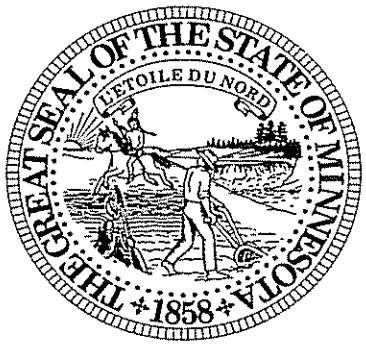
State of Minnesota

Minnesota Financial and Compliance Report on Federally Assisted Programs

For the Year Ended June 30, 2006



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For the Year Ended June 30, 2006

State of Minnesota

2006 Minnesota Financial and Compliance Report on Federally Assisted Programs

State of Minnesota

The Minnesota Financial and Compliance Report on Federally Assisted Programs can be made available in alternative formats upon request, to ensure that it is accessible to people with disabilities. To obtain this document in an alternate format, contact:

Minnesota Department of Finance
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
651-201-8145

The Minnesota Relay service phone number is 1-800-627-3529.

The State of Minnesota Financial and Compliance Report on Federally Assisted Programs is available at the following website:

http://www.finance.state.mn.us/

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Department of Finance

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March 20, 2007

The Honorable Tim Pawlenty, Governor

Members of the Legislature

I am submitting the State of Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 2006. This report meets the requirements of the Federal Single Audit Act of 1984 as amended in 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

This single audit report includes all federal assistance received by the state agencies determined to be a part of the primary government and its blended component units. The criteria used to define the state's reporting entity are those established by the Governmental Accounting Standards Board. All federal program activity of this reporting entity was included under the state's single audit. Programs administered by discretely presented component units are reported in separate single audit reports issued by the individual entities.

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 annual financial audit. This is an efficient approach for Minnesota because state agencies are all subject to the same centralized controls (the accounting, personnel/payroll and procurement systems).

Management Responsibilities

The Department of Finance is responsible for the accuracy, fairness and completeness of the financial schedules, including all disclosures, presented in this report. The department is also responsible for the Minnesota Accounting and Procurement System (MAPS), which was used in preparing this report. I believe these schedules provide a fair representation of financial activity for federal programs for the year ended June 30, 2006.

The Department of Finance is responsible for designing and applying the 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; that resource use is consistent with laws, regulations and policies; that transactions are executed in accordance with management's authorization; and that the accounting records from which the 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 - National External Audit Resources 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 2006, the state of Minnesota received approximately $7.2 billion in federal assistance for its many programs.

Audits

The Minnesota Office of the Legislative Auditor performs an annual statewide audit primarily for the purpose of expressing an audit opinion on the financial statements included in the state's Comprehensive Annual Financial Report prepared by the Department of Finance. Another purpose of the statewide audit is to provide information to the Governor, Legislature and heads of state agencies concerning financial and accounting issues involving the state and its agencies. The scope of the annual statewide audit also includes the federal requirements of the Single Audit Act and OMB Circular A-133.

The Office of the Legislative Auditor has audited the federal programs financial schedules and their report on them is included as a part of this report. Also included are Office of the Legislative Auditor reports on internal control and compliance.

All subrecipients receiving federal assistance from Minnesota state agencies have been required to have audits in accordance with OMB Circular A-133. State agencies are responsible for assuring that their subrecipients have audits and resolve audit recommendations resulting from these audits. Results of these audits are summarized in the Report on Audits of Subrecipients issued by the Office of the State Auditor.

Report

This Single Audit Report supplements the state's Comprehensive Annual Financial Report for the year ended June 30, 2006, and includes financial information for federal programs compiled by the Department of Finance.

The Office of the Legislative Auditor is responsible for preparing the auditor's reports on internal control and compliance; summary of auditor's results; and the schedules of audit findings for statewide financial statements and federal programs. The Department of Finance is responsible for preparing the schedules of expenditures for federal programs, and the status of prior federal program audit findings schedule.

The financial schedules presented are meant to provide a consistent basis for reporting on the expenditures of federal assistance received by state agencies. They are not meant to replace recipient financial reporting currently required for each individual program of federal assistance.

In addition to this financial and compliance report, the single audit for the state of Minnesota includes the departmental audit reports issued by the Office of the Legislative Auditor and the Report on Audits of Subrecipients issued by the Office of the State Auditor.

Acknowledgments

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

Sincerely,

Tom J. Hanson

Tom J. Hanson
Commissioner

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Members of the Minnesota State Legislature

The Honorable Tim Pawlenty, Governor

Mr. Tom Hanson, Commissioner of Finance

We have audited the compliance of the State of Minnesota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2006. The State of Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Minnesota's management. Our responsibility is to express an opinion on the State of Minnesota's compliance based on our audit.

The State of Minnesota's basic financial statements include the operations of its discretely presented component units, which received approximately $1.1 billion in federal awards, which are not included in the State of Minnesota's schedule of expenditures of federal awards for the year ended June 30, 2006. Our audit, described below, did not include the operations of the State of Minnesota's discretely presented component units because the component units engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the state complied with the types of 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 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. Our audit does not provide a legal determination of the State of Minnesota's compliance with those requirements.

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In our opinion, the State of Minnesota complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in Section III of the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of the State of Minnesota is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of Minnesota's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State of Minnesota's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are identified and described in Section III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

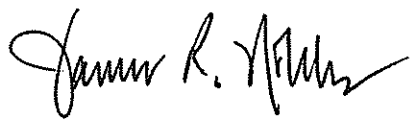
Schedule of Expenditures of Federal Awards

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, 2006, and have issued our report thereon dated December 14, 2006. We did not audit the financial statements of the Minnesota State Colleges and Universities (MnSCU), which is

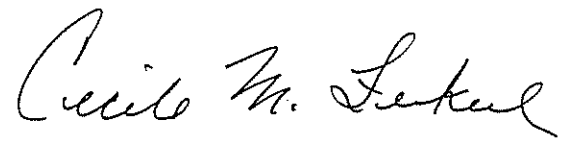
both a major proprietary fund and 73 percent, 67 percent, and 34 percent, respectively, of the total assets, net assets, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, Minnesota Partnership for Action Against Tobacco, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, net assets, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors.

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 accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management of the State of Minnesota, the governor of the State of Minnesota, the Minnesota Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



James R. Nobles
Legislative Auditor



Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

March 2, 2007, except for Schedule of Expenditures of Federal Awards as to which the date is December 14, 2006

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Food Stamp Cluster			
10.551	FOOD STAMPS	HUMAN SERVICES	$ 281,022,689
10.561	STATE ADMIN MATCH GRANT-FOOD STAMPS	HUMAN SERVICES	$ 43,828,205
		Food Stamp Cluster Total:	**$ 324,850,894**
Child Nutrition Cluster			
10.553	SCHOOL BREAKFAST PROGRAM	EDUCATION	$ 21,472,767
10.555	NATIONAL SCHOOL LUNCH PROGRAM	EDUCATION	$ 94,450,946
10.556	SPECIAL MILK PROGRAM FOR CHILDREN	EDUCATION	$ 805,041
10.559	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	EDUCATION	$ 2,626,314
		Child Nutrition Cluster Total:	**$ 119,355,068**
10.557	SPECIAL NUTRITION/WOMEN/INFANTS & CHILDREN (4)	HEALTH	$ 78,580,495
10.558	CHILD & ADULT CARE FOOD PROGRAM	EDUCATION	$ 55,475,956
10.558	CHILD & ADULT CARE FOOD PROGRAM	STATE COLLEGES & UNIVERSITIES	$ 20,117
		Program 10.558 Total:	**$ 55,496,073**
U.S. DEPARTMENT OF DEFENSE			
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE	MILITARY AFFAIRS	$ 31,896,608
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE	NATURAL RESOURCES	$ 1,179,539
		Program 12.401 Total:	**$ 33,076,147**
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
14.228	COMMUNITY DEVELOPMENT BLOCK GRANTS-STATES	EMPLOYMENT & ECONOMIC DEV.	$ 23,372,918
U.S. DEPARTMENT OF LABOR			
Workforce Investment Act Cluster			
17.258	WIA ADULT PROGRAM	EMPLOYMENT & ECONOMIC DEV.	$ 9,213,422
17.259	WIA YOUTH ACTIVITIES	EMPLOYMENT & ECONOMIC DEV.	$ 11,415,023
17.260	WIA DISLOCATED WORKERS	EMPLOYMENT & ECONOMIC DEV.	$ 12,683,005

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

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF LABOR (Continued)			
		Workforce Investment Act Cluster Total:	**$ 33,311,450**
Employment Services Cluster			
17.207	EMPLOYMENT SERVICE	EMPLOYMENT & ECONOMIC DEV.	$ 18,601,899
17.801	DISABLED VETERANS OUTREACH PROGRAM	EMPLOYMENT & ECONOMIC DEV.	$ 1,561,355
17.804	LOCAL VETERANS' EMPLOYMENT REPRESENTATIVE	EMPLOYMENT & ECONOMIC DEV.	$ 1,281,209
		Employment Services Cluster Total:	**$ 21,444,463**
17.225	UNEMPLOYMENT INSURANCE (5)	EMPLOYMENT & ECONOMIC DEV.	$ 726,749,633
U.S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Cluster			
20.205	HIGHWAY PLANNING & CONSTRUCTION	PUBLIC SAFETY	$ 102,376
20.205	HIGHWAY PLANNING & CONSTRUCTION	TRANSPORTATION	$ 488,846,888
		Highway Planning and Construction Cluster Total:	**$ 488,949,264**
20.106	AIRPORT IMPROVEMENT	TRANSPORTATION	$ 79,246,070
U.S. DEPARTMENT OF ENERGY			
81.042	WEATHERIZATION ASSISTANCE-LOW INCOME	COMMERCE	$ 9,575,881
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
84.007	SUPPLEMENTAL EDUCATION OPPORTUNITY	STATE COLLEGES & UNIVERSITIES	$ 5,546,877
84.033	FEDERAL WORK-STUDY	STATE COLLEGES & UNIVERSITIES	$ 6,798,538
84.063	FEDERAL PELL GRANT	STATE COLLEGES & UNIVERSITIES	$ 102,976,666
		Student Financial Assistance Cluster Total:	**$ 115,322,081**
Special Education Cluster			
84.027	SPECIAL EDUCATION-STATE GRANTS	EDUCATION	$ 183,926,911
84.027	SPECIAL EDUCATION-STATE GRANTS	STATE COLLEGES & UNIVERSITIES	$ 4,506

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

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
84.173	SPECIAL EDUCATION-PRESCHOOL GRANTS	EDUCATION	$ 7,983,701
84.173	SPECIAL EDUCATION-PRESCHOOL GRANTS	STATE COLLEGES & UNIVERSITIES	$ 11,624
		Special Education Cluster Total:	**$ 191,926,742**
84.010	TITLE 1 GRANTS TO LOCAL EDUCATIONAL AGENCIES	EDUCATION	$ 106,135,926
84.126	VOCATIONAL REHABILITATION GRANTS	EMPLOYMENT & ECONOMIC DEV.	$ 40,501,007
84.367	IMPROVING TEACHER QUALITY STATE GRANTS	EDUCATION	$ 39,402,665
84.367	IMPROVING TEACHER QUALITY STATE GRANTS	HIGHER EDUCATION	$ 903,789
84.367	IMPROVING TEACHER QUALITY STATE GRANTS	STATE COLLEGES & UNIVERSITIES	$ 310,125
		Program 84.367 Total:	**$ 40,616,579**
84.369	GRANTS FOR STATE ASSESSMENTS & RELATED ACTIVITIES	EDUCATION	$ 8,267,099
U.S. ELECTION ASSISTANCE COMMISSION			
90.401	HELP AMERICA VOTE ACT REQUIREMENTS PAYMENTS	SECRETARY OF STATE	$ 33,800,540
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Medicaid Cluster			
93.775	STATE MEDICAID FRAUD CONTROL UNITS	ATTORNEY GENERAL	$ 904,361
93.776	HURRICANE KATRINA RELIEF	HUMAN SERVICES	$ 297,705
93.777	STATE HEALTH CARE PROVIDERS SURVEY	HEALTH	$ 6,776,135
93.777	STATE HEALTH CARE PROVIDERS SURVEY	HUMAN SERVICES	$ 4,642,057
93.778	MEDICAL ASSISTANCE (4)	HUMAN SERVICES	$ 2,973,528,668
		Medicaid Cluster Total:	**$ 2,986,148,926**
CCDF Cluster			
93.575	CHILD CARE & DEVELOPMENT BLOCK	HUMAN SERVICES	$ 70,915,076
93.575	CHILD CARE & DEVELOPMENT BLOCK	STATE COLLEGES & UNIVERSITIES	$ 45,423
93.596	CHILD CARE MANDATORY & MATCHING FUNDS	HUMAN SERVICES	$ 51,101,400
		CCDF Cluster Total:	**$ 122,061,899**
93.283	CENTER FOR DISEASE CONTROL & PREVENTION	HEALTH	$ 28,081,619

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

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.558	TEMPORARY AID FOR NEEDY FAMILIES	HUMAN SERVICES	$ 241,951,981
93.563	CHILD SUPPORT ENFORCEMENT	HUMAN SERVICES	$ 107,016,091
93.568	LOW INCOME HOME ENERGY ASSISTANCE	COMMERCE	$ 82,513,995
93.658	FOSTER CARE	HUMAN SERVICES	$ 59,183,412
93.658	FOSTER CARE	STATE COLLEGES & UNIVERSITIES	$ 206,900
		Program 93.658 Total:	**$ 59,390,312**
93.659	ADOPTION ASSISTANCE	HUMAN SERVICES	$ 22,249,076
93.767	STATE CHILDREN'S INSURANCE PROGRAM	HUMAN SERVICES	$ 76,760,534
93.959	SUBSTANCE ABUSE PREVENTIVE TREATMENT	HUMAN SERVICES	$ 22,949,350
U.S. DEPARTMENT OF HOMELAND SECURITY			
Homeland Security Cluster			
97.004	STATE DOMESTIC PREPAREDNESS EQUIP. SUPPORT PROG.	AGRICULTURE	$ 69,711
97.004	STATE DOMESTIC PREPAREDNESS EQUIP. SUPPORT PROG.	PUBLIC SAFETY	$ 30,867,687
97.067	HOMELAND SECURITY GRANT PROGRAM	EMERGENCY MEDICAL SERVICES	$ 907
97.067	HOMELAND SECURITY GRANT PROGRAM	PUBLIC SAFETY	$ 7,594,412
97.067	HOMELAND SECURITY GRANT PROGRAM	STATE COLLEGES & UNIVERSITIES	$ 31,800
		Homeland Security Cluster Total:	**$ 38,564,517**
		Major Program Total:	**$ 6,318,266,630**

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Schools and Roads Cluster			
10.665	SCHOOLS AND ROADS-GRANTS TO STATES	FINANCE	$ 4,257,008
		Schools and Roads Cluster Total:	**$ 4,257,008**
Emergency Food Assistance Cluster			
10.568	EMERGENCY FOOD ASSISTANCE-ADMIN COSTS	HUMAN SERVICES	461,211
		Emergency Food Assistance Cluster Total:	**$ 461,211**
10.001	AGRICULTURAL RESEARCH-BASIC AND APPLIED RESEARCH	AGRICULTURE	9,131
10.025	PLANT/ANIMAL DISEASE/CARE/PEST CONTROLS	AGRICULTURE	839,167
10.025	PLANT/ANIMAL DISEASE/CARE/PEST CONTROLS	ANIMAL HEALTH BOARD	2,449,310
10.069	CONSERVATION RESERVE PROGRAM	NATURAL RESOURCES	199,359
10.156	FEDERAL-STATE MARKETING IMPROVEMENT	AGRICULTURE	64,858
10.162	INSPECTION GRADING & STANDARDIZATION	AGRICULTURE	101,896
10.163	MARKET PROTECTION AND PROMOTION	AGRICULTURE	549,548
10.200	AGRICULTURE RESEARCH & SPECIAL RESEARCH	AGRICULTURE	60,892
10.206	AGRICULTURAL COMPETITIVE RESEARCH	STATE COLLEGES & UNIVERSITIES	421
10.221	TRIBAL COLLEGES EDUCATION EQUITY GRANTS	STATE COLLEGES & UNIVERSITIES	36,214
10.227	INSTITUTIONS RESEARCH PROGRAM	STATE COLLEGES & UNIVERSITIES	64,973
10.303	INTEGRATED PROGRAMS	AGRICULTURE	28,833
10.450	CROP INSURANCE	AGRICULTURE	67,148
10.456	PARTNERSHIP AGRMNTS DEVELOP NON-INS RISK MGMT TOOLS FOR	AGRICULTURE	38,683
10.459	COMMODITY PARTNERSHIPS FOR SMALL AG RISK MGMT ED	AGRICULTURE	5,095
10.475	INTRASTATE MEAT & POULTRY INSPECTION	AGRICULTURE	28,690
10.500	COOPERATIVE EXTENSION SERVICE	STATE COLLEGES & UNIVERSITIES	70,038
10.550	FOOD DONATION	EDUCATION	17,651,926
10.560	STATE ADMIN EXPENSES FOR CHILD NUTRITION	EDUCATION	2,592,967
10.565	COMMODITY SUPPLEMENTAL FOOD PROGRAM	HEALTH	786,496
10.572	WIC FARMERS' MARKET NUTRITION	AGRICULTURE	414,770
10.576	SENIOR FARMERS MARKET NUTRITION PROGRAM	AGRICULTURE	80,000
10.580	FOOD STAMP PROGRAM OUTREACH GRANTS	HUMAN SERVICES	121,394
10.652	FORESTRY RESEARCH	NATURAL RESOURCES	11,500
10.652	FORESTRY RESEARCH	STATE COLLEGES & UNIVERSITIES	70,082
10.664	COOPERATIVE FORESTRY ASSISTANCE	NATURAL RESOURCES	2,690,102
10.672	RURAL DEVELOPMENT, FORESTRY, AND COMMUNITIES	NATURAL RESOURCES	5,000

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE (Continued)			
10.675	URBAN AND COMMUNITY FORESTRY PROGRAM	NATURAL RESOURCES	$ 256,958
10.676	FOREST LEGACY PROGRAM	NATURAL RESOURCES	2,770,527
10.677	FOREST LAND ENHANCEMENT PROGRAM	NATURAL RESOURCES	100,565
10.678	FOREST STEWARDSHIP PROGRAM	NATURAL RESOURCES	248,400
10.902	SOIL & WATER CONSERVATION	AGRICULTURE	26,938
10.903	SOIL SURVEY	STATE COLLEGES & UNIVERSITIES	47,498
10.912	ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	AGRICULTURE	103,529
10.950	AGRICULTURAL STATISTICS REPORTS	AGRICULTURE	41,116
U.S. DEPARTMENT OF COMMERCE			
Public Works and Economic Development Cluster			
11.307	ECONOMIC ADJUSTMENT ASSISTANCE	STATE COLLEGES & UNIVERSITIES	39,127
		Public Works and Economic Development Cluster Total:	**$ 39,127**
11.303	ECONOMIC DEVELOPMENT-TECHNICAL ASSIST	STATE COLLEGES & UNIVERSITIES	49
11.407	INTERJURISDICTIONAL FISHERIES ACT OF 1986	NATURAL RESOURCES	14,910
11.413	FISHERY PRODUCTS INSPECTION/CERTIFICATION	AGRICULTURE	15,281
11.419	COASTAL ZONE MANAGEMENT ADMIN AWARDS	NATURAL RESOURCES	1,599,860
11.431	CLIMATE AND ATMOSPHERIC RESEARCH	STATE COLLEGES & UNIVERSITIES	7,266
U.S. DEPARTMENT OF DEFENSE			
12.104	FLOOD PLAIN MANAGEMENT SERVICES	FINANCE	7,018
12.113	REIMBURSEMENT OF TECHNICAL SERVICES	POLLUTION CONTROL AGENCY	320,940
12.300	BASIC & APPLIED SCIENTIFIC RESEARCH	STATE COLLEGES & UNIVERSITIES	54,609
12.404	NATIONAL GUARD CIVILIAN YOUTH OPPORTUNITIES	MILITARY AFFAIRS	530,000
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Community Development Block Grants/Entitlement			
14.218	COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT	STATE COLLEGES & UNIVERSITIES	26,501
		Community Development Block Grants/Entitlement Total:	**$ 26,501**
14.231	EMERGENCY SHELTER GRANTS PROGRAM	HUMAN SERVICES	1,228,850
14.235	SUPPORTIVE HOUSING PROGRAM	VETERANS HOME BOARD	236,002
14.243	OPPORTUNITIES FOR YOUTH-YOUTHBUILD	EMPLOYMENT & ECONOMIC DEV.	186,939
14.512	COMMUNITY DEVELOPMENT WORK-STUDY	STATE COLLEGES & UNIVERSITIES	92,403
14.905	LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	EMPLOYMENT & ECONOMIC DEV.	753,314

