

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

State of Minnesota Coronavirus Relief Fund (CFDA No. 21.019) Program-Specific Audit

Year Ended June 30, 2020

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice – conducts financial and legal compliance audits of local governments;

Government Information – collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations – provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension – monitors investment, financial, and actuarial reporting for Minnesota’s local public pension funds; and

Tax Increment Financing – promotes compliance and accountability in local governments’ use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**State of Minnesota
Coronavirus Relief Fund
(CFDA No. 21.019)
Program-Specific Audit**

Year Ended June 30, 2020



Office of the State Auditor

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**STATE OF MINNESOTA
SAINT PAUL, MINNESOTA**

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JULIE BLAHA
STATE AUDITOR

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UNMODIFIED OPINION ON THE FINANCIAL STATEMENT OF A FEDERAL PROGRAM WHEN USING THE PROGRAM-SPECIFIC AUDIT OPTION TO SATISFY THE UNIFORM GUIDANCE AUDIT REQUIREMENTS

Independent Auditor's Report

The Honorable Tim Walz, Governor,
and Members of the Legislative Audit Commission
State of Minnesota
Saint Paul, Minnesota

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying Schedule of Expenditures of Federal Awards (SEFA) for the Coronavirus Relief Fund of the State of Minnesota for the year ended June 30, 2020, and the related notes.

Management's Responsibility for the Schedule of Expenditures of Federal Awards

Management is responsible for the preparation and fair presentation of the SEFA for the Coronavirus Relief Fund in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the SEFA that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the SEFA for the Coronavirus Relief Fund based on our audit. We conducted our audit 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 Title 2 U.S. *Code of Federal Regulations* (CFR) 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 the SEFA is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the SEFA. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the SEFA, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Minnesota's preparation and fair presentation of the SEFA in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Minnesota's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the SEFA.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the SEFA presents fairly, in all material respects, the expenditures of federal awards for the Coronavirus Relief Fund of the State of Minnesota for the year ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

March 24, 2021



JULIE BLAHA
STATE AUDITOR

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REPORT ON COMPLIANCE FOR A FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE WHEN USING THE PROGRAM-SPECIFIC AUDIT OPTION TO SATISFY THE UNIFORM GUIDANCE AUDIT REQUIREMENTS

Independent Auditor's Report

The Honorable Tim Walz, Governor,
and Members of the Legislative Audit Commission
State of Minnesota
Saint Paul, Minnesota

Report on Compliance for the Coronavirus Relief Fund (CFDA No. 21.019)

We have audited the State of Minnesota's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Coronavirus Relief Fund for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to the Coronavirus Relief Fund.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the State of Minnesota's Coronavirus Relief Fund based on our audit of the types of 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 Title 2 U.S. *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 with the types of compliance

requirements referred to above that could have a direct and material effect on the Coronavirus Relief Fund occurred. An audit includes examining, on a test basis, evidence about the State of Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the State of Minnesota's Coronavirus Relief Fund. However, our audit does not provide a legal determination of the State of Minnesota's compliance.

Opinion on Compliance for the Coronavirus Relief Fund (CFDA No. 21.019)

In our opinion, the State of Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Coronavirus Relief Fund for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the State of Minnesota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on the Coronavirus Relief Fund to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Coronavirus Relief Fund and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Minnesota's internal control over compliance.

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, in internal control over compliance, 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. A significant deficiency in internal control over compliance is a deficiency, or 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 in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be

material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be a significant deficiency.

The State of Minnesota's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The response 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.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

March 24, 2021

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

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**STATE OF MINNESOTA
SAINT PAUL, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

I. SUMMARY OF AUDITOR'S RESULTS

Federal Awards

Internal control over major program:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for the federal program: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The federal program is:

Coronavirus Relief Fund

CFDA No. 21.019

II. FINDINGS AND QUESTIONED COSTS FOR THE FEDERAL AWARD PROGRAM

Finding Number: 2020-001

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Incorrect Expenditures Reported on Schedule of Expenditures of Federal Awards (SEFA)

Program: U.S. Treasury Coronavirus Relief Fund (CRF) (CFDA No. 21.019)

State Agency: Minnesota Management and Budget

Criteria: 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*.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

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.

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.

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.

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.

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.

View of Responsible Official: Concur



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

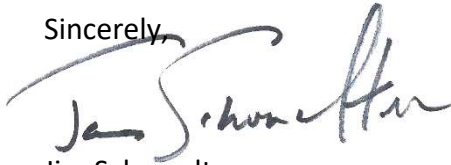
The department concurs with the recommendation. MMB has made the necessary adjustments to correct the SEFA schedule to prior to submission to the federal government. MMB has also discussed the importance of accurately recording the accounting dates in the financial system with both the Minnesota Trial 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 that reads "Jim Schowalter". The signature is written in a cursive style with a large, sweeping initial "J".

Jim Schowalter

Commissioner, Minnesota Management and Budget

**STATE OF MINNESOTA
SAINT PAUL, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor Program or Cluster Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Treasury Coronavirus Relief Fund	21.019	<u>\$ 89,767,690</u>	<u>\$ 361,412</u>

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**STATE OF MINNESOTA
SAINT PAUL, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of the Coronavirus Relief Fund federal award program expended by the State of Minnesota.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Coronavirus Relief Fund federal grant activity of the State under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the State, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the State.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

The State of Minnesota has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance. No indirect costs were allowed for the Coronavirus Relief Fund.