CFDA 97.036 – 1941DRMNP0000001, 4069DRMNP0000001, 4113DRMNP0000001, 4131DRMNP0000001, 4182DRMNP0000001, 4290DRMNP0000001, 4390DRMNP0000001, 4442DRMNP0000001

Finding Number 2020-062 *Noncompliance with subrecipient monitoring requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 331, states, “All pass-through entities must...(f) Verify that every subrecipient is audited as required by Subpart F-Audit Requirements of this part when it is expected that the subrecipient’s Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in [section] 200.501 Audit requirements.”

The *Code of Federal Regulations*, Title 2, Part 200, Section 521(c), states, “...the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.”

The *Code of Federal Regulations*, Title 2, Part 200, Section 521(d), states, “The...pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC [Federal Audit Clearinghouse].”

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

The *Code of Federal Regulations*, Title Part 200, Section 521(a), states, “The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action.”

Condition:

The Department of Public Safety did not review the audit reports for 3 of its Disaster Grants – Public Assistance subrecipients or 15 of its Crime Victim Assistance subrecipients.

The Department of Public Safety did not issue management decisions for audit findings related to Crime Victim Assistance awards to two subrecipients.

Questioned Costs:

None.

Context:

The department had 63 Disaster Grants – Public Assistance subrecipients and 73 Crime Victim Assistance subrecipients that required audits. None of the 3 Disaster Grants – Public Assistance subrecipients nor the 15 Crime Victim Assistance subrecipients whose audits were not reviewed had audit findings related to those programs.

We did not identify any Disaster Grants – Public Assistance subrecipients with audit findings related to that program. We identified four Crime Victim Assistance subrecipients with audit findings related to that program. We cited two of those subrecipients in this finding because the department did not issue management decisions within six months of the date the audit reports were accepted by the FAC. For the other two subrecipients, the deadline for the department to issue the management decisions will not occur until June 2021.

Cause:

The department utilized a worksheet to track subrecipient audits, but the worksheet did not include the three Disaster Grants – Public Assistance subrecipients or one of the Crime Victim Assistance subrecipients whose audits were not reviewed due to an oversight. The worksheet did include the other 14 Crime Victim Assistance subrecipients whose audits were not reviewed, but notes in the worksheet indicated that the department obtained but did not review those audits due to staff limitations.

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

Staff in the department's Fiscal and Administrative Services (FAS) division track subrecipient audits for all of the department's federal programs, but staff in the specific division that administers the federal program are responsible for issuing management decisions on any audit findings related to that program. The department's procedure is that FAS staff communicate any audit findings to the appropriate division. However, staff in the department's Office of Justice Programs division, which administers the Crime Victim Assistance program, told us they were not aware of the findings for the two subrecipients.

Effect:

Not reviewing subrecipient audit reports and not issuing management decisions on audit findings increases the risk that subrecipients do not administer subawards in compliance with the terms and conditions of the subawards.

Repeat Finding:

Yes, prior year audit finding 2019-011. The department reported the prior finding resolved on the summary schedule of prior audit findings. This materially misrepresented the status of the finding. We corrected the status on the summary schedule for finding 2019-011 to "Findings are not corrected or are only partially corrected."

Auditor's Recommendation:

The Department of Public Safety should issue management decisions on the audit findings for the two subrecipients cited.

The Department of Public Safety should strengthen its internal controls to ensure it identifies and reviews all subrecipients that require an audit and issues management decisions within six months of the acceptance of the subrecipient audit report by the Federal Audit Clearinghouse.

Views of Responsible Officials:

The Department of Public Safety agrees with this finding.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

State Agency	Minnesota Department of Public Safety
Federal Agency(ies)	U.S. Department of Homeland Security U.S. Department of Transportation
CFDA Number(s)/ Program Name(s):	CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) Highway Safety Cluster CFDA 20.600 – State and Community Highway Safety CFDA 20.616 – National Priority Safety Programs
Questioned Costs:	None
Federal Project Nos./ Award Year	CFDA 97.036 – 4390DRMNP00000001 CFDA 20.600 – 18X9204020MN17, 18X9204020MN18 CFDA 20.616 – 18X920405CMN17, 18X920405DMN16, 18X920405DMN17

Finding Number 2020-063 *Noncompliance with federal schedule of expenditures of federal awards requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 510(b) (Schedule of expenditures of Federal awards) states, “The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended...the schedule must.... Include the total amount provided to subrecipients from each Federal program.”

Condition:

The Department of Public Safety overstated the total federal expenditures reported on the Schedule of Expenditures of Federal Awards for Disaster Grants – Public Assistance by \$31,066.

The Department of Public Safety overstated the amounts provided to subrecipients reported on the Schedule of Expenditures of Federal Awards for the Highway Safety Cluster by \$237,300, including \$149,624 for CFDA 20.600 and \$87,676 for CFDA 20.616.

Questioned Costs:

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

None.

Context:

The overstatement for Disaster Grants – Public Assistance was about 0.11 percent of the reported total federal expenditures. The overstatement for the Highway Safety Cluster was about 8.80 percent of the reported amounts provided to subrecipients, including about 11.08 percent specifically for CFDA 20.600 and about 6.51 percent specifically for CFDA 20.616. We proposed audit adjustments to correct the schedule, and the Department of Management and Budget posted the adjustments.

Cause:

For the Disaster Grants – Public Assistance overstatement, the department made an error when it set up the accounting for one disaster in the state’s accounting system. The error caused certain expenditures to be assigned to CFDA 97.036 that should have been assigned to CFDA 97.039 (Hazard Mitigation Grant). The accounting did allow the department to identify the expenditures as Hazard Mitigation Grant activity and draw federal cash from that award to reimburse those expenditures.

For the Highway Safety Cluster overstatement, the department miscoded \$277,064 of expenditures to other state agencies in the state’s accounting system as expenditures to subrecipients, and miscoded \$39,764 of expenditures to subrecipients as expenditures to other state agencies.

The department’s procedures to prepare and review the schedule were not sufficient to identify and correct the errors.

Effect:

Since the schedule of expenditures of Federal awards is the basis for planning and conducting a Single Audit, an inaccurate schedule could result in federal expenditures not being properly subjected to audit.

Repeat Finding:

No.

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

Auditor's Recommendation:

The Department of Public Safety should strengthen its internal controls to ensure it properly sets up the accounting for disasters in the state's accounting system to accurately assign expenditures to the appropriate CFDA.

The Department of Public Safety should strengthen its internal controls to ensure it records expenditures to other state agencies and expenditures to subrecipients with the correct coding in the state's accounting system.

The Department of Public Safety should strengthen its procedures to prepare and review the Schedule of Expenditures of Federal Awards to ensure it accurately reports its total federal expenditures and amounts provided to subrecipients.

Views of Responsible Officials:

The Department of Public Safety agrees with this finding.

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

State Agency	Minnesota Department of Military Affairs
Federal Agency(ies)	U.S. Department of Defense
CFDA Number(s)/ Program Name(s):	CFDA 12.401 – National Guard Military Operations and Maintenance (O&M) Projects
Questioned Costs:	None
Federal Project Nos./ Award Year	W912LM-16-2-1001, W912LM-16-2-1007, W912LM-16-2-1021, W912LM-20-2-1001, W912LM-20-2-1002, W912LM-20-2-1003, W912LM-20-2-1007, W912LM-20-2-1021, W912LM-20-2-1023, W912LM-20-2-1024

Finding Number 2020-064 *Noncompliance with federal schedule of expenditures of federal awards requirements.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Controls Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 510(b), (Schedule of expenditures of Federal awards) states, “The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended....”

Condition:

The Department of Military Affairs overstated the total federal expenditures reported on the Schedule of Expenditures of Federal Awards for National Guard Military Operations and Maintenance Projects by \$133,679.

Questioned Costs:

None.

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

Context:

The overstatement was about 0.22 percent of the reported total federal expenditures. We proposed an audit adjustment to correct the schedule, and the Department of Management and Budget posted the adjustment.

Cause:

The department extracted a summary of program expenditures from the state's accounting system and compared it to the total federal expenditures included on the schedule generated from the accounting system to verify the accuracy of the schedule. The department identified a variance of \$86,929 from that comparison, with the schedule overstated because certain expenditure reduction transactions were omitted, but did not post an adjustment to reduce the amount on the schedule. In addition, neither the schedule nor the expenditure summary captured certain expenditure reduction transactions in the state's accounting system recorded without a CFDA number, which caused an overstatement of \$46,472. Finally, the department did not recognize that both the schedule and the expenditure summary included \$278 in transactions posted to balance sheet accounts that should have been omitted from the schedule. Another contributing factor was that a single employee completed and verified the amounts on the schedule without a secondary review.

Effect:

Since the schedule of expenditures of Federal awards is the basis for planning and conducting a Single Audit, an inaccurate schedule could result in federal expenditures not being properly subjected to audit.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Military Affairs should strengthen its procedures to prepare and review the Schedule of Expenditures of Federal Awards to ensure it accurately identifies and reports all federal expenditures on the schedule.

The Department of Military Affairs should implement a secondary review of the Schedule of Expenditures of Federal Awards to ensure the accuracy of the schedule.

Views of Responsible Officials:

The Department of Military Affairs agrees with this finding.

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

State Agency	Minnesota State Colleges and Universities
Federal Agency(ies)	U.S. Department of Education
CFDA Number(s)/ Program Name(s):	Student Financial Aid Cluster 84.007 – Federal Supplemental Educational 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 84.379 – Teacher Education Assistance for College and Higher Education Grants 93.364 – Nursing Student Loans
Questioned Costs:	\$1,828,715
Federal Project Nos./ Award Year	None provided

Finding Number 2020-065 (CLA Report 2020-001) *Cash Management G5 Drawdowns.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance and Other Matters.

Criteria or Specific Requirement:

The Code of Federal Regulations, 34 CFR 668.166(b) states that an institution may maintain for up to seven days an amount of excess cash that does not exceed 1% of the total amount of funds the institution drew down in the prior award year. The institution must return immediately to the Department of Education (ED) any amount of excess cash over the 1% tolerance and any amount of excess cash remaining in its account after the seven-day tolerance period.

Condition:

During our testing of federal G5 drawdowns, we noted there were amounts overdrawn on G5 by Saint Paul College.

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

Questioned Costs:

\$1,828,715

Context:

During our audit procedures, we noted there were \$1,828,715 of federal direct loan funds overdrawn by Saint Paul College during the month of June 2020.

Cause:

The refund was processed late because the wrong reports were being pulled for their monthly reconciliation procedures.

Effect:

The Institution is not in compliance with ED requirements that excess cash needs to be returned to the Department of Education within seven days.

Repeat Finding:

No

Auditor's Recommendation:

We recommend the College review their policies and procedures surrounding reconciliations to ensure disbursements are completely reconciled to G5 monthly.

Views of Responsible Officials:

There is no disagreement with the audit finding.

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

State Agency	Minnesota State Colleges and Universities
Federal Agency(ies)	U.S. Department of Education
CFDA Number(s)/ Program Name(s):	Student Financial Aid Cluster 84.007 – Federal Supplemental Educational 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 84.379 – Teacher Education Assistance for College and Higher Education Grants 93.364 – Nursing Student Loans
Questioned Costs:	\$181,915
Federal Project Nos./ Award Year	None provided

Finding Number 2020-066 (CLA Report 2020-002) *Student Refund Checks Outstanding Greater than 240 Days.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance and Other Matters.

Criteria or Specific Requirement:

The Code of Federal Regulations, 34 CFR 668.164(h)(2) states that an institution that attempts to disburse funds by check and the check is not cashed, the institution must return the funds to the Secretary no later than 240 days after the date it issued that check.

Condition:

During our testing, we noted several institutions not returning outstanding checks greater than 240 days to the Department of Education. These institutions included Century College, Inver Hills Community College, Minnesota State College, Southeast, Minnesota State University, Mankato, Northland Community and Technical College, Northwest Technical College, South Central College, and Vermillion Community College.

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

Questioned Costs:

\$181,915

Context:

During our testing, we noted 330 checks related to student refunds of Title IV federal financial aid was outstanding more than 240 days as of June 30, 2020.

Cause:

Management was not aware of the requirement to return checks that are not cashed within 240 days and with the volume of refund checks, there is not a process in place to resolve.

Effect:

The Institutions are not in compliance with Department of Education requirements that all student refund checks that are outstanding for more than 240 days be return to the Department.

Repeat Finding:

No

Auditor's Recommendation:

We recommend the institutions review their procedures and implement processes to ensure they are properly turning over all student refund check that include federal dollars that are outstanding greater than 240 days.

Views of Responsible Officials:

There is no disagreement with the audit finding.

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

State Agency	Minnesota State Colleges and Universities
Federal Agency(ies)	U.S. Department of Education
CFDA Number(s)/ Program Name(s):	Student Financial Aid Cluster 84.007 – Federal Supplemental Educational 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 84.379 – Teacher Education Assistance for College and Higher Education Grants 93.364 – Nursing Student Loans
Questioned Costs:	None
Federal Project Nos./ Award Year	None provided

Finding Number 2020-067 (CLA Report 2020-003) *National Student Loan Data System (NSLDS) Enrollment Reporting.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance and Other Matters.

Criteria or Specific Requirement:

The Code of Federal Regulations, 34 CFR 682.610, states that institutions must report accurately the enrollment status of all students regardless if they receive aid from the institution or not. This includes the enrollment effective date and related enrollment status, which must be reported for both the Campus-Level and the Program-Level. In addition, at a minimum, schools are required to certify enrollment every 60 days, and respond within 15 days of the date that NSLDS sends a Roster file to the school or its third-party servicer.

Condition:

During our testing of 60 students, we noted two students from Hennepin Technical College and one student from Minnesota West Community and Technical College where enrollment was not certified every 60 days. For one student at Metropolitan State University and one student at Minnesota State College, Southeast where the program enrollment effective date of the status change did not match the institution's records.

Questioned Costs:

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

None

Context:

During our testing, it was noted the institutions do not have a process in place to ensure timeliness and accuracy of NSLDS reporting.

Cause:

The institutions did not timely or properly report student enrollment information to NSLDS through their third-party servicer, National Student Clearinghouse (NSC).

Effect:

The institutions did not comply with Department of Education (ED) regulations by reporting student enrollment status changes accurately and timely.

Repeat Finding:

No

Auditor's Recommendation:

We recommend the institutions reevaluate their procedures and review policies surrounding reporting status changes and other enrollment information to NSLDS to ensure timely and accurate reporting.

Views of Responsible Officials:

There is no disagreement with the audit finding.

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

State Agency	Minnesota State Colleges and Universities
Federal Agency(ies)	U.S. Department of Education
CFDA Number(s)/ Program Name(s):	84.425E – Higher Education Emergency Relief Fund Student Aid Portion
Questioned Costs:	None
Federal Project Nos./ Award Year	Not provided

Finding Number 2020-068 (CLA Report 2020-004) *Incomplete Data Collection Form Documentation.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance and Other Matters.

Criteria or Specific Requirement:

The Code of Federal Regulations, 2 CFR 200.303, nonfederal entities receiving federal awards are required to establish and maintain internal controls designed to reasonable ensure compliance with federal laws, regulations, and program compliance requirements. Per Department of Education requirements, there are seven steps required in the 30-day report over the student portion. This initial reporting for this grant requires the report to be submitted to the Institution's website within 30 days of the signed Certification Agreement or 30 days after the electronic announcement date May 6, whichever is later.

Condition:

During our testing, we noted Anoka Ramsey Community College and Anoka Technical College were unable to provide supporting documentation for the information reported in steps 3, 4, and 5 of the reporting steps. We also noted Century College was missing steps 1 and 4 of the required steps and they were unable to provide supporting documentation for steps 3 and 5. Finally, we noted North Hennepin Community College was unable to provide supporting documentation for steps 3 and 5.

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

Questioned Costs:

None

Context:

Required information to be reported by the Department of Education was missing.

Cause:

A control system to prevent and detect errors in the reporting process was not created at the time the reports were filed.

Effect:

The institutions did not comply with Department of Education (ED) regulations by reporting accurate information as well as retaining support for the information reported to ensure accuracy.

Repeat Finding:

No

Auditor's Recommendation:

We recommend the institutions review their reporting procedures to ensure all required steps are included as well as the supporting documentation to prepare the report is retained. The reports should be reviewed by someone other than the preparer of the report and this review should be documented.

Views of Responsible Officials:

There is no disagreement with the audit finding.

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

State Agency	Minnesota State Colleges and Universities
Federal Agency(ies)	U.S. Department of Education
CFDA Number(s)/ Program Name(s):	84.425F – Higher Education Emergency Relief Fund Institutional Portion
Questioned Costs:	None
Federal Project Nos./ Award Year	Not provided

Finding Number 2020-069 (CLA Report 2020-005) *Noncompliance with allowable activities.*

Award Period:

July 1, 2019, through June 30, 2020.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance and Other Matters.

Criteria or Specific Requirement:

For the (a)(1) Institutional Portion (CFDA 84.425F), allowable expenditures must be “to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus, so long as such costs do not include payment to contractors for the provision of pre-enrollment recruitment activities; endowments; or capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship” (CARES Act Section 18004(c)). Generally, lost revenue is not a permissible expenditure (such as replacing lost revenue due to reduced enrollment; replacing lost revenue from non-tuition sources (e.g., cancelled ancillary events; disruption of food service, dorms, childcare or other facilities; cancellation of use of campus venues by other organizations; lost parking revenue).

Condition:

During our testing, we noted Lake Superior College had allocated lost revenue as an allowable expense to the Cares Act.

Questioned Costs:

None.

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

Context:

During our testing, it was noted the institution had allocated lost revenue to the grant which was not an allowable cost. The institution did have expenses that were beyond what was initially applied to the grant so those were applied to the erroneous lost revenue; therefore, there were no questioned costs.

Cause:

The institution was not aware lost revenue was an unallowable cost with the first round of HEERF.

Effect:

The institutions did not comply with Department of Education (ED) regulations for allowable costs.

Repeat Finding:

No.

Auditor's Recommendation:

We recommend the institution reevaluate their procedures surrounding allowable costs and costs being charged to the grant to ensure all are allowable costs.

Views of Responsible Officials:

There is no disagreement with the audit finding.



State of Minnesota
Financial and Compliance Report on Federally Assisted Programs
Fiscal Year Ended June 30, 2020

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2017-004	Human Services
2018-007	Education
2018-010 & 2018-011	Human Services
2018-012 & 2018-013	Human Services
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STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2020

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN *	SF-SAC FIND REF	AUDIT REPORT FISCAL YR.
U.S. Department of Agriculture						
10.551	Supplemental Nutrition Assistance Program	Human Services	Noncompliance with EBT card security requirements	2	2019-017	2019
10.551	Supplemental Nutrition Assistance Program	Human Services	Noncompliance with independence requirements for quality control unit	1	2019-018	2019
10.551	Supplemental Nutrition Assistance Program	Human Services	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which	2	2019-039	2019
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Childrer Health	Human Services	Noncompliance with federal schedule of expenditures of federal awards requirements	1	2019-016	2019
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Human Services	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2018-019	2018
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Human Services	Human Services	Noncompliance with EBT card security requirements	2	2019-017	2019
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Human Services	Human Services	Noncompliance with independence requirements for quality control unit	1	2019-018	2019
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Human Services	Human Services	Noncompliance with subrecipient monitoring requirements	2	2019-037	2019
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Human Services	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2019-038	2019
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Human Services	Human Services	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which	2	2019-039	2019
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Human Services	Human Services	Indirect Costs inappropriately allocated	1	2019-040	2019
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Human Services	Human Services	Noncompliance with federal schedule of expenditures of federal awards requirements	1	2019-041	2019
U.S. Department of Defense						
12.400	Military Construction, National Guard	Military Affairs	Noncompliance with procurement requirements	1	2019-004	2019
U.S. Department of Interior						
15.605	Sport Fish Restoration	Natural Resources	Noncompliance with Allowable Costs and Activities	2	2019-006	2019
15.605	Sport Fish Restoration	Natural Resources	Noncompliance with allowable activities and costs	1	2019-007	2019
15.605	Sport Fish Restoration	Natural Resources	Noncompliance with federal schedule of expenditures of federal awards requirements	2	2019-008	2019
15.611	Wildlife Restoration and Basic Hunter Education	Natural Resources	Noncompliance with Allowable Costs and Activities	2	2019-006	2019
15.611	Wildlife Restoration and Basic Hunter Education	Natural Resources	Noncompliance with allowable activities and costs	1	2019-007	2019
15.611	Wildlife Restoration and Basic Hunter Education	Natural Resources	Noncompliance with federal schedule of expenditures of federal awards requirements	1	2019-008	2019
U.S. Department of Justice						
16.575	Crime Victim Assistance	Public Safety	Noncompliance with subrecipient monitoring requirements	1	2019-009	2019
16.575	Crime Victim Assistance	Public Safety	Noncompliance with subrecipient monitoring requirements	2	2019-010	2019
16.575	Crime Victim Assistance	Public Safety	Noncompliance with subrecipient monitoring requirements	2	2019-011	2019
16.575	Crime Victim Assistance	Public Safety	Internal control weakness	1	2019-014	2019
U.S. Department of Labor						
17.225	Unemployment Insurance	Employment and Econon	Noncompliance with allowable activities and costs	2	2019-043	2019
17.225	Unemployment Insurance	Employment and Econon	Noncompliance with eligibility	1	2019-044	2019
17.225	Unemployment Insurance	Employment and Econon	Noncompliance with period of performance	2	2019-045	2019
17.225	Unemployment Insurance	Employment and Econon	Noncompliance with reporting requirements	2	2019-046	2019
U.S. Department of Transportation						
20.600	State and Community Highway Safety	Public Safety	Noncompliance with allowable cost provisions	2	2019-012	2019
20.600	State and Community Highway Safety	Public Safety	Internal control weakness	1	2019-014	2019
20.616	National Priority Safety Programs	Transportation	Noncompliance with federal schedule of expenditures of federal awards requirements	1	2019-005	2019
20.616	National Priority Safety Programs	Public Safety	Noncompliance with federal schedule of expenditures of federal awards requirements	1	2019-013	2019
20.616	National Priority Safety Programs	Public Safety	Internal control weakness	1	2019-014	2019
U.S. Department of Education						
84.010	Title I Grants to Local Educational Agencies	Education	Noncompliance with carryforward provisions	2	2018-007	2018
84.038	Federal Perkins Loan Program Federal Capital Contributions	Minnesota State	Noncompliance with Third-Party Eligibility Requirements	1	2019-001	2019
84.010	Title I Grants to Local Educational Agencies	Education	Noncompliance with Carryforward provisions	2	2019-015	2019
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Employment and Econon	Noncompliance with federal schedule of expenditures of federal awards requirements	2	2019-047	2019
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Employment and Econon	Noncompliance with cash management	2	2019-048	2019
U.S. Department of Health & Human Services						
93.423	1332 State Innovation Waivers	Commerce	Noncompliance with procurement, suspension, and debarment requirements	1	2019-002	2019
93.423	1332 State Innovation Waivers	Commerce	Noncompliance with subrecipient monitoring requirements	1	2019-003	2019
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal eligibility requirements	2	2014-023	2014
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal eligibility requirements	2	2015-011	2015
93.558	Temporary Assistance for Needy Families	Human Services	Did not consistently reduce cash assistance benefits	2	2015-013	2015
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal eligibility requirements	2	2016-006	2016
93.558	Temporary Assistance for Needy Families	Human Services	Did not consistently reduce cash assistance benefits	2	2016-008	2016
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal eligibility requirements	2	2017-002	2017
93.558	Temporary Assistance for Needy Families	Human Services	Did not consistently reduce cash assistance benefits	2	2017-003	2017
93.558	Temporary Assistance for Needy Families	Human Services	Costs charged to a federal award that were incurred before the start date of that award	1	2018-009	2018
93.558	Temporary Assistance for Needy Families	Human Services	Benefits not always reduced	2	2018-010	2018
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal eligibility requirements	2	2018-011	2018