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF INTERIOR			
Fish & Wildlife Cluster			
15.605	SPORT FISH RESTORATION	NATURAL RESOURCES	$ 10,909,079
15.611	WILDLIFE RESTORATION	NATURAL RESOURCES	7,106,080
15.611	WILDLIFE RESTORATION	STATE COLLEGES & UNIVERSITIES	21,926
		Fish & Wildlife Cluster Total:	**$ 18,037,085**
15.608	FISH & WILDLIFE MGMT ASSISTANCE	NATURAL RESOURCES	2,926
15.608	FISH & WILDLIFE MGMT ASSISTANCE	STATE COLLEGES & UNIVERSITIES	22
15.615	COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	NATURAL RESOURCES	125,870
15.616	CLEAN VESSEL ACT	NATURAL RESOURCES	23,716
15.622	SPORTFISHING AND BOATING SAFETY ACT	NATURAL RESOURCES	125,549
15.633	LANDOWNER INCENTIVE	NATURAL RESOURCES	594,076
15.634	STATE WILDLIFE GRANTS	NATURAL RESOURCES	1,441,451
15.634	STATE WILDLIFE GRANTS	STATE COLLEGES & UNIVERSITIES	10,357
15.637	MIGRATORY BIRD JOINT VENTURES	NATURAL RESOURCES	1,047
15.805	ASSIST STATE WATER RESOURCES RESEARCH INSTITUTES	STATE COLLEGES & UNIVERSITIES	62,477
15.808	GEOLOGICAL SURVEY - RESEARCH & DATA ACQ	ADMINISTRATION	7,973
15.809	NATIONAL SPATIAL DATA INFRASTRUCTURE AGREEMENTS	ADMINISTRATION	47,531
15.809	NATIONAL SPATIAL DATA INFRASTRUCTURE AGREEMENTS	NATURAL RESOURCES	9,152
15.809	NATIONAL SPATIAL DATA INFRASTRUCTURE AGREEMENTS	STATE COLLEGES & UNIVERSITIES	735
15.916	OUTDOOR RECREATION-ACQ, DEVP & PLANNING	NATURAL RESOURCES	2,765,420
15.923	NATIONAL CENTER FOR PRESERVATION TECH. & TRAINING	STATE COLLEGES & UNIVERSITIES	147
15.978	UPPER MISSISSIPPI RIVER SYSTEM LTRMP	NATURAL RESOURCES	380,936
15.978	UPPER MISSISSIPPI RIVER SYSTEM LTRMP	STATE COLLEGES & UNIVERSITIES	5,022
15.FEB	ENDANGERED SPECIES PLANTS (NON-TITLE IV) (7)	NATURAL RESOURCES	9,095
15.FFA	INTERIOR OF FISH & WILDLIFE SERVICE (7)	NATURAL RESOURCES	65,600
15.FFB	ENDANGERED SPECIES PLANTS (NON-TITLE 6) (7)	NATURAL RESOURCES	533
15.FFC	SCIENTIFIC & NATURAL AREAS (7)	NATURAL RESOURCES	135,041
U.S. DEPARTMENT OF JUSTICE			
16.004	NARCOTICS & DANGEROUS DRUGS TRAINING	PUBLIC SAFETY	99,029
16.202	OFFENDER REENTRY PROGRAM	CORRECTIONS	396,303
16.203	SEX OFFENDER MANAGEMENT DISCRETIONARY GRANT	CORRECTIONS	58,415
16.321	ANTITERRORISM EMERGENCY RESERVE	PUBLIC SAFETY	187,755

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (Continued)			
16.523	JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT	PUBLIC SAFETY	$ 1,840,369
16.527	SUPERVISED VISITATION SAFE HAVENS FOR CHILDREN	PUBLIC SAFETY	145,812
16.528	END VIOLENCE/ABUSE OF WOMEN LATER IN LIFE	STATE COLLEGES & UNIVERSITIES	8,656
16.540	JUVENILE JUSTICE & DELINQUENCY PREVENTION	PUBLIC SAFETY	1,193,579
16.541	PART E - DEVELOPING, TESTING AND DEMONSTRATING PROMISING	STATE COLLEGES & UNIVERSITIES	504,881
16.548	TITLE V- DELINQUENCY PREVENTION PROGRAM	PUBLIC SAFETY	174,149
16.550	STATE JUSTICE STATISTICS	PUBLIC SAFETY	53,430
16.554	NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	PUBLIC SAFETY	1,186,190
16.560	NTL. INST. OF JUSTICE RES., EVAL.& DEVEL. PROG. GRANTS	PUBLIC SAFETY	479,526
16.575	CRIME VICTIM ASSISTANCE	PUBLIC SAFETY	6,140,113
16.576	CRIME VICTIM COMPENSATION	PUBLIC SAFETY	1,065,226
16.579	EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	PUBLIC SAFETY	7,368,245
16.579	EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	SUPREME COURT	55,043
16.580	BYRNE STATE/LOCAL LAW ENFORCEMENT	PUBLIC SAFETY	467,398
16.580	BYRNE STATE/LOCAL LAW ENFORCEMENT	STATE COLLEGES & UNIVERSITIES	91,766
16.582	CRIME VICTIM ASSISTANCE/DISCRETIONARY	PUBLIC SAFETY	27,690
16.585	DRUG COURT DISCRETIONARY GRANT PROGRAM	TRIAL COURTS	209,127
16.586	VIOLENT OFFENDER INCARC-TRUTH-IN SENTENCING	CORRECTIONS	205,593
16.588	VIOLENCE AGAINST WOMEN FORMULA GRANTS	PUBLIC SAFETY	1,979,406
16.592	LOCAL LAW ENFORCEMENT BLOCK	PUBLIC SAFETY	265,020
16.593	SUBSTANCE ABUSE TREAT-STATE PRISONERS	PUBLIC SAFETY	130,340
16.595	COMMUNITY CAPACITY DEVELOPMENT OFFICE	PUBLIC SAFETY	1,028,249
16.606	STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	CORRECTIONS	850,860
16.609	COMM. PROSECUTION & PROJECT SAFE NEIGHBORHOODS	PUBLIC SAFETY	654,562
16.710	PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING	PUBLIC SAFETY	366,718
16.712	POLICE CORPS	PUBLIC SAFETY	168,180
16.727	ENFORCE UNDERAGE DRINKING LAWS	NATURAL RESOURCES	1,395
16.727	ENFORCE UNDERAGE DRINKING LAWS	PUBLIC SAFETY	515,392
16.738	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	PUBLIC SAFETY	711,715
16.743	FORENSIC CASEWORK DNA BACKLOG REDUCTION PROGRAM	PUBLIC SAFETY	543,948
U.S. DEPARTMENT OF LABOR			
17.002	LABOR FORCE STATISTICS	EMPLOYMENT & ECONOMIC DEV.	1,549,767
17.005	COMPENSATION & WORKING CONDITIONS	LABOR AND INDUSTRY	99,177
17.235	SENIOR COMMUNITY SERVICE EMPLOYMENT	EMPLOYMENT & ECONOMIC DEV.	2,177,091

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF LABOR (Continued)			
17.245	TRADE ADJUSTMENT ASSISTANCE-WORKERS	EMPLOYMENT & ECONOMIC DEV.	$ 6,589,857
17.261	WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	EMPLOYMENT & ECONOMIC DEV.	728,028
17.261	WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	STATE COLLEGES & UNIVERSITIES	388,394
17.267	INCENTIVE GRANTS - WIA SECTION 503	EMPLOYMENT & ECONOMIC DEV.	489,464
17.502	OCCUPATIONAL SAFETY AND HEALTH-SUSAN HARWOOD	STATE COLLEGES & UNIVERSITIES	28,550
17.503	OCCUPATIONAL SAFETY & HEALTH-STATE PROGRAM	LABOR AND INDUSTRY	3,949,180
17.504	CONSULTATION AGREEMENTS	LABOR AND INDUSTRY	946,453
17.600	MINE HEALTH & SAFETY GRANTS	STATE COLLEGES & UNIVERSITIES	261,303
17.720	DISABILITY EMPLOYMENT POLICY DEVELOPMENT	EMPLOYMENT & ECONOMIC DEV.	445,603
U.S. DEPARTMENT OF TRANSPORTATION			
Highway Safety Cluster			
20.600	STATE & COMMUNITY HIGHWAY SAFETY	PUBLIC SAFETY	18,051,399
20.601	ALCOHOL TRAFFIC SAFETY/DRUNK DRIVING PREVENTION	PUBLIC SAFETY	1,258,615
20.603	FEDERAL HIGHWAY SAFETY DATA IMPROVEMENTS INCENTIVE GRAN	PUBLIC SAFETY	16,049
20.604	SAFETY INCENTIVE GRANTS FOR USE OF SEATBELTS	PUBLIC SAFETY	229,768
		Highway Safety Cluster Total:	**$ 19,555,831**
Federal Transit Cluster			
20.500	FEDERAL TRANSIT CAPITAL IMPROVEMENT	TRANSPORTATION	239,499
20.507	FEDERAL TRANSIT FORMULA GRANT	PUBLIC SAFETY	60,000
20.507	FEDERAL TRANSIT FORMULA GRANT	TRANSPORTATION	1,748,686
		Federal Transit Cluster Total:	**$ 2,048,185**
20.217	MOTOR CARRIER SAFETY	PUBLIC SAFETY	21,419
20.218	MOTOR CARRIER SAFETY ASSISTANCE PROGRAM	PUBLIC SAFETY	5,320,555
20.219	RECREATIONAL TRAILS PROGRAM	NATURAL RESOURCES	908,379
20.505	FEDERAL TRANSIT METROPOLITAN PLANNING GRANTS	TRANSPORTATION	4,381,094
20.509	FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS	TRANSPORTATION	7,481,534
20.513	CAP ASSIST FOR ELDERLY AND DISABLED	TRANSPORTATION	1,082,517
20.514	PUBLIC TRANSPORTATION RESEARCH	TRANSPORTATION	35,000
20.700	PIPELINE SAFETY	PUBLIC SAFETY	944,929
20.703	INTERAGENCY HAZARD MATERIALS TRAINING	PUBLIC SAFETY	275,880
20.703	INTERAGENCY HAZARD MATERIALS TRAINING	STATE COLLEGES & UNIVERSITIES	64,227
U.S. NATIONAL AERONAUTICS & SPACE ADMINISTRATION			
43.001	AEROSPACE EDUCATION SERVICES	STATE COLLEGES & UNIVERSITIES	37,401

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. NATIONAL AERONAUTICS & SPACE ADMINISTRATION (Continued)			
43.002	TECHNOLOGY TRANSFER	STATE COLLEGES & UNIVERSITIES	$ 1,796
U.S. NATIONAL FOUNDATION ARTS & HUMANITIES			
45.024	PROMOTION OF THE ARTS-ORGANIZATIONS/INDIVIDUALS	ARTS BOARD	8,000
45.025	PROMOTION OF THE ARTS-STATE/REGIONAL	ARTS BOARD	632,500
45.025	PROMOTION OF THE ARTS-STATE/REGIONAL	STATE COLLEGES & UNIVERSITIES	750
45.129	PROMOTION OF HUMANITIES-FEDERAL/STATE PRTNRSHP	STATE COLLEGES & UNIVERSITIES	6,339
45.310	STATE LIBRARY PROGRAM	EDUCATION	2,440,155
45.310	STATE LIBRARY PROGRAM	STATE COLLEGES & UNIVERSITIES	196,801
U.S. NATIONAL SCIENCE FOUNDATION			
47.041	ENGINEERING GRANT	STATE COLLEGES & UNIVERSITIES	294,535
47.049	MATHEMATICAL & PHYSICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	64,664
47.050	GEOSCIENCES	STATE COLLEGES & UNIVERSITIES	34,935
47.070	COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	STATE COLLEGES & UNIVERSITIES	184,690
47.074	BIOLOGICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	74,625
47.075	SOCIAL, BEHAVIORAL & ECONOMIC SCIENCES	STATE COLLEGES & UNIVERSITIES	131,307
47.076	EDUCATION & HUMAN RESOURCES	NATURAL RESOURCES	7,992
47.076	EDUCATION & HUMAN RESOURCES	STATE COLLEGES & UNIVERSITIES	1,054,286
47.078	POLAR PROGRAMS	STATE COLLEGES & UNIVERSITIES	27,909
U.S. SMALL BUSINESS ADMINISTRATION			
59.005	INTERNET-BASED TECHNICAL ASSISTANCE	STATE COLLEGES & UNIVERSITIES	5,627
59.037	SMALL BUSINESS DEVELOPMENT CENTER	EMPLOYMENT & ECONOMIC DEV.	1,415,462
59.037	SMALL BUSINESS DEVELOPMENT CENTER	STATE COLLEGES & UNIVERSITIES	985,326
U.S. DEPARTMENT OF VETERANS AFFAIRS			
64.014	VETERANS STATE DOMICILIARY CARE	VETERANS HOME BOARD	2,253,655
64.015	VETERANS STATE NURSING HOME CARE	VETERANS HOME BOARD	11,396,034
64.124	ALL-VOLUNTEER FORCE EDUCATION ASSISTANCE	LABOR AND INDUSTRY	39,562
U.S. ENVIRONMENTAL PROTECTION AGENCY			
66.032	STATE INDOOR RADON GRANTS	HEALTH	564,782

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY (Continued)			
66.034	SPECIAL PURPOSE ACTIVITIES RELATING TO THE CLEAN AIR ACT	HEALTH	$ 27,299
66.034	SPECIAL PURPOSE ACTIVITIES RELATING TO THE CLEAN AIR ACT	POLLUTION CONTROL AGENCY	99,115
66.202	CONGRESSIONALLY MANDATED PROJECTS	HEALTH	9,926
66.202	CONGRESSIONALLY MANDATED PROJECTS	NATURAL RESOURCES	4,350
66.202	CONGRESSIONALLY MANDATED PROJECTS	POLLUTION CONTROL AGENCY	473,005
66.419	WATER POLLUTION CONTROL-STATE/INTERSTATE	HEALTH	63,251
66.432	STATE PUBLIC WATER SYSTEM SUPERVISION	HEALTH	2,777,156
66.436	TRNG GRANTS-SECTION 104(B)(3) OF THE CLEAN WATER ACT	POLLUTION CONTROL AGENCY	1,217
66.436	TRNG GRANTS-SECTION 104(B)(3) OF THE CLEAN WATER ACT	STATE COLLEGES & UNIVERSITIES	1,290
66.454	WATER QUALITY MANAGEMENT PLANNING	POLLUTION CONTROL AGENCY	300,463
66.460	NONPOINT SOURCE IMPLEMENTATION	AGRICULTURE	118,837
66.460	NONPOINT SOURCE IMPLEMENTATION	POLLUTION CONTROL AGENCY	6,676,544
66.460	NONPOINT SOURCE IMPLEMENTATION	STATE COLLEGES & UNIVERSITIES	57,731
66.461	REGIONAL WETLAND PROGRAM DEVELOPMENT GRANTS	NATURAL RESOURCES	1,700
66.461	REGIONAL WETLAND PROGRAM DEVELOPMENT GRANTS	POLLUTION CONTROL AGENCY	124,160
66.463	WATER QUALITY COOPERATIVE AGREEMENTS	AGRICULTURE	65,891
66.463	WATER QUALITY COOPERATIVE AGREEMENTS	POLLUTION CONTROL AGENCY	323,783
66.467	WASTEWATER OPERATOR TRAINING	POLLUTION CONTROL AGENCY	71,165
66.468	DRINKING WATER STATE REVOLVING FUND	HEALTH	1,989,615
66.469	GREAT LAKES PROGRAM	HEALTH	1,365
66.469	GREAT LAKES PROGRAM	NATURAL RESOURCES	32,015
66.469	GREAT LAKES PROGRAM	POLLUTION CONTROL AGENCY	278,259
66.471	STATE GRANTS TO OPERATORS - SMALL WATER SYSTEMS	HEALTH	583,440
66.471	STATE GRANTS TO OPERATORS - SMALL WATER SYSTEMS	STATE COLLEGES & UNIVERSITIES	251,674
66.472	BEACH MONITORING AND NOTIFICATION PROGRAM	POLLUTION CONTROL AGENCY	220,901
66.474	WATER PROTECTION GRANTS TO THE STATES	HEALTH	121,669
66.479	WETLAND PROGRAM GRANTS - STATE/TRIBAL	POLLUTION CONTROL AGENCY	91,698
66.480	ASSESSMENT AND WATERSHED PROTECTION PROGRAM GRANTS	POLLUTION CONTROL AGENCY	72,403
66.509	SCIENCE TO ACHIEVE RESULTS (STAR) RESEARCH PROGRAM	STATE COLLEGES & UNIVERSITIES	129,057
66.511	OFFICE OF RESEARCH AND DEVELOPMENT CONSOLIDATED RESEAR	NATURAL RESOURCES	10,136
66.605	PERFORMANCE PARTNERSHIP GRANT	POLLUTION CONTROL AGENCY	10,839,099
66.608	ENVIRONMENTAL/INFORMATION EXCHANGE NETWORK	ADMINISTRATION	34,752
66.608	ENVIRONMENTAL/INFORMATION EXCHANGE NETWORK	POLLUTION CONTROL AGENCY	776,612
66.609	PROTECTION OFCHILDREN AND ELDERLY FROM ENVIRONMENTAL H	HEALTH	21,894
66.611	ENVIRONMENTAL POLICY AND INNOVATION GRANTS	POLLUTION CONTROL AGENCY	13,236

