

# REPORT OF THE STATE AUDITOR of MINNESOTA

## EXAMINATION OF THE FINANCIAL STATEMENTS for STATE WEATHERIZATION PROGRAM

<u>Delegate Agency</u>	<u>Grant No.</u>	<u>Grant Period</u>
Dakota County	SW 82.5 - 81805	1/1/82 - 6/30/82
Hennepin County	SW 82.5 - 81808	1/1/82 - 6/30/82
Washington County	SW 82.5 - 81826	1/1/82 - 6/30/82



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**ARNE H. CARLSON**

State Auditor  
St. Paul, Minnesota

DEPARTMENT OF ECONOMIC SECURITY  
STATE OF MINNESOTA  
SAINT PAUL, MINNESOTA

REPORT OF THE STATE AUDITOR  
on the  
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STATE WEATHERIZATION PROGRAM

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**FINANCIAL SECTION**



ARNE H. CARLSON  
STATE AUDITOR

# STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 400

555 PARK STREET

SAINT PAUL 55103

## AUDITOR'S OPINION

State of Minnesota  
Department of Economic Security  
390 North Robert Street  
St. Paul, Minnesota 55101

We have examined the statement of expenditures by agency of the State Weatherization Grant Nos. SW 82.5 - 81805, SW 82.5 - 81808 and SW82.5 - 81826 for the grant period January 1, 1982 through June 30, 1982, awarded by the State of Minnesota, Department of Economic Security as prime sponsor to Dakota County, Hennepin County and Washington County. Our examination was made in accordance with generally accepted auditing standards and generally accepted government auditing standards for financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statement referred to above has been prepared in accordance with the financial provisions of the State Weatherization Program, and therefore is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion the accompanying statement of expenditures presents fairly the budgeted expenditures and expenditures claimed for State Weatherization Grants SW 82.5 - 81805, SW 82.5 - 81808 and SW 82.5 - 81826 for the grant period January 1, 1982 through June 30, 1982; in accordance with the financial provisions of the grant.

This report is intended for use in connection with the grant to which it refers and should not be used for any other purpose.

A handwritten signature in dark ink, appearing to read "Arne H. Carlson".

ARNE H. CARLSON  
State Auditor

July 5, 1983

DEPARTMENT OF ECONOMIC SECURITY  
STATE OF MINNESOTA  
STATE WEATHERIZATION PROGRAM

Grant Nos. SW 82.5 - 81805; SW 82.5 - 81808; SW 82.5 - 81826

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The general purpose of the State Weatherization program is to supplement but not supplant the Federal weatherization program. Funds are used to provide for the development and implementation of a weatherization program to assist in achieving a healthful dwelling environment and maximum practical energy conservation in the dwellings of low-income persons, particularly elderly and handicapped low-income persons. To assist in the administration of the program, the Department has delegated responsibilities for a portion of the funds to other organizations.

Basis of Presentation

A. The statement of expenditures reflects the expenditures of Dakota County, Hennepin County, and Washington County as delegate agencies.

B. Basis of Accounting

The State Weatherization Program grant expenditures are accounted for using the modified accrual basis of accounting. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

2. Program Periods

The program periods for the awards included in the statement of expenditures are:

<u>Delegate Agency</u>	<u>Grant No.</u>	<u>Award Period</u>
Dakota County	S.W. 82.5 - 81805	1/1/82 - 6/30/82
Hennepin County	S.W. 82.5 - 81808	1/1/82 - 6/30/82
Washington County	S.W. 82.5 - 81826	1/1/82 - 6/30/82

3. Delegate Agencies

The grants awarded to the delegate agencies are being managed by:

Dakota County	Dakota County Human Services
Hennepin County	Hennepin County CETA Services
Washington County	Washington County Housing and Redevelopment Authority

DEPARTMENT OF ECONOMIC SECURITY  
STATE OF MINNESOTA  
STATE WEATHERIZATION PROGRAM

4. Questioned Costs

Questioned costs are those costs which may not be in conformity with the program regulations or the subgrant agreements which the State of Minnesota must determine as being allowable or unallowable.

DEPARTMENT OF ECONOMIC SECURITY  
STATE OF MINNESOTA  
STATE WEATHERIZATION PROGRAM  
STATEMENT OF EXPENDITURES BY AGENCY

For the grant period January 1, 1982 through June 30, 1982

Agency	SW. 82.5	
	Budget	Actual
Dakota County Human Services	\$ 47,135	\$ 43,721
Hennepin County Ceta Services	153,581	153,581
Washington County Housing and Redevelopment Authority	36,137	34,325
Totals	\$ 236,853	\$ 231,627

**MANAGEMENT AND COMPLIANCE LETTER**



# STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 400

555 PARK STREET

SAINT PAUL 55103

ARNE H. CARLSON  
STATE AUDITOR

August 31, 1983

State of Minnesota  
Department of Economic Security  
390 North Robert Street  
St. Paul, Minnesota 55101

We have examined the statement of expenditures by agency of the State Weatherization Grant Nos. SW 82.5-81805 and SW 82.5-81808 and SW 82-5-81826 for the grant period January 1, 1982 through June 30, 1982, awarded by the State of Minnesota, Department of Economic Security as prime sponsor to Dakota County, Hennepin County and Washington and have issued our report thereon dated July 5, 1983. As part of our examination we made studies and evaluations of the Counties' systems of internal accounting control to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards and generally accepted government auditing standards for financial and compliance audits.

The purpose of our studies and evaluations was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the statement of expenditures by agency. Our studies and evaluations were more limited than would be necessary to express an opinion on the systems of internal accounting control taken as a whole. Accordingly, we do not express an opinion on Dakota, Hennepin and Washington Counties' systems of internal accounting control taken as a whole. However, our studies and evaluations disclosed the condition presented on the following page which we consider to be a weakness.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and of the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends on segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the estimates and judgments required in the preparation of financial statements.

For the items tested, the Delegate Agencies, except as presented below, complied with the terms and provisions of regulations that could have materially affected the financial statement. Nothing came to our attention in connection with our examination that caused us to believe that the Delegate Agencies were not in compliance with any of the terms and provisions of grant agreements for those transactions not tested.

#### Accounting Systems

Washington County Housing and Redevelopment Authority does not maintain separate accounts for grant programs. Consequently, the expenditures listed on the final invoices could not be directly traced to the accounting records because not all journal entries distributing payroll to grant programs were recorded in the accounting records. We were able to reconcile the accounting records to the final invoice except for the questioned costs.

#### Questioned Costs

##### Washington County Housing and Redevelopment Authority

SW 82.5

Documentation was not available at the delegate agency to support total claimed expenditures.

\$837.65

The delegate agency reported administration expenses greater than the amount allowable under the contract in effect.

974.34

A refund has been received from the Delegate Agency for the questioned costs.

This report is intended for use in connection with the grants to which it refers and should not be used for any other purposes.

Sincerely,



ARNE H. CARLSON  
State Auditor