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2020

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN *	SF-SAC FIND REF	AUDIT REPORT FISCAL YR.
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2018-019	2018
93.558	Temporary Assistance for Needy Families	Human Services	Benefits not always reduced	2	2019-019	2019
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal eligibility requirements	2	2019-020	2019
93.558	Temporary Assistance for Needy Families	Human Services	Costs charged to a federal award that were incurred before the start date of that award	1	2019-021	2019
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with reporting requirements	2	2019-022	2019
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2019-023	2019
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with subrecipient monitoring requirements	2	2019-037	2019
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2019-038	2019
93.558	Temporary Assistance for Needy Families	Human Services	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which indirect costs inappropriately allocated	2	2019-039	2019
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal schedule of expenditures of federal awards requirements	1	2019-040	2019
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2019-041	2019
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2018-019	2018
93.563	Child Support Enforcement	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2019-038	2019
93.575	Child Care and Development Block Grant	Human Services	Not adequately monitoring program activities	2	2013-013	2013
93.575	Child Care and Development Block Grant	Human Services	Not adequately monitoring program activities	2	2014-027	2014
93.575	Child Care and Development Block Grant	Human Services	Not adequately monitoring program activities	2	2015-014	2015
93.575	Child Care and Development Block Grant	Human Services	Not adequately monitoring program activities	2	2016-009	2016
93.575	Child Care and Development Block Grant	Human Services	Not adequately monitoring program activities	2	2017-004	2017
93.575	Child Care and Development Block Grant	Human Services	Noncompliance with eligibility requirements	2	2018-012	2018
93.575	Child Care and Development Block Grant	Human Services	Not adequately monitoring program activities	2	2018-013	2018
93.575	Child Care and Development Block Grant	Human Services	Noncompliance with eligibility requirements	2	2019-024	2019
93.575	Child Care and Development Block Grant	Human Services	Noncompliance with period of performance	2	2019-025	2019
93.575	Child Care and Development Block Grant	Human Services	Noncompliance with monitoring health and safety requirements	2	2019-026	2019
93.575	Child Care and Development Block Grant	Human Services	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which indirect costs inappropriately allocated	2	2019-039	2019
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Not adequately monitoring program activities	2	2013-013	2013
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Not adequately monitoring program activities	2	2014-027	2014
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Not adequately monitoring program activities	2	2015-014	2015
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Not adequately monitoring program activities	2	2016-009	2016
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Not adequately monitoring program activities	2	2017-004	2017
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Noncompliance with eligibility requirements	2	2018-012	2018
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Not adequately monitoring program activities	2	2018-013	2018
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2018-019	2018
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Noncompliance with eligibility requirements	2	2019-024	2019
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Noncompliance with period of performance	2	2019-025	2019
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Noncompliance with monitoring health and safety requirements	2	2019-026	2019
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Noncompliance with subrecipient monitoring requirements	2	2019-037	2019
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2019-038	2019
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which indirect costs inappropriately allocated	2	2019-039	2019
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Noncompliance with federal schedule of expenditures of federal awards requirements	1	2019-040	2019
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Human Services	Human Services	Noncompliance with reporting requirements	2	2019-041	2019
93.658	Foster Care Title IV-E	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2019-027	2019
93.658	Foster Care Title IV-E	Human Services	Noncompliance with subrecipient monitoring requirements	2	2019-028	2019
93.658	Foster Care Title IV-E	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2019-037	2019
93.658	Foster Care Title IV-E	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2019-038	2019
93.658	Foster Care Title IV-E	Human Services	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which indirect costs inappropriately allocated	2	2019-039	2019
93.658	Foster Care Title IV-E	Human Services	Noncompliance with federal schedule of expenditures of federal awards requirements	1	2019-040	2019
93.658	Foster Care Title IV-E	Human Services	Noncompliance with cash management requirements	2	2019-041	2019
93.659	Adoption Assistance	Human Services	Noncompliance with reporting requirements	2	2018-014	2018
93.659	Adoption Assistance	Human Services	Noncompliance with reporting requirements	2	2018-015	2018
93.659	Adoption Assistance	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2018-019	2018
93.659	Adoption Assistance	Human Services	Noncompliance with cash management requirements and reimbursement for unallowable costs	2	2019-029	2019
93.659	Adoption Assistance	Human Services	Unallowable costs and activities	2	2019-030	2019
93.659	Adoption Assistance	Human Services	Noncompliance with supplement not supplant requirements	1	2019-031	2019
93.659	Adoption Assistance	Human Services	Noncompliance with federal reporting requirements	2	2019-032	2019
93.659	Adoption Assistance	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2019-038	2019
93.659	Adoption Assistance	Human Services	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which indirect costs inappropriately allocated	2	2019-039	2019
93.659	Adoption Assistance	Human Services	Noncompliance with federal schedule of expenditures of federal awards requirements	1	2019-040	2019
93.659	Adoption Assistance	Human Services	Noncompliance with federal schedule of expenditures of federal awards requirements	1	2019-041	2019

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2020

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN *	SF-SAC FIND REF	AUDIT REPORT FISCAL YR.
93.667	Social Services Block Grant	Human Services	Inaccurate financial reports	2	2018-016	2018
93.667	Social Services Block Grant	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2018-019	2018
93.667	Social Services Block Grant	Human Services	Inaccurate financial reports	2	2019-033	2019
93.667	Social Services Block Grant	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2019-038	2019
93.767	Children's Health Insurance Program	Human Services	Noncompliance with revalidation of providers	2	2019-036	2019
93.767	Children's Health Insurance Program	Human Services	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which i	2	2019-039	2019
93.767	Children's Health Insurance Program	Human Services	Indirect Costs inappropriately allocated	1	2019-040	2019
93.778	Medical Assistance Program	Human Services	Noncompliance with eligibility requirements	2	2019-042	2019
93.778	Medical Assistance Program	Human Services	Noncompliance with revalidation of providers	2	2018-017	2018
93.778	Medical Assistance Program	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2018-019	2018
93.778	Medical Assistance Program	Human Services	Noncompliance with eligibility requirements	2	2019-034	2019
93.778	Medical Assistance Program	Human Services	Noncompliance with payment and program integrity requirements	1	2019-035	2019
93.778	Medical Assistance Program	Human Services	Noncompliance with revalidation of providers	2	2019-036	2019
93.778	Medical Assistance Program	Human Services	Noncompliance with subrecipient monitoring requirements	2	2019-037	2019
93.778	Medical Assistance Program	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	2019-038	2019
93.778	Medical Assistance Program	Human Services	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which i	2	2019-039	2019
93.778	Medical Assistance Program	Human Services	Indirect Costs inappropriately allocated	1	2019-040	2019
93.778	Medical Assistance Program	Human Services	Noncompliance with federal schedule of expenditures of federal awards requirements	2	2019-041	2019
93.889	National Biodefense Hospital Preparedness Program	Health	Noncompliance with federal schedule of expenditures of federal awards requirements	1	2019-016	2019
U.S. Social Security Administration						
96.001	Social Security Disability Insurance	Employment and Econon	Noncompliance with allowable activities and costs	2	2019-049	2019
*CATEGORY OF CORRECTIVE ACTION TAKEN						
1 - Findings have been fully corrected.						
2 - Findings are not corrected or are only partially corrected.						
3 - Corrective action taken was significantly different than previously reported.						
4 - Audit findings are no longer valid or do not warrant further action.						
For Categories 2 and 3, please refer to Status of Prior Federal Program Audit Findings supplemental information for further details.						



State of Minnesota**Financial and Compliance Report on Federally Assisted Programs****Fiscal Year Ended June 30, 2020**

Supplemental Information
Status of Prior Federal Program Audit Findings

Please see the Index of Corrective Action Plans for planned corrective action plans submitted by the agencies for any current year repeat findings.

Finding 2013-013**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 Mandatory and Matching Funds

Problem: *Not adequately monitoring program activities.***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, Finding 2020-012. See agency provided corrective action plan number 2020-012.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2014-023

State Agency: Minnesota Department of Human Services

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

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

93.558 Temporary Assistance for Needy Families (TANF)

Problem: *Noncompliance with federal eligibility requirements.*

The Department of Human Services did not adequately ensure that recipients receiving benefits met the eligibility requirements for Temporary Assistance for Needy Families.

This finding is repeated in the current audit report. See Section III, Finding 2020-018. See agency provided corrective action plan number 2020-018.

Finding 2014-027

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 Mandatory and Matching Funds

Problem: *Not adequately monitoring program activities.*

The Department of Human Services did not always perform licensing visits to childcare facilities in timely manner.

This finding is repeated in the current audit report. See Section III, Finding 2020-012. See agency provided corrective action plan number 2020-012.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2015-011

State Agency: Minnesota Department of Human Services

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

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

93.558 Temporary Assistance for Needy Families (TANF)

Problem: Noncompliance with federal eligibility requirements.

The Department of Human Services did not ensure the effectiveness of controls over eligibility determinations for Temporary Assistance for Needy Families.

This finding is repeated in the current audit report. See Section III, Finding 2020-018. See agency provided corrective action plan number 2020-018.

Finding 2015-013

State Agency: Minnesota Department of Human Services

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

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

93.558 Temporary Assistance for Needy Families (TANF)

Problem: Did not consistently reduce cash assistance benefits.

The Department of Human Services did not consistently reduce recipients' cash assistance benefits when the recipients refused to cooperate with child support enforcement requirements.

This finding is repeated in the current audit report. See Section III, Finding 2020-021. See agency provided corrective action plan number 2020-021.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2015-014

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 Mandatory and Matching Funds

Problem: *Not adequately monitoring program activities.*

The Department of Human Services did not always perform on-site licensing reviews of childcare centers within the required timeframe. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Finding 2020-012. See agency provided corrective action plan number 2020-012.

Finding 2016-006

State Agency: Minnesota Department of Human Services

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

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

93.558	Temporary Assistance for Needy Families (TANF)
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Problem: *Noncompliance with federal eligibility requirements.*

The Department of Human Services did not adequately ensure eligibility requirements were met for families receiving Temporary Assistance for Needy Families benefits. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Finding 2020-018. See agency provided corrective action plan number 2020-018.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2016-008

State Agency: Minnesota Department of Human Services

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

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

93.558 Temporary Assistance for Needy Families (TANF)

Problem: Did not consistently reduce cash assistance benefits.

The Department of Human Services did not consistently reduce enrollees' cash assistance benefits when the enrollees refused to cooperate with child support enforcement requirements. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Finding 2020-021. See agency provided corrective action plan number 2020-021.

Finding 2016-009

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 Mandatory and Matching Funds

Problem: Not adequately monitoring program activities.

The Department of Human Services did not always perform on-site licensing reviews of childcare centers within the required timeframe. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Finding 2020-012. See agency provided corrective action plan number 2020-012

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2017-002

State Agency: Minnesota Department of Human Services

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

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

93.558 Temporary Assistance for Needy Families (TANF)

Problem: *Noncompliance with federal eligibility requirements.*

The Department of Human Services did not adequately ensure eligibility requirements were met for families receiving Temporary Assistance for Needy Families benefits. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Finding 2020-018. See agency provided corrective action plan number 2020-018.

Finding 2017-003

State Agency: Minnesota Department of Human Services

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

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

93.558 Temporary Assistance for Needy Families (TANF)

Problem: *Did not consistently reduce cash assistance benefits.*

The Department of Human Services did not consistently reduce enrollees' cash assistance benefits when the enrollees refused to cooperate with child support enforcement requirements. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Finding 2020-021. See agency provided corrective action plan number 2020-021.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2017-004

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 Mandatory and Matching Funds

Problem: *Not adequately monitoring program activities.*

The Department of Human Services did not always perform on-site licensing reviews of childcare centers within the required timeframe. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Finding 2020-012. See agency provided corrective action plan number 2020-012.

Finding 2018-007

State Agency: Minnesota Department of Education

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

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

84.010	Title I Grants to Local Educational Agencies
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Problem: *Noncompliance with carryforward provisions.*

The Department of Education allowed six local educational agencies to carryforward more than 15 percent of their Title 1 funds allocated for the federal fiscal year 2016 without granting a waiver.

This finding is repeated in the current audit report. See Section III, Finding 2020-004. See agency provided corrective action plan number 2020-004.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2018-010

State Agency: Minnesota Department of Human Services

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

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

93.558 Temporary Assistance for Needy Families (TANF)

Problem: Benefits not always reduced.

The Department of Human Services did not consistently reduce enrollees' cash assistance benefits when the enrollees refused to cooperate with child support enforcement requirements. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Finding 2020-021. See agency provided corrective action plan number 2020-021.

Finding 2018-011

State Agency: Minnesota Department of Human Services

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

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

93.558 Temporary Assistance for Needy Families (TANF)

Problem: Noncompliance with federal eligibility requirements.

The Department of Human Services did not adequately ensure eligibility requirements were met for families receiving Temporary Assistance for Needy Families benefits. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Finding 2020-018. See agency provided corrective action plan number 2020-018.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2018-012

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 Development Block Grant
93.596	Child Care Mandatory and Matching Funds

Problem: *Noncompliance with eligibility requirements.*

The Department of Human Services did not correctly calculate income when determining eligibility for three of the 25 cases we tested.

This finding is repeated in the current audit report. See Section III, Finding 2020-011. See agency provided corrective action plan number 2020-011.

Finding 2018-013

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 Development Block Grant
93.596	Child Care Mandatory and Matching Funds

Problem: *Not adequately monitoring program activities.*

The Department of Human Services did not always perform on-site licensing reviews of childcare centers within the required timeframe. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Finding 2020-012. See agency provided corrective action plan number 2020-012.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2018-014

State Agency: Minnesota Department of Human Services

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

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

93.659 Adoption Assistance

Problem: *Noncompliance with cash management requirements.*

The Department of Human Services requested reimbursement from the federal government for expenditures for which it had already received payment.

This finding is repeated in the current audit report. See Section III, Finding 2020-029. See agency provided corrective action plan number 2020-019.

Finding 2018-015

State Agency: Minnesota Department of Human Services

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

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

93.659 Adoption Assistance

Problem: *Noncompliance with reporting requirements.*

The Department of Human Services did not accurately report expenditures for two of the CB-496, Title IV-E Programs Quarterly Financial Report tested.

This finding is repeated in the current audit report. See Section III, Finding 2020-032. See agency provided corrective action plan number 2020-032.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2018-016

State Agency: Minnesota Department of Human Services

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

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

93.667 Social Services Block Grant (SSBG)

Problem: Inaccurate financial reports.

The Department of Human Services did not report the correct indirect cost rate and indirect cost base amount on the FFR for each SSBG award.

This finding is repeated in the current audit report. See Section III, Finding 2020-023. See agency provided corrective action plan number 2020-023.

Finding 2018-017

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

Problem: Noncompliance with revalidation of providers.

The Department of Human Services did not revalidate the enrollment for 2 of the 40 providers we tested within the allotted five-year period.

This finding is repeated in the current audit report. See Section III, Finding 2020-027. See agency provided corrective action plan number 2020-027

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2018-019

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 Program
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement – States Program
93.596	Child Care Mandatory and Matching Funds
93.659	Adoption Assistance
93.667	Social Services Block Grant (SSBG)
93.778	Medical Assistance

Problem: *Noncompliance with federal subrecipient monitoring requirements.*

The Department of Human Services did not communicate all of the required information to the subrecipient at the time of the subaward.

This finding is repeated in the current audit report. See Section III, Finding 2020-037. See agency provided corrective action plan number 2020-037.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-006

State Agency: Minnesota Department of Natural Resources

Federal Agency(ies): U.S. Department of the Interior

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

Fish and Wildlife Cluster
15.605 Sport Fish Restoration
15.611 Wildlife Restoration and Basic Hunter Education
Fish and Wildlife Research and Development Cluster

Problem: *Noncompliance with Allowable Costs and Activities.*

Employees at the Department of Natural Resources did not always complete their own timesheet, and the supervisor with direct knowledge of an employee's work did not always approve the employee's timesheet.

This finding is repeated in the current audit report. See Section III, Finding 2020-003. See agency provided corrective action plan number 2020-003

Finding 2019-008

State Agency: Minnesota Department of Natural Resources

Federal Agency(ies): U.S. Department of the Interior

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

15.605 Sport Fish Restoration

Problem: *Noncompliance with federal schedule of expenditures of federal awards requirements.*

The Department of Natural Resources inaccurately reported expenditures on the schedule of expenditures of Federal awards for the Fish and Wildlife Cluster and did not accurately reallocate the portion of those expenditures spent on research and development to the Research and Development Cluster on the schedule.

This finding is repeated in the current audit report. See Section III, Finding 2020-002. See agency provided corrective action plan number 2020-002.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-010

State Agency: Minnesota Department of Public Safety

Federal Agency(ies): U.S. Department of Justice

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

16.575 Crime Victim Assistance

Problem: *Noncompliance with subrecipient monitoring requirements.*

The Department of Public Safety did not always conduct subrecipient monitoring activities required by its monitoring plan.

This finding is repeated in the current audit report. See Section III, Finding 2020-052. See agency provided corrective action plan number 2020-052.

Finding 2019-011

State Agency: Minnesota Department of Public Safety

Federal Agency(ies): U.S. Department of Justice

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

16.575 Crime Victim Assistance

Problem: *Noncompliance with subrecipient monitoring requirements.*

The Department of Public Safety did not issue a management decision for one subrecipient audit finding.

This finding is repeated in the current audit report. See Section III, Finding 2020-062. See agency provided corrective action plan number 2020-062.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-012

State Agency: Minnesota Department of Public Safety

Federal Agency(ies): U.S. Department of Transportation

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

20.600 State and Community Highway Safety

Problem: *Noncompliance with allowable cost provisions.*

The Department of Public Safety did not properly approve three employee timesheets in compliance with state policy. Specifically, backup approvers approved the timesheets without documenting the reason for their approval instead of the primary approver.

This finding is repeated in the current audit report. See Section III, Finding 2020-058. See agency provided corrective action plan number 2020-058.

Finding 2019-015

State Agency: Minnesota Department of Education

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

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

84.010 Title I Grants to Local Educational Agencies

Problem: *Noncompliance with Carryforward provisions.*

For the six local educational agencies cited in prior finding 2018-007, the Department of Education did not reduce carryforward amounts to 15 percent of Title 1 funds allocated for federal fiscal year 2016 or grant waivers for the excess. In addition, the Department of Education did not design effective internal controls to ensure compliance with the carryforward provisions.

This finding is repeated in the current audit report. See Section III, Finding 2020-004. See agency provided corrective action plan number 2020-004.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-017

State Agency: Minnesota Department of Human Services

Federal Agency(ies): U.S. Department of Agriculture

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

10.551	Supplemental Nutrition Assistance Program
10.561	State Admin Matching Grant Supplemental Nutrition Assistance Program

Problem: *Noncompliance with EBT card security requirements.*

The Department of Human Services did not maintain adequate security over EBT cards on hand and did not destroy returned EBT cards.

This finding is repeated in the current audit report. See Section III, Finding 2020-042. See agency provided corrective action plan number 2020-042.

Finding 2019-019

State Agency: Minnesota Department of Human Services

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

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

93.558	Temporary Assistance for Needy Families (TANF)
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Problem: *Benefits not always reduced.*

The Department of Human Services did not always reduce TANF benefits provided to the families of individuals who did not cooperate with child support requirements.

This finding is repeated in the current audit report. See Section III, Finding 2020-021. See agency provided corrective action plan number 2020-021.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-020

State Agency: Minnesota Department of Human Services

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

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

93.558 Temporary Assistance for Needy Families (TANF)

Problem: Noncompliance with federal eligibility requirements.

The Department of Human Services provided TANF benefits to some ineligible recipients and provided inaccurate TANF benefit amounts to some recipients.

This finding is repeated in the current audit report. See Section III, Finding 2020-018. See agency provided corrective action plan number 2020-018.

Finding 2019-022

State Agency: Minnesota Department of Human Services

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

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

93.558 Temporary Assistance for Needy Families (TANF)

Problem: Noncompliance with reporting requirements.

For the TANF ACF -196R Financial Report, the Department of Human Services did not accurately report transfers to the Child Care and Development Block Grant.

This finding is repeated in the current audit report. See Section III, Finding 2020-019. See agency provided corrective action plan number 2020-019.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-023

State Agency: Minnesota Department of Human Services

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

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

93.558 Temporary Assistance for Needy Families (TANF)

Problem: Noncompliance with federal subrecipient monitoring requirements.

The Department of Human Services did not always monitor MFIP Consolidated Fund subrecipients.

This finding is repeated in the current audit report. See Section III, Finding 2020-020. See agency provided corrective action plan number 2020-020.

Finding 2019-024

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 Mandatory and Matching Funds of the Child Care
and Development Fund

Problem: Noncompliance with eligibility requirements.

The Department of Human Services did not ensure counties accurately determined eligibility of applicants or the amounts of the subsidies paid.

This finding is repeated in the current audit report. See Section III, Finding 2020-011. See agency provided corrective action plan number 2020-011.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-025

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 Mandatory and Matching Funds of the Child Care and Development Fund

Problem: *Noncompliance with period of performance.*

The Department of Human Services charged costs to an award that were incurred after the period of the performance.

This finding is repeated in the current audit report. See Section III, Finding 2020-014. See agency provided corrective action plan number 2020-014.

Finding 2019-026

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 Mandatory and Matching Funds of the Child Care and Development Fund

Problem: *Noncompliance with monitoring health and safety requirements.*

The Department of Human Services did not comply with federal requirements and complete licensing reviews, as required by its Child Care Development Plan.