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY (Continued)			
66.700	CONSOLIDATED PESTICIDE ENFORCEMENT	AGRICULTURE	$ 800,246
66.700	CONSOLIDATED PESTICIDE ENFORCEMENT	NATURAL RESOURCES	32,364
66.707	CERTIFICATION OF LEAD-BASED PAINT PROFS	HEALTH	307,123
66.708	POLLUTION PREVENTION GRANTS	POLLUTION CONTROL AGENCY	84,735
66.717	SOURCE REDUCTION ASSISTANCE	POLLUTION CONTROL AGENCY	16,838
66.802	SUPERFUND STATE SITE-COOP AGREEMENTS	POLLUTION CONTROL AGENCY	675,443
66.805	LEAKING UNDERGROUND STORAGE TANK TRUST FUND	POLLUTION CONTROL AGENCY	1,512,589
66.809	SUPERFUND STATE AND INDIAN TRIBE CORE PROGRAM	POLLUTION CONTROL AGENCY	221,536
66.814	BROWNSFIELD TRG RESEARCH & TECH ASSIST GRANTS	AGRICULTURE	26,165
66.817	STATE & TRIBAL RESPONSE PROGRAM GRANTS	POLLUTION CONTROL AGENCY	864,822
66.818	BROWNFIELD CLEANUP	EMPLOYMENT & ECONOMIC DEV.	18,739
U.S. DEPARTMENT OF ENERGY			
81.041	STATE ENERGY PROGRAM	COMMERCE	879,026
81.117	ENERGY EFFICIENCY AND RENEWABLE ENERGY INFORMATION	COMMERCE	650,363
81.119	STATE ENERGY PROGRAM SPECIAL PROJECTS	STATE COLLEGES & UNIVERSITIES	14,624
U.S. DEPARTMENT OF EDUCATION			
TRIO Cluster			
84.042	TRIO-STUDENT SUPPORT SERVICES	STATE COLLEGES & UNIVERSITIES	5,961,839
84.044	TRIO-TALENT SEARCH	STATE COLLEGES & UNIVERSITIES	1,141,704
84.047	TRIO-UPWARD BOUND	STATE COLLEGES & UNIVERSITIES	4,458,731
84.066	TRIO-EDUCATIONAL OPPORTUNITY CENTERS	STATE COLLEGES & UNIVERSITIES	714,368
84.217	TRIO-MCNAIR POST-BACCALAUREATE ACHIEVEMENT	STATE COLLEGES & UNIVERSITIES	211,714
		TRIO Cluster Total:	**$ 12,488,356**
84.002	ADULT EDUCATION-STATE GRANT	EDUCATION	6,143,836
84.002	ADULT EDUCATION-STATE GRANT	STATE COLLEGES & UNIVERSITIES	18,334
84.011	MIGRANT EDUCATION-BASIC STATE GRANT	EDUCATION	3,103,648
84.013	TITLE I-NEGLECTED & DELINQUENT CHILDREN	EDUCATION	196,651
84.031	HIGHER EDUCATION-INSTITUTIONAL AID	STATE COLLEGES & UNIVERSITIES	206,320
84.048	VOCATIONAL EDUCATION-BASIC STATE GRANTS	STATE COLLEGES & UNIVERSITIES	20,281,335
84.069	LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	HIGHER EDUCATION	581,461
84.101	VOCATIONAL EDUCATION-INDIANS SET-ASIDE	STATE COLLEGES & UNIVERSITIES	141,396
84.116	IMPROVEMENT OF POSTSECONDARY EDUCATION	STATE COLLEGES & UNIVERSITIES	409,986
84.129	REHABILITATION LONG-TERM TRAINING	STATE COLLEGES & UNIVERSITIES	190,113

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
84.132	CENTERS FOR INDEPENDENT LIVING	EMPLOYMENT & ECONOMIC DEV.	$ 981,585
84.169	INDEPENDENT LIVING	EMPLOYMENT & ECONOMIC DEV.	988,748
84.177	OLDER BLIND INDIVIDUALS INDEPEND LIVING	EMPLOYMENT & ECONOMIC DEV.	561,582
84.181	INFANTS & FAMILIES WITH DISABILITIES	EDUCATION	5,952,514
84.184	SAFE & DRUG FREE SCHOOLS & COMMUNITIES	EDUCATION	553,450
84.185	BYRD HONORS SCHOLARSHIPS	EDUCATION	665,000
84.186	SAFE & DRUG-FREE SCHOOLS-STATE GRANTS	EDUCATION	5,802,826
84.187	SUPPORTED EMPLOYMENT SERVICES-DISABLED	EMPLOYMENT & ECONOMIC DEV.	433,240
84.196	EDUCATION FOR HOMELESS CHILDREN & YOUTH	EDUCATION	491,737
84.213	EVEN START-STATE EDUCATION AGENCIES	EDUCATION	1,819,887
84.215	FUND FOR IMPROVEMENT OF EDUCATION	STATE COLLEGES & UNIVERSITIES	136,853
84.224	ASSISTIVE TECHNOLOGY STATE GRANTS	ADMINISTRATION	683,127
84.234	PROJECTS WITH INDUSTRY	EMPLOYMENT & ECONOMIC DEV.	62,124
84.235	SEVERE DISABILITES VOCATIONAL REHAB	ADMINISTRATION	568,500
84.243	TECH-PREP EDUCATION	STATE COLLEGES & UNIVERSITIES	1,957,648
84.265	STATE VOC REHAB UNIT IN-SERVICE TRAINING	EMPLOYMENT & ECONOMIC DEV.	137,530
84.282	CHARTER SCHOOLS	EDUCATION	8,518,604
84.283	COMPREHENSIVE CENTERS	STATE COLLEGES & UNIVERSITIES	61,852
84.287	TWENTY-FIRST CENTURY COMMUNITY LEARNING	EDUCATION	8,490,710
84.293	FOREIGN LANGUAGE ASSISTANCE	EDUCATION	84,000
84.298	STATE GRANTS FOR INNOVATIVE PROGRAMS	EDUCATION	3,445,959
84.318	EDUCATION TECHNOLOGY STATE GRANTS	EDUCATION	5,029,375
84.323	SPECIAL ED-STATE PERSONNEL DEVELOPMENT	EDUCATION	1,100,902
84.323	SPECIAL ED-STATE PERSONNEL DEVELOPMENT	STATE COLLEGES & UNIVERSITIES	398
84.324	RESEARCH IN SPECIAL EDUCATION	STATE COLLEGES & UNIVERSITIES	868,338
84.325	SPECIAL ED-PERSONNEL PREP FOR DISABLED CHILDREN	STATE COLLEGES & UNIVERSITIES	428,749
84.326	SPECIAL ED-TECH ASSISTANCE CHILDREN WITH DISABILITIES	EDUCATION	213,855
84.331	GRANTS TO STATES-INCARCERATED YOUTH OFFENDERS	CORRECTIONS	80,805
84.332	COMPREHENSIVE SCHOOL REFORM DEMONSTRATION	EDUCATION	3,167,050
84.332	COMPREHENSIVE SCHOOL REFORM DEMONSTRATION	STATE COLLEGES & UNIVERSITIES	7,851
84.334	GAIN EARLY AWARE & READINESS FOR UNDERGRADUATE	HIGHER EDUCATION	2,038,560
84.335	CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	STATE COLLEGES & UNIVERSITIES	144,855
84.336	TEACHER QUALITY ENHANCEMENT GRANTS	EDUCATION	3,457,235
84.336	TEACHER QUALITY ENHANCEMENT GRANTS	STATE COLLEGES & UNIVERSITIES	710,494
84.344	TRIO DISSEMINATION PARTNERSHIP	STATE COLLEGES & UNIVERSITIES	77,037

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
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YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
84.346	OCCUPATIONAL & EMPLOYMENT INFORMATION GRANT	STATE COLLEGES & UNIVERSITIES	$ 139,284
84.351	ARTS IN EDUCATION	CENTER FOR ARTS EDUCATION	103,022
84.353	TECH-PREP DEMONSTRATION GRANTS	STATE COLLEGES & UNIVERSITIES	58,249
84.357	READING FIRST STATE GRANTS	EDUCATION	13,981,010
84.358	RURAL EDUCATION	EDUCATION	93,191
84.360	DROPOUT PREVENTION PROGRAMS	EDUCATION	111,040
84.361	VOLUNTARY PUBLIC SCHOOL CHOICE	EDUCATION	1,721,338
84.365	ENGLISH LANGUAGE ACQUISITION GRANTS	EDUCATION	6,385,900
84.366	MATHEMATICS AND SCIENCE PARTNERSHIPS	EDUCATION	1,256,581
84.366	MATHEMATICS AND SCIENCE PARTNERSHIPS	STATE COLLEGES & UNIVERSITIES	37,201
84.368	GRANTS FOR ENHANCED ASSESSMENT INSTRUMENTS	EDUCATION	427,430
84.372	STATEWIDE DATA SYSTEMS	EDUCATION	47,920
84.938	HURRICANE EDUCATION RECOVERY	EDUCATION	1,135,773
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Aging Cluster			
93.044	SPEC PROG-AGING-GRANTS FOR SUPPOR SVCS & SR CENTER	HUMAN SERVICES	7,749,816
93.045	SPEC PROG-AGING-NUTRITION SERVICES	HUMAN SERVICES	7,686,417
93.053	NUTRITION SERVICES INCENTIVE PROGRAM	HUMAN SERVICES	2,009,085
		Aging Cluster Total:	**$ 17,445,318**
93.006	STATE RESPONSE HIV/AIDS IN MINORITY COMMUNITIES	HEALTH	34,452
93.042	SPEC PROG-AGING-LONG TERM CARE OMBUDSMAN SERVICES	HUMAN SERVICES	209,837
93.043	SPEC PROG-AGING-DISEASE PREVENTN & HEALTH PROMOTN	HUMAN SERVICES	361,514
93.048	SPEC PROG-AGING-DISCRETIONARY PROJECTS	HUMAN SERVICES	231,850
93.051	ALZHEIMER'S DISEASE DEMONSTRATION GRANTS TO STATES	HUMAN SERVICES	334,336
93.052	NATIONAL FAMILY CAREGIVER SUPPORT	HUMAN SERVICES	2,191,306
93.103	FOOD & DRUG ADMINISTRATION RESEARCH	AGRICULTURE	283,175
93.110	MATERNAL & CHILD HEALTH-FEDERAL	HEALTH	1,079,735
93.116	TUBERCULOSIS CONTROL PROGRAMS	HEALTH	871,664
93.127	EMERGENCY MEDICAL SERVICES FOR CHILDREN	EMERGENCY MEDICAL SERVICES	85,082
93.130	PRIMARY CARE SERVICES	HEALTH	195,967
93.136	INJURY PREVENTION & CONTROL RESEARCH	HEALTH	1,350,355
93.150	PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS	HUMAN SERVICES	680,000
93.157	CENTERS OF EXCELLENCE	STATE COLLEGES & UNIVERSITIES	14,889
93.161	TOXIC SUBSTANCES & DISEASE REGISTRY	HEALTH	449,591

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.165	GRANTS FOR STATE LOAN REPAYMENTS	HEALTH	$ 108,343
93.184	DISABILITIES PREVENTION	HEALTH	158,133
93.185	IMMUNIZATION RESRCH, DEMONSTRATN, CLINICAL SKILLS IMPROVE	HEALTH	383,058
93.197	CHILDHOOD LEAD POISONING PREVENTION	HEALTH	789,965
93.204	SURVEILLANCE OF HAZARDOUS SUBSTANCE ENERGENCY EVENTS	HEALTH	96,400
93.217	FAMILY PLANNING SERVICES	HEALTH	156,429
93.230	CONSOLIDATED KNOWLEDGE DEV & APPLICATION	HUMAN SERVICES	17,311
93.230	CONSOLIDATED KNOWLEDGE DEV & APPLICATION	STATE COLLEGES & UNIVERSITIES	27,276
93.235	ABSTINENCE EDUCATION	HEALTH	388,391
93.241	STATE RURAL HOSPITAL FLEXIBILITY PROGRAM	HEALTH	568,799
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	HUMAN SERVICES	118,082
93.247	ADVANCED EDUCATION NURSING GRANT PROGRAM	STATE COLLEGES & UNIVERSITIES	303
93.251	UNIVERSAL NEWBORN HEARING SCREENING	HEALTH	157,574
93.256	STATE PLANNING - HEALTH CARE ACCESS FOR UNINSURED	HEALTH	197,949
93.259	RURAL ACCESS TO EMERGENCY DEVICES GRANT	EMERGENCY MEDICAL SERVICES	148,390
93.262	OCCUPATIONAL SAFETY & HEALTH GRANTS	HEALTH	55,481
93.268	IMMUNIZATION GRANTS	HEALTH	19,187,816
93.273	ALCOHOL RESEARCH PROGRAMS	STATE COLLEGES & UNIVERSITIES	146,150
93.301	SMALL RURAL HOSPITAL IMPROVEMENT GRANTS	HEALTH	628,755
93.358	ADVANCED EDUCATION NURSING TRAINEESHIPS	STATE COLLEGES & UNIVERSITIES	60,406
93.359	NURSE EDUCATION, PRACTICE AND RETENTION GRANTS	HEALTH	27,527
93.359	NURSE EDUCATION, PRACTICE AND RETENTION GRANTS	STATE COLLEGES & UNIVERSITIES	203,402
93.393	CANCER CAUSE & PREVENTION RESEARCH	HEALTH	53,571
93.395	CANCER TREATMENT RESEARCH	HEALTH	68,437
93.399	CANCER CONTROL	HEALTH	616,987
93.448	FOOD SAFETY AND SECURITY MONITORING PROJECT	AGRICULTURE	226,816
93.449	RUMINANT FEED BAN SUPPORT PROJECT	AGRICULTURE	125,346
93.556	PROMOTING SAFE & STABLE FAMILIES	HUMAN SERVICES	3,649,084
93.556	PROMOTING SAFE & STABLE FAMILIES	SUPREME COURT	10,393
93.564	CHILD SUPPORT ENFORCEMENT RESEARCH	HUMAN SERVICES	21,772
93.566	REFUGEE & ENTRANT ASSISTANCE-STATE ADMIN	HUMAN SERVICES	11,126,789
93.569	COMMUNITY SERVICES BLOCK GRANT	HUMAN SERVICES	7,665,085
93.570	COMMUNITY SERVICES BLOCK GRANT-DISCRETIONARY AWARDS	HUMAN SERVICES	21,888
93.571	COMMUNITY FOOD & NUTRITION	HUMAN SERVICES	34,532

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.576	REFUGEE & ENTRANT ASSISTANCE	EDUCATION	$ 183,658
93.576	REFUGEE & ENTRANT ASSISTANCE	HEALTH	132,449
93.576	REFUGEE & ENTRANT ASSISTANCE	HUMAN SERVICES	341,255
93.584	REFUGEE & ENTRANT TARGETED ASSISTANCE	HUMAN SERVICES	1,330,619
93.586	STATE COURT IMPROVEMENT PROGRAM	SUPREME COURT	308,804
93.590	COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	HUMAN SERVICES	1,718,401
93.595	WELFARE REFORM RESEARCH	EMPLOYMENT & ECONOMIC DEV.	92,547
93.597	ACCESS & VISITATION GRANT	HUMAN SERVICES	122,865
93.599	CHAFEE EDUCATION AND TRAINING VOUCHERS	HUMAN SERVICES	651,262
93.600	HEAD START	EDUCATION	124,928
93.600	HEAD START	STATE COLLEGES & UNIVERSITIES	117,408
93.603	ADOPTION INCENTIVE PAYMENTS	HUMAN SERVICES	74,000
93.617	VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES_GRANTS TO S	SECRETARY OF STATE	8,978
93.630	DEVELOPMENTAL DISABILITIES-BASIC SUPPORT	ADMINISTRATION	1,081,307
93.631	DEVELOPMENTAL DISABILITIES-NATIONAL SIGNIFICANCE	ADMINISTRATION	305,920
93.643	CHILDREN'S JUSTICE-GRANTS TO STATES	HUMAN SERVICES	281,737
93.645	CHILD WELFARE SERVICES-STATE GRANTS	HUMAN SERVICES	4,760,537
93.647	SOCIAL SERVICES RESEARCH & DEMONSTRATION	HUMAN SERVICES	7,629
93.648	CHILD WELFARE SERVICES TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	96,988
93.652	ADOPTION OPPORTUNITIES	HUMAN SERVICES	300,846
93.667	SOCIAL SERVICES BLOCK GRANT	HUMAN SERVICES	34,639,244
93.669	CHILD ABUSE & NEGLECT GRANT	HUMAN SERVICES	310,165
93.671	FAMILY VIOLENCE PREVENTION & SERVICES	PUBLIC SAFETY	1,608,776
93.674	CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	HUMAN SERVICES	1,952,333
93.768	EMPLOYMENT OF PEOPLE WITH DISABILITIES	HUMAN SERVICES	1,909,017
93.769	DEMONSTRATION TO MAINTAIN INDEPENDENCE AND EMPLOYMENT	HUMAN SERVICES	911,494
93.779	CENTERS FOR MEDICARE & MEDICAID SVCS (CMS) RESEARCH	HUMAN SERVICES	1,630,977
93.786	STATE PHARMACEUTICAL ASSISTANCE PROGRAMS	HUMAN SERVICES	486,078
93.822	HEALTH CAREERS OPPORTUNITY PROGRAM	STATE COLLEGES & UNIVERSITIES	15
93.848	DIGESTIVE DISEASES & NUTRITION RESEARCH	HEALTH	77,155
93.856	MICROBIOLOGY & INFECTIOUS DISEASES RESEARCH	STATE COLLEGES & UNIVERSITIES	25,795
93.888	SPECIALLY SELECTED HEALTH PROJECTS	STATE COLLEGES & UNIVERSITIES	282,602
93.889	NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	HEALTH	9,280,815
93.913	RURAL HEALTH OPERATION OFFICES	HEALTH	147,023
93.917	HIV CARE FORMULA GRANTS	HUMAN SERVICES	4,362,444

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.919	BREAST & CERVICAL CANCER EARLY DETECTION	HEALTH	$ 4,319,322
93.926	HEALTHY START INITIATIVE	HEALTH	29,664
93.938	PREVENTION OF HIV & OTHER HEALTH PROBLEMS	EDUCATION	303,691
93.940	HIV PREVENTION ACTIVITIES-HEALTH DEPT	HEALTH	3,024,179
93.944	HIV/AIDS SURVEILLANCE	HEALTH	370,036
93.945	CHRONIC DISEASE PREVENTION AND CONTROL	HEALTH	762,995
93.946	COOP AGREEMTS SAFE MOTHERHOOD & INFANT HEALTH	HEALTH	25,177
93.952	TRAUMA CARE SYSTEMS PLANNING AND DEVELOPMENT	HEALTH	37,177
93.958	COMMUNITY MENTAL HEALTH SERVICES BLOCK	HUMAN SERVICES	5,355,132
93.969	GERIATRIC EDUCATION CENTERS	STATE COLLEGES & UNIVERSITIES	26,375
93.977	SEXUALLY TRANSMITTED DISEASES CONTROL	HEALTH	943,791
93.988	STATE DIABETES CONTROL & SURVEILLANCE	HEALTH	1,117,624
93.989	INTERNATIONAL RESEARCH AND RESEARCH TRAINING	STATE COLLEGES & UNIVERSITIES	57,195
93.991	PREVENTIVE HEALTH & SERVICES BLOCK GRANT	HEALTH	2,926,677
93.991	PREVENTIVE HEALTH & SERVICES BLOCK GRANT	PUBLIC SAFETY	125,086
93.994	MATERNAL & CHILD HEALTH SERVICES BLOCK	HEALTH	9,494,077
U.S. CORPORATION FOR NATIONAL & COMMUNITY SERVICE			
94.004	LEARN & SERVE AMERICA-SCHOOL & COMMUNITY BASED	EDUCATION	256,130
94.005	LEARN & SERVE AMERICA-HIGHER EDUCATION	HIGHER EDUCATION	439,076
94.005	LEARN & SERVE AMERICA-HIGHER EDUCATION	STATE COLLEGES & UNIVERSITIES	53,667
94.006	AMERICORPS	STATE COLLEGES & UNIVERSITIES	344,661
94.007	PLANNING & PROGRAM DEVELOPMENT	STATE COLLEGES & UNIVERSITIES	1,547
U.S. SOCIAL SECURITY ADMINISTRATION			
Disability Insurance/SSI Cluster			
96.001	SOCIAL SECURITY-DISABILITY INSURANCE	EMPLOYMENT & ECONOMIC DEV.	21,189,124
		Disability Insurance/SSI Cluster Total:	**$ 21,189,124**
96.007	SOCIAL SECURITY RESEARCH & DEMONSTRATION	HUMAN SERVICES	1,869
96.008	SOCIAL SECURITY-BENEFITS PLANNING, ASSIST, OUTREACH	EMPLOYMENT & ECONOMIC DEV.	244,765
U.S. DEPARTMENT OF HOMELAND SECURITY			
97.008	URBAN AREAS SECURITY INITIATIVE	PUBLIC SAFETY	10,520,392
97.012	BOATING SAFETY FINANCIAL ASSISTANCE	NATURAL RESOURCES	1,404,922
97.021	HAZARDOUS MATERIALS ASSISTANCE PROGRAM	PUBLIC SAFETY	2,516

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY (Continued)			
97.023	COMMUNITY ASSISTANCE	NATURAL RESOURCES	$ 125,741
97.036	DISASTER GRANTS-PUBLIC ASSISTANCE (PRES. DECLARED)	HUMAN SERVICES	3,803
97.036	DISASTER GRANTS-PUBLIC ASSISTANCE (PRES. DECLARED)	NATURAL RESOURCES	72,991
97.036	DISASTER GRANTS-PUBLIC ASSISTANCE (PRES. DECLARED)	PUBLIC SAFETY	14,072,730
97.039	HAZARD MITIGATION GRANT	PUBLIC SAFETY	2,959,430
97.041	NATIONAL DAM SAFETY PROGRAM	NATURAL RESOURCES	31,377
97.043	STATE FIRE TRAINING SYSTEMS	STATE COLLEGES & UNIVERSITIES	8,685
97.045	COOPERATING TECHNICAL PARTNERS	NATURAL RESOURCES	153,900
97.047	PRE-DISASTER MITIGATION	PUBLIC SAFETY	24,285
97.061	CENTERS FOR HOMELAND SECURITY	AGRICULTURE	31,071
97.070	MAP MODERNIZATION MANAGEMENT SUPPORT	NATURAL RESOURCES	138,758
97.075	RAIL AND TRANSIT SECURITY GRANT PROGRAM	PUBLIC SAFETY	136,651
97.078	BUFFER ZONE PROTECTION PLAN (BZPP)	PUBLIC SAFETY	431,675
		Non Major Program Total:	$ 563,174,125

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

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Notes to the Schedules of Expenditures of Federal Awards

These notes provide disclosures relevant to the schedules 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 2006 conform to the Federal Single Audit Act of 1984 as amended in 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The required Schedule of Expenditures of Federal Awards is presented for the state's fiscal year ended June 30, 2006. The Schedule of Expenditures of Federal Awards is divided into two sections: major and nonmajor federal programs.