This finding is repeated in the current audit report. See Section III, Finding 2020-012. See agency provided corrective action plan number 2020-012.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-027

State Agency: Minnesota Department of Human Services

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

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

93.658 Foster Care – Title IV-E

Problem: Noncompliance with reporting requirements.

The Department of Human Services did not accurately report expenditures and the count of children.

This finding is repeated in the current audit report. See Section III, Finding 2020-015. See agency provided corrective action plan number 2020-015.

Finding 2019-028

State Agency: Minnesota Department of Human Services

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

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

93.658 Foster Care Title IV-E

Problem: Noncompliance with federal subrecipient monitoring requirements.

The Department of Human Services did not conduct annual monitoring visits nor receive quarterly fiscal reports to ensure that the subrecipient was meeting the terms and conditions of the federal award.

This finding is repeated in the current audit report. See Section III, Finding 2020-016. See agency provided corrective action plan number 2020-016.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-029

State Agency: Minnesota Department of Human Services

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

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

93.659 Adoption Assistance

Problem: Noncompliance with cash management requirements and reimbursement for unallowable costs.

The Department of Human Services incorrectly requested reimbursement from the federal government for expenditures for which it had already received payment. In addition, the Department of Human Services did not design and implement adequate controls to detect and prevent requests for duplicate payments and ensure compliance with federal law.

This finding is repeated in the current audit report. See Section III, Finding 2020-029. See agency provided corrective action plan number 2020-029.

Finding 2019-030

State Agency: Minnesota Department of Human Services

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

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

93.659 Adoption Assistance

Problem: Unallowable costs and activities.

For 7 of our 20 samples tested, the Department of Human Services overpaid county requests for reimbursement of Minnesota Post Demonstration (MnPD) subsidies to parents by exceeding limits imposed by federal law. In addition, the department did not design effective internal controls to ensure counties detected and prevented overpayments and complied with requirements in federal law.

This finding is repeated in the current audit report. See Section III, Finding 2020-030. See agency provided corrective action plan number 2020-030.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-032

State Agency: Minnesota Department of Human Services

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

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

93.659 Adoption Assistance

Problem: Noncompliance with Federal reporting requirements.

For the CB-496 reports Title IV-E Programs Quarterly Financial Report and Annual Adoption Savings Calculation and Accounting Report we tested, the Department of Human Services did not accurately report expenditures. In addition, the Department of Human services did not design and implement effective internal controls to ensure compliance with these reporting requirements. Specifically, the second level reviewer and the authorized personnel signing the report were not able to identify the errors made by the preparer.

This finding is repeated in the current audit report. See Section III, Finding 2020-032. See agency provided corrective action plan number 2020-032.

Finding 2019-033

State Agency: Minnesota Department of Human Services

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

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

93.667 Social Services Block Grant (SSBG)

Problem: Inaccurate financial reports.

The Department of Human Services did not report the correct indirect cost rate and indirect cost base amounts on the FFR for each SSBG award in 2017 and 2019 and did not correct these errors following the fiscal year 2018 Single Audit report. In addition, the Department of Human Services did not design effective internal controls to ensure compliance with reporting requirements.

This finding is repeated in the current audit report. See Section III, Finding 2020-023. See agency provided corrective action plan number 2020-023.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-034

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

Problem: *Noncompliance with eligibility requirements.*

The Department of Human Services paid capitation payments to managed care organizations and payments to providers for some enrollees who were not eligible for Medical Assistance.

This finding is repeated in the current audit report. See Section III, Finding 2020-025. See agency provided corrective action plan number 2020-025.

Finding 2019-036

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

93.767 Children's Health Insurance Program (CHIP)

Problem: *Noncompliance with revalidation of provider requirements.*

The Department of Human Services did not revalidate the enrollment within the required five-year period for 10 of the 60 providers we tested. For 7 of 10 sample providers, the department did not obtain the required disclosure within the required five-year period. In addition, the Department of Human Services did not have effective internal controls to ensure compliance with federal revalidation requirements.

This finding is repeated in the current audit report. See Section III, Finding 2020-027. See agency provided corrective action plan number 2020-027.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-037

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	State Admin Matching Grant Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care
93.778	Medical Assistance

Problem: *Noncompliance with subrecipient monitoring requirements.*

The Department of Human Services did not include all the required components in management decisions issued on audit findings for eleven subrecipients. In addition, the department did not issue the management decisions for seven of those subrecipients within the required timeframe.

This finding is repeated in the current audit report. See Section III, Finding 2020-036. See agency provided corrective action plan number 2020-036.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-038

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	State Admin Matching Grant Supplemental Nutrition Assistance Program (SNAP)
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement – States Program
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF)
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant (SSBG)
93.778	Medical Assistance

Problem: *Noncompliance with federal subrecipient monitoring requirements.*

The Department of Human Services did not communicate all of the required information to the subrecipient at the time of the subaward.

This finding is repeated in the current audit report. See Section III, Finding 2020-037. See agency provided corrective action plan number 2020-037.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-039

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)
10.561	State Admin Matching Grant 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 Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.767	Children's Health Insurance Program (CHIP)
93.778	Medical Assistance

Problem: *Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.*

The Department of Human Services and Minnesota IT Services did not complete some reviews of computer system accounts to validate that access was still needed and appropriate.

This finding is repeated in the current audit report. See Section III, Finding 2020-039. See agency provided corrective action plan number 2020-039.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-041

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):

93.558	Temporary Assistance for Needy Families (TANF)
93.658	Foster Care Title IV-E
93.778	Medical Assistance

Problem: *Noncompliance with federal schedule of expenditures of federal awards requirements.*

For all major federal programs, except CFDA 93.767, the Department of Human Services understated total expenditures reported on the Schedule of Expenditures of Federal Awards by a net of \$14,139,193.

This finding is repeated in the current audit report. See Section III, Finding 2020-035. See agency provided corrective action plan number 2020-035.

Finding 2019-042

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 (CHIP)
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Problem: *Noncompliance with eligibility requirements.*

The Department of Human Services paid capitation payments to managed care organizations and payments to providers for some enrollees who were not eligible for the Children's Health Insurance Program.

This finding is repeated in the current audit report. See Section III, Finding 2020-024. See agency provided corrective action plan number 2020-024.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-043

State Agency: Minnesota Department of Employment and Economic Development

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

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

17.225 Unemployment Insurance

Problem: *Noncompliance with allowable activities and costs.*

The Department of Employment and Economic Development allowed a timesheet to be completed by a supervisor, instead of the employee, without a documented reason.

This finding is repeated in the current audit report. See Section III, Finding 2020-046. See agency provided corrective action plan number 2020-046.

Finding 2019-045

State Agency: Minnesota Department of Employment and Economic Development

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

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

17.225 Unemployment Insurance

Problem: *Noncompliance with period of performance.*

The Department of Employment and Economic Development charged costs to an incorrect award. In addition, the department did not retain documentation for all transactions.

This finding is repeated in the current audit report. See Section III, Finding 2020-050. See agency provided corrective action plan number 2020-050.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-046

State Agency: Minnesota Department of Employment and Economic Development

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

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

17.225 Unemployment Insurance

Problem: Noncompliance with reporting requirements.

The Department of Employment and Economic Development did not always retain supporting documentation for the ETA 581 Contribution Operations report. For quarter ending December 2018, the department did not retain any supporting documentation. For quarter ending June 2019, the department did not retain supporting documentation for two line items.

This finding is repeated in the current audit report. See Section III, Finding 2020-051. See agency provided corrective action plan number 2020-051.

Finding 2019-047

State Agency: Minnesota Department of Employment and Economic Development

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

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

84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States

Problem: Noncompliance with federal Schedule of Expenditures of Federal Awards requirements.

The Department of Employment and Economic Development erroneously reported expenditures on the Schedule of Expenditures of Federal Awards as grants to subrecipients, although they were for contracted services.

This finding is repeated in the current audit report. See Section III, Finding 2020-054. See agency provided corrective action plan number 2020-054.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Finding 2019-048

State Agency: Minnesota Department of Employment and Economic Development

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

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

84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States

Problem: *Noncompliance with cash management.*

The Department of Employment and Economic Development did not calculate cash draws correctly.

This finding is repeated in the current audit report. See Section III, Finding 2020-053. See agency provided corrective action plan number 2020-053.

Finding 2019-049

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency(ies): U.S. Social Security Administration

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

96.001 Social Security-Disability Insurance (DI)

Problem: *Noncompliance with allowable activities and costs*

The Department of Employment of Economic Development did not properly approve three employee timesheets in compliance with state policy. Specifically, backup approvers approved the timesheets without documenting the reason for their approval.

This finding is repeated in the current audit report. See Section III, Finding 2020-056. See agency provided corrective action plan number 2020-056.

State of Minnesota
Financial and Compliance Report on Federally Assisted Programs
Agency Provided Corrective Action Plans
Fiscal Year Ended June 30, 2020

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March 30, 2021

Julie Blaha
State Auditor
State Auditor's Office
525 Park Street, Suite 500
St. Paul, MN 55103

Dear Ms. Blaha:

Thank you for the opportunity to respond to the finding and recommendation of the Office of the State Auditor's Federal Compliance Audit for the year ending June 30, 2020. We are pleased this new program was successfully implemented during this challenging time amidst a global pandemic. Minnesota Management and Budget (MMB) took responsibility for and certified SEFA reporting for all agency spending for the Coronavirus Relief Fund (CRF) and relied on internal controls at those agencies for accurate reporting. The report shows nearly all the \$90 million reported for FY 2020 was completed accurately. We concur with the adjustment amounts noted of \$150,392, or .00167% of the total reported.

Finding 2020-001

Recommendation

We recommend Minnesota Management and Budget work with the Minnesota Trial Courts and Minnesota Department of Health and review internal controls currently in place and design and implement procedures to improve internal controls over identifying the expenditures of federal awards for SEFA reporting.

Response

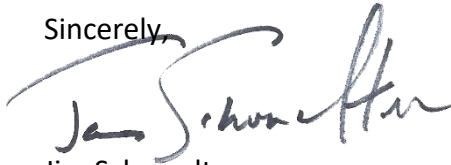
The department concurs with the recommendation. MMB has made the necessary adjustments to correct the SEFA schedule to prior to submission to the federal government. MMB has also discussed the importance of accurately recording the accounting dates in the financial system with both the Minnesota Trial Courts and the Department of Health. Each agency is expected to provide additional training to its staff prior to the end of the fiscal year.

Person Responsible: Amy Jorgenson, Coronavirus Response and Accountability Office Director

Implementation Date: June 30, 2021

Thank you for the opportunity to respond to this finding. We appreciate the diligent and professional work of your staff and their patience with us during this challenging time.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Schowalter". The signature is fluid and cursive, with a large, stylized "J" and "S".

Jim Schowalter

Commissioner, Minnesota Management and Budget

April 15, 2021

Jim Nobles, Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155-1603

Jim Schowalter, Commissioner
Minnesota Management and Budget
Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155-1603

Dear Auditor Nobles and Commissioner Schowalter,

Thank you for the opportunity to respond to the draft audit report for the Fish and Wildlife Cluster Program (CFDA 15.605, 15.611, and 15.626), which was conducted in accordance with the Federal Single Audit Act and for the period of July 1, 2019 through June 30, 2020. Enclosed please find our detailed responses to the recommendations in the draft report, including our planned corrective actions, the person responsible for completing each corrective action and the timelines for completion. Our responses also outline past actions we took to mitigate these prior audit findings and the reason for each finding's reoccurrence.

If you need anything further from the Minnesota Department of Natural Resources, please contact Mary Robison, Chief Financial Officer, by phone at (651) 259-5561 or by e-mail at mary.robison@state.mn.us.

Sincerely,



Sarah Strommen
Commissioner

Enc.

CC: Barb Naramore, Deputy Commissioner, Minnesota Department of Natural Resources
Dave Olfelt, Director, Fish and Wildlife Division, Minnesota Department of Natural Resources
Eric Hallstrom, Director, Operations Services Division, Minnesota Department of Natural Resources

Erika Rivers, Director, Parks and Trails Division, Minnesota Department of Natural Resources
Mary Robison, Chief Financial Officer, Operations Services Division, Minnesota Department of Natural Resources
Kathleen Shea, Internal Audit Manager, Operations Services Division, Minnesota Department of Natural Resources
Jacob Rossow, Interim Director, Minnesota Internal Control and Accountability Unit, Minnesota Management and Budget
Kim Kildal, Financial Reporting Supervisor, Minnesota Management and Budget
Tracy Gebhard, Audit Director, Office of the Legislative Auditor

Minnesota Department of Natural Resources Management Response to Office of the Legislative Auditor FY 2020 Audit of the Fish and Wildlife Cluster Program

April 15, 2021

This is the Minnesota Department of Natural Resource (DNR) management response to the Office of the Legislative Auditor (OLA) audit of the Fish and Wildlife Cluster Program (Catalog of Federal Domestic Assistance (CFDA) 15.605, 15.611, and 15.626), conducted for state fiscal year 2020 (FY20 audit). The FY20 audit was conducted in accordance with the Federal Single Audit Act.

The OLA conducted the FY20 audit as a follow-up to the FY19 audit of the same grant cluster. The FY19 audit resulted in three findings. The first of the FY19 audit findings was that DNR allocated unallowable costs to federal awards, specifically certain equipment purchases (FY19 audit finding reference number 2019-007). The second FY19 audit finding was that DNR incorrectly reported expenditures on the Schedule of Expenditure of Federal Awards for the Fish and Wildlife Cluster (finding 2019-008), and the third finding was that DNR did not properly review bi-weekly timesheet exception reports to ensure compliance with State Payroll Policy PAY0017 (finding 2019-006). In the FY20 audit, the OLA found that FY19 audit finding 2019-007 has been fully resolved. However, findings 2019-008 and 2019-006 have not been fully resolved and therefore were identified in the FY20 audit as repeat findings (referenced as findings 2020-002 and 2020-003 in the FY20 audit report). DNR's management response to these FY20 audit findings is detailed below.

Finding Reference Number: 2020-002

Recommendations:

The Department of Natural Resources (DNR) should strengthen its procedures to include instruction on how to accurately account for all expenditures on the schedule of expenditures for federal awards.

The Department of Natural Resources (DNR) should establish procedures to perform an effective secondary review of the schedule of expenditures of federal awards and document this review to ensure accuracy.

Response:

The DNR agrees with finding 2020-02 that accrued expenditures were omitted from the schedule of expenditures, causing CFDA 15.605 to be understated by \$64,760, equating to about 0.5 percent of federal expenditures for this CFDA. The DNR agrees with the recommendations that it should strengthen written procedures for preparing the schedule of expenditures for federal awards, and should establish written procedures to perform and document an effective secondary review of the schedule.

Person Responsible for Corrective Action: Emily Engel

Prior Corrective Action Taken: The DNR received a prior audit finding that some accrued expenditures were omitted from the schedule (finding reference number 2019-008). In 2020, the DNR's Office of Management and Budget (OMBS) staff developed written procedures for the preparation of the schedule in response to this finding, including requirements for the timeliness of federal draws. These procedures documented the

requirements for handling federal draws that occur after the close of the fiscal year in question. However, these procedures did not adequately address the treatment of accrued expenditures, and therefore were not sufficient to prevent a repeat finding.

Corrective Actions Planned: OMBS staff will strengthen the written procedures for the preparation of the schedule by including detailed instructions related to the handling of accrued expenditures.

The DNR will also establish additional procedures for effective secondary review. Currently, division fiscal staff prepare the schedule of expenditures for federal awards and then submit that schedule to OMBS for secondary review. However, this secondary review process has not been sufficient to prevent errors. OMBS and division fiscal staff will work together to improve the secondary review process, including documentation of the review, to ensure effectiveness, particularly related to the reporting of accruals.

Status: Underway

Completion Date: September 1, 2021

Finding Reference Number: 2020-003

Recommendations:

The Department of Natural Resources should properly review bi-weekly time entry audit reports to ensure compliance with the state's payroll policies and procedures.

The Department of Natural Resources should design and implement controls to ensure it obtains an explanation and documentation for exceptions identified in its review of bi-weekly time entry audit reports.

Response:

This recommendation pertains to a finding that, in some cases where timesheets were not initially completed by employees or approved by primary supervisors, the employee or the primary supervisor did not include the specific reason for not completing or approving the timesheet. The DNR agrees that State Payroll Policy PAY0017 requires this documentation and should always be followed.

Person Responsible for Corrective Action: Denise Legato

Prior Corrective Action Taken: The DNR had a prior audit finding that it did not always comply with state payroll requirements for the review and documentation of payroll exceptions (finding reference number 2020-006). In 2019, DNR designed and implemented controls to clarify the requirements for exceptions in which payroll and human resources staff completed or approved the timesheet.

In September of 2019, DNR implemented Adjusted Timesheet documents that require employees or immediate supervisors to sign timesheets in cases where those timesheets had to be adjusted or corrected by Human Resources staff while they were being loaded. These Adjusted Timesheet documents must be signed and returned to Human Resources under current procedures.

In March of 2020, DNR implemented a change in how comments are noted when timesheets are approved by payroll staff. Under this revised approach, if the employee, supervisor, or back-up approver did not approve an employee's timesheet, the payroll clerk enters a comment noting that they had to approve the timesheet, who they contacted to verify the timesheet accuracy, and documenting that the timesheet is correct and all procedures have been followed. Additionally, Human Resources staff conduct bi-weekly audits of supervisor timesheet approvals. Since these audits are conducted after employees have been paid, any corrections are retroactively applied.

This repeat audit finding resulted from a failure to consistently follow these procedures in a timely manner, and the fact that that employees and supervisors were providing a comment noting the exception but not always supplying an explanation for why the exception occurred.

Corrective Actions Planned: Human Resources staff have updated the DNR's intranet guidance for employees and supervisors to emphasize the importance of documenting the reason why the employee or primary approver was unable to complete/approve the timesheet when such a situation occurs. Human Resources staff will also include a reminder of this requirement as a standard part of the biweekly timesheet reminder email that is sent to employees and supervisors.

Human Resources staff have also revised the retention procedure for documentation regarding payroll validations that occur outside of regular employee or supervisor approval. Documentation, including email correspondence with employees and supervisors and signed timesheets, are now stored electronically on the agency's network drives.

Status: Partially resolved

Completion Date: May 1, 2021



April 15, 2021

Jim Schowalter, Commissioner
Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street St. Paul, MN 55155

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

Dear Mr. Schowalter and Mr. Nobles:

Thank you for the opportunity to respond to the findings and recommendations in the Office of the Legislative Auditor's (OLA) Federal Single Audit Report. The Minnesota Department of Education (MDE) appreciates the diligent and professional work of your staff on this important issue.

Finding Number 2020-004 Noncompliance with carryforward provisions.

For one local education agency, the Department of Education did not reduce the carryforward amount to 15% of Title I funds allocated for federal fiscal year 2018.

Recommendations:

For the local educational agency cited that was not eligible for a waiver, the Department of Education should reduce the carryforward amount to 15 percent of the Title 1 funds allocated.

The Department of Education should fully implement internal controls to ensure compliance with the carryforward provisions.

Response:

MDE takes the OLA audit findings, recommendations and corrective action reporting very seriously. MDE agrees with the finding.

This finding is resolved. A letter was sent via certified mail to the Montevideo Public Schools notifying them of the reduction of funds to be taken from the FFY21 award. This adjustment was in process in the system at the time of the audit. In addition, MDE has developed and implemented written documentation and technical assistance materials to ensure compliance with the federal carryforward provisions.

Finding Number 2020-005 Missing eligibility documentation.

For two new sponsors tested, the Department of Education could not provide required documentation to support the eligibility for performance-based assistance. In addition, for one of these sponsors the department did not properly document results of its review of menus submitted by the sponsor to qualify for performance-based assistance.

Recommendations:

The Department of Education should ensure it obtains and retains required documentation to support the eligibility for performance-based assistance. The Department of Education should implement controls, such as a secondary review of applications, to ensure all required documentation is in proper order.

The Department of Education should implement controls to ensure all menus submitted by sponsors are reviewed. The controls should include the date when sponsors qualified for performance-based assistance payments, as required.

Response:

MDE agrees with the finding. MDE will address the specific findings and related recommendations as follows:

The Nutrition Health and Youth Development (NHYD) division will revise the procedure to approve new sponsors for participation in the National School Lunch Program (NSLP) and School Breakfast Program (SBP) and train applicable staff on the new process by August 1, 2021. The new process will include the completion of the Menu Certification Evaluation form, which documents that a School Nutrition Program (SNP) review staff member has reviewed a sponsor's menu documentation and determined that it qualifies for the USDA's performance-based reimbursement. This form also includes the date when sponsors qualified for performance-based assistance payments, as required.

The revised process will also include a secondary review of completed applications to ensure all required documentation is in proper order. The team lead overseeing the onboarding of new sponsoring organizations will complete this review after the SNP review staff member has obtained all required documentation from the sponsor and completed their preapproval visit. Once the secondary review has been completed, the sponsor's application will be submitted to the applications team for its final approval in MDE's Cyber Linked Interactive Child Nutrition System (CLICS).

Persons Responsible: Monica Herrera, Nutrition, Health, and Youth (NHYD) Development Director

Estimated Completion Date: August 1, 2021

Finding Number 2020-006 Noncompliance with monitoring of subrecipient single audits.

The Department of Education did not review all subrecipient single audits as required by federal regulations. The department did not identify or review single audits for 31 subrecipients for which it was not the cognizant agency. In addition, the department could not provide documentation to show it obtained and reviewed the single audit reports for three subrecipients tested.

Recommendations:

The Department of Education should review all subrecipient single audits as required by federal regulations.

The Department of Education should design and implement controls to ensure it reviews all subrecipient single audits and follows up on all audit findings to verify subrecipients took appropriate and timely corrective action, as required by federal regulations.

Response:

MDE agrees with the finding. MDE will address the specific findings and related recommendations as follows:

MDE will revise the Policy within the agency to implement the review of all subrecipient single audits related to federal awards MDE makes to subrecipients, including those in which the agency is the cognizant agency.

Persons Responsible: Carolyn Hoel, Federal Program Manager; Katrina Jones, Risk Manager

Estimated Completion Date: October 15, 2021

MDE will revise the procedures within the agency and the divisions to ensure the review process accurately reflects the updated policies and includes all subrecipient single audits related to federal awards MDE makes to subrecipients.

Persons Responsible: Carolyn Hoel, Federal Program Manager; Emily Honer, Business Operations Support Services (BOSS) Supervisor

Estimated Completion Date: December 31, 2021

Finding Number 2020-007 Non-compliance with subrecipient during the award monitoring.

The Department of Education did not accurately communicate to one subrecipient the results of its monitoring review. Specifically, the department omitted two instances of noncompliance it identified and incorrectly identified five instances of noncompliance. In addition, the department could not provide a corrective action plan from the subrecipient.

Recommendations:

The Department of Education should ensure it accurately communicates to subrecipients the results of its monitoring review and obtains a corrective action plan from subrecipients.

The Department of Education should design and implement controls to ensure the results of its monitoring review are accurately communicated and it obtains the subrecipient's corrective action plans.

Response:

MDE agrees with the finding. MDE will address the specific findings and related recommendations as follows:

Nutrition Health and Youth Development (NHYP) division administers the Child and Adult Care Food Program (CACFP) in Minnesota. The division is in the final stages of transition from a manual Program administrative review process to an automated review management system, called Administrative Review Application (ARA). The ARA includes automated internal controls to ensure consistency of reports with the review form, and ensures completion and retention of all required documentation before any review can be closed. It also includes supervisory reports for oversight of review progress, accuracy, and non-compliance trends.

Timeline: ARA started June 2020 with Summer Food administrative reviews; and CACFP October 1, 2021.

Currently employees who complete administrative reviews use paper forms or a PDF fillable form that can be used during the review on a tablet or laptop. In order to prepare the review report, staff complete a Word template by transferring the “findings of non-compliance” to a reporting format which creates the review results. Once completed, records are scanned and saved in a network drive, based on a standard retention procedure. As you might imagine there is a list of documents that are required to be saved, but there are also a number of detailed data sets that also are saved to support the review as well as any findings of non-compliance. The data associated with an administrative review is quite extensive having multiple subfolders.

The ARA will utilize an online review management system collection of administrative review materials and data by sponsoring organizations. The system also houses the review forms MDE staff will use, which are considered FLEX forms. These FLEX forms are programmed to generate the review report based on the findings of non-compliance identified on the review form – items identified as “not met”. Thereby giving the agency an automated internal control to ensure consistency of the review findings with the review forms. There will be no more manual transferring of non-compliance findings from one form to another, whereby eliminating human error of missing any of the compliance findings marked as Not Met; or adding findings that were not indicated on the review form.

In addition to ensuring the report is consistent with the review form for each area of compliance; the ARA retains all required review documents and prevents the closeout of any review if any aspect is missing or if forms are not completed.

Regarding supervisory oversight, the ARA has a number of reports designed for supervisory oversight to ensure reviews are progressing timely, and to review different aspects of the documents, findings, and overall status at any point during the year.

Person Responsible: Monica Herrera, NHYD Director

Estimated Completion Date: October 1, 2021

Finding Number 2020-008 Noncompliance with physical inventory requirement.

The Department of Education did not conduct a physical inspection of the storage facility and did not reconcile physical and book inventory of donated foods as required.

Recommendations:

The Department of Education should conduct a physical inspection of its storage facility and reconcile physical and book inventory of donated foods, as required, or seek a waiver from the federal government.

The Department of Education should design and implement controls to ensure it conducts a physical inspection of its storage facility and reconciles physical and book inventory of donated foods.

Response:

MDE agrees with the finding. MDE will address the specific findings and related recommendations as follows:

Due to the COVID-19 pandemic and the executive order of Governor Walz, MDE was unable to perform the physical inventory. MDE verbally communicated to the federal government its inability to conduct a physical inventory; however, MDE did not obtain written approval waiving the requirement. In the future, if MDE staff are unable to perform the physical inventory, MDE will reach out the USDA to request a written waiver and notify of the inability to perform the physical inventory.

Although USDA Foods staff at MDE review USDA Foods inventory books and physical inventory during onsite review, the staff did not properly document this. MDE is revising the procedures to include a process for documentation and follow-up for inventory reconciliation and discrepancies.

Person Responsible: Monica Herrera, NHYD Director; Emily Honer, BOSS Supervisor

Estimated Completion Date: June 30, 2021

Finding Number 2020-009 Noncompliance with restitution for food losses.

The Department of Education did not investigate or seek restitutions from the responsible party for losses and damages of donated foods and did not implement corrective action to prevent future losses.

Recommendations:

The Department of Education should seek restitutions for losses and damages identified in this audit from the responsible party and implement a corrective action plan, if feasible. The Department of Education should track losses, ensure restitution is made, and implement corrective action to prevent future losses.

Response:

MDE agrees with the finding and will address the specific finding and related recommendations as follows:

In coordination with the corrective action for 2020-008, the reconciliation procedure will be revised to include documentation for investigation of loss of inventory. If the loss of the inventory is found to have happened prior to arrival at the state-contracted warehouse, the USDA will be notified through their existing procedures for loss. If the loss of inventory is found to be the responsibility or result of the warehouse, MDE will work with the warehouse on solution to recover, reimburse and improved processes to eliminate risk to the USDA Foods program. MDE will also include an updated procedure to notify the School Food Authorities (SFAs) and distributors for documentation.

Person Responsible: Monica Herrera, NHYD Division Director; Emily Honer, BOSS Supervisor

Estimated Completion Date: June 30, 2021

Finding Number 2020-010 Noncompliance with federal schedule of expenditures of Federal awards requirements.

The Department of Education inaccurately reported expenditures on the schedule of expenditures of Federal awards for the Child Nutrition Cluster and Child and Adult Care Food Program.

Recommendations:

The Department of Education should develop written procedures for the schedule of expenditures of Federal awards.

Response:

MDE agrees with the finding. MDE will address the specific findings and related recommendations as follows:

NHYD's procedure will remain the same for how reports are pulled from CLiCS to obtain the information for the closing of the state year. Sponsor Administration dollars are manually calculated due to CLiCS but MDE will look into if a report can be created to run these amounts. NHYD will complete the internal spreadsheet as normal and will forward the spreadsheet and supporting reports from CLiCS to Agency Finance as necessary.

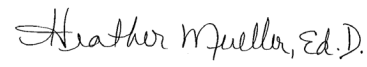
Agency Finance will analyze the data directly from CLiCS and compare it to the internal spreadsheet provided by NHYD to verify accuracy of the data.

Person Responsible: Andre Prah, Agency Finance Director; Bob Niemala, Federal Accounting Services

Estimated Completion Date: This change has already been made to our process. MDE will implement it for the FY21 single audit.

If you have further questions, please contact denise.anderson@state.mn.us, Chief Financial Officer, at (651) 582-8560.

Sincerely,


Heather Mueller Ed D.
Commissioner

c: Denise Anderson, CFO
Katrina Jones, Risk Manager

**Minnesota Department of Human Services
Elmer L. Andersen Building
Commissioner Jodi Harpstead
Post Office Box 64998
St. Paul, Minnesota 55164-0998**

April 22, 2021

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

James Showalter, Commissioner
Minnesota Management & Budget
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles and Commissioner Showalter:

Thank you for the opportunity to review and comment on the findings from the Office of the Legislative Auditor's audit of the Minnesota Department of Human Services' compliance with major federal programs for the state fiscal year ending June 30, 2020.

We agree with the majority of the findings identified in the report, and are working diligently to resolve the issues. However, our view is that the auditors identified some key issues incorrectly and reached some inaccurate conclusions. For these few findings, we continue to evaluate the issues and will take appropriate action based on conversations with federal authorities.

We disagree in particular with the findings related to Child Care Assistance Program eligibility and child care health and safety licensing, both areas where we believe we have followed federal rules and guidance. We also disagree with the statement that DHS materially misrepresented the status of certain prior year audit findings, and are disappointed that the auditors did not include input from our staff in the process they used to reach this conclusion. We restate this position below in response to two individual findings that included this statement.

We continue to have concerns about balancing the cost and effort needed to address findings as small as \$25,000 in multimillion-dollar programs. However, we take these findings seriously and will put corrective action plans in place to resolve each finding.

Audit Finding 2020-011

The Department of Human Services did not ensure counties accurately determined [Child Care Assistance Program] eligibility of applicants or the amounts of the subsidies paid.

Audit Recommendations 2020-011

- *The Department of Human Services should strengthen internal controls to ensure counties accurately determine eligibility and benefits.*
- *The Department of Human Services should ensure counties correct all errors.*

Response to Audit Recommendation 2020-011

Overall, the Department disagrees with the audit's conclusions on Child Care Assistance Program (CCAP) eligibility and the way the report portrays this issue. We believe we are managing the program in compliance with guidelines established by the federal Office of the Administration for Children and Families. ACF requires states to develop a corrective action plan and can apply sanctions if error rates in child care payments are at or above 10%.

DHS continuously evaluates child care eligibility and payments as recommended and required by ACF. Our error rate for the audit period ending June 30, 2020, is 7.18%. While the auditors recognized this payment error rate, they did not acknowledge the ACF guidance or our compliance with those guidelines. Instead, they conducted tests and concluded that improper payments likely exceeded \$25,000. Although we agree that improper payments in this \$280 million program likely exceed \$25,000, it is unrealistic to expect the precision rate for child care payments to exceed 99.99%. Moreover, it is misleading to suggest that we are out of compliance with federal guidelines. As discussed below, we continue working with county and tribal partners to reduce payment errors in this important program.

Reasons for the finding's recurrence

Finding 2020-011 is a repeat finding from state fiscal year 2019. During state fiscal year 2020, agency workers continued to find errors related to the asset limit policy and copayment calculation, both large contributors to the percentage of errors found in case reviews. The asset assessment policy error rate decreased from fiscal year 2019 to fiscal year 2020 (from 10% of cases in 2019 to 8% of cases in 2020). The error rate for copayment calculations remained the same (17% of cases in both years). However, both the total percentage of cases with errors and our federal error rate decreased between July 2019 and June 2020, showing progress after a few years of significant policy changes.

While we did not see significant new policy changes during fiscal year 2020, COVID-19 related revisions to current policies increased duties for agency workers, delaying our ability to correct errors.

Corrective Action Plan

We continue to strengthen internal controls. DHS will continue to review and update tools available to CCAP agencies to determine eligibility factors and benefits, focusing on correct methods for assessing assets and calculating income and copayments. We will educate CCAP agencies on developing effective internal controls to ensure that workers accurately determine eligibility and benefits. We will ensure that education and training targets the asset assessment policy and calculation of income and copayment. DHS will continue to provide technical assistance to agency workers through the Policy Quest portal, telephone contacts and case review follow-up calls, using these opportunities to reinforce correct application of policy.

In early 2021, DHS implemented a case accuracy review process targeting primary areas of concern. The first policy under review is the asset assessment policy. Application of correct policy will be reviewed for at least two consecutive cycles and will continue until errors are reduced to an acceptable level. All CCAP agencies are required to complete these reviews, and are currently in the first cycle of reviews. The form

developed by DHS and used for reviews will remain available after the review cycle(s) is complete, allowing agencies to continue their own reviews and use the form as a resource for current and new staff.

To address corrective actions, DHS focuses on federal compliance and remaining below the federal threshold of a 10% improper payment error rate. The federal government requires states to report this rate every three years. DHS tracks it yearly. In federal fiscal year 2020, the preliminary federal error rate was 6.84%. For state fiscal year 2020, the federal error rate was 7.18%. In both federal fiscal year 2020 and state fiscal year 2020, DHS is in compliance with federal program requirements with an improper payment rate below 10%.

The Child Care Assistance Program has implemented and will refine the process for tracking and following up with CCAP agencies to assure they are submitting all Corrective Action Forms and correcting all errors. DHS ensures that each local agency completes necessary follow-up to correct errors.

Partial corrective action taken

DHS has completed ongoing education for CCAP agency workers in all necessary areas of policy, including asset assessment, calculation of income/copayment and other eligibility determination factors. This includes the following:

- CCAP News for Child Care Assistance Program Caseworkers went out in October 2020, providing information on the following:
 - New expedited child care for families experiencing homelessness, including the link to the bulletin
 - Links to COVID-19 memos
 - Links to bulletins on 2020 legislative changes and age of child provision changes
- CCAP provided training on the expedited child care for families experiencing homelessness in August and September 2020
- CCAP staff made the following training resources related to the expedited child care policy available to workers:
 - Flowchart October 2020
 - Handouts August 2020
 - PowerPoint slides September 2020
 - FAQ September 2020
 - Three-month policies November 2020
- Focused trainings at mentor meetings including asset implementation policy and completion of the case review corrective action form
- DHS continues to use case review follow-up calls as opportunities to reinforce correct application of policy.
- Continuous clarification and simplification of the CCAP policy manual
- Continuous communication through SIR informing CCAP Agency staff of tips, best practices, announcements and other targeted information
- Continuous development of tips sheets and tools, making these available to CCAP agency workers to assist them in completion of case processing
- The Department implemented the case accuracy review process in early 2021 to target areas of concern, including common errors.

CCAP staff are implementing a revised process for tracking and following up with CCAP agencies to ensure Corrective Action Forms are submitted and all errors are corrected. During 2020, it was especially challenging for local agencies to return forms within the timelines requested by DHS. However, DHS

followed up on each missing or incomplete form, and tracks cases until they are corrected and will continue to do so. While there will always be a lag between when cases are reviewed, sent to local agencies for responses and possible corrections, DHS follows up on each case to ensure that corrections are completed.

Responsible Person: Cindi Yang, Director, Child Care Services
Estimated Completion Date: June 2022

Audit Finding 2020-012

The Department of Human Services did not comply with federal requirements and complete health and safety inspections, as required by its Child Care Development Plan.

Audit Recommendations 2020-012

- *The Department of Human Services should complete all required health and safety inspections.*
- *The Department of Human Services should design and implement adequate internal controls to ensure required health and safety inspections are completed timely.*

Response to Audit Recommendation 2020-012

We disagree with this finding. At issue is what it means to conduct an inspection “not less than annually.” DHS has operationalized compliance with the federal requirement by interpreting “not less than annually” to mean “once per calendar year.” The audit interprets the requirement to mean “within 12 months of the date of the last inspection.” While both interpretations may be reasonable, they yield different results for determining compliance with the *Code of Federal Regulations*, Title 45, Part 98, Section 42(b).

The Department’s view is that conducting annual visits on a calendar year basis provides more flexibility for scheduling health and safety inspections, while resulting in less predictable site visits. We believe this interpretation is closer to the federal requirement and should be used for this audit. In June 2020, the federal Office of Child Care (OCC) conducted a virtual site visit to assess compliance with the CCDF requirements and [Minnesota's 2019-2021 CCDF Plan](#). DHS presented information on our compliance with the State Plan, including Section 5.3.2 and 5.3.3. State staff provided detailed information about how we conduct annual inspections, using calendar-year annual visit data. OCC did not indicate that this measure was inaccurate. In fact, the deficiencies OCC noted at the end of the visit did not include timely inspections.

DHS also disagrees that we materially misstated the status of the prior year audit finding when we indicated that it had been fully resolved. The Department acted in good faith to implement health and safety inspections consistent with our understanding of OCC’s interpretation of federal statute. Had we understood that the OLA auditors were using a different metric (i.e., “within 12 months of the previous inspection”), we would have responded using that metric. We will work with OCC to resolve this issue.

Responsible Person: Reggie Wagner, Deputy Inspector General
Estimated Completion Date: August 2021

Audit Finding 2020-013

The Department of Human Services did not review counties that license family child care providers at least every four years and recertify or decertify counties based on that review, as required by the Child Care Development Plan.

Audit Recommendations 2020-013

- *The Department of Human Services should ensure it reviews counties that license family child care providers at least every four years and recertify or decertify counties based on that review, as required by the Child Care Development Plan.*
- *The Department of Human Services should design and implement effective controls to ensure it reviews counties and recertifies or decertifies counties based on that review at least every four years.*

Response to Audit Recommendation 2020-013

We partially agree with this finding. Although a state law requires DHS to conduct a review of counties at least once every four years (see, Min. Stat., section 245A.16, subd. 6), there is no corresponding federal CCDF Block Grant requirement to conduct these reviews. DHS believes this entire area is outside the scope of CCDF compliance, as it is not required by federal law or referenced as a state action in Section 5.1 of the Plan, or anywhere else in Section 5.

Moreover, when DHS provided information about completion of these county visits, even though required only by state law, DHS clearly indicated that five of the seven “missed” visits in state fiscal year 2020 couldn’t be completed due to COVID-19 and the closure of DHS and county offices under Minnesota’s stay-at-home order and after the Commissioner had suspended noncritical licensing activity under executive authority. OLA staff were provided a copy of the Commissioner’s waiver. After the stay-at-home order was lifted, most county offices remained closed and DHS was unable to conduct routine onsite county reviews. DHS was forced to develop a virtual monitoring checklist and document transfer protocol in order to conduct virtual county reviews. By September 2020, DHS had completed the five visits that should have been completed by the end of state fiscal year 2020. We agree that DHS incorrectly marked two of the seven as certified. We are evaluating our controls over this process and will make appropriate changes to prevent similar errors from recurring.

Responsible Person: Reggie Wagner, Deputy Inspector General
Completion Date: September 2020

Audit Finding 2020-014

The Department of Human Services charged [Child Care Assistance Program] costs to an award that were incurred after the period of the performance.

Audit Recommendations 2020-014

- *The Department of Human Services should reallocate \$4,454,134 of costs to subsequent awards.*
- *The Department of Human Services should design and implement internal controls to ensure that costs are obligated and charged to the correct federal award.*

Response to Audit Recommendation 2020-014

We partially agree with this finding. We agree with the auditor's recommendations, as there are transactions that posted to the financial system using the wrong project ID, making them outside of the period of performance rules. The Department does not agree with the amount cited, and will work with the OLA to identify and agree upon the correct amount.

We use the budget date for identifying the goods and services date, to identify which transactions need to be corrected. The auditor uses the accounting date to identify the goods and service date. However, this date does not always match up to the budget date for payroll, benefit and other administrative payments.

The non-direct portion of CCAP is in statute to reimburse counties at 1/21 of direct expenditures. This is done on a monthly basis. It is our understanding that we can obligate these funds because they are based on the direct payments from MECC, which are allowable to obligate. Per 45 CFR 98.60, obligations are based on state or local law. The obligations can be for payments to subgrantees not at the same level of government as the lead agency. The 2020 MN statute for these payments is 119B.15.

This is a repeat finding (2019-25) because we didn't fully implement corrective actions planned from 2019. We have a process in place to run queries and identify transactions outside of the period of performance and process the journal vouchers, but the correcting journal vouchers were not done in a timely manner.

To improve our internal controls, we will add this process to our quarterly federal report process. This will put it on a more formal schedule with other child care finance activities.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations
Estimated Completion Date: June 2021

Audit Finding 2020-015

The Department of Human Services did not accurately report [Foster Care] expenditures and prior period adjustments.

Audit Recommendations 2020-015

- *The Department of Human Services should report accurate amounts on the CB-496 quarterly report.*
- *The Department of Human Services should enhance its internal controls to ensure that the correct amounts are being reported on the CB-496 quarterly report.*

Response to Audit Recommendation 2020-015

We agree with both recommendations.

Reason for Finding Reoccurrence

The peer review process we created didn't require these types of transactions to be part of the global review process.

Planned Corrective Action

As part of federal report peer review, staff will be asked to review all associated documentation for inclusion of the report to ensure errors are captured and data is reported correctly.

Any partial Corrective Action to Date

None

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations

Estimated Completion Date: September 2021

Audit Finding 2020-016

The Department of Human Services did not receive some biannual [Foster Care] program reports to ensure that the subrecipient was meeting the terms and conditions of the federal award and received some reports late. In addition, the department did not complete all parts of its annual monitoring visits with subrecipients.

Audit Recommendations 2020-016

- *The Department of Human Services should design and implement controls to ensure that subrecipients comply with the terms of the contract.*
- *The Department of Human Services should enforce the requirement for subrecipients to submit required reports and to submit the report by the required due date.*
- *The Department of Human services should review student files during its annual monitoring visits to ensure that students met the requirements to receive subsidies.*

Response to Audit Recommendation 2020-016

The Department agrees with the recommendations. DHS has controls in place for monitoring these contracts. As discussed with the auditors during the audit review for 2020, we gave the universities submitting late reports an extension due to challenges including hiring freezes, remote work coordination and other extenuating circumstances caused by the COVID-19 pandemic.

We will create a written process for universities to request extensions, which will be used for approval. Copies will be kept in their files. We will also eliminate the mid-year written report, due in January, and incorporate a modified mid-year report to present to state project staff during annual site visits in the spring.

We meet with the consortium (all universities under contract) regularly and will recommunicate the deadlines for submitting the reports, as well as the process for requesting extensions. Moving forward, we will suspend processing of expenditures for any institution out of compliance with reporting deadlines until we receive their report.

The 2020 site visits were conducted on time, with the exception of the student file review. As we had to conduct all site visits virtually due to COVID-19, there were concerns about how to conduct file reviews in efficiently and with data privacy practices in place. We worked with each university to identify a process for reviewing files virtually and all student file reviews for 2020 have taken place at this time.

Responsible Person: Jamie Sorenson, Director, Child Safety and Permanency

Estimated Completion Date: August 2021

Audit Finding 2020-017

The Department of Human Services did not perform transfers to the Social Services Block Grant and the Child Care Development Block Grant within the permitted time period.

Audit Recommendations 2020-017

- *The Department of Human Services should implement effective internal controls to ensure that it completes transfers to the Social Services Block Grant and Child Care Development Block Grant within the first federal fiscal year of the award.*

Response to Audit Recommendation 2020-017

The Department agrees with this recommendation.

We processed transfers from TANF to SSBG and CCDF; however the wrong federal grant (SWIFT Project ID) was charged for these two transactions.

This was repeated from 2019 due to delays in process development. Once a new process was established, there were problems with adhering to the new process, which will be addressed moving forward.

We will update SWIFT Speedcharts each year on Oct. 1, the first date of the new federal fiscal year, for TANF transfer accounts. We will also add a project ID to the “pay from” line of the SWIFT IntraDepartmental JV request form. There is only one on the “pay to” line currently.

Our corrective actions strengthened the quarterly check list for the ACF-196R, ensuring that we posted TANF transfer transactions in SWIFT each time we reported it on the ACF-196R. However, the requestors did not put the correct project ID on the form, or it was omitted on two payment requests, which resulted in the wrong TANF grant being charged for the transfers.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations
Estimated Completion Date: June 2021

Audit Finding 2020-018

The Department of Human Services provided TANF benefits to some ineligible recipients and provided inaccurate TANF benefit amounts to some recipients.

Audit Recommendations 2020-018

- *The Department of Human Services should improve its internal controls to ensure it provides accurate TANF benefit amounts and provides TANF benefits to only eligible recipients.*
- *The Department of Human Services should collect the overpaid TANF benefits for the 65 cases cited.*

Response to Audit Recommendation 2020-018

The Department agrees with the recommendations. Although DHS has shown improvement in this audit area, we recognize we will need to continue to provide training, updated Combined Manual guidance, and ongoing communications with county agencies around this repeat finding. Data entry errors by frontline

workers and barriers to providing documentation to eligibility staff for program recipients can be resolved by providing a streamlined communication tool that we plan to roll out in the summer of 2021. The tool, WF1 Connect, provides a method for staff to receive information sooner and therefore update client information in the MAXIS system. This should result in more accurate benefits determination.