The auditor uses a risk-based approach as defined in the OMB Circular A-133 to determine which federal programs are major programs. Programs expending $20.6 million or more in federal awards are Type A programs and are considered major programs. Type B programs are programs expending less than $20.6 million in federal awards. If the auditor assesses Type A programs as low-risk, the auditor may replace Type A programs by higher risk Type B programs as major programs.

For purposes of financial reporting, the Catalog of Federal Domestic Assistance (CFDA) number from the June 2006 basic edition catalog identifies federal programs. The schedules are presented in numeric CFDA order within each federal agency.

Financial Reporting Entity of the State of Minnesota

The financial reporting entity for the state of Minnesota includes all state departments, agencies, institutions, and organizational units, which are controlled by or dependent upon the Minnesota Legislature and/or its constitutional officers. The state, a primary government, has considered for inclusion all potential component units for which it may be financially accountable or other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the report to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be used in determining financial accountability. These criteria include the state's ability to appoint a voting majority of an organization's governing body and either the ability of the state to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state.

The federal programs included in the schedule of expenditures of federal awards in this report are part of the state's primary government. The federal programs administered by discretely presented component units are not presented in this report, but in single audit reports issued by these entities.

Minnesota State Colleges and Universities (MnSCU), which is part of the primary government, consists of the following education facilities:

Alexandria Technical College
Anoka-Ramsey Community College
Anoka Technical College
Bemidji State University
Central Lakes College
Century College
Dakota County Technical College
Fond du Lac Tribal & Community College
Hennepin Technical College
Hibbing Community College
Inver Hills Community College
Itasca Community College
Lake Superior College
Mesabi Range Community & Technical College
Metropolitan State University
Minneapolis Community & Technical College
Minnesota State College – Southeast Technical
Minnesota State Community & Technical College
Minnesota State University, Mankato
Minnesota State University, Moorhead
Minnesota West Community & Tech. College
Normandale Community College
North Hennepin Community College
Northland Community & Technical College
Northwest Technical College
Pine Technical College
Rainy River Community College
Ridgewater College
Riverland Community College
Rochester Community & Technical College
St. Cloud State University
St. Cloud Technical College
Saint Paul College
South Central College
Southwest Minnesota State University
Vermilion Community College
Winona State University

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 nonmajor 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 (State Colleges and Universities and Unemployment Insurance funds), and the General Fund (a major governmental fund), include federal activity. The Minnesota Accounting and Procurement 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 subgranted to other state or local governmental units, nongovernmental organizations, or individuals. Subgrant expenditures are recognized by the primary state agency subgranting the funds, not by the state agency receiving a subgrant from the primary state agency, except for portions of Temporary Aid for Needy Families (TANF) (CFDA 93.558). TANF subgrants, 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

The amount reported on the financial statements for the Perkins Loans (CFDA 84.038) for MnSCU is the administrative and collection costs. Below is a summary of the loan activity for the Perkins Loans and Nursing Loans (NSL) program (CFDA 93.364) during fiscal year 2006.

	Perkins	NSL
Loans Receivable, Beginning	$ 36,314,494	$ 53,157
Loan Repayments	(7,175,470)	(14,941)
Loan Cancellations	(1,026,177)	-
New Loans Issued	7,096,002	-
Loans Receivable, Ending	$ 35,208,849	$ 38,216

Note 3 – Federal Family Education Loan Programs

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 Family Education Loans (FFEL) program (CFDA 84.032), financial institutions make loans to students attending institutions of higher education. The Federal Direct Student Loan (FDSL) program (CFDA 84.268) operates similarly to the FFEL program except that the federal government, rather than a private lender, provides the loan principal to the student. MnSCU distributed the following FFEL and FDSL loans to students attending state colleges or universities during fiscal year 2006.

Federal Family Education Loans Issued:		
Federal Subsidized Stafford	$	152,124,952
Federal Unsubsidized Stafford		136,205,868
Federal Parent Loans for Undergraduate Students		8,701,932
Total Federal Family Education Loans	$	297,032,752
Federal Direct Student Loans	$	48,765,697

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 2006, the state of Minnesota received a total rebate of $26,916,859 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. The rebates are used to offset program costs and are reported as expenditure reductions. During fiscal year 2006, the state of Minnesota received a total rebate of $139,493,328 on sales of drugs to participants in the Medical Assistance Program.

Note 5 – Unemployment Insurance Program

For fiscal year 2006, expenditures for the Unemployment Insurance Program (CFDA 17.225) include federal and state unemployment insurance grant expenditures as well as federal administrative expenditures. The federal unemployment insurance grant expenditures were $17,473,213 and the state unemployment insurance grant expenditures were $673,239,421. The federal administrative expenditures were $40,265,108. The Unemployment Insurance Program serves workers who are unemployed through no fault of their own and are seeking reemployment. To receive benefits, claimants must be able to work, available for work, and actively seeking work. For audits and reporting under OMB Circular A-133, the U.S. Department of Labor requires that both federal and state unemployment insurance funds be considered federal awards for determining Type A (major) federal programs and for reporting expenditures of federal awards.

Note 6 – Water Quality Capitalization Grants

Water quality capitalization grants (CFDA 66.458) are used by states to create revolving funds to provide financing for construction of wastewater treatment facilities and implementation of other water quality management activities. Loans are administered from these funds by the departments of Employment and Economic Development, Agriculture, and Pollution Control. The state's loan programs are Tourism Septic Loan (TLP), Small Cities (SCDP), Agriculture Best Management Practices (AG BMP) and Clean Water Partnership (CWP). A summary of the loan activity for fiscal year 2006 is shown below.

	TLP	SCDP	AG BMP	CWP
Loans Receivable, Beginning	$ 228,793	$ 459,872	$ 42,915,368	$ 14,162,710
Loan Repayments	(43,875)	(112,998)	(2,755,191)	(1,598,663)
New Loans Issued	10,000	-	3,502,271	2,810,475
Interest Capitalized	-	-	-	30,206
Loans Receivable, Ending	$ 194,918	$ 346,874	$ 43,662,448	$ 15,404,728

Note 7 – 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 presented are no longer operating programs. These programs resulted in funds being carried over from previous years. In other cases, the Department of Finance assigned a number. State agencies using the number assigned by the Department of Finance in fiscal year 2006 were asked to work with the federal granting agency to obtain a valid CFDA number for the grant program.

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Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2006

The Schedule of Findings and Questioned Costs consists of three sections:

Section I:	Summary of Auditor's Results
Section II:	Findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*
Section III:	Findings and Questioned Costs for federal awards.

In Section I, the results of our audit are highlighted concerning the State of Minnesota's financial statements, federal awards, and the identification of major programs audited.

In Section II, we refer to our Statewide Report on Internal Control Over Financial Reporting, which we issued as a separate document on March 22, 2007 (Legislative Audit Report 07-04). It contains nine findings related to the State of Minnesota's financial statements that are required to be reported in accordance with *Government Auditing Standards*. The report is addressed to the Minnesota Department of Finance and includes the corrective action plans of the Minnesota Department of Finance and other state agencies involved.

In Section III, a summary schedule of federal program audit findings is presented in CFDA number order within each federal awarding agency. This schedule summarizes our report findings by CFDA number, program name, and state agency. The summary identifies our unique report number (RPT NO) for that agency in the XX-XX format (i.e. 06-26) of our separately issued reports and the finding number (FIND NO) as presented in our report. The summary also identifies whether the finding is an internal control (INT CONT) issue or a compliance issue (COMP REQ). Internal control issues are identified as either reportable conditions (R) or material weaknesses (M). Compliance issues are identified according to Circular A-133 compliance supplement requirements A through N. The summary also provides a short statement of the problem and its financial impact (FIN IMPACT) as procedural (P), nonquantifiable (NQ), or show a dollar amount (questioned cost). Following the summary schedule are the federal program audit findings as they appear in our separately issued reports and the Minnesota State Colleges and Universities (MnSCU) report of Kern-DeWenter-Viere (KDV). The state agencies' corrective action plans follow each finding.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2006

Section I:

Summary of Auditor's Results

Financial Statements

Type of independent auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	____ Yes __X__ No
Significant deficiencies identified not considered to be material weaknesses?	__X__ Yes ____ No
Noncompliance material to financial statements noted?	____ Yes __X__ No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___ Yes __X__ No
Reportable condition(s) identified not considered to be material weaknesses?	__X__ Yes ____ No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	__X__ Yes ____ No

Identification of Major Programs (See listing on next page)

Dollar threshold used to distinguish between Type A and Type B programs:	$20.6 Million
Auditee qualified as low-risk auditee?	____ Yes __X__ No

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2006

Section I: (continued)

Listing of Major Programs Audited

Federal Agency and Major Program Name	CFDA#
U. S. Department of Agriculture	
Special Nutrition for Women, Infants & Children	10.557
Child & Adult Care Food Program	10.558
Child Nutrition Cluster	
School Breakfast	10.553
National School Lunch	10.555
Special Milk for Children	10.556
Summer Food Service for Children	10.559
Food Stamp Cluster	
Food Stamps	10.551
State Admin. Match Grant - Food Stamps	10.561
U. S. Department of Defense	
National Guard Bureau	12.401
U. S. Department of Housing and Urban Development	
Community Development Block Grants	14.228
U. S. Department of Labor	
Employment Services Cluster	
Employment Service	17.207
Disabled Veterans Outreach Program	17.801
Local Veterans' Employment Representative	17.804
Workforce Investment Act (WIA) Cluster	
WIA – Adult Program	17.258
WIA – Youth Activities	17.259
WIA – Dislocated Workers	17.260
Unemployment Insurance	17.225
U. S. Department of Transportation	
Highway Planning and Constructions Cluster	
Highway Planning & Construction	20.205
Airport Improvement	20.106
U. S. Department of Energy	
Weatherization Assistance – Low Income	81.042

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2006

Section I: (continued)

U. S. Department of Education	
Special Education Cluster	
Special Education - State Grants	84.027
Special Education - Preschool Grants	84.173
Student Financial Assistance Cluster	
Supplemental Education Opportunity Grant	84.007
Federal Family Education Loans	84.032
Federal Work-Study	84.033
Federal Perkins Loan	84.038
Federal Pell Grant	84.063
Federal Direct Student Loans	84.268
Nursing Student Loans	93.364
Title 1 Grants to Local Education Agencies	84.010
Rehabilitation Services - Vocational Rehabilitation Grants	84.126
Improving Teacher Quality State Grants	84.367
Grants for State Assessments & Related Activities	84.369
U. S. Department of Health & Human Services	
Child Care Cluster	
Child Care & Development Block Grant	93.575
Child Care Mandatory & Matching Funds	93.596
Medicaid Cluster	
State Medicaid Fraud Control Units	93.775
Hurricane Katrina Relief Program	93.776
State Health Care Providers Survey	93.777
Medical Assistance	93.778
Center For Disease Control & Prevention	93.283
Temporary Assistance for Needy Families	93.558
Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
Foster Care Title IV-E	93.658
Adoption Assistance	93.659
State Children's Insurance Program	93.767
Block Grants for Prevention and Treatment of Substance Abuse	93.959
U. S. Election Assistance Commission	
Help America Vote Act Requirements Payments	90.401
U. S. Department of Homeland Security	
State Domestic Preparedness Equipment Support Program	97.004

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2006

Section II:

Financial Statement Audit Findings

We have separately issued our Statewide Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, as of March 22, 2007 (Legislative Audit Report 07-04).

The report contains nine findings related to the audit of the State of Minnesota's financial statements that are required to be reported in accordance with *Government Auditing Standards.*

Our Statewide Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* is considered to be part of the Single Audit and will be provided separately or as a part of this reporting package.

This report may also be accessed electronically at www.auditor.leg.state.mn.us.

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SECTION III
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2006

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Agriculture								
10.551	Food Stamps	Human Services	07-08	1	R		Inaccurate reporting of spending on schedules of expenditures.	P
10.557	Special Nutrition for Women, Infants & Children	Health	07-05	1	R	B	Salary allocations not sufficiently documented.	NQ
10.558	Child & Adult Care Food Program	Education	06-26	3	R	B	Inadequate review of severance payments charged to program.	P
U.S. Department of Housing and Urban Development								
14.228	Community Development Block Grant	Employment & Economic Development	07-07	3	R	L/M	Inconsistent monitoring and reporting of project expenditures.	P
U.S. Department of Labor								
17.225	Unemployment Insurance	Employment & Economic Development	07-07	1	R		Inadequate control over employer tax account adjustments and refunds.	P
17.225	Unemployment Insurance	Employment & Economic Development	07-07	2	R	E	Wage verification documents inappropriately discarded.	P
U.S. Department of Transportation								
20.205	Highway Planning & Construction	Transportation	07-09	1	R	A, B, M	Project oversight procedures need improvement.	$9,296,000
20.205	Highway Planning & Construction	Transportation	07-09	2	R	A, B	Miscoded payment as participating in federal funding.	$1,900,000
U.S. Department of Education								
84.010	Title 1 Grants to Local Educational Agencies	Education	06-26	3	R	B	Inadequate review of severance payments charged to program.	P
84.027	Special Education-Grants to States	Education	06-26	3	R	B	Inadequate review of severance payments charged to program.	P
Various	Financial Aid Cluster	MN West Community and Tech. College	KDV-06	1		N	Calculations of Title IV funds to be returned not done timely.	$281,373
Various	Financial Aid Cluster	Inver Hills Community College	KDV-06	1		N	Calculations of Title IV funds to be returned not done timely.	P
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	KDV-06	2		N	Changes in student enrollment status not updated timely.	P
84.063	Federal Pell Grant	South Central College	KDV-06	3		L	Failed to report program disbursements within 30 days.	P
84.032	Federal Family Education Loans	Inver Hills Community College	KDV-06	4		E	Inadequate monitoring of satisfactory academic progress.	$3,015
84.032	Federal Family Education Loans	MN West Community and Tech. College	KDV-06	5		E	Students received loans in excess of permitted amounts.	$1,540
84.032	Federal Family Education Loans	Anoka Technical College	KDV-06	5		E	Students received loans in excess of permitted amounts.	$2,000
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	KDV-06	6		H, L	Accounting system records did not always agree with federal reports.	NQ
84.126	Vocational Rehabilitation Grants to States	Employment & Economic Development	07-07	4	R	I	Subrecipient suspension and debarment certification not obtained.	P
U. S. Department of Energy								
81.042	Weatherization Assistance-Low Income Persons	Commerce	07-03	1	R	M	Ineffective monitoring of local service providers.	$1,167,772
81.042	Weatherization Assistance-Low Income Persons	Commerce	07-03	2	R		Federal CFDA numbers not identified in accounting system.	P
U.S. Department of Health & Human Services								
93.268	Immunization Grants	Health	07-05	1	R	B	Salary allocations not sufficiently documented.	NQ
93.283	CDC-Investigations and Technical Assistance	Health	07-05	1	R	B	Salary allocations not sufficiently documented.	NQ

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
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SECTION III
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2006

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Health & Human Services (continued)								
93.558	Temporary Assistance for Needy Families	Human Services	07-08	1	R		Inaccurate reporting of spending on schedule of expenditures.	P
93.558	Temporary Assistance for Needy Families	Human Services - Hennepin County	07-08	H-1	R	E,N	Untimely resolution of discrepancies identified by IEVS.	NQ
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	07-08	R-1	R	E,N	Untimely resolution of discrepancies identified by IEVS.	NQ
93.563	Child Support Enforcement	Human Services	07-08	1	R		Inaccurate reporting of spending on schedule of expenditures.	P
93.568	Low-Income Home Energy Assistance	Commerce	07-03	2	R		Federal CFDA numbers not identified in accounting system.	P
93.568	Low-Income Home Energy Assistance	Commerce	07-03	3	R		Inaccurate measurement of federal expenditures.	P
93.575	Child Care and Development - Discretionary	Human Services	07-08	6	R	B	Salary allocations not sufficiently documented.	P
93.596	Child Care and Development - Mandatory and Match	Human Services	07-08	6	R	B	Salary allocations not sufficiently documented.	P
93.658	Foster Care	Human Services	07-08	1	R		Inaccurate reporting of spending on schedule of expenditures.	P
93.659	Adoption Assistance	Human Services	07-08	1	R		Inaccurate reporting of spending on schedule of expenditures.	P
93.659	Adoption Assistance	Human Services	07-08	2	R	E	Insufficient eligibility documentation.	P
93.767	State Children's Health Insurance Program	Human Services	07-08	1	R		Inaccurate reporting of spending on schedule of expenditures.	P
93.767	State Children's Health Insurance Program	Human Services	07-08	2	R	E	Insufficient eligibility documentation.	P
93.767	State Children's Health Insurance Program	Human Services	07-08	3	R	E	Non-compliance with eligibility criteria.	$5,100
93.767	State Children's Health Insurance Program	Human Services	07-08	5	R	L	Did not submit quarterly reports timely.	P
93.776	Hurricane Katrina	Human Services	07-08	1	R		Inaccurate reporting of spending on schedule of expenditures.	P
93.777	State Survey and Certification of Health Care Provider	Human Services	07-08	5	R	L	Did not submit quarterly reports timely.	P
93.778	Medical Assistance	Human Services	07-08	1	R		Inaccurate reporting of spending on schedule of expenditures.	P
93.778	Medical Assistance	Human Services	07-08	4	R	B	Federal funds used to pay for state's share of transportation fees.	P
93.778	Medical Assistance	Human Services	07-08	5	R	L	Did not submit quarterly reports timely.	P
93.778	Medical Assistance	Human Services - Hennepin County	07-08	H-1	R	E,N	Untimely resolution of discrepancies identified by IEVS.	NQ
93.778	Medical Assistance	Human Services - Ramsey County	07-08	R-1	R	E,N	Untimely resolution of discrepancies identified by IEVS.	NQ
93.778	Medical Assistance	Human Services - Cass County	07-08	C-1	R	E	Non-compliance with eligibility criteria.	NQ

Notes:

This summary schedule highlights federal program audit findings presented in the Minnesota Office of the Legislative Auditor's reports to the affected state agencies.
The "RPT NO" are the report numbers in the format 0X-XX, which refer to individual agency reports; and the "FIND NO" are finding numbers within those reports.
The finding identifies whether the internal control (INT CONT) is a Material (M) weakness or a Reportable (R) condition and or compliance (COMP REQ) requirement addressed (A-N).
These reports may be accessed at www.auditor.leg.state.mn.us.