Responsible Person: Jovon Perry, Director, Economic Assistance and Employment Supports
Estimated Completion Date: June 2021

Audit Finding 2020-019

For the TANF ACF - 196R Financial Report, the Department of Human Services did not accurately report expenditures or transfers.

Audit Recommendations 2020-019

- *The Department of Human Services should correct and resubmit the ACF-196R financial reports.*
- *The Department of Human Services should implement effective internal controls to ensure it accurately reports required information to the federal government.*

Response to Audit Recommendation 2020-019

The Department agrees with the recommendations. We will work to correct SWIFT and with our federal partners if we need to revise any of the reports.

This is a repeat finding mostly due to the June 30, 2019 federal report being in the scope of the audits for both 2019 and 2020. The auditors informed us they changed the parameters for reviewing federal reports from the quarter end dates of the fiscal year, to the actual federal report quarter end dates submitted within the state fiscal year. In addition, project ID issues on the TANF side need corrections.

Similar to finding 2020-017 (above), DHS will update SWIFT Speedcharts on Oct. 1 of each year for the TANF transfer accounts. We will also be working to add a project ID to the “pay from” line of the SWIFT IntraDepartmental JV request form. There is one on the “pay to” line currently.

Our corrective actions to strengthen the quarterly check list for the ACF-196R ensured that we posted TANF transfer transactions in SWIFT for each time we reported it on the ACF-196R. However, the requestors did not put the correct project ID on the form, or it was omitted on two payment requests, which resulted in the wrong TANF grant being charged for the transfer.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations
Estimated Completion Date: June 2021

Audit Finding 2020-20

The Department of Human Services did not always monitor the activities of [TANF] subrecipients.

Audit Recommendations 2020-020

- *The Department of Human Services should monitor subrecipients.*
- *The Department of Human Services should implement effective controls to ensure subrecipient monitoring activities are being conducted.*

Response to Audit Recommendation 2020-020

We did not conduct site visits during the audit period due to the COVID-19 pandemic and the crisis response each grantee had to provide for communities. Contract management uses a tracking tool as a control to document the contract scope, budget amount, actual costs and compliance with contract requirements. The tracking tool control design will be updated to ensure that particular events or actions specified in the contract takes place. Updates will include requiring an annual or once-in-the-grant-life site visit, requiring financial reconciliations, scheduling site/financial monitoring activities and assigning staff to conduct these activities.

Responsible Person: Javon Perry, Director, Economic Assistance and Employment Division
Estimated Completion Date: September 2021

Audit Finding 2020-021

The Department of Human Services did not always reduce TANF benefits provided to the families of individuals who did not cooperate with child support requirements.

Audit Recommendation 2020-021

- *The Department of Human Services should enhance its internal controls to ensure it properly reduces TANF benefits to the families of individuals who are not cooperating with child support requirements.*
- *The Department of Human Services should collect the overpaid TANF benefits for the ten cases cited.*

Response to Audit Recommendation 2020-021

Beginning in July 2019, the Economic Assistance and Employment Supports Division (EAESD) began collaborating with the Child Support Division to provide monthly reports to eligibility workers as a method of communication for the eligibility worker to follow up on child support cases that were not in non-compliance. We temporarily put this communication plan on hold in March 2020 due to the waiver on imposing sanctions due to the COVID-19 public health emergency. Prior to the temporary hold, EAESD staff were documenting timelier follow-up on cases that were not complying with child support. When the state public health emergency and the 60-day transition period ends, EAESD will begin to provide the monthly compliance spreadsheet via the SIR system. Policy staff will work closely with counties that repeatedly appear on the non-compliance spreadsheet.

Responsible Person: Jovon Perry, Director, Economic Assistance and Employment Supports
Estimated Completion Date: See Above

Audit Finding 2020-022

The Department of Human Services did not always reduce TANF benefits provided to the families of individuals who refused to work without good cause.

Audit Recommendation 2020-022

- *The Department of Human Services should enhance its internal controls to ensure it properly reduces TANF benefits to individuals who are refusing to work without good cause.*
- *The Department of Human Services should collect the overpaid TANF benefits for the case cited.*

Response to Audit Recommendation 2020-022

A large percentage of families applying for and receiving TANF assistance (MFIP) were recently employed. There can be a variety of reasons why individuals receiving MFIP are not employed. During the current public health emergency, EAESD staff has been working with employment services providers to encourage employment counselors to work with families to identify individual and household barriers to employment in an effort to minimize the impact of the COVID-19 pandemic on families living with low household income. EAESD staff recognize that the population we serve may be the last to recover from job loss resulting from the pandemic. EAESD staff will continue to support enrollment in educational plans, job skills training, and other resources that will lead to employment and career growth, such as digital literacy.

Responsible Person: Jovon Perry, Director, Economic Assistance and Employment Supports
Estimated Completion Date: May 2021

Audit Finding 2020-023

The Department of Human Services did not report the correct indirect cost base amounts on the FFR for each SSBG award in 2018 and 2019 at the time the original reports were submitted. The Department of Human Services submitted corrected reports to the U.S. Department of Health and Human Services; however, the department did not correct and submit the revised reports until after we began our audit work.

Audit Recommendations 2020-023

- *The Department of Human Services should enhance its internal controls to ensure it accurately reports indirect cost rates and indirect cost base amounts on the FFR for SSBG awards.*

Response to Audit Recommendation 2020-023

The Department agrees with this recommendation and has made the adjustments noted.

Reason for Finding Reoccurrence

The Department submitted the corrected federal financial reports outside of the state fiscal year 2020 audit period.

Planned Corrective Action

Future SSBG federal financial reports will be reviewed by the grants and allocations supervisor to ensure compliance. Once the report has been reviewed and compliance confirmed, it will be certified. This additional internal control will be added to the existing process and procedure.

Any partial Corrective Action to Date

Revised federal financial reports have been submitted with the necessary adjustments and the process and procedure has been updated to reflect the new internal controls.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations
Estimated Completion Date: Adjustments completed. New approval process effective immediately.

Audit Finding 2020-024

The Department of Human Services did not accurately determine eligibility and paid capitation payments to managed care organizations for some enrollees who were not eligible for the Children's Health Insurance Program.

Audit Recommendations 2020-024

- *The Department of Human Services should improve its internal controls to ensure county caseworkers obtain all required documentation and accurately verify and determine eligibility of enrollees in the Children's Health Insurance Program.*
- *The Department of Human Services should improve its IT internal controls to ensure METS enrolls eligible individuals in the correct public health care program.*
- *The Department of Human Services should improve its internal controls to ensure caseworkers make timely eligibility determinations for the Children's Health Insurance Program.*
- *The Department of Human Services should correct the determination errors in the 16 eligibility cases with deficiencies.*

Response to Audit Recommendation 2020-024

The Department will issue a program integrity announcement reminding workers to verify, accurately enter information in the Minnesota Eligibility Technology System (METS), and maintain income documentation before clearing income verification flags in METS. This was originally planned for September 2020, but was delayed due to the COVID-19 public health emergency.

Estimated Completion Date: At the end of the public health emergency

DHS previously identified and submitted METS system update requests to resolve the CHIP group errors. There are different causes and corrective actions for the two types of group errors.

Prevent CHIP eligibility for infants with other health coverage:

DHS developed and issued a workaround for paper applications and manual renewals that include infants with access to other health insurance to mitigate the systems error regarding CHIP infants with other health insurance.

Completion Date: March 17, 2021

DHS has requested a METS change to fix the defect causing this error.

Estimated Completion Date: January 2022

Preventing CHIP eligibility for infants that are auto newborns:

DHS has requested a review of all pregnant women and auto newborn functionality in METS, however the IT project team on this issue has temporarily been suspended as the business and technology resources were needed to respond to the public health emergency.

Estimated Completion Date: Post public health emergency

METS release 20.4 corrected one of the system issues regarding new applications that contributed to the CHIP errors in this audit. A child born in the application month or in a retroactive month is now determined eligible for Medical Assistance under the auto newborn eligibility basis, with a corresponding auto newborn coverage type in MMIS.

Completion Date: February 7, 2021

DHS developed specific procedures for when workers must re-enter a case that includes a pregnant woman or an auto newborn. See ONEsource procedure manual "Pregnancy or Auto Newborn Case Re-Entry Procedure." The procedure ensures that the correct eligibility basis is maintained on the new case.

Completion Date: March 8, 2021

DHS will re-issue a program integrity announcement reminding workers about processing applications timely.

Estimated Completion Date: December 2021

DHS will issue a program integrity announcement reminding workers about common errors found on cases with pregnant women.

Estimated Completion Date: December 2021

DHS will develop a worker tip sheet outlining audit issues and distribute to county workers. DHS will present audit findings, review draft tip sheet and gather ideas and suggestions to improve integrity at the County Advisory Committee (videoconference for county human services leadership). DHS will present audit findings and review the worker tip sheet at County Roles and Responsibilities (statewide videoconference for county managers and supervisors) and the Health Care Eligibility Partner Information Exchange (statewide video conference for workers).

Estimated Completion Date: December 2021

Responsible Person: Matt Anderson, Assistant Commissioner/State Medicaid Director

Estimated Completion Date: See above.

Audit Finding 2020-025

The Department of Human Services did not accurately determine eligibility and paid capitation payments to managed care organizations for some enrollees who were not eligible for the state's Medicaid program (Medical Assistance).

Audit Recommendations 2020-025

- *The Department of Human Services should improve its internal controls to ensure county caseworkers obtain all required documentation and accurately verify and determine enrollee eligibility for Medical Assistance.*
- *The Department of Human Services should correct the determination errors in the three eligibility cases with deficiencies.*

Response to Audit Recommendation 2020-025

The Department will issue a program integrity announcement reminding workers to verify, accurately enter information in the Minnesota Eligibility Technology System (METS), and maintain income and asset documentation. The income and asset announcements were originally planned for 2020, but were delayed due to the COVID-19 public health emergency.

Estimated Completion Date: At the end of the public health emergency

DHS will create and implement a wage verification and calculation tool, to help workers correctly and consistently calculate MA applicant and enrollee wage income from paper documentation.

Responsible Person: Matt Anderson, Assistant Commissioner/State Medicaid Director

Estimated Completion Date: December 2021

Audit Finding 2020-026

The Department of Human Services did not accurately determine eligibility and paid capitation payments to managed care organizations for some enrollees who were not eligible for the Minnesota's Medicaid program (Medical Assistance).

Audit Recommendations 2020-026

- *The Department of Human Services should improve its internal controls to ensure county caseworkers obtain all available documentation and accurately verify and determine enrollee eligibility for Medical Assistance.*
- *The Department of Human Services should correct the determination errors in the five eligibility cases with deficiencies.*

Response to Audit Recommendation 2020-026

DHS will clarify eligibility policy for verifying income and assets for applicants and enrollees eligible for MA for people who are age 65 or older, blind, or disabled. DHS will issue bulletins describing the policies for verifying income and assets. This will include detailed information about how to calculate income and how to verify new types of assets, such as stored payment cards. After publication of the bulletins, DHS will

provide training for workers at a monthly Health Care Eligibility Partner Information Exchange meeting and will update the Eligibility Policy Manual.

Responsible Person: Matt Anderson, Assistant Commissioner/State Medicaid Director
Estimated Completion Date: December 2021

Audit Finding 2020-027

The Department of Human Services did not revalidate the enrollment of providers in Medical Assistance – Minnesota’s Medicaid program – or conduct site visits within the required five-year period for some high or moderate risk providers that we tested.

Additionally, the department did not yet revalidate the enrollment of nine providers that we previously identified as errors in the fiscal year 2019 Single Audit. For 5 of the 9 providers, the department did not obtain the required disclosure within the required five-year period.

Audit Recommendations 2020-027

- *The Department of Human Services should improve its internal control procedures to ensure that it conducts revalidations required under federal law for providers enrolled in the Medical Assistance program.*
- *The Department of Human Services should revalidate the enrollment for the 16 providers that we identified herein as lacking the federally required reviews.*

Response to Audit Recommendation 2020-027

The Department agrees with this recommendation. The nine providers cited in the 2020 audit were home and community based services/waiver providers. Provider Eligibility and Compliance (PEC) started revalidation of this provider type in November 2019, and planned to revalidate all home and community based providers in alphabetical order throughout 2020 until complete. PEC made it through a section of the providers whose business name begins with A, and then halted revalidation efforts when the COVID-19 pandemic hit in March of 2020. The nine providers identified in the 2020 audit findings would have been revalidated within calendar year 2020 as part of the phased approach described above, had we not suspended those activities effective March 1, 2020, due to the pandemic.

During this period, PEC was also revalidating other provider types, including transportation providers, and halted due to the pandemic. PEC runs reports to determine who is up for revalidation during the year. We then break them out into manageable groupings and disperse them as evenly as possible among PEC staff. This helps minimize the negative impacts on newly enrolling providers, since we wouldn’t be able to process those new applications if there is a full queue of revalidations to process.

PEC had every intention of completing the revalidation on all providers needing to be revalidated in 2020 and fully believe we would have been successful had the pandemic not begun in the middle of the process. The seven providers identified in this year’s audit finding were either waiver (home and community-based) or transportation. Transportation was also on the list to begin, until the waiver was received from CMS, halting those efforts, too.

DHS implemented an internal management process after last year's audit and developed internal control procedures to ensure that we complete the provider revalidations that are required under federal law. The internal management process is as follows:

Internal Management Process:

- Revalidation tracking sheets in SharePoint are tracked by the PEC specialists.
- During the revalidation process, the team supervisor or lead worker must review tracking sheets at least weekly to ensure accuracy and follow up on the revalidation process with the PEC specialists.
- PEC Quality Analysts will pull monthly reports to track the revalidation process, identify trends, compare results with the manual tracking and share the results with the supervisors and lead.

DHS also implemented a web-based provider portal in 2019 to assist in provider revalidation. The 2019 release of the Minnesota Provider Screening and Enrollment ([MPSE](#)) portal did enable providers to enroll online, but did not automate the revalidation process. This process remains manual: our team runs reports of providers due for revalidation, we manually develop letters informing each of these providers to revalidate, and we send additional reminder letters. The second phase of MPSE (being developed now and set for release in March 2023) will, among many other enhancements, automate that reporting and alerting process, saving us time and further streamlining the revalidation process.

Responsible Person: Lori Shimon, Manager, Provider Eligibility, Compliance & Payments
Estimated Completion Date: March 2023

Audit Finding 2020-028

The Department of Human Services did not accurately determine eligibility and paid capitation payments to managed care organizations for some enrollees who were not eligible for Minnesota's Basic Health Program (MinnesotaCare).

Audit Recommendations 2020-028

- *The Department of Human Services should strengthen its internal controls to ensure that caseworkers obtain all required documentation and accurately verify and determine enrollee eligibility for MinnesotaCare.*
- *The Department of Human Services should strengthen its internal controls to ensure the complete and accurate transfer of case closure data from METS to MMIS.*
- *The Department of Human Services should strengthen its IT internal controls and change management processes when implementing METS updates to ensure enrollees are placed into the correct MinnesotaCare category.*
- *The Department of Human Services should correct the errors in the six eligibility cases with deficiencies. The department also should recover payments to the managed care organization for the one case that was not correctly closed.*

Response to Audit Recommendation 2020-028

The Department will create and issue a projected annual income calculation worksheet to help workers correctly and consistently calculate a MinnesotaCare applicant or enrollee's projected annual income from paper documentation. DHS will require workers to use the worksheet when they are updating or changing

attested projected annual income based on paper documentation, and to save the worksheet in the case file.

DHS will remind workers to follow ONESource procedures and check MMIS to ensure case closure.

A defect exists in the METS to MMIS interface, which causes some parents to be coded in the MMIS system as adults without children. This is a known problem, which an IT project team is working to resolve. The system fix is expected to be deployed in the METS 21.1.1 release in June 2021. Also, reports are run monthly to identify enrollees affected by the defect and MMIS coding is corrected prior to payment of managed care capitations. This process will continue until the issue is resolved.

Responsible Person: Matt Anderson, Assistant Commissioner/State Medicaid Director
Estimated Completion Date: See above.

Audit Finding 2020-029

The Department of Human Services incorrectly requested and received reimbursement from the federal government for Public Private Adoption Incentive (PPAI) expenditures for which it had already received payment. In addition, the Department of Human Services did not design and implement adequate controls to detect and prevent requests for duplicate payments and ensure compliance with federal law.

Audit Recommendations 2020-029

- *The Department of Human Services should revise its written policies and procedures to prevent duplicate requests for reimbursement from the federal government.*
- *The Department of Human Services should return the \$45,860 in excess funds requested, plus any interest owed to the federal government, or reduce future claims by that amount as directed by federal guidance.*

Response to Audit Recommendation 2020-029

The Department agrees with these recommendations.

Reason for Finding Reoccurrence

Due to staff turnover and lack of transfer of knowledge regarding the PPAI program and federal reporting process, issues continued in the reporting. This also resulted in an incorrect procedure being documented and followed.

Planned Corrective Action

We added PPAI to the peer review process. As part of process, staff review current reporting requirements and calculations to include necessary changes or updates from the federal partners.

Any partial Corrective Action to Date

Corrections for all noted federal fiscal year 2019 reports have been completed. Corrections were peer reviewed before submission. Review of PPAI calculation spreadsheets, federal reporting requirements and process documentation have occurred and been updated to reflect changes and ensure accuracy.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations
Mical Peterson, Supervisor, Adoption Programs
Estimated Completion Date: Corrections completed Dec. 31, 2020 QE CB-496. Process and procedure (corrected) updated March 19, 2020.

Audit Finding 2020-030

The Department of Human Services reimbursed counties for requests for Minnesota Post Demonstration (MnPD) subsidies paid to parents that exceeded limits imposed by federal law. In addition, the department did not design effective internal controls to ensure counties detected and prevented expenditures that did not comply with requirements in federal law.

Audit Recommendations 2020-030

- *The Department of Human Services should enhance its internal controls to ensure it effectively reviews and approves reimbursements to counties for payments to adoptees.*
- *The Department of Human Services should enhance its internal controls to ensure counties effectively review and approve the appropriateness of county payments to adoptees and ensure that expenditures comply with federal requirements for the MnPD program.*

Response to Audit Recommendation 2020-030

The Department agrees with this finding. This issue reoccurred in part due to staffing resources being reallocated to COVID-19 related issues. DHS' Child Safety and Permanency Division (Permanency Supports & IV-E Foster Care) along with DHS' Financial Operations Division will work together to review the quarterly county claims for MnPD payments. This review will entail ensuring that all required documentation is available and that payments are in line with the original MnPD agreement. If documentation is not available, the reviewers will work with the county to bring the case into compliance. After the initial review, the team will review the quarterly claims to ensure that payments are consistent and, if there has been an increase in payments, that appropriate documentation is available to support the increase.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations
Mical Peterson, Supervisor, Adoption Programs
Estimated Completion Date: September 2020

Audit Finding 2020-031

The Department of Human Services did not reimburse adoption agencies in accordance with the grant agreements or federal cash management requirements.

Audit Recommendations 2020-031

- *The Department of Human Services should enhance its internal controls to ensure that it reimburses adoptions agencies in accordance with the grant agreements and federal requirements.*

Response to Audit Recommendation 2020-031

We agree with this finding and have already identified other staff members who are authorized to make these payments if the primary employee is unable to do so. We will also work with the invoice originators to ensure that more than one person receives these requests and to maximize efficiencies.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations
Mical Peterson, Supervisor, Adoption Programs
Estimated Completion Date: January 2021

Audit Finding 2020-032

For the CB-496 reports *Title IV-E Programs Quarterly Financial Report and Annual Adoption Savings Calculation and Accounting Report* we tested, the Department of Human Services did not accurately report expenditures. In addition, the Department of Human Services did not design and implement effective internal controls to ensure compliance with these reporting requirements.

Audit Recommendations 2020-032

- *The Department of Human Services should improve its internal controls to ensure it reports Adoption Savings expenditures correctly on the CB-496 report.*
- *The Department of Human Services should submit a corrected CB-496 annual report to the Federal government for Adoption Savings.*
- *The Department of Human Services should make adjustments on their next quarterly CB-496 report to correct the errors noted herein. In addition, the Department of Human Services should implement effective internal controls to ensure it accurately reports required information to the federal government.*

Response to Audit Recommendation 2020-032

The Department agrees with these recommendations.

Reason for Finding Reoccurrence

Adoption Savings report changes occurred at the federal level. Internal spreadsheets for corresponding reports were not updated accordingly, nor was our process and procedures. Since Adoption Savings is a cumulative amount, this compounded issues for future reports.

Planned Corrective Action

We will add Adoption Savings to the existing peer review process. As part of that process, staff will review current reporting requirements to include necessary changes or updates from our federal partners.

Any partial Corrective Action to Date

Corrections for all noted federal fiscal year 2019 reports have been completed. We are working with our federal Office of the Administration for Children and Families (ACF) partners on the federal fiscal year 2020 report corrections. Unfortunately, we have encountered some technical issues involving the federal

reporting system. ACF is working on the fix. Review of Adoption Savings calculation spreadsheets, federal reporting requirements and process documentation have occurred and been updated to reflect changes and ensure accuracy.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations
Estimated Completion Date: September 2021

Audit Finding 2020-033

The Department of Human Services did not comply with the [Special Programs for the Aging] federal earmarking requirement for the federal fiscal year 2019 awards and overcharged the awards by \$220,742, as of June 30, 2020. The department also did not submit required reports to the Administration for Community Living (ACL). In addition, the Department of Human Services did not design and implement adequate controls to monitor and prevent state administration expenditures from going over the allowed amount.

Audit Recommendations 2020-033

- *The Department of Human Services should design and implement effective internal controls to ensure it does not exceed federally-imposed administration expenditure limits.*
- *The Department of Human Services should move the excess administration expenditures allocated to the federal fiscal year 2019 federal award to an allowable source of funds.*

Response to Audit Recommendation 2020-033

DHS disagrees with this finding. The audit's finding departs from the federal rules and regulations associated with these funds. The findings do not take into account the allowable timeframe during which these expenses can be paid and adjustments made for these funds prior to reporting such expenditures and certifying compliance with relevant rules and regulations. With each year of federal Older Americans Act funding, the Minnesota Board on Aging has 24 months in which to obligate the funds, and an additional 90 days to liquidate the funds. Accordingly, DHS is not out of compliance with the Older Americans Act funding guidelines, and has until Dec. 31, 2021, to transfer the costs identified as excess administrative funds to an allowable source of funds.

DHS staff, in support of the Minnesota Board on Aging and in partnership with the Financial Operations Division, will continue to work through the process of aligning expenditures with the appropriate year of federal funding. This process will also result in a permanent structure that will ensure alignment of expenditures on an ongoing basis.

Responsible Person: Kari Benson, Director, Aging and Adult Services
Estimated Completion Date: July 2021

Audit Finding 2020-034

The Department of Human Services did not promptly pay Nutrition Services Incentive Program (NSIP) requests for reimbursement to grantees. In addition, the department did not design and implement adequate controls to ensure prompt payment of grantee reimbursement requests and ensure compliance with federal law.

Audit Recommendations 2020-034

- *The Department of Human Services should develop procedures to ensure it timely reviews and approves NSIP reimbursement requests and makes payments to grantees.*

Response to Audit Recommendation 2020-034

DHS agrees with this finding. DHS staff, in support of the Minnesota Board on Aging, have already established a procedure to ensure timely review and approval of NSIP reimbursement requests and make timely payments to the Area Agencies on Aging.

Responsible Person: Kari Benson, Director, Aging and Adult Services
Completion Date: March 2021

Audit Finding 2020-035

The Department of Human Services misstated total expenditures and subrecipient expenditures reported on the schedule of expenditures of Federal awards.

Audit Recommendations 2020-035

- *The Department of Human Services should design and implement internal controls to ensure it (1) records expenditures in the state fiscal year in which the expenditure was incurred; (2) correctly reverses prior year adjustments; and (3) identifies and includes expenditures incurred within the state fiscal year but recorded after the books are closed.*

Response to Audit Recommendation 2020-035

The Department agrees with this finding.

Reason for reoccurrence

Last year, we missed expenses incurred during the current state fiscal year and put new controls in place to prevent that from happening again. This year, we missed expenses incurred after the hard close for the current state fiscal year.

Planned Corrective Action

DHS will establish steps for additional review of federal expenditures to ensure that all federal expenditures are correctly reported in the Schedule of Expenditures of Federal Awards (SEFA schedules).

Partial Corrective Action

Searching for transactions with a 7/4 accounting date to resolve this issue.

Responsible Person: Joe Jarosz, Financial Operations Division Accounting Operations Manager
Estimated Completion Date: June 2021

Audit Finding 2020-036

The Department of Human Services did not issue the management decision letters within the required six month timeframe for all samples tested that required a letter.

Audit Recommendations 2020-036

- *The Department of Human Services should ensure that management decision letters are sent within six months of the acceptance of the audit report by the Federal Audit Clearinghouse.*

Response to Audit Recommendation 2020-036

DHS agrees with this finding. In March 2020, just prior to a significant change to the workplace caused by the COVID-19 pandemic, DHS implemented new controls that included management review of management decision letters. However, once staff were required to telework full time, the process to print and mail envelopes changed, and staff assigned to do this work picked up additional responsibilities related to managing a remote workforce. This resulted in a slight delay in sending these letters. This process will change once again when staff return to their office buildings after June 2021, allowing us to evaluate staff workloads and streamline the process to ensure that these letters are mailed on time.

DHS does not agree that we materially misstated the status of the prior year audit finding. In early March 2020, DHS made significant control improvements to the process used at that time that we believe addressed the prior year findings. The auditors did not consider the impact of the sudden and immediate transition to a fully remote workforce. Also, they did not discuss their conclusion that DHS materially misstated the status of this prior year finding with DHS staff prior to the exit conference, giving us very little notice to review and understand how they arrived at their conclusion. After fully evaluating this issue, we believe that DHS did not materially misstate the status of this prior year audit finding.

Responsible Person: Gary Johnson, Director, Internal Audits Office
Estimated Completion Date: June 2021

Audit Finding 2020-037

The Department of Human Services did not communicate all of the required information to the subrecipient at the time of the subaward.

Audit Recommendations 2020-037

- *The Department of Human Services should enhance its internal controls to ensure it communicates the required federal award information to its subrecipients.*

Response to Audit Recommendation 2020-037

The Department agrees with this recommendation. In May 2020, DHS enhanced its internal controls by incorporating all of the required federal award information for subrecipients pursuant to 2 C.F.R. 200.332 in its contract templates and ensuring that the information is included when federal funding is passed through to subrecipients. Any contract previously executed that does not include the required federal award information has the information added when the contract is amended, if applicable.

The reason for the findings reoccurrence

Before May 2020, DHS grant templates contained some but not all of the elements of 2 C.F.R. 200.331 (since amended to be 2 C.F.R. 200.332). Identified contracts may have been executed prior to May 2020, and not amended after May 2020, or did not use a DHS template.

Planned corrective action

All DHS program areas are notified that they must follow DHS policy and use DHS contract templates with the required federal award information. Any contract previously executed that does not include the required federal award information has the information added when the contract is amended.

Any partial corrective action taken to date.

See above.

Responsible Person: Brynn Rhodes, Interim Director, Contracts, Procurement and Legal Compliance

Estimated Completion Date: June 2021

Audit Finding 2020-038

The Department of Human Services did not promptly amend their cost allocation plan to address newly implemented cost centers and submit the amendment to the Federal Department of Health and Human Services Cost Allocation Services.

Audit Recommendations 2020-038

- *The Department of Human Services should promptly amend their cost allocation plan and submit the amendment to the U.S. Department of Health and Human Services' Cost Allocation Services.*

Response to Audit Recommendation 2020-038

DHS agrees with this finding and is currently in the process of updating the cost allocation plan for submission to the U.S. Department of Health and Human Services' Cost Allocation Services. Additional staff resources have been allocated to this responsibility to ensure the prompt submission of amendments going forward.

Responsible Person: Martin Cammack, Director of Financial Operations Division

Estimated Completion Date: June 2021

Audit Finding 2020-039

The Department of Human Services and Minnesota IT Services did not complete some reviews of computer system accounts to validate that access was still needed and appropriate.

Audit Recommendations 2020-039

- *The Department of Human Services with its partnering state agency, Minnesota IT Services, should consistently perform and document the annual security recertification of system users.*

Response to Audit Recommendation 2020-039

MNIT Services and DHS agree with this finding, a repeat finding from 20-08 OLA report. It reoccurred because of limited resources and the timing of the COVID-19 pandemic, which delayed the full implementation of the new Application Recertification System application and the completion of access recertification of the MAXIS system during FY20. The recertification activity was started during fiscal year 2020, but the full scope of recertification of all MAXIS users was not finished until fall 2020, during the first quarter of fiscal year 2021. Access recertification for the MAXIS system will continue to be completed on an annual basis utilizing the new ARS system and its automated capabilities. Access recertification will be conducted again for the MAXIS system in July 2021 (fiscal year 2022) and therefore, MNIT considers this finding resolved.

Responsible Person: Gary Johnson, Director, Internal Audits Office
Chris Luhman, Information Security Director, MNIT
Estimated Completion Date: September 2020

Audit Finding 2020-040

The Department of Human Services and Minnesota IT Services did not complete an information system security review of the MAXIS application and environment, which would help identify new and validate any existing risks and vulnerabilities.

Audit Recommendations 2020-040

- *The Department of Human Services with its partnering state agency, Minnesota IT Services, should conduct regular risk assessments of its information systems that store, process, or transmit information applicable to its federal programs. Security reviews should ensure to incorporate elements outlines within the FNS Handbook 901 – A State Systems Guide to America’s Food Program.*

Response to Audit Recommendation 2020-040

MNIT Services and DHS agree with the finding. MNIT resources were impacted by the public health emergency and the statewide hiring freeze. MNIT Services recently was able to staff a vacant GRC position through a hiring exception that provides a dedicated resource to risk assessment and review activities. MNIT immediately placed MAXIS as a priority for a security review; that activity is currently underway. MNIT expects the security review to be completed by May 31, 2021, thereby resolving this finding.

Responsible Person: Gary Johnson, Director, Internal Audits Office
Chris Luhman, Information Security Director, MNIT
Estimated Completion Date: May 2021

Audit Finding 2020-041

The Department of Human Services and Minnesota IT Services have not implemented standardized change management controls to ensure that the quarterly Medicaid NCCI edit files are approved and consistently implemented, providing traceability and accountability for parties involved in and affected by the implementation event.

Audit Recommendations 2020-041

- *The Department of Human Services, with its partnering state agency, Minnesota IT Services, should develop and implement standardized change management controls over the quarterly Medicaid NCCI edit file implementation.*

Response to Audit Recommendation 2020-041

MNIT Services and DHS agree with the finding. MNIT Services is in the process of implementing formal release and change management, following the MNIT@DHS standards which include MNIT Enterprise Change Advisory Board (CAB). Our scheduled target completion to implement change control is Oct. 31, 2021, for standard changes including but not limited to quarterly Medicaid NCCI edit files.

Responsible Person: Gary Johnson, Director, Internal Audits Office
Chris Luhman, Information Security Director, MNIT
Estimated Completion Date: October 2021

Audit Finding 2020-042

The Department of Human Services did not maintain adequate security over EBT cards on hand and did not have evidence that it destroyed returned EBT cards.

Audit Recommendation 2020-042

- *The Department of Human Services should maintain adequate security over EBT cards, destroy returned EBT cards, and make and preserve documentation related to the destruction of EBT cards.*
- *The Department of Human Services should design and implement internal controls to ensure it (1) secured EBT cards on hand, (2) documented that it destroyed returned EBT cards, and (3) segregated duties for logging, deactivating, and destroying returned EBT cards.*

Response to Audit Recommendation 2020-042

This audit finding was partially complete during the state fiscal year 2020 audit period. DHS has implemented internal controls over EBT card security and destruction of returned cards. Instructions for EBT card controls have been developed and were in place during the review period.

EBT cards that are undeliverable by the postal service are returned to the department's contracted EBT processor; cards are logged and reported on a daily file to the department, and a case note in MAXIS is entered to indicate to the case worker that the EBT card was undeliverable and destroyed, and to notify the worker of possible address discrepancy.

All cards returned directly to DHS are retrieved by administrative staff from daily mail and locked in a cabinet until the benefit issuance staff retrieves and cancels the card. Once canceled, the cards cannot be reactivated, and they are logged and destroyed. The log includes the case number, card number and date the card was canceled. The log is monitored by the benefit issuance team supervisor for accuracy.

County EBT Card Security Guidelines are in place. However, to resolve this finding, the Department plans to conduct an inspection survey of counties over EBT card security following the Department's Management Evaluation Reviews schedule for SNAP. Due to COVID-19, full completion and implementation of the survey during the single audit review period was delayed. Management Evaluation reviews will commence in late summer 2021.

Responsible Person:	Tikki Brown, Director, Economic Opportunity and Nutrition Assistance
Estimated Completion Date:	October 2020, for questionnaires June 2021, for improved physical card controls

The Department of Human Services' policy is to periodically evaluate progress made on all audit findings until they are fully resolved. If you have further questions, please contact Gary L. Johnson, Internal Audit Director, at (651) 431-3623.

Sincerely,


Jodi Harpstead
Commissioner



April 26, 2021

James R. Nobles
Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building, Room 140
658 Cedar Street
St. Paul, MN 55155-1603

Jim Schowalter
Commissioner
Minnesota Management and Budget
Centennial Office Building, Room 400
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles and Commissioner Schowalter,

I would like to thank the Office of Legislative Auditor and your financial audit team for reviewing the Minnesota Department of Commerce's administration of the Low-Income Home Energy Assistance Program (LIHEAP) for fiscal year 2020. Your team provided valuable recommendations based on the review. I welcome the opportunity to take positive action on your recommendations.

As Commerce Commissioner, I take internal controls and continuous improvement very seriously. This audit will assist the Department's efforts to further strengthen controls around the program and financial management.

Following are specific responses to the audit findings.

Finding 2020-043:

The Department of Commerce overstated the federal share of unliquidated obligations on the Federal Financial Report for one LIHEAP award by \$2,646,623.

The Department of Commerce did not report the date of the last obligation on the Federal Financial Report for four LIHEAP awards.

Response:

Commerce agrees with the finding. The Department will include the obligated/encumbered amounts in the federal share of unliquidated obligations, and not the remainder of the award, as well as the date of last obligation in the "Remarks" box on the Federal Financial Report submitted via the Online Data Collection Tool. This information will be included in our next SF425 submission which occurs at the end of 2021. Estimated completion date: December 2021 by Michael Schmitz, LIHEAP Program Director, with assistance from Amy Trumper, Financial Services Director.

Finding 2020-044:

The Department of Commerce did not communicate the federal award identification number to its LIHEAP subrecipients for the Energy Assistance Program (EAP), or the federal award date to any of its LIHEAP subrecipients.

Response:

Commerce agrees with the finding. The Department provided 15 of the 17 required data elements and will include the remaining 2 data elements in future correspondence with Service Providers. All 17 data elements will be communicated during the next round of award notifications. Estimated completion date: May 2021 by Michael Schmitz, LIHEAP Program Director.

Finding 2020-045:

The Department of Commerce understated the amounts provided to subrecipients reported on the Schedule of Expenditures of Federal Awards for LIHEAP by \$188,844.

Response:

Commerce agrees with the finding. Although the Department was following state guidance pertaining to the account codes to be included in the subrecipient calculation, on March 22, 2021, members of the Department, Office of Legislative Auditor, and Minnesota Management & Budget met to discuss the rationale and impact of payments included in this specific account code. It was mutually agreed this account code should be included in the subrecipient calculation for 2020, and an adjustment was made. Moving forward, this specific account code will be included in the subrecipient calculation. This audit finding has been resolved.

Thank you again for the work of you and your staff to identify opportunities for improvement within Commerce. The Department has a strong history of correcting audit findings and implementing a strong internal control framework. We are committed to taking appropriate action to further strengthen our programs and internal controls.

Sincerely,



Grace Arnold
Commissioner

CC: Scott Tjomsland, Audit Director
Aditya Ranade, Deputy Commissioner
Katherine Blauvelt, Assistant Commissioner
Tim Jahnke, CFO/Admin Services Director

April 26, 2021

Mr. James Nobles, Legislative Auditor
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155-1603

Mr. James Schowalter, Commissioner
Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Mr. Nobles and Mr. Schowalter:

Thank you for the opportunity to provide an updated response to the findings and recommendations in accordance with the Federal Single Audit Act and for the period from July 1, 2019, through June 30, 2020. The federal programs audited include the Unemployment Insurance Program (CFDA 17.225), Vocational Rehabilitation Program (CFDA 84.126 – prior audit finding follow-up only), and the Disability Insurance and Social Security Insurance Cluster (CFDA 96.001 and 96.006).

This letter responds to the updated written findings and recommendations identified in the audit report.

Finding Number 2020-046 *Insufficient Controls Over Allowable Activities and Costs*

Federal Agency: U.S. Department of Labor

CFDA Number: CFDA 17.225 – Unemployment Insurance

Award Period: July 1, 2019, through June 30, 2020

Type of Finding: Significant Deficiency in Internal Control.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 303, states, “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

State Payroll Policy PAY0017 states that payroll staff should “...complete a comprehensive review of the report each pay period. If a comprehensive review is not possible, review a representative sample each pay period. A comprehensive review must be completed on a quarterly basis. Audited sections...from the report must be kept with documented explanations.”

Condition:

The Department of Employment and Economic Development did not maintain effective internal controls to ensure payroll expenditures were for allowable activities and costs.

Questioned Costs: None.

Context:

The department did not perform a review of the payroll report for 9 of 27 bi-weekly reports and, in the remaining 18 reports, a comprehensive review of instances where the employee did not complete their time entry, was not performed quarterly.

We reviewed departments that charged payroll to the Unemployment Insurance program within 4 of 18 randomly selected bi-weekly reports. For three reports, the department did not follow-up on 9 of 21 instances where the back-up did not indicate why they were approving time entry.

Our sample was not statistically valid.

Cause:

Between pay periods ending July 9, 2019 and October 29, 2019, the payroll department did not prioritize review of the payroll report. After pay period ending October 29, 2019, the payroll department developed a spreadsheet to track exceptions listed in the report and the follow-up performed. However, they did not identify and follow-up on all exceptions.

Effect:

If the department is not fully reviewing the payroll exception report, and following-up when explanations are not provided, it is less likely on-going problems or patterns would be identified so management can take action to ensure the payroll integrity.

Repeat Finding:

Yes, see prior audit finding 2019-043. The department initially reported the prior audit finding as resolved on the summary schedule of prior audit findings. This materially misrepresented the status of the finding. The compliance issue related to the Unemployment Insurance program was resolved but the control issue was not. We corrected the status on the summary schedule to "Findings are not corrected or are only partially corrected."

Auditor's Recommendation:

The Department of Employment and Economic Development should implement internal controls to ensure a comprehensive review of the payroll report is conducted each pay period, or a comprehensive review is completed quarterly, if a representative sample is reviewed.

DEED's Response:

We agree with the finding. DEED has implemented internal controls as a result of the previous finding to ensure it properly documented reasons for timesheet completion by supervisors in compliance with state policy. A review of the report analysis process following the retirement of a long-term payroll supervisor showed the procedures could be strengthened. Changes were implemented to this process prior to the audit, but after the audit period. To reinforce stronger internal controls, the process was documented step by step, with implementation of additional tracking requirements. A memorandum was sent to all agency managers and supervisors documenting the requirements for timesheet review and approval with examples. Training was also provided to the managers and supervisors and primary and backup approvers as identified to ensure the state policy is followed. A Self-Service Audit tracking worksheet was created to facilitate correct documentation follow-up if someone other than the employee or supervisor completed the timesheet. Managers and supervisors who did not initially document a reason were also asked to review and properly document the reason for completing/approving the timesheet on behalf of an employee or a primary approver. The managers / supervisors replied with the reason and based on the documented reason provided, the conclusion was reached that the payroll costs were legitimate and valid expenditures against the grant award and employees were paid correctly. Payroll staff will continue their existing practice of using a tracking

worksheet to track exceptions from the report and conducting a random sample / review of at least 20 qualifying payroll records each pay period to ensure appropriate reasons are documented and are followed up on and escalated accordingly if a response is not initially received. DEED is in the process of implementing a comprehensive review of all qualifying payroll records quarterly per MMB Policy since only a representative sampling is conducted per pay period.

Person responsible for corrective action:

Julie Freeman, CFO

Anticipated completion date for corrective action:

March 31, 2022

Finding Number 2020-047 *Noncompliance with eligibility*

Federal Agency: U.S. Department of Labor

CFDA Number: CFDA 17.225 – Unemployment Insurance

Award Period: July 1, 2019, through June 30, 2020

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:

The *United States Code*, Title 15, Chapter 116, Section 9023(b)(1), states, ...“the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law of the State were applied...in a manner such that the amount of regular compensation...payable for any week shall be equal to – (A) the amount determined under the State law..., plus (B) an additional amount of \$600.”

The *United States Code*, Title 26, Chapter 23, Section 3304(a)(6)(A)(i), states, ... “with respect to services in an instructional, research, or principal administrative capacity for an educational institution...compensation shall not be payable based on such services for any week commencing during the period between two successive academic years or terms....”

Condition:

The Department of Employment and Economic Development issued Federal Pandemic Unemployment Compensation, although insufficient wages made the applicant ineligible.

Questioned Costs:

\$1,800. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

Context:

We tested a random sample of 25 applicants who received unemployment compensation from a population of 286 applicants receiving \$1,311,905 in benefits.

One applicant received standard unemployment benefits and Federal Pandemic Unemployment Compensation. We found that the department identified the potential eligibility issue prior to payment; however, an adjudication error allowed payments to be issued. An overpayment was applied to the applicant’s account for the standard unemployment benefits after the audit scope, but an overpayment was not issued for the Federal Pandemic Unemployment Compensation payments.

Our sample was not statistically valid.

Cause:

The department did not implement internal controls to ensure adjudicators consider supplemental overpayments when evaluating applicant issues. Additionally, the state's Unemployment Insurance system was not programmed to identify overpayments related to Federal Pandemic Unemployment Compensation.

Effect:

The department overpaid a single applicant \$1,800 in Federal Pandemic Unemployment Compensation.

Repeat Finding: No**Auditor's Recommendation:**

The Department of Employment and Economic Development should recover the overpayment.

The Department of Employment and Economic Development should implement internal controls to ensure adjudicators consider supplemental overpayments when evaluating applicant issues.

The Department of Employment and Economic Development should ensure the state's Unemployment Insurance system can identify overpayments related to Federal Pandemic Unemployment Compensation.

DEED's Response:

We agree with the finding that a staff clerical error occurred. It is important to note that this staff clerical error occurred during the busiest period in our program's 86-year history.

We disagree that this staff clerical error is evidence of a "significant deficiency in internal controls over compliance".

The mission of the unemployment insurance program is to provide timely economic support to people who have lost their jobs through no fault of their own. The Social Security Act codifies this mission by requiring that states have methods of administration reasonably calculated to ensure full payment of UI benefits *when due*. The United States Department of Labor, federal courts, and state courts have been critical of states that do not meet federal performance standards related to payment timeliness.

We automate as many processes as possible to ensure that payments are made promptly and accurately. This automation is a control in itself in that it reduces or eliminates the possibility of staff clerical errors. However, there are areas of program administration where staff judgment is required, or where it is impractical to fully emulate staff knowledge and experience within an automated process. It is not possible to impose internal controls associated with automated processes in these inherently different areas of program administration.

Adjudication is one of the program areas requiring staff intervention. The basic function of an adjudicator is to make findings of fact. The process typically involves comparing statements of applicants, statements of employers, and data contained in the UI system. The adjudicator gathers a wide variety of information, decides what is relevant, and finally decides what is likeliest to be factual – applying their common sense and experience to determine the most logical narrative of events.

Because adjudication requires staff to make judgments and then enter their findings into the UI system, there will always be a possibility of clerical errors. Fortunately, these errors are relatively uncommon (and relatively easy to detect when they occur).

There are a few hundred thousand adjudicated issues in a normal year, each of which involves multiple distinct findings of fact. Imposing multiple levels of preliminary review for each element within each adjudicated work item would cause administrative delays that would violate the prompt payment standards of the Social Security Act. A multi-step review process would also increase the staff hours necessary for each adjudicated work item, which would quickly cause us to exceed USDOL funding constraints for adjudication. To totally preclude any possibility of a staff clerical error would require administrative resources totally out of proportion with the amount of money at issue.

Given these realities, internal controls in an adjudication process must function very differently from internal controls applied in an accounting process. USDOL has recognized this by mandating that states participate in the Benefit Accuracy Measurement (BAM) and Benefit Timeliness and Quality (BTQ) programs. Both the BTQ and BAM processes review a statistically valid sampling of benefit payments and adjudicated work items. The purpose of these reviews is not to prevent staff errors, but to discern the frequency and causes of them. In some cases the frequency is very low and unlikely to be repeated. In other cases, discerning facts would have been nearly impossible given the level of cooperation obtained from all parties. In all cases, Minnesota UI reviews BAM/BTQ assessments and, whenever possible, introduces new controls that comport with the realities of adjudication.