Kern-DeWenter-Viere (KDV) audited the Minnesota State Colleges and Universities financial statements and their federal financial aid cluster.
The "RPT NO" for KDV federal program findings are reported in KDV-06; and the "FIND NO" are finding numbers within KDV's report.

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Federal Program Audit Findings

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Report 06-26

State Agency: Minnesota Department of Education

Federal Agencies: U. S. Department of Agriculture
U. S. Department of Education

CFDA Numbers/Program Names:

10.558	Child & Adult Care Food Program
84.010	Title 1 Grants to Local Educational Agencies
84.027	Special Education-State Grants

Questioned Costs: None – Procedural Finding Only

Finding 06-26-3 *Severance payments incorrectly charged to program.*

3. Education charged some employee severance payments for sick leave and vacation directly to federal programs, which is prohibited by federal regulations.

Education erroneously charged nearly $30,000 in employee severance payments for 13 federally-funded employees as direct costs to several federal programs. Federal regulations[1] require severance costs be charged as indirect costs in order to more effectively control federal expenses. Severance payments consist of payments to employees for sick and annual leave upon termination of employment. Table 3-2 indicates the federal programs that were incorrectly charged employee severance costs.

Table 3-2
Federal Programs Incorrectly Charged Severance Costs

CFDA#	CFDA Name	Total
93.938	School Health Programs	$4,400
10.558	Child and Adult Care Food Program	$3,120
10.560	State Administered Expenses Child Nutrition	$2,179
84.002	Adult Education State Grant	$1,364
84.010	Title I Grants to Local Education Agencies	$179
84.027	Special Education Grants to States	$13,833
84.181	Special Education Grants for Infants and Families with Disabilities	$858
84.184	Safe and Drug Free Schools and Communities	$494
84.186	Safe and Drug Free Schools and Communities State Grants	$2,143
84.287	21 Century Community Learning	$682
84.361	Voluntary Public School Choice	$272
93.576	Refugee and Entrant Assistance	$59

Source: Department accounting records.

[1] OMB Circular A-87, Attachment B Paragraph 8 (g) (2).

Education initially sets up the payroll funding so that all federally-funded employees' biweekly payroll costs are charged directly to federal programs. Upon termination of employment, the department revises the funding source to the indirect cost accounts for severance payments made to employees who worked on federal programs. However, for the costs in question, the department failed to verify that it changed the funding source to the indirect cost accounts.

As a result of the audit finding, the department transferred the questioned costs to the indirect cost accounts, and we verified the accuracy of the transfers.

Recommendation

- *Education should verify that future severance payments for federally funded employees are correctly charged to the indirect cost plan.*

Minnesota Department of Education Response:

The audit of the Department of Education 06-26 issued September 28, 2006 Chapter 3 Finding 3 identified internal control weaknesses relating to payroll transactions for severance pay for federally funded employees.

Al Louismet, Agency Finance Manager and Robert Kasper, Audit Director, have implemented audit review procedures for all payroll transactions as of December 1, 2006. The bi-weekly review is conducted by staff reporting to the audit director to separate the review process from the accounting sections payroll transaction processors. All payroll transactions for all payroll transaction types are reviewed and verified for entry accuracy. In addition, labor distribution reports for all payroll transactions are reviewed to guarantee accurate posting of payroll to state and federal accounts. Audit findings are then reported to the agency finance manager with corrective action indicated. All corrections are reconciled to assure accuracy in payroll posting for all earnings types.

Estimated Completion Date: December 1, 2006

Report 07-03

State Agency: Minnesota Department of Commerce

Federal Agency: U. S. Department of Energy

CFDA Number/Program Name:

84.042 Weatherization Assistance – Low Income Persons

Questioned Costs: $1,167,772

Finding 07-03-1 *Ineffective monitoring of local service providers.*

1. The Department of Commerce did not ensure that local service providers[2] delivered program funds in compliance with federal requirements for the Weatherization Assistance for Low-Income Persons Program.

The Department of Commerce did not sufficiently monitor local service providers to ensure they delivered federal program funds to dwellings with greater need for weatherization improvement. Local service providers distribute the program's financial assistance to eligible low income households to improve the energy efficiency of their homes. The department did not have an effective monitoring system, as required by federal regulation, to ensure local service providers complied with federal program requirements. Over 12 percent of the federal program's expenditures did not comply with federal requirements.

The program has three full-time staff in its monitoring unit, but they do not ensure that local service providers comply with the following federal program requirements:

- Selection of cost-effective dwellings – During fiscal year 2006, local service providers inappropriately provided weatherization assistance of $1,167,772 to dwellings where the cost of the improvement exceeded the estimated long term energy savings. Federal regulations[3] require that funds used for weatherization improvements result in energy cost savings over the lifetime of the improvement at least equal to the cost of materials and installation. The state's plan with the federal government quantifies this analysis with a savings-to-investment ratio. If the ratio is below 1, meaning that the cost of the improvement exceeds the

[2] A local service provider is a public or nonprofit entity or a community action agency authorized to determine eligibility for heating assistance and identify dwellings in need of financial assistance for weatherization improvements.
[3] 10 Code of Federal Regulations §440.21(c).

estimated energy savings, the improvement is not an effective use of weatherization assistance funds. The department inappropriately allowed local service providers to fund weatherization improvements even though the savings-to-investment ratio was 1 or less.

- Monitoring of local service providers – The department had no documentation to substantiate that it had monitored the minimum number of households and that contractor work complied with standards.

  - The state's plan indicates that the department will examine at least five percent of the completed dwellings for each local service provider to ensure the completion of quality work and compliance with program requirements. Although there was evidence that the department conducted the reviews (the department had letters to the local service providers citing concerns and requesting corrective action plans), the department could not substantiate the number of reviews performed at each service provider.

  - The department lacked a structured audit approach to guide quality and consistency of their monitoring work. Monitoring staff did not adequately document sample selection methods, recipients examined, and attributes tested. They had no testing documents showing that local service providers had evidence that contractors met program quality standards. Weatherization improvements done by private contractors must comply with standards concerning licensing, insurance, and workmanship. In addition, local service providers must inspect the contractor's work to ensure it was satisfactory. The department's site visits did not determine whether local service providers were verifying that contractors complied with those standards.

Because the department did not effectively monitor the local service providers, funds were inappropriately used for energy improvements that were not the most cost-effective and may not have complied with federal requirements or quality standards.

Recommendations

- *The Department of Commerce should work with the federal Department of Energy to resolve the $1,167,772 in questioned costs for the Weatherization Assistance for Low-Income Persons Program.*

- *The Department of Commerce should improve its monitoring of local service providers to ensure compliance with federal requirements for the Weatherization Assistance for Low-Income Persons Program.*

Minnesota Department of Commerce Response:

Recommendation: *The Department of Commerce should work with the federal Department of Energy to resolve the $1,167,772 in questioned costs for the Weatherization Assistance for Low-Income Persons Program*

Response: The department will comply with this recommendation.

The program year audited by your staff was the first full year the department and the service provider energy auditors used the new federal Department of Energy's computer-based energy audit software--the National Energy Audit Tool (NEAT). Moving toward the NEAT tool proved challenging for some of the service provider energy auditors. A couple of the major factors encountered included lack of database experience and discovering that the NEAT tool was somewhat complex and at times counter-intuitive. The department provided extensive training and technical assistance prior to and throughout the program year in an effort to ensure service provider energy auditors were gaining proficiency with NEAT. The department worked with the NEAT developers to provide suggestions for improving the tool's use. Recently a new version of the software was deployed incorporating these suggestions.

When department staff recognized that the Savings to Investment Ratios (SIRs) were not being calculated correctly, we made the decision to require that all jobs for this period must have an SIR of 1 or greater and directed all agencies to verify their records and make necessary changes. Because of the numbers of measures involved, having all data fixed by providers would have taken significant staff time, detracting from the work needed to be done on homes.

When your staff raised questions of inappropriately using funds for measures not reaching an SIR of 1 or better, department staff analyzed the data. Staff first took the measures that were $1000 or more and analyzed 80 measures, which represented 10% of the questioned costs. Approximately 90% of those measures had qualifying SIRs when they were re-ran using the NEAT tools correctly. The remaining 10% of the measures did not have sufficient data to determine the SIR.

The department has taken or will take the following actions to ensure that all measures installed have appropriate SIRs:

- The department has informed agencies that all measures and jobs performed after June 30, 2006 must have an estimated SIR of 1 or greater. Measures not meeting that standard cannot be paid with DOE funds.
- Training and technical assistance continues to be provided on a one-to-one basis to ensure new auditors have the training needed and all existing auditors are made aware of any new requirements.

Recommendation: *The Department of Commerce should improve its monitoring of local service providers to ensure compliance with federal requirements for the Weatherization Assistance for Low-Income Persons Program.*

Response: The department will comply with this recommendation.

The department is drafting an interim monitoring protocol and tool to use for the remainder of the current program year and will have a permanent tool in place for the next program year. The department will consult with DOE and other state weatherization programs to identify and adopt monitoring best practices. The protocol and tool will be designed to:

- Identify and assess key technical and administrative compliance data for both desk monitoring and on-site monitoring.
- Test performance and cost indicators in a consistent manner across all service providers to identify underperforming agencies.
- Require random selection of federally-required minimum sample of households for on-site performance monitoring.
- Provide a template for clear communication to service providers of monitoring findings, and corrective action required.
- Provide comprehensive file reports of performance data, monitoring findings, and corrective actions taken.
- Meet all federal compliance requirements.

Person Responsible: Janet Streff

Estimated Completion Date: Interim monitoring protocol and tool – March 15, 2007
Final protocol and tool – June 30, 2007

The department plans to contact the DOE to discuss the audit report and will provide detailed information to them upon public release of the document.

Report 07-03

State Agency: Minnesota Department of Commerce

Federal Agencies: U. S. Department of Energy
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

84.042	Weatherization Assistance – Low Income Persons
93.568	Low-Income Home Energy Assistance

Questioned Costs: None – Procedural Finding Only

Finding 07-03-2 *Federal CFDA numbers not identified in accounting system.*

2. PRIOR FINDING NOT RESOLVED: The Department of Commerce did not identify all of its federal program accounts on the state's accounting system. (Prior Finding 06-06-2)

The department did not effectively use the state's accounting system to accumulate federal program expenditures by their respective Catalog of Federal Domestic Assistance (CFDA) identification numbers. It did not identify the CFDA number in the accounting system for all federal accounts. As a result, department staff had to manually identify and assign federal program numbers to $45.9 million of federal expenditure activity for fiscal year 2006. Without identifying federal program numbers in the accounting system, the department increased the risk of incorrectly reporting each program's expenditures in the *State of Minnesota's Financial and Compliance Report on Federally Assisted Programs.*

The Department of Finance's accounting system reports did not accumulate total federal expenditures by program, because the accounts did not contain the underlying program number. For example, to compile the total expenditures for the Low-Income Home Energy Assistance Program, the department had to identify activity from four different accounts and have the Department of Finance add the expenditures in those four accounts to determine the program total. If the department had entered the federal program number, accounting system reports would have automatically totaled expenditures for that program and eliminated the risk of omission or error.

Recommendation

- *The Department of Commerce should ensure that each federal account in the state's accounting system is identified with its corresponding federal program number.*

Minnesota Department of Commerce Response:

The department will comply with this recommendation.

The department will fully utilize the grants module of MAPS to ensure the proper federal program numbers are recorded in the state's accounting system. The department was negligent in not making all of the necessary entries for the fiscal year ending June 30, 2006 until November 2006. In order to ensure compliance in the future, the CFO will conduct periodic checks throughout the year to ensure the necessary federal program numbers are being recorded at the time of original document entry.

Person Responsible: Dennis Munkwitz

Estimated Completion Date: Completed as of November 2006.

Report 07-03

State Agency: Minnesota Department of Commerce

Federal Agency: U. S. Department of Health and Human Services

CFDA Number/Program Name:

93.568 Low-Income Home Energy Assistance

Questioned Costs: None – Procedural Finding Only

Finding 07-03-3 *Inaccurate measurement of federal expenditures.*

3. The Department of Commerce did not accurately measure federal expenditures for the Low-Income Home Energy Assistance Program.

The department inappropriately included $13,399,244 of the Low-Income Home Energy Assistance Program's expenditures on its federal expenditure report that were already included in expenditures measured by the Department of Human Services' Temporary Assistance to Needy Families Program. The error resulted in an audit adjustment to correct for double-counting of those federal expenditures by the two state departments.

The departments of Commerce and Human Services entered into an interagency agreement to make the funding available and ensure that recipients of heating assistance were eligible for benefits under the Temporary Assistance to Needy Families Program. The agreement, however, did not specify how to report these federal expenditures in the *State of Minnesota's Financial and Compliance Report on Federally Assisted Programs.*

Recommendation

- *The Department of Commerce should ensure that it properly coordinates reporting of federal expenditures when federal funds are transferred in from another state department.*

Minnesota Department of Commerce Response:

The department will comply with this recommendation. An audit adjustment was made on February 14, 2007 to properly reflect the transfer of funds.

Responsible: Dennis Munkwitz

Estimated Completion Date: Completed

Report 07-05

State Agency: Minnesota Department of Health

Federal Agencies: U. S. Department of Agriculture
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.557	Special Nutrition for Women, Infants and Children
93.268	Childhood Immunization Grants
93.283	CDC-Prevention, Investigations and Technical Assistance

Questioned Costs: Nonquantifiable

Finding 07-05-1 *Salary allocations not sufficiently documented.*

1. PRIOR FINDING PARTIALLY RESOLVED: The department did not adequately oversee compliance with federal and state requirements for documenting time charged to programs. (Prior Findings 06-07-1 and 05-16-1)

The department did not provide sufficient oversight or adequately document the basis for payroll costs charged to the WIC (CFDA 10.557), Immunization (CFDA 93.268), and Centers for Disease Control Technical Assistance (CFDA 93.283) programs. While the department made some improvements in fiscal year 2006 to its payroll process and documentation, it did not always comply with federal and state requirements and department policy for supporting time charged to federal programs.

First, the department continued to have problems supporting its payroll charges to specific federal programs. Payroll charges to federal programs must be supported by evidence that the employees, in fact, worked on those programs. Federal regulations[4] state that employees who work on multiple programs must support the allocation of their salaries among funding sources with personnel activity reports or equivalent documentation. This documentation must reflect the actual activity of each employee and account for the total activity for which each employee is compensated. In addition, when employees are assigned to work on only one federal program, charges for their salaries must be supported by periodic certifications that the employees worked solely on that program. The department had the following weaknesses related to verification and certification of actual work on the Centers for Disease Control Program:

[4] U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments.*

- Six of fifteen time study and certification samples were not completed. The department created and authorized the certifications as of the date of our audit request.
- One employee certified that they only worked on one federal program, when they actually worked on multiple programs.
- One employee's time was reported on time studies; however, according to the employee's supervisor, the time studies were not representative of the employee's work assignments. In addition, the supervisor indicated that the employee's work was coded to one federal program in the state's personnel/payroll system, when approximately one-third of their time was spent on another program.
- One employee's payroll costs for a special project exceeded the maximum allowed by an interagency agreement with the Minnesota Department of Education.

Second, the department continued to make significant manual adjustments to its payroll transactions to adjust the transactions resulting from the default funding allocations to more accurately account for time charged to federal programs based on the time study reports. Manual adjustments create additional workload for the department and increase the risk of error. The department should set the personnel/payroll system's default allocations to more closely match employees' assignments. The department needs to review and assess its initial allocation of payroll expense budgets to minimize the need for manual adjustments.

Finally, the department did not properly set up its approval authorizations in the state's online employee time-entry system. The department did not properly designate the responsibility for employee timesheet review resulting in a large number of exceptions reported on the *Self Service Time Entry Audit Report.* Each pay period, the department must review these exceptions and determine whether employees and supervisors properly recorded and approved the payroll charges.

Recommendation

- *The department should provide oversight of its payroll process and continue to work toward full compliance with federal and state requirements for documenting time charged to specific programs by:*
  - *-- certifying employees time charged to a single federal program in a timely manner;*
  - *-- performing and accurately documenting time studies for employees working on multiple programs;*
  - *-- assessing and establishing accurate funding sources for individual employees in the state's personnel/payroll system to reduce the need for payroll adjustments; and*

-- reviewing and modifying its primary and backup approval assignments within the Self-Service Time Entry System to accurately reflect true responsibilities and to minimize the number of errors reported each pay period.

Minnesota Department of Health Response:

The department concurs with this recommendation and will take the following steps to fully resolve the finding within available resources:
--establish and implement a reminder process and a follow up tracking system for those employees that are working on a single federal program;
--establish a follow up process to assure those employees who are required to complete time studies have met the minimal federal requirement;
--look at the timeliness of the current process for reviewing and adjusting the roster of employees in the payroll system and the current method of adjusting for payroll costs;
--will review the approval assignments and make the corresponding corrections as necessary.

The department has assigned Mr. David Hovet, Director of Finance and Facilities Management Division and Jody O'Malley, Director of the Human Resources Division to coordinate these actions with the Assistant Division Directors of the Operating Divisions.

Estimated Completion Date: June 30, 2007

Report 07-07

State Agency: Minnesota Department of Employment & Economic Development

Federal Agency: U. S. Department of Labor

CFDA Number/Program Name:

17.225 Unemployment Insurance Program

Questioned Costs: None – Procedural Only

Finding 07-07-1 *Inadequate control over employer tax accounts.*

1. The Department of Employment and Economic Development did not effectively control adjustments to employer tax accounts for the Unemployment Insurance Program.

The department did not control adjustments to employer tax accounts for compromises,[5] cancellations,[6] and refunds of unemployment insurance premiums. Too many department staff could enter these transactions, and adequate controls did not exist to identify and ensure that these high-risk transactions were proper and complied with federal and state requirements.[7]

The department implemented a new computerized tax system in June 2005. The new system computes unemployment tax obligations and records payments for corporate employer accounts. During fiscal year 2006, the department collected $975 million of unemployment taxes from employers and $9.1 million in late fees and penalties. The department also processed compromises totaling $3.9 million, cancelled amounts due of $11.5 million, and issued over $5.8 million of employer refunds for excess taxes paid. Weak monitoring controls, combined with an excessive number of staff that could enter

[5] *Minnesota Statutes* 2005, 268.067 define a "compromise" as a reduction in the amount owed, in whole or in part, because of a problem or error that occurred during the past 24 months. The commissioner may compromise any amount due from an employer under this chapter. Compromises over $2,500 shall be authorized by the department's legal staff.

[6] *Minnesota Statutes* 2005, 268.066 define a "cancellation" as a write-off of a legitimate amount due that was uncollected for at least six years, or was uncollectible due to bankruptcy, could not be collected by the Department of Revenue's Collections Division, or the commissioner determines that it is not in the public interest to pursue collection of the amount due.

[7] The Unemployment Insurance program is a partnership between the federal and state governments; implemented primarily through state law contained in *Minnesota Statutes* 2005, 268.

these transactions, increased the risk that unauthorized compromises, cancellations, or refunds could occur.

The department had the following weaknesses in its controls over compromises and cancellations of unemployment taxes owed by employers:

-- The department did not appropriately limit the number of department staff who could adjust employer accounts. Ninety-one staff had the ability to compromise and/or cancel an employer's unemployment tax liability, and 31 staff could process refunds to employers. Furthermore, there was no review or approval to ensure the accuracy and appropriateness of the transactions. The department should limit access to adjust an employer's account to staff assigned responsibility for those transactions.

-- The department did not properly record compromise and cancellation transactions in the unemployment insurance system. When employers filed incorrectly, creating inaccurate tax obligations or amounts due, staff cancelled amounts as uncollectible. However, since these adjustments were for filing errors, the department should have posted compromise transactions instead of cancellations. Over $7 million (or 60%) of the cancellations posted during 2006 were for amounts due or tax obligations of the past two years. *Minnesota Statutes*[8] define and distinguish these transactions, which have unique characteristics and legal timeframes. To ensure that it complies with these legal timeframes, the department needed to clarify the accounting for each type of transaction.

-- The department did not ensure that its legal staff reviewed and approved all compromises exceeding $2,500, as required by statute.[9] The department did not refer compromises miscoded as cancellations to its legal staff for review and approval. In addition, the department had not developed system edits to require a legal review nor did it produce reports to ensure that legal staff reviewed all compromises exceeding $2,500.

-- The unemployment insurance system did not accurately calculate interest owed on delinquent balances. The system did not adjust the interest due when the department made an adjustment to the taxes owed by the employer, resulting in interest overcharges to employer accounts and the need for department staff to compromise those overcharges.

In addition to these weaknesses related to processing of compromises and cancellations, the department did not have controls to ensure that refunds recorded in the unemployment insurance system agreed with those actually paid. Because the refunds are paid through a different system, the department must ensure that refund activity posted to employer accounts agrees with the actual money refunded. The department did not reconcile systems during fiscal year 2006, and staff did not enter important refund

[8] *Minnesota Statutes* 2005, 268.066 and 268.067.
[9] *Minnesota Statutes* 2005, 268.067 (c).

data, such as the refund warrant number. Starting in August 2006, the department began daily comparisons between the two systems, but the staff performing the reconciliations also had system access allowing them to process refund checks.

Recommendations

- *The department should improve internal control over adjustments to unemployment insurance employer accounts by.*
  - *restricting staff access to enter system compromise and cancellation transactions and developing an independent review and approval process to ensure that adjustments are accurate and authorized;*
  - *properly accounting for compromises and cancellations to employer account balances in the unemployment insurance system;*
  - *developing a system edit or a manual process to prevent compromises greater than $2,500, except those approved by the department's legal counsel; and*
  - *adjusting the unemployment insurance system's calculation of interest due on unpaid taxes to accurately calculate interest on the unpaid portion of an employer's delinquent account balance.*

- *The department should improve control over employer refunds by:*
  - *limiting the number of employees that have access to enter system refunds;*
  - *preventing staff from completing the refund process without entering important refund data; and*
  - *separating incompatible duties between staff that reconcile refunds between systems and those that process refund checks and post refunds to employer accounts.*

Minnesota Department of Employment & Economic Development Response:

Recommendations:

- *The department should improve internal control over adjustments to unemployment insurance employer accounts by:*
  - *restricting staff access to enter system compromise and cancellation transactions and developing an independent review and approval process to ensure that adjustments are accurate and authorized;*

    Response: We agree. The adjustment access should be limited to those that have an operational need to make adjustments. We are taking steps to reduce staff access to adjustments, compromises and cancellations.

- *properly accounting for compromises and cancellations to employer account balances in the unemployment insurance system;*

  Response: We disagree. The authority provided in Minn. Stat. Sect. 268.066, to cancel amounts due from an employer, in whole or in part, does not require approval of an attorney. Whereas compromise authority provided in Minn. Stat. Sect. 268.067 requires that any amount over $2500 be authorized by an attorney designated by the Commissioner. The compromise authority encompasses more than just debt but deals with tax rates, succession issues, and any other department action involving an employer. (Only two attorneys have that authority currently). The compromise function is used for "legitimate amounts due" in which the debtor is unable to pay and we agree to compromise, it is a formal process. The cancellation function is used to handle "problems or errors" which cancel penalties, fees, and interest that is not in the public interest to collect. We will work with the auditors to reach consensus on the interpretation of the statute or we will seek legislation to amend the law.

  (See Auditor Comment)

- *developing a system edit or manual process to prevent compromises greater than $2,500, except those approved by the department's legal counsel; and*

  Response: We agree. We will develop appropriate procedures.

- *adjusting the unemployment insurance system's calculation of interest due on unpaid taxes to accurately calculate interest on the unpaid portion of an employer's delinquent account balance.*

  Response: We agree. The interest calculation error occurs in limited volume, under a specific scenario, which has been identified. It has been recorded and will be corrected after DEED's UI Technology Initiative Project is complete, sometime after 2007. Until the correction can be made, incorrect interest overcharges resulting from this scenario will be adjusted using the write-off (cancellation) functionality in the system.

- *The department should improve control over employer refunds by:*
  - *limiting the number of employees that have access to enter system refunds;*

    Response: We agree. We will further limit the number of individuals who can initiate the refund process.

- *preventing staff from completing the refund process without entering important refund data; and,*

  Response: We agree. This was completed in August of 2006.

- *separating incompatible duties between staff that reconcile refunds between systems and those that process refund checks and post refunds to employer accounts.*

  Response: We agree. We will separate the duties.

Person Responsible: Kathy Nelson

Estimated Completion Date: June 30, 2007

Auditor Comment to Department Disagreement:

We made that recommendation because we found instances of the department misclassifying account adjustments and, as a result, not following the statutorily prescribed method for making the adjustments. Specifically, state law requires that adjustments over $2,500 that meet the definition of a "compromise" must be approved by a department attorney designated by the department's commissioner. That approval did not occur in some cases we reviewed because the adjustments were miscoded as cancellations rather than compromises. Based on that finding, we recommended that the department should exercise more control over how the department classifies and accounts for compromises and cancellations. We think it is a recommendation the department should accept and implement.

Report 07-07

State Agency: Minnesota Department of Employment & Economic Development

Federal Agency: U. S. Department of Labor

CFDA Number/Program Name:

17.225 Unemployment Insurance Program

Questioned Costs: None – Procedural Only

Finding 07-07-2 *Wage verification documents inappropriately discarded.*

2. The Department of Employment and Economic Development discarded military and federal employee wage verification documents supporting their eligibility for unemployment insurance benefits.

The department did not retain military discharge papers and federal employee wage verifications used to document eligibility for unemployment benefits. Military applicants must provide the department with a copy of their *Certificate of Release or Discharge from Active Duty* to be eligible for unemployment benefits. Federal employees submit a *Request for Wage and Separation Information* form which contains quarterly wages certified by their federal employer. The department did not retain those documents dated prior to January 1, 2006, and could not support its eligibility decisions for benefits paid related to those applicants. They could only provide records received after January 1, 2006 (last half of fiscal year 2006).

The department's record retention schedule specifies that benefit documents be kept for three years or until audited. Adequate documentation allows the department to demonstrate its compliance with state and federal program regulations. Without this documentation, the department was unable to support the accuracy and propriety of over $3 million in military benefits and $1 million of federal employee benefits paid during the first half of fiscal year 2006.

Recommendation

- *The department should comply with its record retention schedules and preserve records supporting military and federal employee unemployment benefits until they are audited or electronically captured and stored.*

Minnesota Department of Employment & Economic Development Response:

We agree. The retention schedule done in 1982 is outdated and was not followed. It is in the process of being updated from focusing on paper documents to focusing on the data in an electronic environment. However, all military and federal documents are maintained by the Federal Claims Control Center (FCCC).

Person Responsible: Kathy Nelson

Estimated Completion Date: June 30, 2007

Report 07-07

State Agency: Minnesota Department of Employment & Economic Development

Federal Agency: U. S. Department of Housing & Urban Development

CFDA Number/Program Name:

14.228 Community Development Block Grant - States

Questioned Costs: None – Procedural Only

Finding 07-07-3 *Inconsistent monitoring and reporting of project expenditures.*

3. PRIOR FINDING PARTIALLY RESOLVED: The Department of Employment and Economic Development did not consistently monitor and report project expenditures for the federal Community Development Block Grant Program. (Prior Finding 06-09-3)

Department staff assigned to monitor the Community Development Block Grant Program did not always ensure that grant recipients filed environmental certifications, submitted timely audit reports, and followed-up on recommendations cited in audits of those organizations. The department also had problems with timely and accurate filings of the program's key federal financial report and measurement of federal expenditures submitted to the Department of Finance for inclusion in the *Minnesota Financial and Compliance Report on Federally Assisted Programs*.

The program provides federal grants to small cities for housing and economic improvement projects. Under federal authority, the state has issued rules to govern grant application, awarding, and monitoring. The department employed 'program monitors' to monitor project progress and verify that cities comply with federal grant requirements. Our prior audit identified inconsistent practices by program monitors. Although the department improved payment authorization controls, the department continued to have some weaknesses, as discussed below.

-- The department could not locate an environmental review certification for one city that was awarded federal program funds in 2002 and paid $749,377 during the end of their grant in fiscal year 2006. In addition, the department did not have other evidence that an environmental review had been done or a written justification that the review was not required. Environmental oversight and reviews are among the state's key compliance responsibilities to ensure they use funds for eligible projects that do not adversely impact the environment.

-- The department did not ensure subrecipients received timely audits of their grant's financial activity. Program monitors did not receive an independent audit report within nine months of the fiscal year-end for three of five subrecipients tested. Federal guidelines require that organizations who receive over $500,000 annually submit an independent *OMB Circular A-133* audit report within nine months of their year end. One of those audits filed late raised a concern that the department did not acknowledge or pursue through a correction action plan. In addition, program monitors did not always record receipt of audit reports in their database used to monitor each grant's status. Without effective monitoring and oversight of audits completed, ineligible project costs and noncompliance with federal regulations could occur without detection.

-- The department was over 40 days late in submitting the program's 2005 *Performance and Evaluation Report* to the federal Housing and Urban Development Agency. The report for the period ending September 30, 2005, was due on December 31, 2005; but the department did not submit it until February 2006. In addition, the department incorrectly included at least $1.5 million of expenditures paid from October 2005 through January 2006. The department should have included these subsequent expenditures in the next federal reporting period.

-- Finally, the department inappropriately included the program's state match expenditures totaling $372,092 in the federal expenditures reported to the Department of Finance for inclusion in the *Minnesota Financial and Compliance Report on Federally Assisted Programs*. The audit initiated an adjustment to remove those nonfederal amounts from the reported expenditures.

Recommendations

- *The department should comply with federal Community Development Block Grant Program requirements by:*
  - *ensuring that environmental review certifications are filed and that environmental reviews are completed as required by federal regulations;*
  - *ensuring it receives timely subrecipient audits and that any audit issues are adequately monitored and resolved; and*
  - *submitting timely and accurate Performance and Evaluation Reports to the federal Housing and Urban Development Agency.*

- *The department should exclude the state match in reporting the Community Development Block Grant Program's federal expenditures in the Minnesota Financial and Compliance Report on Federally Assisted Programs.*

Minnesota Department of Employment & Economic Development Response:

Recommendations:

- *The department should comply with federal Community Development Block Grant program requirements by:*
  - *ensuring that environmental review certifications are filed and that environmental reviews are completed as required by federal regulations;*

    Response: We agree. We have a record of clearing the environmental, but we have no record of the environmental in our electronic files. We will ensure that the reviews are received and retained.

  - *ensuring it receives timely subrecipient audits and that any audit issues are adequately monitored and resolved; and,*

    Response: We agree. We will develop a system to track required audits to meet the nine month deadline. We will ensure that audit issues are monitored for resolution.

  - *submitting a timely and accurate Performance and Evaluation Report to the federal Housing and Urban Development Agency.*

    Response: We agree. We will require all annual reports into our office by September 30 of each calendar year which will ensure the submission of the Performance and Evaluation Report to HUD by the December 31st deadline.

- *The department should exclude the state match in reporting the Community Development Block Grant Program's federal expenditures in the Minnesota Financial and Compliance Report on Federally Assisted Programs.*

  Response: We agree. We will work with the Department of Finance to ensure that the reports provided to the department do not include match. We will increase oversight review to prevent possible future errors.

Persons Responsible: Reed Erickson
John Stavros

Estimated Completion Date: June 30, 2007

Report 07-07

State Agency: Minnesota Department of Employment & Economic Development

Federal Agency: U. S. Department of Education

CFDA Number/Program Name:

84.126 Vocational Rehabilitation Grants to States

Questioned Costs: None – Procedural Only

Finding 07-07-4 *Subrecipient suspension and debarment certification not obtained.*

4. The Department of Employment and Economic Development did not ensure that vocational rehabilitation grant contracts had a required certification prohibiting grantees from using suspended or debarred vendors.

The department's contracts with vocational rehabilitation grant recipients did not include a certification to refrain from using federally suspended or debarred vendors. Three of nine grant contracts tested did not include the required certification indicating they will refrain from using suspended or debarred vendors. (Vendors are suspended or debarred when the federal government determines that they have abused the public trust, perhaps by violating program provisions.) Federal regulations[10] prohibit using federal money to purchase goods or services from vendors who have been suspended or debarred. The federal government expects states and their grantees to identify suspended and debarred vendors and have a process in place to prevent them from receiving federal funds. Without the proper certification, the department could be held liable for any disallowed costs resulting from payments grantees make to suspended or debarred vendors.

Recommendation

- *The department should ensure that all vocational rehabilitation grant contracts contain a suspension and debarment certification indicating that the grantee will not use federal funds to pay vendors who are suspended or debarred by the federal government*

[10] 34 Code of Federal Regulations, Part 85.

Minnesota Department of Employment & Economic Development Response:

We agree. We have included the required language, as an attachment, to all contracts this year. Beginning March 15, 2007, all new contracts will be issued with the required suspension and debarment certification language included in the standard provisions. This eliminates the possibility of failing to include the attachment containing the required certification.

Person Responsible: Kimberly Peck

Estimated Completion Date: June 30, 2007

Report 07-08

State Agency: Minnesota Department of Human Services

Federal Agencies: U. S. Department of Agriculture
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Food Stamp Program
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.658	Foster Care
93.659	Adoption Assistance Program
93.767	State Children's Health Insurance Program
93.776	Hurricane Katrina Relief Program
93.778	Medical Assistance

Questioned Costs: None – Procedural Only

Finding 07-08-1 *Inaccurate reporting of spending on schedule of expenditures.*

1. PRIOR FINDING NOT RESOLVED: The Department of Human Services did not accurately report federal spending in the state's federal financial reports.

The department did not establish sufficient internal controls to ensure the reporting accuracy of federal program expenditures published in the *Minnesota Financial and Compliance Report on Federally Assisted Programs*. Program accountants at the department relied on preliminary data supplied by the Department of Finance to calculate the federal programs' expenditure amounts. The preliminary information included most, but not all, accruals and adjustments to federal expenditures as reported in the State of Minnesota's financial statements.

Although the department had a smaller amount of audit adjustments on their federal expenditure schedules this year, the errors were similar to those identified last year. The errors included failing to correctly record expenditure accruals, misclassifying certain transactions, and including transactions that were not appropriate for the program. In some cases, the accountants did not report amounts in the federal program schedules consistent with amounts reported in the state's financial statements. These errors and inconsistencies resulted in audit adjustments to the federal expenditure schedules totaling nearly $70 million.

In addition, the department did not coordinate its reporting efforts with the Department of Finance for the Temporary Assistance to Needy Families Program (TANF). The department received an additional $13 million of bonus funds during fiscal year 2006. The department established an interagency agreement with the Department of Commerce to use the bonus funds for the Low Income Home Energy Assistance Program. Although the department correctly concluded that it would report these funds as TANF expenditures, it did not inform Commerce of this decision, which resulted in both agencies reporting the funds. The department also did not alert Finance to ensure that these funds were not double counted. The department's compliance with established reporting procedures is critical to the success of the state providing accurate information on its federal programs to the federal government.

Recommendation

- *The department should improve controls over financial reporting by:*
  - *adequately training staff on preparing federal financial schedules;*
  - *verifying the accuracy and completeness of federal program schedules; and*
  - *coordinating reporting responsibilities with the Department of Finance and other agencies, as necessary, to ensure accurate reporting.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation. The department will continue its effort to increase management review of the federal program schedules to assure that they are consistent with amounts reported in the state's financial statements. The department will also continue its effort to work with the Department of Finance to improve the reporting of human service programs' financial statement accruals and reclassifications.

Person Responsible: Martin Cammack

Estimated Completion Date: February 29, 2008

Report 07-08

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.659	Adoption Assistance Program
93.767	State Children's Health Insurance Program

Questioned Costs: None – Procedural Only

Finding 07-08-2 *Insufficient eligibility documentation.*

2. PRIOR FINDING NOT RESOLVED: The Department of Human Services did not adequately document certain eligibility determinations for two federal programs. (Prior Findings 06-10-2 and 05-18-5)

The department was missing certain key documentation to support recipient eligibility determinations for two federal programs - Adoption Assistance (CDFA 93.659) and State Children's Health Insurance Program (CFDA 93.767). It is important for the department to maintain complete documentation to show that eligibility determinations were correct.

The department did not have adequate documentation to support its review of eligibility determinations for the Adoption Assistance Program. If a child meets four specific criteria, the child's family is eligible to receive adoption assistance maintenance subsidies. The eligibility determinations originate with child placing agencies. The department requires the agencies to submit documentation supporting their eligibility determination. The department then reviews the documentation and verifies the agencies' determinations. Although there was some improvement in the department's documentation, eligibility files were incomplete for 5 of the 65 sample items tested this year. Ultimately, the department was able to obtain copies of the missing documentation for all but two sample items.

Our audit of the State Children's Health Insurance Program revealed the following documentation weaknesses:

- For 7 of 47 files tested, the department was unable to locate the original application form. The applicant or applicant's caretaker is responsible for providing the department with a completed application including proof of income, if applicable. The department requires this documentation to determine the applicant's eligibility.

- For 13 of 47 files tested, the department was unable to provide income verification worksheets. The department requires the MinnesotaCare enrollment representatives to calculate the recipient's income using an income worksheet for every initial and renewal application, even if the recipient does not have income.

By not adequately documenting and maintaining applicant information, the department was unable to demonstrate that it complied with all federal eligibility requirements.

Recommendation

- *The department should collect and maintain all documentation necessary to support its verification of eligibility and income determinations for the Adoption Assistance and the State Children's Health Insurance programs.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation.

Adoption Assistance
In response to last year's audit, the department revised the forms used by certifying agencies to complete eligibility determinations for adoption assistance. The department distributed the revised forms to all certifying agencies, provided training on the forms, and, effective November 1, 2006, mandated that all new applications for adoption assistance be submitted using the revised eligibility forms. Before the department approves adoption assistance for a child, department staff will ensure that all necessary eligibility documentation has been collected from the certifying agency. The department will continue to collect and retain all documents that verify adoption assistance eligibility in the departmental adoption assistance case record.

While the department made changes to the forms last year to address this finding, these changes only impact eligibility determinations of adoption assistance applications made subsequent to November 1, 2006. Since eligibility determinations for adoption assistance are completed only when the initial application for adoption assistance is made; a child determined as eligible then continues to receive adoption assistance to either age 18 or 21. Future audits that include cases certified as eligible for adoption assistance prior to November 1, 2006, will continue to require the department to gather supporting documentation from the certifying agency.

Person Responsible: Erin Sullivan-Sutton

Estimated Completion Date: June 30, 2007

State Children's Health Insurance Program
The department will review the sample cases which were cited for lacking supporting documentation in the electronic file. We will identify the causes of the lack of documentation, and strategies will be developed to eliminate them.

Some strategies are already in place and include; a new electronic case review document, improved delivery of new and experienced worker training and coaching and improved systemic processes related to electronic document management.