Minnesota UI has performed well in both BAM and BTQ measures over the past several years and significantly exceeds the performance of most states. Notably, BAM reviews shown that when an erroneous payment occurs, it is usually due to an error made by the applicant or employer (and not by the agency). This is evidence that Minnesota UI has more than adequate internal controls in place to meet USDOL performance measures related to adjudication. The case sampled by the auditor is an example of our internal controls functioning properly. We detected the error less than a month after it occurred (and approximately 7 months before the Office of the Legislative Auditor sampled this case). The underlying clerical error was corrected and, as a result, the applicant was held overpaid for the regular unemployment benefits they received immediately. We also disagree with the suggestion that we failed to hold an applicant overpaid for Federal Pandemic Unemployment Compensation payments, and the suggestion that our “system was not programmed to identify overpayments related to Federal Pandemic Unemployment Compensation payments”.

As we explained to the auditor, our system **does** have functionality to issue FPUC overpayments. That functionality is staff-driven rather than automated. This is permissible under federal law.

It is expensive and complex to develop, code, test, and implement automated system functionalities. We do not have an automated system functionality for issuing FPUC overpayments because no program comparable to FPUC had ever existed before April 2020. If we were in the habit of building out system functionalities based solely on speculation about potential future policy outcomes, we would be (rightly) criticized for poor stewardship of taxpayer dollars.

We are currently working to implement an automated overpayment processing functionality for FPUC (or any other supplemental payment programs established in the future). In the meantime, we can and do issue FPUC overpayments manually. Because the process is manual rather than automated, we have imposed internal controls to ensure that all FPUC overpayments are issued correctly. This includes establishing business processes and heavily restricting the number of staff involved.

Given these internal controls and our extreme ongoing workload, we currently have a backlog of FPUC overpayments that we still need to issue. We will resolve that backlog over the coming months. Since there is no time standard for the issuance of FPUC overpayments, failure to issue a particular FPUC overpayment by a particular date cannot be construed as a significant deficiency in internal control over compliance. When and if USDOL establishes a timeliness standard for issuing FPUC overpayments, it may be possible to make such a finding – though not in this fact situation.

We would also note that assigning additional staff to manually issue FPUC overpayments would have been an irresponsible use of resources during the pandemic (when we were taking 12-15 times the usual number of claims). We made a necessary business decision that our staff would primarily focus on ensuring that unemployed Minnesotans had access to timely financial support during a government-ordered shutdown triggered by a global health crisis. We deferred any administrative work that was not legally required/time-sensitive in nature until after the immediate demands of the pandemic were met.

Person responsible for corrective action:

Jim Hegman, UI Director

Anticipated completion date for corrective action:

The corrective action is complete. We issued a FPUC overpayment to the applicant on April 16, 2021.

Finding Number 2020-048 *Noncompliance with eligibility*

Federal Agency: U.S. Department of Labor

CFDA Number: CFDA 17.225 – Unemployment Insurance

Award Period: July 1, 2019, through June 30, 2020

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:

The *United States Code*, Title 15, Chapter 116, Section 9023(b)(1), states, ...“the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law of the State were applied...in a manner such that the amount of regular compensation...payable for any week shall be equal to – (A) the amount determined under the State law..., plus (B) an additional amount of \$600.”

Minnesota Statutes, 268.095, subd. 1, states, “An applicant who quit employment is ineligible for all unemployment benefits....”

Condition:

The Department of Employment and Economic Development issued Federal Pandemic Unemployment Compensation, although the reason for unemployment made the applicant ineligible.

Questioned Costs:

\$3,000. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

Context:

We tested a random sample of 40 applicants who received \$81,537 of unemployment compensation from a population of 376,750 applicants receiving \$987,249,915 in standard benefits.

One applicant received standard unemployment benefits and Federal Pandemic Unemployment Compensation, although they quit employment to relocate. We found that the department applied an overpayment to the applicant’s account for the standard unemployment benefits. However, an overpayment was not issued for the supplemental Federal Pandemic Unemployment Compensation payments.

Our sample was not statistically valid.

Cause:

The state’s Unemployment Insurance system was not programmed to identify overpayments related to Federal Pandemic Unemployment Compensation.

Effect:

The department overpaid a single applicant \$3,000 in Federal Pandemic Unemployment Compensation.

Repeat Finding: No**Auditor's Recommendation:**

The Department of Employment and Economic Development should recover the overpayment.

The Department of Employment and Economic Development should ensure the Unemployment Insurance system can identify overpayments related to Federal Pandemic Unemployment Compensation.

DEED's Response:

We disagree with this finding, for the same reasons we disagree with Finding 2020-047. There is no "significant deficiency in internal control over compliance."

Person responsible for corrective action:

Jim Hegman, UI Director

Anticipated completion date for corrective action:

The corrective action is complete. We issued a FPUC overpayment to the applicant on April 16, 2021.

Finding Number 2020-049 *Noncompliance with eligibility*

Federal Agency: U.S. Department of Labor

CFDA Number: CFDA 17.225 – Unemployment Insurance

Award Period: July 1, 2019, through June 30, 2020

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:

The Unemployment Insurance Program is a federal-state partnership based upon federal law but administered by state employees under state law.

Minnesota Statutes, 268.085, subd. 4(a), states, “If all of the applicant’s wage credits were earned while the applicant was claiming Social Security old age benefits, there is no deduction of the Social Security benefits from the applicant’s weekly unemployment benefit amount.”

Minnesota Statutes, 268.085, subd. 4(b), states, “Unless paragraph (a) applies, 50 percent of the weekly equivalent of the primary Social Security old age benefit the applicant has received, has filed for, or intends to file for, with respect to that week must be deducted from an applicant’s weekly unemployment benefit amount.”

Condition:

The Department of Employment and Economic Development issued Pandemic Unemployment Assistance benefits, although Social Security income made the applicant ineligible.

Questioned Costs:

\$234. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

Context:

We tested a random sample of 40 applicants who received \$99,193 in unemployment compensation from a population of 89,416 applicants receiving \$238,544,544 in Pandemic Unemployment Assistance benefits, resulting in an exception rate of 0.2 percent.

Our sample was not statistically valid.

Cause:

The department did not implement internal controls to ensure payments cease after applicants were deemed ineligible.

Effect:

The department overpaid a single applicant \$234.

Repeat Finding: No**Auditor's Recommendation:**

The Department of Employment and Economic Development should recover the overpayment.

The Department of Employment and Economic Development should implement internal controls to ensure payments cease after applicants are deemed ineligible.

DEED's Response:

We agree with the finding that a staff clerical error occurred. It is important to note that this staff clerical error occurred during the busiest period in our program's 86-year history.

As stated in our responses to findings 2020-047 and 2020-048, we disagree that this staff clerical error is evidence of a significant deficiency in internal controls over compliance.

It must also be noted that payments did, in fact, cease in this case after the applicant was deemed ineligible. The clerical error that occurred in this case was that the adjudicator selected the incorrect date for the beginning of the denial of benefits. The adjudicator accidentally entered an effective date that was one week later than it should have been. The UI system properly implemented the findings made by the adjudicator and stopped payment for weeks the applicant was ineligible.

Person responsible for corrective action:

Jim Hegman, UI Director

Anticipated completion date for corrective action:

We will review the account and make any necessary adjustments by July 1, 2021.

Finding Number 2020-050 *Noncompliance with period of performance.*

Federal Agency: U.S. Department of Education

CFDA Number: CFDA 17.225 – Unemployment Insurance

Award Period: July 1, 2019, through June 30, 2020

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 334, states, “Financial records, supporting documents...must be retained for a period of three years from the date of submission of the final expenditure report....”

Condition:

The Department of Employment and Economic Development did not retain documentation for all transactions.

Questioned Costs:

\$14,650. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

Context:

We reviewed a random sample of 6 expenditure corrections with an absolute value of \$82,606 from a population of 25 expenditure corrections with an absolute value of \$763,978. The department did not retain documentation of the underlying expenditures for four corrections with absolute values of \$14,650, resulting in a 17.7 percent exception rate.

Our sample was not statistically valid.

Cause:

The department did not implement policies and procedures to ensure that corrections could be traced to support for the underlying expenditures.

Effect:

Awards could be charged for unallowable costs and for costs outside of the period of performance.

Repeat Finding:

Yes, see prior audit finding 2019-045.

Auditor's Recommendations:

The Department of Employment and Economic Development should implement controls through policies, to ensure corrections can be traced to underlying expenditures.

The Department of Employment and Economic Development should retain support for its expenditures.

DEED's Response:

We agree with the finding that the department did not implement policies and procedures to ensure that corrections could be traced to support the underlying expenditures and period of performance. The department has processes in place for the ordering of products carried in the warehouse, for the depletion and replenishment of the products, for the reporting generated that is needed for the expense corrections, and for the accounts receivable billing that occurs. We will be working on developing and implementing controls through process and procedures improvements, documenting how the underlying expenditures tie to the period of performance. Although this finding is similar to the 2019-045 audit finding that DEED didn't retain documentation for all transactions, the root cause for this audit finding relates to the warehouse transactions and the underlying expenditures and period of performance.

Person responsible for corrective action:

Julie Freeman, CFO

Jim Hegman, UI Director

Anticipated completion date for corrective action:

June 30, 2022



Finding Number 2020-051 *Noncompliance with reporting.*

Federal Agency: U.S. Department of Education

CFDA Number: CFDA 17.225 – Unemployment Insurance

Award Period: July 1, 2019, through June 30, 2020

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Chapter 2, Part 200.334 states, “...supporting documents...must be retained for a period of three years from the date of submission of the final expenditure report....”

Condition:

The Department of Employment and Economic Development did not always retain supporting documentation for the ETA 581 Contribution Operations report. For quarters ending September 2019 and December 2019, the department did not retain any supporting documentation. For the quarter ending March 2020, the department did not retain supporting documentation for three items.

Questioned Costs:

None.

Context:

We could not complete testing on two of three quarterly reports submitted in Fiscal Year 2020. For the quarterly report we were able to test, we could not validate 3 of 61 data elements. Two of the data elements were included in the prior year audit finding.

Cause:

The department did not retain a static copy of the data or support for adjustments to system generated amounts.

Effect:

Without supporting documentation, the department is not able to substantiate the accuracy of its reports.

Repeat Finding:

Yes, see prior audit finding 2019-046.

Auditor’s Recommendation:

The Department of Employment and Economic Development should retain support for the ETA 581 report.

DEED's Response:

We agree with the finding issued in the FFY2019 audit. After we received the written finding at the conclusion of the FFY2019 audit, we immediately instructed the analyst responsible for submitting the ETA581 to save a static copy of the database each quarter. She has done so in each quarter since.

We will review the 3 items the auditor reports she could not validate during to the FFY2020 audit. We have not had an opportunity to do so yet due to ongoing workload related to the COVID19 pandemic.

Person responsible for corrective action:

Jim Hegman, UI Director

Anticipated completion date for corrective action:

December 31, 2021



Finding Number 2020-053 *Noncompliance with cash management.*

Federal Agency: U.S. Department of Education

CFDA Number: CFDA 84.126 – Rehabilitation Services – Vocational Rehabilitation Grants to State

Award Period: July 1, 2019, through June 30, 2020

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 31, Part 205, Section 11(b), states, “A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State’s actual and immediate cash needs.”

The *Code of Federal Regulations*, Title 34, Part 361, Section 63(c)(3)(ii), states, “...to the extent that program income funds are available, a State must disburse those funds...before requesting additional funds from the Department.”

Condition:

The Department of Employment and Economic Development did not calculate cash draws correctly.

Questioned Costs:

\$125,250

Context:

There were 28 draws during the audit scope. For three draws, the department miscalculated the federal reimbursement due to a miscalculation of the state match. The overdraws were resolved with equivalent expenditures within 25 to 47 days.

Cause:

The department did not implement internal controls to ensure that cash draw calculations were accurate. One individual calculated the request of the funds from the federal government and another individual reviewed the request. However, the review was not comprehensive enough to identify the errors that caused the overdraws.

Effect:

For three draws, the department requested \$125,250 more in federal funds than it spent on allowable program costs. The associated federal awards were not overspent.

Repeat Finding:

Yes, prior year finding 2019-048.

Auditor's Recommendation:

The Department of Employment and Economic Development should implement internal controls to properly account for the state match when calculating cash draws.

DEED's Response:

We agree with this finding of questioned costs in the amount of \$125,250. For three draws combined, DEED requested \$125,250 more in federal funds than it spent on allowable program costs. The overall federal award was not overspent, and in each case, the overdraws were eventually resolved with equivalent expenditures but not within the three-day threshold. The FFY17 match/MOE amount was entered into the spreadsheet that calculates the draw and was not updated with the increased state match amount which resulted in overdrawing federal funds. The same error occurred on all 3 draws. The implementation guidance is being updated to address this issue and notes will also be added to the cash draw template worksheet. The department continues to strengthen internal control and compliance in the cash draw implementation guidance developed jointly by Vocational Rehabilitation Services, Services for the Blind and Administrative and Financial Services to ensure a secondary review. This process will include documented approval / sign-off for implementation guidance changes when there are any regulatory changes or modifications made to the cash draw form to ensure the continued accuracy of the cash draw process, particularly in relation to program income and state match. All cash draws created by Administrative and Financial Services staff are being reviewed for accuracy by program fiscal staff, with documented approval / signoff prior to the draw completion. This secondary and multi-tiered review and approval / sign off process has been occurring; but needs to be strengthened and training will be provided on the criteria for review to ensure accuracy of the cash draw amounts. This change in internal control is expected to resolve this audit finding of not properly accounting for state match when calculating cash draws. Although this finding is similar to the 2019-048 audit finding that DEED didn't ensure that cash draw calculations were accurate, the root cause for this audit finding relates to not properly accounting for the state match when calculating cash draws. This type of error wasn't previously accounted for in the implementation Procedures nor in the sign-off/approval process.

Person responsible for corrective action:

Julie Freeman, CFO

Natasha Jerde, SSB Director

Dee Torgerson, VRS Director

Anticipated completion date for corrective action:

June 30, 2022

Finding Number 2020-054 *Noncompliance with federal schedule of Expenditures of Federal Awards Requirements.*

Federal Agency: U.S. Department of Education

CFDA Number: CFDA 84.126 – Rehabilitation Services – Vocational Rehabilitation Grants to State

Award Period: July 1, 2019, through June 30, 2020

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 34, Part 76, Section 50(c), states, “The regulations in part 76 on subgrants apply to a program only if subgrants are authorized under that program.” State Vocational Rehabilitation Services program is authorized by the Rehabilitation Act of 1973 as amended, which does not authorize subgrants.

Condition:

The Department of Employment and Economic Development erroneously reported expenditures on the Schedule of Expenditures of Federal Awards as grants to subrecipients, although they were for contracted services.

Questioned Costs:

None.

Context:

The department incorrectly reported subrecipient expenditures of \$1,092,307. We proposed an audit adjustment to correct the schedules, and the Department of Management and Budget posted the adjustments.

Cause:

The department classified Vocational Rehabilitation contracted services as subrecipient expenditures on the Schedule of Expenditures of Federal Awards.

Effect:

The department may not be applying the correct regulatory requirements to this population.

Repeat Finding:

Yes, see prior audit finding 2019-047. The department initially reported the prior finding as resolved on the summary schedule of prior audit findings. This materially misrepresented the status of the finding. We corrected the status on the summary schedule to “Findings are not corrected or are only partially corrected.”

Auditor's Recommendation:

The Department of Employment and Economic Development should not continue to report subrecipient expenditures on the Schedule of Expenditures of Federal Awards.

DEED's Response:

We agree with the finding that DEED incorrectly reported subrecipient expenditures of \$1,092,307. DEED misclassified Vocational Rehabilitation contracted services as subrecipient expenditures on the Schedule of Expenditures of Federal Awards (SEFA). As part of the audit, DEED worked with the OLA to identify the misclassification of expenditure amounts from subrecipient expenditures in the June 30, 2020 SEFA originally submitted. OLA prepared an audit adjustment to reclassify the \$1.09 million from subrecipient expenditures and MMB posted the adjustment before publication of the CAFR. Federal requirements prohibit grants to subrecipients. We will strengthen our SEFA review process with documented Budget Analyst review prior to submitting the report to leadership for approval and signoff to ensure accuracy of the reported expenditures and that all federal requirements are followed. This was an accounting error only of classification and not one which had an overall impact on the expenditures to the state, nor did it have any impact on administration of the VR program. Although this finding is a repeat finding, we have changed the account code that we are using for the contracts. We implemented this practice mid-fiscal year 2020 for new contracts, however for existing contracts/contract amendments, it was too labor intensive to make the change during the contract cycle based on the number of contracts. It is not expected that this will be a repeat finding in the future because all contracts should be coded correctly moving forward. If there were any remaining contracts with incorrect account codes used, the strengthened review process identified above should resolve the issue.

Person responsible for corrective action:

Julie Freeman, CFO

Anticipated completion date for corrective action:

June 30, 2022

Finding Number 2020-055 *Noncompliance with allowable activities and costs.*

Federal Agency: U.S. Social Security Administration

CFDA Number: CFDA 96.001 – Social Security-Disability Insurance

Award Period: July 1, 2019, through June 30, 2020

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:

Section 39545.600 of the Social Security Administration’s Program Operations Manual System states that, “DDS [Disability Determination Services] should not enter into any negotiated agreement that would result in fee payments in excess of the maximum amount of their fee schedule without obtaining prior written approval from the RO [Regional Office].”

Condition:

The Department of Employment and Economic Development did not receive regional office approval for charges not allowed by the fee schedule.

Questioned Costs:

\$75. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

Context:

We reviewed a random sample of 23 consultative examination invoices totaling \$4,397 from a stratum of 16,167 invoices totaling \$3,464,518. One invoice included a \$75 expense not included on the fee schedule or approved by the regional office resulting in a 1.7 percent exception rate.

Our sample was not statistically valid.

Cause:

Management did not design and implement controls to ensure regional office approval is obtained for consultative examination charges that are not on the fee schedule.

Effect:

Providers may be reimbursed for charges that are not allowed by the program.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Employment and Economic Development should implement internal controls through policies to ensure consultative examination charges, that are not included on the fee schedule, are approved by the regional office.

DEED's Response:

We agree with this finding. DDS will improve internal controls by implementing a documented approval process for consultative exam charges that are not included on the fee schedule. A DDS manager will review requests for consultative exam charges not included on the fee schedule and forward them to the regional office for approval. The DDS manager will communicate approval from the region to staff tasked with updating consultative exam rates in the legacy system. Manager will verify that staff updated legacy system rates accurately.

Person responsible for corrective action:

Frank Gilbertson, DDS Director

Anticipated completion date for corrective action:

Completed on April 22, 2021

Finding Number 2020-056 *Noncompliance with allowable costs.*

Federal Agency: U.S. Social Security Administration

CFDA Number: CFDA 96.001 – Social Security-Disability Insurance

Award Period: July 1, 2019, through June 30, 2020

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 430(a) states, "...Costs of compensation are allowable to the extent that...the total compensation for individual employees...conforms to the established written policy of the non-Federal entity..."

State Payroll Policy PAY0017 states, "When backup approvers...approve timesheets, they should document the reason...and notify the primary supervisor/manager to ensure that the timesheet...approval was appropriate."

Condition:

The Department of Employment and Economic Development did not properly approve two Disability Determination Services' employee timesheets in compliance with state policy. Specifically, backup approvers approved the timesheets without documenting the reason for their approval.

Questioned Costs:

\$6,389. There are likely questioned costs greater than \$25,000 that we did not identify in our testing.

Context:

We tested a random sample of 40 employee timesheets with Social Security Disability Insurance payments of \$126,582 from a population of 3,708 timesheets with \$10,757,969 in payments. Two timesheets were approved by backup approvers without a documented explanation. These timesheets included \$6,389 in payroll costs, which represented 5 percent of the total payroll costs tested. Our sample was not statistically valid.

Cause:

The department did not perform a review of the payroll report for 9 of 27 bi-weekly reports and, in the remaining 18 reports a comprehensive review of instances where the employee did not complete their time entry, was not performed quarterly in accordance with State Payroll Policy PAY0017.

We reviewed departments that charged payroll to the Social Security Disability Insurance program within 4 of 18 randomly selected bi-weekly reports. For one report, the department did not follow-up on 14 of 16 instances where the back-up did not indicate why they were approving time entry as required by State Payroll Policy PAY0017.

Effect:

The assigned primary approvers of timesheets are the most knowledgeable about the work schedule of the employee. Backup approvers are not as knowledgeable, which increases the risk of inaccurate timesheets that could result in unallowable costs charged to the federal program.

If the department is not fully reviewing the payroll exception report, and following up when explanations are not provided, it is less likely on-going problems or patterns would be identified so management can take action to ensure the payroll integrity.

Repeat Finding:

Yes, see prior audit finding 2019-049. The department initially reported the prior audit finding as resolved on the summary schedule of prior audit findings. This materially misrepresented the status of the finding. There were control and compliance issues related to the Disability Determination Services program during the audit scope. We corrected the status on the summary schedule to "Findings are not corrected or are only partially corrected."

Auditor's Recommendations:

The Department of Employment and Economic Development should ensure it properly documents reasons for timesheet approval by backup approvers in compliance with state policy.

The Department of Employment and Economic Development should implement internal controls to ensure a comprehensive review of the payroll report is conducted each pay period, or a comprehensive review is completed quarterly, if a representative sample is reviewed.

DEED's Response:

We agree with the finding. DEED has implemented internal controls as a result of the previous finding to ensure it properly documented reasons for timesheet completion by supervisors in compliance with state policy. A review of the report analysis process following the retirement of a long-term payroll supervisor showed the procedures could be strengthened. Changes were implemented to this process prior to the audit, but after the audit period. To reinforce stronger internal controls, the process was documented step by step, with implementation of additional tracking requirements. A memorandum was sent to all agency managers and supervisors documenting the requirements for timesheet review and approval with examples. Training was also provided to the managers and supervisors and primary and backup approvers as identified to ensure the state policy is followed. A Self-Service Audit tracking worksheet was created to facilitate correct

documentation follow-up if someone other than the employee or supervisor completed the timesheet. Managers and supervisors who did not initially document a reason were also asked to review and properly document the reason for completing/approving the timesheet on behalf of an employee or a primary approver. The managers / supervisors replied with the reason and based on the documented reason provided, the conclusion was reached that the payroll costs were legitimate and valid expenditures against the grant award and employees were paid correctly. Payroll staff will continue their existing practice of using a tracking worksheet to track exceptions from the report and conducting a random sample / review of at least 20 qualifying payroll records each pay period to ensure appropriate reasons are documented and are followed up on and escalated accordingly if a response is not initially received. DEED is in the process of implementing a comprehensive review of all qualifying payroll records quarterly per MMB Policy since only a representative sampling is conducted per pay period.