Person Responsible: Kathleen Henry

Estimated Completion Date: October 1, 2007

Report 07-08

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Number/Program Name:

93.767 State Children's Health Insurance Program

Questioned Costs: $5,100

Finding 07-08-3 *Non-compliance with eligibility criteria.*

3. The Department of Human Services did not comply with certain eligibility requirements for the State Children's Health Insurance Program.

The department did not conduct eligibility verifications promptly and, as a result, the department paid aid to an ineligible recipient within the State Children's Health Insurance Program (CFDA 93.767). State statutes[11] require the department to obtain an eligibility renewal form every 12 months for all active households receiving federal and state assistance through the program. The 12-month period begins the month after the department approves the initial application.

The department was not timely in sending eligibility renewal forms to 11 of 47 recipients tested for the program, resulting in the following overpayments:

- The lack of timely verification of eligibility information resulted in the department paying approximately $1,300 to an ineligible recipient. The department should have recalculated the recipient's eligibility in December 2004. However, the department did not determine eligibility until May 2005. As a result of the verification process, the recipient should have been ineligible for program benefits starting in January 2005 due to excess income. Without timely income verifications, the department could not ensure that it paid assistance to eligible recipients.

- In another case, the department provided benefits to a recipient with income that exceeded the program guidelines. In order to receive benefits, a recipient's household income must be between 100 and 200 percent of the federal poverty guidelines. The department incorrectly coded a recipient as eligible for the program in the state's Medicaid information system even though the household's

[11] *Minnesota Statutes* 2005, 256L.05 Subdivision 3a.

income exceeded the 200 percent of the federal poverty guidelines cap. Although the department entered the household's correct income into the system, edits in the Medicaid information system did not properly match the eligibility code with the income discrepancy. The department was uncertain if the edit was by-passed or not working as expected. The result was that the department paid approximately $3,800 in program benefits to an ineligible recipient.

Recommendations

- *The department should verify State Children's Health Insurance Program recipient eligibility in accordance with federal and state time requirements.*

- *The department should review and improve eligibility controls over the State Children's Health Insurance Program, including system edits.*

- *The department should determine if it made payments to other ineligible recipients due to system edits not performing as expected.*

- *The department should repay federal funds expended in error.*

Minnesota Department of Human Services Response:

The department agrees with the recommendations.

Recommendation #3-1

The department will review the sample cases cited for failure to evaluate State Children's Health Insurance Program (SCHIP) eligibility in a timely manner. Upon review, strategies will be developed to address the shortcomings and improve the compliance with federal and state requirements and timelines.

Staffing and work queue assignments have already been altered to assure eligibility reviews are completed in a timely manner,

Recommendations #3-2 and 3-3

The department will review the two sample cases in error to determine the cause of the inaccurate eligibility determination for SCHIP. In addition, the department will review another sample of SCHIP cases that had eligibility determined during the same time period as the sample cases to determine if there is further concern related to system edits. Strategies will be developed in response to the results of the expanded review.

Electronic case reviews have already been implemented to address this concern

Recommendation #3-4

The department will determine the amount of federal funds expended in error. A review of the two sample cases has determined that they are not eligible for SCHIP federal funds (65%) but, are eligible for MinnesotaCare federal funds (50%). The difference will be repaid.

Person Responsible: Kathleen Henry

Estimated Completion Date: October 1, 2007

Report 07-08

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Number/Program Name:

93.778 Medical Assistance

Questioned Costs: None – Procedural Only

Finding 07-08-4 *Federal funds used to pay state share of transportation fees.*

4. The Department of Human Services used federal funds to pay for the state's share of certain transportation fees for the federal Medical Assistance Program.

The department incorrectly used federal funds to pay the state's share of Medical Assistance (CFDA 93.778) transportation administration fees. In July 2005, the department established an estimated budget in a new state account to record this activity. In February 2006, there was not enough money in the specific fund-level account to pay the state share of these costs. In order for the transactions to be processed, the department used the related federal account to cover the full amount of the transportation costs. This funding discrepancy continued for nine payments between March 2006 and June 2006, resulting in a total amount charged in error to the federal account of $600,219. The department established new accounts at the beginning of fiscal year 2007, which corrected the funding allocation problem.

Although the department reconciled the total expenditures processed on the Medicaid information system to the payments made through the state's accounting and procurement system, the reconciliation did not validate that the payments used the correct source of funds. Due to the errors we discovered as part of our review of the reconciliation process, the department repaid the federal funding for the amount of the error.

Recommendation

- *The department should develop a fund level reconciliation that would discover potential funding allocation errors in a timely manner.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation. The department will implement procedures for reconciling the Medicaid payment system to the posting of transactions on the state's accounting system to include steps that ensure the amounts posted are accurate -- both in total, and fund by fund.

Person Responsible: Martin Cammack

Estimated Completion Date: June 30, 2007

Report 07-08

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.767	State Children's Health Insurance Program
93.777	State Survey and Certification of Health Care Provider
93.778	Medical Assistance

Questioned Costs: None – Procedural Only

Finding 07-08-5 *Did not submit quarterly reports timely.*

5. Some reports the Department of Human Services submitted to the federal government were inaccurate and late.

The department did not maintain sufficient internal controls to ensure the timeliness of reports for three of its federal programs - the Medical Assistance Program (CFDA 93.778), the State Children's Health Insurance Program (CFDA 93.767), and the State Survey and Certification of Health Care Providers and Suppliers (CFDA 93.777). The department did not submit its quarterly reports[12] to the federal government within 30 days after the end of the quarter, as required by federal regulation. During fiscal year 2006, the department electronically filed the reports from 67 to 109 days after the end of the quarter.

In addition, the department did not report MinnesotaCare taxes collected during fiscal year 2006 for the Medical Assistance Program. The department is required to report health care related taxes, fees and assessments collected under Public Law 102-234[13] to the federal Center for Medicare and Medicaid Services at least annually. The department has included these taxes on its quarterly reports in previous years. The amount of unreported taxes collected during fiscal year 2006 was approximately $372 million.

[12] Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64). This report shows certain federal grant activity, including awards and expenditures.
[13] Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991 (Public Law 102-234).

Recommendation

- *The department should improve it reporting process to ensure timely and accurate completion of all of its federal reports.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation. Recent additional federal reporting requirements, coupled with the department's existing manual reconciliation process, have made it nearly impossible to obtain and process the data needed to complete the reports on a timely basis. The department is addressing this situation as follows: (1) an agreement has been negotiated with the local CMS auditor that allows the department to submit the reports prior to completion. Then, when all data is available for the quarter, the reports will be uncertified, completed and resubmitted, and (2) the department has initiated a project to re-engineer the existing manual reconciliation process to make optimal use of technology and automation. The new process will be designed with strong internal controls, yet provide the flexibility necessary to respond to the ever-changing federal and state reporting requirements.

Person Responsible: Martin Cammack

Estimated Completion Date: June 30, 2008

Report 07-08

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match

Questioned Costs: None – Procedural Only

Finding 07-08-6 *Salary allocations not sufficiently documented.*

6. The Department of Human Services did not comply with federal regulations when allocating salaries to one federal program.

The department did not comply with federal regulations[14] when charging salaries and other employee compensation to the Child Care and Development Cluster (CFDA 93.575 and 93.596). The department did not prepare the required certifications or activity reports for 3 of 36 employees charging time to the Child Care Program. For two other employees, the department allocated their time to multiple funding sources when they actually worked on one federal program.

Federal regulations identify standards for time distribution and payroll documentation which state that employees who have multiple funding sources must have a salary distribution supported by personnel activity reports or equivalent documentation. This documentation must reflect the actual activity of each employee and account for the total activity of all programs that the employee is working on. Employees who work on only one federal program must support their federal salary charges with periodic certifications that are signed by themselves and their supervisors attesting that they actually worked only on that program for the period covered by the certification.

In addition, the department's certification process does not accommodate a certification for an employee no longer working for the department. The process requires an electronic signature by the employee and the supervisor. If the employee is no longer working for the department, the certification process gets stalled. To clear the certifications for three former employees in the Child Care Program, financial management staff inappropriately signed the certifications as the employees and the

[14] U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments.*

supervisors, even though they had no knowledge of the former employees' responsibilities.

Recommendations

- *The department should support its direct charges of salaries and other employee compensation to federal programs, as required by federal regulation.*

- *The department should improve internal controls over its certification process by enforcing system edits and controls.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation. The department has procedures designed to support its direct charges of salaries and other employee compensation to federal programs. The department will improve internal controls over its certification process by enforcing system edits and controls.

Person Responsible: Martin Cammack

Estimated Completion Date: March 31, 2007

Report 07-08

State Agency: Minnesota Department of Human Services - Hennepin County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Questioned Costs: Nonquantifiable

Finding 07-08-H-1 *Untimely resolution of discrepancies identified by IEVS.*

1. **PRIOR FINDING NOT RESOLVED: Hennepin County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations. (Prior Findings 06-10-H2 and 05-18-H-2)**

Hennepin County made improvements to its income discrepancy resolution process. However, it did not resolve income discrepancies identified by the Income Eligibility and Verification System (IEVS) at the level required by federal regulations. In order to comply with federal requirements, the state Department of Human Services (DHS) coordinates data exchanges with other sources for the Temporary Assistance for Needy Families and the Medical Assistance programs. This data exchange, called IEVS, includes comparing income information submitted by applicants with income and tax information obtained from other state and federal sources, such as the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service.

Discrepancies occur when the income amounts recorded in MAXIS, the state's eligibility determination system, differ by more than a pre-established target amount. DHS relies on county human services offices to review and resolve these discrepancies. Federal law requires the state to resolve at least 80 percent of the case discrepancies within 45 days. The state did not meet this requirement. Hennepin County is a significant contributor to that compliance concern. For the period May 1, 2005, through April 30, 2006, Hennepin County's overall resolution rate was 70 percent. However, we noted that Hennepin County made significant improvements in the second half of our scope. The county's IEVS resolution compliance averaged 75 percent for December 1, 2005, through April 30, 2006, as compared to 63 percent for May through November 30, 2005. The county's resolution rates in fiscal years 2005 and 2004 were 59 and 63 percent, respectively.

Recommendation

- *Hennepin County should continue to make improvements toward resolving all Income Eligibility Verification System (IEVS) discrepancies in a timely manner.*

Minnesota Department of Human Services - Hennepin County Response:

Hennepin County continued to make steady and encouraging strides in this area during 2006. After the OLA audit in July 2006, an additional full time position was dedicated to processing IEVS matches. This resulted in a resolution rate of 86% in the third quarter of 2006. However, because this has historically been an area in which we struggle to meet the federal guidelines, four additional positions were approved for the County's Debt Establishment Unit in the 2007 budget. This will allow DEU to take responsibility for clearing all IEVS matches, including health care related matches, in the future. Once the hiring of the additional staff in DEU is complete, the function of IEVS will be consolidated in one area which will allow for sufficient staff for the job and establish clear accountability for meeting the processing standards. Staff should be hired during the first quarter of 2007.

Tom Pingatore and Maureen Headbird will be the contact persons responsible for ensuring this plan is carried out.

Estimated Completion Date: On-going

Report 07-08

State Agency: Minnesota Department of Human Services - Ramsey County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Questioned Costs: Nonquantifiable

Finding 07-08-R-1 *Untimely resolution of discrepancies identified by IEVS.*

1. **PRIOR FINDING NOT RESOLVED: Ramsey County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations. (Prior Findings 06-10-R-2 and 05-18-R-2)**

Ramsey County has improved its resolution rate for income discrepancies identified by the Income Eligibility and Verification System (IEVS), but has not attained the level required by federal regulations. The state Department of Human Services (DHS) coordinates data exchanges with other sources for the Temporary Assistance for Needy Families and the Medical Assistance programs. This data exchange, called IEVS, includes comparing income information submitted by applicants with income and tax information obtained from other state and federal sources, such as the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service.

Discrepancies occur when the income amounts recorded in MAXIS, the state's eligibility determination system, differ by more than a pre-established target amount. DHS relies on county human services offices to review and resolve these discrepancies. Federal law requires the state to resolve at least 80 percent of the case discrepancies within 45 days. The state did not meet this requirement. Ramsey County is a significant contributor to that compliance concern. For the period May 1, 2005, through April 30, 2006, Ramsey County's resolution rate was 71.6 percent. The county's resolution rates in fiscal years 2005 and 2004 were 70.5 and 65 percent, respectively.

Recommendation

- *Ramsey County should continue to work with the Department of Human Services to resolve Income Eligibility Verification System (IEVS) discrepancies in a timely manner.*

Minnesota Department of Human Services - Ramsey County Response:

1. *Prior Finding Not Resolved: Ramsey County did not resolve income discrepancies identified as part of the benefit eligibility process in the time frames required by federal regulations.*

As you noted in your letter we have made some improvement over the last two years in resolving income discrepancies identified by the Income Eligibility and Verification System (IEVS) but we have still not attained the 80% level required by federal regulations. Our failure to meet the 80% timely resolution level has also been cited as an issue in our annual Food Support Management Review. The steps listed here are part of our corrective action plan for that review as well as for this audit.

1. We receive an overdue IEVS report each month that is sorted by unit and distributed to the unit supervisor. Resolving matches from this report does not help us meet the 80% level in the first month that they are already over due, but resolving them the first month they appear as overdue prevents them from reoccurring the next month(s) and impacting our on-going compliance level.

   In addition supervisors are able to use this report to identify staff not resolving matches timely and they can make a point of monitoring those staff. See number 3.

2. We recently used overtime and dedicated a staff person to resolving a number of overdue matches. Bao Vang, a manager, met with this staff person to identify some of the issues she discovered. As a result we are shifting some of our focus to preventing some of the matches we receive.

   - Through a state matching system workers often receive "New Hire Messages" that notify us that someone has started a new job. By following up on those we can often get the necessary information to adjust the case, preventing a possible future IEVS match.

   - Clients often report that they are going to start a job, but do not always have the necessary information at that point for us to adjust the case. Some workers fail to follow through at a later date to obtain the needed information. We will do training in this area to address the steps the worker should take when a job is reported.

3. After consulting with the IEVS coordinator at DHS we will put more emphasis on monitoring the IEVS "due" reports so that we are more aware of what needs to be done and make sure that the necessary actions are taken. We find that some workers initiate resolution but do not do all the follow up steps timely and it becomes an overdue situation.

Our goal is to continue to improve our compliance level each quarter and to achieve the necessary 80% timely resolution level.

Bao Vang and Nancy Cincotta are the managers who are primarily responsible for the monitoring of IEVS compliance and implementing the necessary corrective actions to resolve this issue. If you have any questions you may contact Nancy Cincotta at (651) 266-4545.

Estimated Completion Date: On-going

Report 07-08

State Agency: Minnesota Department of Human Services - Cass County

Federal Agency: U. S. Department of Health and Human Services

CFDA Number/Program Name:

93.778 Medical Assistance

Questioned Costs: Nonquantifiable

Finding 07-08-C-1 *Non-compliance with eligibility criteria.*

1. Cass County had weaknesses in its eligibility determination process for the Medical Assistance Program.

Cass County did not properly use the state's Department of Human Services (DHS) eligibility determination system (MAXIS) and the state's benefit recovery unit to determine the cost effectiveness of an applicant's existing health insurance. The county did not input the other insurance coverage in the appropriate MAXIS panel, thus circumventing the edits and other controls in the eligibility system. Eligibility for the Medical Assistance Program is not affected due to the availability of other health coverage. However, an applicant may be required to enroll in or maintain group or private health insurance if that coverage is deemed cost effective. Without complete information, the state and the county cannot determine the most cost effective way to deliver services.

Cass County also did not perform a required income review and did not terminate medical assistance for one recipient in a timely manner. The Medical Assistance Program requires clients to periodically submit income renewal forms. In most cases, income renewals are required on a six-month basis. However, children born to women who applied for assistance before or after the birth and who were eligible at the time of the birth are automatically eligible and remain eligible through the month of their child's first birthday without regard to income, assets, or household composition as long as the child continues to live with the mother in Minnesota.

Cass County did not initiate an income review before the child turned one year old in January 2006, as required. The county subsequently requested the income information in April. However, the parent failed to submit the appropriate information, and the case automatically closed in May 2006. The state paid approximately $450 of federal medical assistance benefits on behalf of the child without the proper income verification.

Recommendations

- *Cass County should provide complete insurance information to the Department of Human Services in order to determine the most cost effective way to deliver medical benefits.*

- *Cass County should ensure that it follows all established procedures for income verification.*

Minnesota Department of Human Services - Cass County Response:

The Legislative Audit conducted in 2006 indicated findings that Cass County had weaknesses in its eligibility determination process for the Medical Assistance Program (CFDA #93.778). In response to the recommendations provided, Cass County will take the following action:

- It was recommended that Cass County should provide complete insurance information to the Department of Human Services in order to determine the most cost effective way to deliver medical benefits.
- It was recommended that Cass County should ensure that it follows all established procedures for income verification.

Although it has always been the goal of the county to adhere to all regulations and procedures, to ensure greater compliance in these area, the two Mentors (to be overseen by Brenda J. Erickson, Financial Assistance Supervisor) will conduct staff training on the regulations and pertinent procedures regarding cost effective medical benefits and income verification for the Medical Assistance Program by February 28, 2007. As a follow up on worker compliance after training, targeted case reviews will be completed by the Mentors and Financial Assistance Supervisor in 2007.

Person Responsible: Brenda J. Erickson

Estimated Completion Date: February 28, 2007

Report 07-09

State Agency: Minnesota Department of Transportation

Federal Agency: U. S. Department of Transportation

CFDA Number/Program Name:

20.205 Highway Planning and Construction Program

Questioned Costs: $9,296,000

Finding 07-09-1 *Project oversight procedures need improvement.*

1. **Prior Audit Finding Partially Resolved: The Department of Transportation did not adequately follow certain project oversight procedures. (Prior Finding 06-12-2)**

The MnDOT Office of Audit's federal compliance report for fiscal year 2006 identified various concerns and issues where project management oversight could be strengthened or improved. The MnDOT Office of Audit's report also describes some best practices for making improvements in compliance from the previous fiscal year. The office identified the following issues for the federal Highway Planning and Construction Program (CFDA #20.205), based on 21 highway construction projects audited:

- Although improvements were noted, compliance with state and federal environmental requirements was a continuing problem. Documented weekly inspections of erosion control effectiveness are required for permit coverage under the National Pollutant Discharge Elimination System. MnDOT Office of Audit identified nine projects where contractors did not complete and submit all required permit inspection logs to project personnel every two weeks as required. The MnDOT Office of Audit also identified five projects where retainage from contractor payments were not withheld to ensure erosion control. For two projects involving building demolitions, notices of intent to perform a demolition were not submitted to the Minnesota Pollution Control Agency, and formal inspections of building materials were not documented as required, and for a third project, the notice was submitted late. For the above projects, the MnDOT Office of Audit's report questioned $165,000.

- The MnDOT Office of Audit recommended additional management attention for bituminous and concrete production documentation and materials testing requirements. The report indicated that some testing and documentation

requirements were not met or not properly documented for six bituminous projects.[15] For these projects, the MnDOT Office of Audit's report questioned $4,241,000. In addition, the MnDOT Office of Audit questioned $4,890,000 for two projects in which concrete testing requirements were not followed.

Recommendation

- *The department should continue to strengthen its project oversight procedures to ensure compliance with federal and state requirements.*

Minnesota Department of Transportation Response:

This finding deals primarily with issues of erosion control, permit compliance, asbestos abatement, and building demolition. To date, several actions have occurred, among them:

-District Construction staff will emphasize the importance of correct use of logs with all project personnel and with the contractor during pre-construction conferences.
-Compliance with environmental regulations was reviewed at various construction staff meetings.
-Letters have been sent to district field personnel to clarify understanding of the requirements of NPDES permits.
-Districts conducted reviews of procedures for inspections of bridges for hazardous materials.
-Mn/DOT's Office of Environmental Services will be conducting a follow-up to help resolve this issue.
-Preparation and distribution of a memo reminding district staff of the importance of compliance with environmental requirements.