In addition, DDS Management will issue reminders to DDS supervisor/manager staff regarding backup timesheet approval procedures, including the need to document reason for timesheet approval.

Person responsible for corrective action:

Julie Freeman, CFO

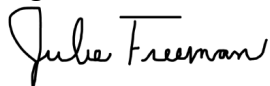
Frank Gilbertson, DDS Director

Anticipated completion date for corrective action:

March 31, 2022

If you have any questions or need additional information, please contact me at Julie.freeman@state.mn.us or 651-259-7085.

Regards,

A handwritten signature in black ink that reads "Julie Freeman". The signature is written in a cursive, flowing style.

Julie Freeman

CFO

April 19, 2021

Mr. James R. Nobles
Legislative Auditor
Office of the Legislative Auditor
658 Cedar St. Room 140
Centennial Office Building
St. Paul, MN 55155-1603

Jim Schowalter
Commissioner
Minnesota Management and Budget
658 Cedar St., Suite 400
Centennial Office Building
St. Paul, MN 55155-1603

Dear Mr. Nobles and Commissioner Schowalter:

Thank you for the opportunity to respond to the finding and recommendation of the Office of the Legislative Auditor's Federal Compliance Audit for the Minnesota Department of Health for the year ending June 30, 2020.

Finding Number 2020-057

Recommendation

The Department of Health should strengthen its secondary review procedures to ensure the review identifies and corrects any discrepancies between amounts reported on the FFRs and actual amounts recorded in the state's accounting system and should perform those procedures before submitting the FFRs.

Response

We agree with this recommendation. While we correctly reported the total amount the agency expended from the federal awards, we incorrectly reported the itemized amount we collected for indirect costs. In this case, our internal controls did not operate as designed. A staff member transferred incorrect numbers from a spreadsheet to the federal reporting form and our secondary review did not catch the error. Moving forward, we will emphasize the review step that verifies the indirect cost expense. Limitations of the federal reporting system in use during the audit period prevented us from being able to review the report prior to submission. We will explore whether the new federal reporting system has this function.

Person Responsible: Carmen Patton-Minder, Finance Director

Implementation Date: Complete

Sincerely,



Margaret Kelly
Deputy Commissioner
P.O. Box 64975
St. Paul, MN 55164-0975



Alcohol
and Gambling
Enforcement

Bureau of
Criminal
Apprehension

Driver
and Vehicle
Services

Emergency
Communication
Networks

Homeland
Security and
Emergency
Management

Minnesota
State Patrol

Office of
Communications

Office of
Justice Programs

Office of
Pipeline Safety

Office of
Traffic Safety

State Fire
Marshal

Office of the Commissioner

445 Minnesota Street • Suite 1000 • Saint Paul, Minnesota 55101-5100

Phone: 651.201.7160 • Fax: 651.297.5728 • TTY: 651.282.6555

dps.mn.gov

April 30, 2021

James R. Nobles
Legislative Auditor
1st Floor South, Centennial Office Building
St. Paul, MN 55155

Mr. James Schowalter
Commissioner
Minnesota Management and Budget
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles and Commissioner Schowalter,

I have been provided a draft of the audit of the Disaster Grants - Public Assistance program (CFDA #97.036) and the OLA follow-up on the prior year's audit findings for July 1, 2019, through June 30, 2020, related to the Highway Safety Cluster programs (CFDA #20.600 and 20.616) and the Crime Victim Assistance program (CFDA #16.575), in accordance with the Federal Single Audit Act. The Department of Public Safety (DPS)'s response to the findings and recommendations is as follows:

Finding Number 2020-052

The Department of Public Safety did not fully implement internal controls designed to ensure it conducted all annual site visits for Crime Victim Assistance subawards of \$250,000 or higher.

Repeat Finding

See prior audit finding 2019-010. DPS implemented some of our recommendations for the prior audit finding by revising its monitoring plan to eliminate inconsistencies, and by adding a quarterly supervisory review of the worksheets used to track subrecipient site visits. As such, the department reported the prior finding resolved on the summary schedule of prior audit findings. This materially misrepresented the status of the finding. We corrected the status on the summary schedule for finding 2019-010 to "Findings are not corrected or are only partially corrected."

Recommendations

The Department of Public Safety should strengthen its internal control procedures related to monitoring Crime Victim Assistance subrecipients to ensure it conducts all site visits in accordance with its monitoring plan.

DPS Response

DPS agrees with this finding. DPS' Office of Justice Programs (OJP) implemented internal controls to track annual site visits from Crime Victim Assistance subawards of \$250,000 or higher. It has been shown in this subsequent audit that these steps were not sufficient and a repeat finding was issued. Although the site visits did occur, they were missing from the tracking document and not reported to the OLA. The additional site visit information has been submitted.

The following steps will be implemented to strengthen internal control procedures to ensure site visits are done in accordance with the OJP monitoring plan:

- Crime Victim Services (CVS) grant managers will be re-educated on site visit monitoring and tracking requirements and procedures.
Due date: June 30, 2021
Responsible staff: CVS Director, Cecilia Miller
- CVS Director will implement electronic calendar reminders to review progress on this monitoring requirement.
Due date: June 30, 2021
Responsible staff: CVS Director, Cecilia Miller
- CVS Director will meet with grant managers quarterly to review progress on meeting this monitoring requirement.
Due date: July 1, 2021
Responsible staff: CVS Director, Cecilia Miller
- More timely supervisory monitoring and grant manager follow-up will be facilitated by updating the OJP online grant management system, Intelligrants (E-Grants), to include the recording of all site visit dates and reports.
Due date: October 1, 2021
Responsible staff: Assistant OJP Director, Tricia Hummel
- Assistant Director will meet quarterly with CVS Director to review progress on this monitoring requirement and implement additional supervisory action, as needed. Due date: July 1, 2021
Responsible staff: Assistant OJP Director, Tricia Hummel

Finding Number 2020-058

The Department of Public Safety did not properly approve 39 employee timesheets in compliance with state policy. Specifically, backup approvers approved the timesheets without documenting the reason for their approval instead of the primary approver.

Recommendations

The Department of Public Safety should strengthen internal controls to ensure it properly documents reasons for timesheet approval by backup approvers in compliance with state policy.

DPS Response

DPS agrees with this finding. Minnesota Office of Traffic Safety (OTS) managers have implemented procedures for timesheet approval for primary and backup roles in compliance with State Policy PAY00017 Self Service Time Entry and Policy PAY00016 Biweekly Time Reporting by Employees. This reoccurrence audit finding was partially resolved. Minnesota OTS managers have re-familiarized themselves with this policy and taken steps to ensure division timekeepers are aware of the policy as well. This policy was incorporated into the OTS Policy & Procedure manual dated December 18, 2020, via reference to the DPS Self Service Time Entry Policy #3003 and Procedure #303 on the DPS intranet website. The DPS Payroll Coordinator emailed the DPS Timekeepers on January 29, 2021, reminding timekeepers to review the 2460 Self Service Time Entry Audit report each pay period to ensure adequate comments are included, and when comments are not included, they follow up with the supervisor to add the comment to the 2460 Self Service Time Entry Audit report. On April 23, 2021, the DPS Payroll Coordinator sent an email reminding all DPS Timekeepers of the 2460 Self Service Time Entry Audit report process, and she will follow-up by meeting with each timekeeper to reinforce the policy and procedure requirements. This audit finding should be resolved by Friday, May 28, 2021. The OTS Director, Mike Hanson, and the DPS Payroll Coordinator, Domonica Chilefone-Finne, are responsible for ensuring the corrective action is completed.

Finding Number 2020-059

The Department of Public Safety submitted FFRs for Disaster Grants – Public Assistance awards that contained some inaccurate amounts.

The Department of Public Safety did not submit one quarterly FFR for two Disaster Grants – Public Assistance awards.

Recommendations

The Department of Public Safety should reassess and revise its procedures for preparing the FFRs for Disaster Grants – Public Assistance awards to minimize the risk of inaccurate amounts due to clerical errors.

The Department of Public Safety should implement procedures for a secondary review of FFRs to ensure the accuracy of the reports.

The Department of Public Safety should implement internal controls to ensure it submits all quarterly FFRs for Disaster Grants – Public Assistance awards.

DPS Response

DPS agrees with this finding. The errors occurred due to a more manual process completed by a former Fiscal & Administrative Services (FAS) employee. DPS will correct the FFRs in question and has revised its procedures for preparing FFRs, which include a secondary review to minimize risk of inaccurate amounts. DPS is now running quarterly and year-to-date reports to ensure the amounts are accurately reported on future FFRs. The FAS Accounting Supervisor, Rita Strafelda is responsible for ensuring that DPS will have all FFRs corrected and submitted by January 31, 2022, which is the deadline for the federal reporting quarter ending December 30, 2021.

Finding Number 2020-060

The Department of Public Safety submitted incomplete quarterly progress reports for Disaster Grants – Public Assistance awards.

Recommendation

The Department of Public Safety should strengthen its procedures for preparing the quarterly progress reports to ensure it submits complete and accurate data.

The Department of Public Safety should implement procedures for a secondary review of the quarterly progress reports to ensure the completeness and accuracy of the reports.

DPS Response

DPS agrees with this finding. This audit finding has been partially resolved. DPS has created an agency procedure to ensure that all reports, financial and program progress, are prepared, approved, and submitted in accordance with the U.S. Code of Federal Regulations and requirements of the Office of Management and Budget. The DPS procedure will be posted on the DPS intranet website for all staff to view on May 3, 2021. DPS' Homeland Security and Emergency Management division (HSEM) will follow the DPS procedure and develop internal written procedures applicable to the requirements for quarterly progress reports for Disaster

Grants – Public Assistance awards. The HSEM Director, Joe Kelly, is responsible for ensuring this Corrective Action Plan is completed by September 30, 2021.

Finding 2020-061

The department did not communicate the missing data elements to any of its Disaster Grants – Public Assistance subrecipients. During the scope of the audit, the department disbursed Disaster Grants – Public Assistance subawards to 654 subrecipients.

Recommendation

The Department of Public Safety should include all the required federal award information in the welcome packet sent to each Disaster Grants – Public Assistance subrecipient.

DPS Response

DPS agrees with this finding. This audit finding was resolved on April 20, 2021. HSEM has updated award letters to include the required documentation, including subrecipient unique entity identifier, federal award identification number, federal award date, subaward period of performance start and end dates, total amount of federal funds obligated to the subrecipient for all federal programs including the current financial obligation, total amount of the federal award committed to the subrecipient by the department, and CFDA number and name. The HSEM Director, Joe Kelly, is responsible for ensuring the Corrective Action Plan is followed by HSEM staff.

Finding 2020-062

The Department of Public Safety did not review the audit reports for three of its Disaster Grants - Public Assistance subrecipients or fifteen of its Crime Victim Assistance subrecipients.

The Department of Public Safety did not issue management decisions for audit findings related to Crime Victim Assistance awards to two subrecipients.

Recommendations

The Department of Public Safety should issue management decisions on the audit findings for the two subrecipients cited.

The Department of Public Safety should strengthen its internal controls to ensure it identifies and reviews all subrecipients that require an audit and issues management decisions within six months of the acceptance of the subrecipient audit report by the Federal Audit Clearinghouse.

DPS Response

DPS agrees with this finding. The reoccurrence of the audit finding was partially resolved with the development of an agency Management Decision Letter template on November 5, 2020. FAS and OJP will finalize procedures to track audit findings including those that require management decision letters. FAS will review and strengthen its subrecipient monitoring and notification practices to divisions of financial audit report findings to meet the Federal Audit

Clearinghouse guidelines. FAS will work with OJP to complete this portion of the Corrective Action Plan by December 31, 2021. DPS Chief Financial Officer Shawn Kremer and FAS Accounting Supervisor Dan Boytim are responsible for completing this portion of the Corrective Action Plan. The audit-identified management letters will be sent to the appropriate subgrantees by May 31, 2021. OJP Director Kate Weeks and Assistant Director Tricia Hummel are responsible for completing this portion of the Corrective Action Plan.

Finding 2020-063

The Department of Public Safety overstated the total federal expenditures reported on the Schedule of Expenditures of Federal Awards for Disaster Grants - Public Assistance by \$31,066.

The Department of Public Safety overstated the amounts provided to subrecipients reported on the Schedule of Expenditures of Federal Awards for the Highway Safety Cluster by \$237,300, including \$149,624 for CFDA 20.600 and \$87,676 for CFDA 20.616.

Recommendation

The Department of Public Safety should strengthen its internal controls to ensure it properly sets up the accounting for disasters in the state's accounting system to accurately assign expenditures to the appropriate CFDA#.

The Department of Public Safety should strengthen its internal controls to ensure it records expenditures to other state agencies and expenditures to subrecipients with the correct coding in the state's accounting system.

The Department of Public Safety should strengthen its procedures to prepare and review the Schedule of Expenditures of Federal Awards to ensure it accurately reports its total federal expenditures and amounts provided to subrecipients.

DPS Response

DPS agrees with this finding. This finding has partially been resolved. FAS drafted a procedure for accurately preparing and reviewing expenditures for the Schedule of Expenditure of Federal Awards (SEFA) reporting. This procedure was completed December 2020 and was discussed with all FAS Accounting Officers during a SEFA Instructions meeting. FAS has submitted expenditures adjustments to Minnesota's Department of Management and Budget (MMB) on April 14, 2021. FAS will continue to review and strengthen its monitoring practices of subrecipient payments of Federal Awards.

DPS overstated the total federal expenditures reported on the SEFA for Disaster Grants - Public Assistance by \$31,066 occurred due to an incorrect CDFA number in our statewide operating system grants module. FAS contacted the SWIFT Help Desk support to see if the CFDA number could be changed in the state's SWIFT accounting system. Unfortunately, there

April 30, 2021
Page 7

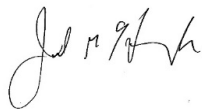
is no way to update the CFDA number for Project ID P07204390HM because the CFDA number is tied to the federal award and the federal award has already been generated. DPS will ensure the expenditures are updated during the next SEFA reporting, and subsequent reporting. The two options available for correcting the SEFA reporting are as follows:

Ensure manual removal of the expenditures from the incorrect CFDA number and report the expenditures under the correct CFDA number on the SEFA report until the grant is closed, which based on information from FEMA is period of performance (POP) 09/05/2018 - 03/04/2023; or FAS creates a new item in the SWIFT grants module with the correct CFDA number, which would require FAS to create a new Project ID (e.g., P07204390HM2) or something similar. HSEM would then update their purchase orders with the new Project ID and FAS would then do expenditure corrections for what has been paid to date. FAS and HSEM would then track that there are two Project ID's for Disaster Public Assistance grant project 4390HM.

The FAS Accounting Supervisors, Rita Strafelda and Dan Boytim, are responsible for ensuring the CFDA federal expenditures are corrected and accurately reported on the next SEFA report.

If you have follow up questions or need further information, please let me know. We remain committed to working with you both to meet the needs and expectations of our public safety partners and all Minnesotans.

Sincerely,

A handwritten signature in black ink, appearing to read "John M. Harrington".

John M. Harrington
Commissioner



DEPARTMENTS OF THE ARMY AND THE AIR FORCE

JOINT FORCE HEADQUARTERS MINNESOTA
OFFICE OF THE ADJUTANT GENERAL
20 12TH STREET WEST
SAINT PAUL, MN 55155-2004

April 22, 2021

The Adjutant General

Mr. James R. Nobles, Legislative Auditor
140 Centennial Office Building
658 Cedar Street
St. Paul, MN 55155-1603

Mr. Jim D. Schowalter
Minnesota Management and Budget
400 Centennial Office Building
65 8 Cedar Street
St. Paul, Minnesota 55155-1489

Dear Mr. Nobles and Commissioner Schowalter:

Thank you for the opportunity to review and respond to the finding and recommendation in the Office of the Legislative Auditor's Federal Single Audit Act draft audit report for the year ending June 30, 2020. We value the thorough examination of our program and appreciate the opportunity we had to work with your dedicated and professional staff. This is our written response to the audit finding and recommendation outlined in the draft audit report.

Audit Finding 2020-064

The Department of Military Affairs overstated the total federal expenditures reported on the Schedule of Expenditures of Federal Awards for National Guard Military Operations and Maintenance Projects by \$133,679.

Audit Recommendation 2020-064

The Department of Military Affairs should strengthen its procedures to prepare and review the Schedule of Expenditures of Federal Awards to ensure it accurately identifies and reports all federal expenditures on the schedule.

The Department of Military Affairs should implement a secondary review of the Schedule of Expenditures of Federal Awards to ensure the accuracy of the schedule.

Agency Response to Recommendation 2020-064

The department concurs with the recommendation. The agency will update procedures to prepare and review the Schedule of Expenditures of Federal Awards to ensure. Also, the agency will implement a secondary review of the Schedule of Expenditures of Federal Awards to ensure the accuracy of the schedule.

Person Responsible: Comptroller, Department of Military Affairs
Estimated Completion Date: June 30, 2021

Again, thank you for the opportunity to review and respond to the department's audit findings. If you have any further questions or concerns, please do not hesitate to contact me.

Sincerely,

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96202

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Date: 2021.04.23
14:02:34 -05'00'

Shawn P. Manke
Major General, MNARNG
Adjutant General

CF:
Donald Kerr, Executive Director
MDMA Comptroller



MINNESOTA STATE COLLEGES AND UNIVERSITIES CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2020

United States Department of Education

Minnesota State Colleges and Universities respectfully submits the following corrective action plan for the year ended June 30, 2020.

Audit period: July 01, 2019 to June 30, 2020

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the current year.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

United States Department of Education

2020-001 Cash Management G5 Drawdowns

Condition: During our testing of federal G5 drawdowns, we noted there were amounts overdrawn on G5 by Saint Paul College.

Recommendation: We recommend the College review their policies and procedures surrounding reconciliations to ensure disbursements are completely reconciled to G5 monthly.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The reconciliation reviews had been completed using paper documentation and once the pandemic hit created a gap in time between reviews due to moving to remote work. Reconciliation review was moved to an electronic process using eDocuSign on 10/22/2020. Process documentation was created on 04/26/2021 and posted to a shared folder for reference and is in the process of being reviewed by the AR Supervisor and Financial Aid Director to ensure all necessary information is included. The process documentation indicates that if there is a discrepancy in the reconciliation that funds should be returned within two business days until a determination can be made as to what caused the unreconciled amounts. The Business Office plans on changing the process of the drawdown to draw after financial aid is disbursed so that we ensure we are only drawing down what is needed after the reconciliation is complete. This will be implemented with the



MINNESOTA STATE COLLEGES AND UNIVERSITIES CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2020

next disbursement on 04/28/2021. A review and signature of understanding of the drawdown procedures will be done annually in July. The review and acknowledgement of procedural understanding will be completed by the Business Manager, Accounts Receivable Supervisor and Director of Financial Aid and a copy of a signed acknowledgement of understanding will be kept on file.

Names of the contact persons responsible for corrective action: Liz Schmidt, Business Manager, Angelique McClain, Accounts Receivable Supervisor, Adam Johnson, Financial Aid Director

Planned completion date for corrective action plan: 05/31/2021

United States Department of Education

2020-002 Student Refund Checks Outstanding Greater Than 240 Days

Condition: During our testing, we noted several institutions not returning outstanding checks greater than 240 days to the Department of Education. These institutions included Century College, Inver Hills Community College, Minnesota State College, Southeast, Minnesota State University, Mankato, Northland Community and Technical College, Northwest Technical College, South Central College, and Vermilion Community College.

Recommendation: We recommend the institutions review their procedures and implement processes to ensure they are properly turning over all student refund check that include federal dollars that are outstanding greater than 240 days.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The Colleges and Universities agree and are in the process of reviewing all outstanding checks over 240 days and will return federal funds as required. They will also review and implement procedures surrounding monitoring outstanding checks going forward to ensure all are returned to the Department of Education timely.

Names of the contact persons responsible for corrective action: The Colleges and Universities CFOs or Business Managers

Planned completion date for corrective action plan: September 30, 2021

2020-003 National Student Loan Data System (NSLDS) Enrollment Reporting



MINNESOTA STATE COLLEGES AND UNIVERSITIES CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2020

Condition: During our testing of 60 students, we noted two students from Hennepin Technical College and one student from Minnesota West Community and Technical College where enrollment was not certified every 60 days. We also noted for one student at Metropolitan State University and one student at Minnesota State College, Southeast where the program enrollment effective date did not match the institution's records.

Recommendation: We recommend the institutions reevaluate their procedures and review policies surrounding reporting status changes and other enrollment information to NSLDS to ensure timely and accurate reporting.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Colleges and Universities will review procedures and review policies surrounding reporting status changes and other enrollment information to NSLDS to ensure timely and accurate reporting.

Names of the contact persons responsible for corrective action: College or University Financial Aid Directors

Planned completion date for corrective action plan: September 30, 2021

2020-004 Reporting

Condition: During our testing, we noted Anoka Ramsey Community College and Anoka Technical College were unable to provide supporting documentation for the information reported in steps 3, 4, and 5 of the reporting steps. We also noted Century College was missing steps 1 and 4 of the required steps and they were unable to provide supporting documentation for steps 3 and 5. Finally, we noted North Hennepin Community College was unable to provide supporting documentation for steps 3 and 5.

Recommendation: We recommend the institutions review their reporting procedures to ensure all required steps are included as well as the supporting documentation to prepare the report is retained. The reports should be reviewed by someone other than the preparer of the report and this review should be documented.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: College and Universities will review the required reporting guidance and will ensure all steps are being followed going forward. The Colleges and Universities will have second reviewers and will document this review as well.



MINNESOTA STATE COLLEGES AND UNIVERSITIES CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2020

Names of the contact persons responsible for corrective action: The Colleges and Universities CFOs or Business Managers and the Financial Aid Directors

Planned completion date for corrective action plan: June 30, 2021

2020-005 Allowable Costs

Condition: During our testing, we noted Lake Superior College had allocated lost revenue as an allowable expense to the Cares Act.

Recommendation: We recommend the institution reevaluate their procedures surrounding allowable costs and costs being charged to the grant to ensure all are allowable costs.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Lake Superior College is working to reverse the entry and return the amount to CARES. The College has reviewed other costs and determined all other costs were allowable. Moving forward, they will implement a review process to ensure all costs applied to the grant are allowable.

Names of the contact persons responsible for corrective action: Nickoel Anderson, Director of Business Services

Planned completion date for corrective action plan: May 15, 2021

If the United States Department of Education has questions regarding this plan, please call Denise Kirkeby at 651-201-1736.