Persons Responsible: Rick Arnebeck, Engineering Services Division Director; Robert Winter, Operations Division Director

Estimated Completion Date: Spring 2007, and on-going.

[15] The unmet requirements related to supporting quality control/quality assurance issues, testing summary sheets, paving restrictions, ticket information, and plant diaries.

Report 07-09

State Agency: Minnesota Department of Transportation

Federal Agency: U. S. Department of Transportation

CFDA Number/Program Name:

20.205 Highway Planning and Construction Program

Questioned Costs: $1,900,000

Finding 07-09-2 *Miscoded payment as participating in federal funding.*

2. The department erroneously coded a payment under a supplemental agreement as participating in federal funding.

The MnDOT Office of Audit's federal compliance report for fiscal year 2006 identified a supplemental agreement payment of $1.9 million that was inappropriately charged to the Highway Planning and Construction Program on August 31, 2005. The supplemental agreement was coded as participating in federal funding when, in fact, it should have been coded as nonparticipating in federal funding. Department files clearly showed that the $1.9 million should have been coded as nonparticipating. However, the error was not corrected until September 18, 2006, after MnDOT Office of Audit identified the error.

Recommendation

- *The department should ensure that highway construction costs are charged to the proper funding source.*

Minnesota Department of Transportation Response:

Mn/DOT's Finance Office along with the Construction Office have met and determined an approach that will ensure that supplemental agreements will be correctly classified as participating/non-participating on all construction payments. Procedures will be written as to how federal supplemental agreements should be handled in the future to prevent a re-occurrence of this issue.

Person Responsible: Kevin Z. Gray, Finance and Administration Division Director

Estimated Completion Date: January 2007 (The procedures will be completed and implemented by July 2007.)

Report KDV-06

State Agencies: Minnesota West Community and Technical College
Inver Hills Community College

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.007	Federal Supplemental Educational Opportunity Grant
84.063	Federal Pell Grant
84.032	Federal Family Education Loans ("FFEL")
84.038	Federal Perkins Loans

Questioned Costs: $281,373, of which all has been repaid.

Finding KDV-06-1 *Calculations of Title IV funds to be returned not done timely.*

Condition #1:
Minnesota West Community and Technical College did not perform timely calculations of return to Title IV funds for some students during fiscal years 2003 through 2006. The impact of not calculating these funds in a timely manner totaled $281,373, and included College share of $134,589 and student's share of $146,784. In January and February 2007, the College paid the U.S. Department of Education $37,480 for both the College and student share of Pell and SEOG amounts. In addition, the College portion of the loans were returned to applicable lenders. Finally, the College provided notice to lenders on the student's portion of the loans. In addition to the amounts above, further penalties and interest may be assessed by the U.S. Department of Education for return of Title IV funds. This condition affected the following aid awards:

CFDA	Description	Fiscal Year	College Share	Student Share	Total
84.063	Federal Pell Grant	2003-2006	$ 30,192	$ 7,045	$ 37,237
84.032	Subsidized FFEL	2003-2006	38,338	62,780	101,118
84.032	Unsubsidized FFEL	2003-2006	65,411	75,864	141,275
84.007	Federal SEOG	2003-2006	243	-	243
84.038	Federal Perkins Loans	2003-2006	405	1,095	1,500
Total			$ 134,589	$ 146,784	$ 281,373

Criteria:
The *OMB Compliance Supplement* requires an institution to properly calculate and determine the return of Title IV funds for all students that receive financial aid and either officially or unofficially withdraw.

Effect:
Minnesota West Community and Technical College was not in compliance with the federal requirements regarding return of Title IV funds. Specifically, funds were returned late to the U.S. Department of Education and lenders.

Recommendation:
Minnesota West Community and Technical College should improve the methodology used to identify students and perform timely and accurate return of Title IV fund calculations.

Condition #2:
Inver Hills Community College did not consider a combination of grade types when determining which students to complete unofficial withdrawal return to Title IV calculations on. Specifically, the college did not review all students that had a combination of "W" – withdrawals and "F" – failing grades for a term. The college recommends that faculty issue "F" grades, immediately, if a student does not attend a course for two consecutive weeks during a term. The college considers an "F" grade to be an earned "F" grade when "F" grades are entered at the end of the term. The college only completes calculations for students where "F" grades are entered before the end of the term.

One student reviewed in our sample had a combination of the "W" and "F" grades and no calculation was completed. The college was unable to provide support to show that the student completed the enrollment period for the course the student received an "F" in. The student received a $3,312 loan disbursement for the term, which a return of Title IV calculation was not performed timely. A total of $739 was returned to the U.S. Department of Education, and notification to lenders was made for the remaining amounts.

Criteria:
The SFA Handbook requires institutions to provide documentation that students complete enrollment periods for return to Title IV purposes when a student has not earned a passing grade in a least one course enrolled in.

Effect:
Inver Hills Community College may not have been in compliance with guidance in the SFA Handbook relating to return to Title IV calculations.

Recommendation:
Inver Hills Community College needs to ensure the policies and procedures are in place to comply with federal regulations and guidance regarding return to Title IV refunds.

Report KDV-06

State Agencies: Minnesota West Community and Technical College
Inver Hills Community College

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.007	Federal Supplemental Educational Opportunity Grant
84.063	Federal Pell Grant
84.032	Federal Family Education Loans ("FFEL")
84.038	Federal Perkins Loans

Questioned Costs: $281,373, of which all has been repaid.

Finding KDV-06-1 *Calculations of Title IV funds to be returned not done timely.*

Condition #1:
Minnesota West Community and Technical College did not perform timely calculations of return to Title IV funds for some students during fiscal years 2003 through 2006. The impact of not calculating these funds in a timely manner totaled $281,373, and included College share of $134,589 and student's share of $146,784. In January and February 2007, the College paid the U.S. Department of Education $37,480 for both the College and student share of Pell and SEOG amounts. In addition, the College portion of the loans were returned to applicable lenders. Finally, the College provided notice to lenders on the student's portion of the loans. In addition to the amounts above, further penalties and interest may be assessed by the U.S. Department of Education for return of Title IV funds. This condition affected the following aid awards:

CFDA	Description	Fiscal Year	College Share	Student Share	Total
84.063	Federal Pell Grant	2003-2006	$ 30,192	$ 7,045	$ 37,237
84.032	Subsidized FFEL	2003-2006	38,338	62,780	101,118
84.032	Unsubsidized FFEL	2003-2006	65,411	75,864	141,275
84.007	Federal SEOG	2003-2006	243	-	243
84.038	Federal Perkins Loans	2003-2006	405	1,095	1,500
Total			$ 134,589	$ 146,784	$ 281,373

Criteria:
The *OMB Compliance Supplement* requires an institution to properly calculate and determine the return of Title IV funds for all students that receive financial aid and either officially or unofficially withdraw.

Effect:
Minnesota West Community and Technical College was not in compliance with the federal requirements regarding return of Title IV funds. Specifically, funds were returned late to the U.S. Department of Education and lenders.

Recommendation:
Minnesota West Community and Technical College should improve the methodology used to identify students and perform timely and accurate return of Title IV fund calculations.

Condition #2:
Inver Hills Community College did not consider a combination of grade types when determining which students to complete unofficial withdrawal return to Title IV calculations on. Specifically, the college did not review all students that had a combination of "W" – withdrawals and "F" – failing grades for a term. The college recommends that faculty issue "F" grades, immediately, if a student does not attend a course for two consecutive weeks during a term. The college considers an "F" grade to be an earned "F" grade when "F" grades are entered at the end of the term. The college only completes calculations for students where "F" grades are entered before the end of the term.

One student reviewed in our sample had a combination of the "W" and "F" grades and no calculation was completed. The college was unable to provide support to show that the student completed the enrollment period for the course the student received an "F" in. The student received a $3,312 loan disbursement for the term, which a return of Title IV calculation was not performed timely. A total of $739 was returned to the U.S. Department of Education, and notification to lenders was made for the remaining amounts.

Criteria:
The SFA Handbook requires institutions to provide documentation that students complete enrollment periods for return to Title IV purposes when a student has not earned a passing grade in a least one course enrolled in.

Effect:
Inver Hills Community College may not have been in compliance with guidance in the SFA Handbook relating to return to Title IV calculations.

Recommendation:
Inver Hills Community College needs to ensure the policies and procedures are in place to comply with federal regulations and guidance regarding return to Title IV refunds.

Minnesota State Colleges and Universities Response:

The colleges agree with the auditor's recommendation and together with Office of the Chancellor staff are developing a procedure to improve the methodology used to identify students and perform timely and accurate return of Title IV fund calculations. In addition, the Office of the Chancellor has begun more extensive monitoring of college and university performance of return to Title IV processes and has initiated enhancements in training and in automated systems that will assist institutions in that performance.

Person Responsible(s):
Minnesota West Community and Technical College
Lori Voss, Vice-President for Administration

Inver Hills Community College
John Pogue, Associate Dean of Students

Effective Date: August 31, 2007

Report KDV-06

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.268	Federal Direct Student Loans ("FDSL")
84.032	Federal Family Education Loans ("FFEL")

Questioned Costs: None – Procedural Finding Only.

Finding KDV-06-2 *Changes in student enrollment status not updated timely.*

Condition:
The following Colleges and Universities may not have reported all student enrollment status changes to the National Student Loan Data System ("NSLDS") within the required deadlines. The institutions submit enrollment status changes to the National Clearinghouse. NSLDS requests updated roster files from the National Clearinghouse based on a schedule that resides at NSLDS. Several institutions were unaware that they had the ability to change the schedule at NSLDS to request roster files from the National Clearinghouse. We found instances where the College and University NSLDS schedule to request a roster file from the National Clearinghouse was more than 60 days apart. Therefore, the Colleges and Universities were at risk that all enrollment status changes were not reported to NSLDS within the 30 day deadline, or 60 days if a roster file is scheduled. In addition, it is unclear on whether enrollment status changes are to be reported for summer term.

	Fall/Spring Term	Summer Term
Dakota County Technical College	2	0
Southwest Minnesota State University	3	1
Fond du Lac Tribal and Community College	1	1
Minnesota West Community and Technical College	2	1
Itasca Community College	1	1
Lake Superior College	1	0
Ridgewater College	2	1
Rochester Community and Technical College	1	0
St. Cloud State University	1	1
St. Cloud Technical College	2	1

Criteria:
Under the requirements for the Federal Family Education Loan and Federal Direct Student Loan Programs, changes in student status must be reported to NSLDS within 30 days, unless a Roster File is scheduled to be submitted within 60 days.

Effect:
The above Colleges and Universities are not in compliance with the reporting requirements specified by federal program guidelines.

Recommendation:
The above Colleges and Universities should ensure student enrollment changes are reported to NSLDS within 30 days, unless a Roster File submission is expected within 60 days. They should also review the submission dates for NSLDS to ensure compliance with either the 30 or 60 day requirement.

Minnesota State Colleges and Universities Response:

The colleges and universities agree with the auditor's recommendation and have already taken steps to improve practices. Each of the institutions has made the requested changes to NSLDS schedules to ensure that roster files are submitted every 30 days or requested every 60 days.

Person Responsible(s):
Dakota County Technical College
Scott Roelke, Director of Scholarships and Financial Aid

Southwest Minnesota State University
David Vikander, Financial Aid Director

Fond du Lac Tribal and Community College
Dave Sutherland, Financial Aid Director

Minnesota West Community and Technical College
Lori Voss, Vice-President for Administration

Itasca Community College
Nathan Wright, Financial Aid Director

Lake Superior College
Sandra Olin, Financial Aid Director

Ridgewater College
Jim Rice, Financial Aid Director

Rochester Community and Technical College
Rosemary Hicks, Financial Aid Director

Saint Cloud State University
Frank Loncorich, Financial Aid Director

Saint Cloud Technical College
Anita Baugh, Financial Aid Director

Effective Date: June 29, 2007

Report KDV-06

State Agency: South Central College

Federal Agency: U. S. Department of Education

CFDA Number/Program Name:

84.063 Federal Pell Grant

Questioned Costs: None – Procedural Finding Only.

Finding KDV-06-3 *Failed to report program disbursements within 30 days.*

Condition:
South Central College did not report Federal Pell Grant Program (Pell) disbursements within 30 days. One submission tested was three days late.

Criteria:
Under the requirements for the Federal Pell Grant Program, the College must report student payment data within 30 calendar days after the institution makes a payment to students or becomes aware of the need to make an adjustment to previously reported or expected student payment data.

Effect:
South Central College is not in compliance with the reporting requirements specified by federal program guidelines.

Recommendation:
South Central College should ensure that Federal Pell Grant expenditures are reported to the U.S. Department of Education within 30 days of being disbursed.

Minnesota State Colleges and Universities Response:

The college agrees with the auditor's recommendation and has already taken steps to improve practices. The reporting process has been synchronized with the disbursement process and is reported to both the financial aid director and to the business office.

Person Responsible:
South Central Technical College
Jayne Dinse, Financial Aid Director

Effective Date: June 29, 2007

Report KDV-06

State Agency: Inver Hill Community College

Federal Agency: U. S. Department of Education

CFDA Number/Program Name:

84.032 Federal Family Education Loans ("FFEL")

Questioned Costs: $3,015 Total, $1,312 Subsidized, $1,703 Unsubsidized

Finding KDV-06-4 *Inadequate monitoring of satisfactory academic progress.*

Condition:
Inver Hills Community College did not accurately track some satisfactory academic progress as required by their current satisfactory academic progress policy. The College requires tracking of cumulative and term GPA's as part of their policies. The college did not have automated tracking of the term GPA for a short period of time. The setup has since been corrected. As a result, the student sample selection in question was ineligible for aid that was awarded.

Criteria:
The *OMB Compliance Supplement* requires an institution to establish and publish an academic progress policy in compliance with OMB requirements. These requirements are explained in more detail in the SFA Handbook.

Effect:
Inver Hills Community College was not in compliance with the SFA Handbook relating to academic progress.

Recommendation:
Inver Hills Community College should implement policies and procedures to monitor compliance with satisfactory academic progress requirements in accordance with the OMB requirements and SFA regulations.

Minnesota State Colleges and Universities Response:

The college agrees with the auditor's recommendation and is making the changes to improve practices. Beginning in '07-'08 the college will no longer track term GPA's as part of their financial aid satisfactory academic progress policy.

Person Responsible:
Inver Hills Community College
John Pogue, Associate Dean of Students

Effective Date: December 31, 2007

Report KDV-06

State Agencies: Minnesota West Community and Technical College
Anoka Technical College

Federal Agency: U. S. Department of Education

CFDA Number/Program Name:

84.032 Federal Family Education Loans ("FFEL")

Questioned Costs: $3,540 Unsubsidized FFEL

Finding KDV-06-5 *Students received loans in excess of permitted amounts.*

Condition:
Certain students received subsidized FFEL loans in excess of permitted amounts from the following Colleges:

	Number of Affected Students	Amount of Over Award	Description
Minnesota West Community and Technical College	1	1,540	T
Anoka Technical College	1	2,000	R

T – The student was not denied a PLUS loan. Aid was calculated indicating the student was denied a plus loan, causing the overaward.

R – The student was incorrectly classified as a dependent sophomore, causing the overaward.

Criteria:
The *OMB* requires an institution properly calculate and determine an eligible student's financial aid award. The NSLDS is maintained in order to avoid overawards, and institutions are required to determine if students have already received their limit of FFEL loans through verification of any records in the NSLDS.

Effect:
The above named Colleges are not in compliance with eligibility requirements regarding FFEL loans.

Recommendation:
The Colleges should ensure all students eligible for FFEL and FDSL loans have been verified through the NSLDS and that no awards have already been disbursed at another institution. The Colleges and Universities should also ensure students are awarded aid based on accurate eligibility levels.

Minnesota State Colleges and Universities Response:

The colleges agree with the auditor's recommendations and have already taken steps to improve practices. Additional steps have been added to the manual processing practices, to ensure that loan information and student classification are properly monitored.

Person Responsible(s):
Minnesota West Community and Technical College
Lori Voss, Vice-President for Administration

Anoka Technical College
Susan Rumpca, Director of Registration and Financial Aid

Effective Date: June 29, 2007

Report KDV-06

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.007	Federal Supplemental Educational Opportunity Grant
84.033	Federal Work Study
84.063	Federal Pell Grant
84.268	Federal Direct Student Loans ("FDSL")
84.032	Federal Family Education Loans ("FFEL")
84.038	Federal Perkins Loans

Questioned Costs: Nonquantifiable

Finding KDV-06-6 *Accounting system records did not always agree with federal reports.*

Condition No. 1:
Metropolitan State University, Normandale Community College, Fond du Lac Tribal and Community College, Lake Superior College and St. Cloud State University's accounting system records did not always match the applicable drawdown reports and/or FISAP reports due to incorrect coding, transfers between programs, or not drawing down funds for the applicable federal award programs.

Criteria:
The *OMB Compliance Supplement* requires accurate and timely reporting of federal grant information.

Effect:
The above Colleges and Universities were not in compliance with the OMB Compliance Supplement relating to period of availability and reporting of federal funds.

Recommendation:
The above Colleges and Universities should implement procedures to review and reconcile activity for federal grants to ensure compliance with OMB Provisions.

Minnesota State Colleges and Universities Response:

The colleges and universities agree with the auditor's recommendations and will institute steps to improve practices. The campus assistance section of the Office of the Chancellor will develop procedures and design a process for colleges and universities to use when

reconciling applicable reports and the FISAP. The reconciliation process will be discussed at the annual training sponsored by the financial reporting unit. The campus assistance section will monitor the reconciliations on an annual basis as part of the October exception reporting process.

Person Responsible(s):
Office of the Chancellor
Margaret Jenniges System Director for Financial Reporting

Effective Date: October 31, 2007

Person Responsible(s):
Normandale Community College
Patti Sheridan, Business Office Accounts Supervisor
Catherine Breuer, Associate Dean of Financial Aid

Metropolitan State University
Murtuza Siddiqui, Associate Vice-President for Financial Management

Fond du Lac Tribal and Community College
Elliot Skurich, Chief Financial Officer

Lake Superior College
Robert Waksdahl, Director of Business Services

Saint Cloud State University
Jeff Wagner, Director of Business Services

Effective Date: June 29, 2007

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL PROGRAM AUDIT FINDINGS
AS OF JUNE 30, 2006

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT. NO.	FINDING NO.	AUDIT REPORT FISCAL YR.
U. S. Department of Agriculture							
10.551	Food Stamps	Human Services	Inappropriate security clearances to MAXIS.	2	02-53	2	02
10.551	Food Stamps	Human Services	Inappropriate security clearance to change IEVS data.	2	05-13	5	04
10.551	Food Stamps	Human Services - Hennepin County	No monitoring of FIAT override transactions.	1	05-18	H-1	04
10.551	Food Stamps	Human Services - Ramsey County	No monitoring of FIAT override transactions.	1	05-18	R-1	04
10.551	Food Stamps	Human Services - Saint Louis County	No monitoring of FIAT override transactions.	1	05-18	S-1	04
10.551	Food Stamps	Human Services - Hennepin County	No monitoring of FIAT override transactions.	1	06-10	H-1	05
10.551	Food Stamps	Human Services - Ramsey County	No monitoring of FIAT override transactions.	1	06-10	R-1	05
10.551	Food Stamps	Human Services - Saint Louis County	No monitoring of FIAT override transactions.	1	06-10	S-1	05
10.557	Special Nutrition for Women, Infants and Children	Health	Salary allocations not sufficiently documented.	2	05-16	1	04
10.557	Special Nutrition for Women, Infants and Children	Health	Salary allocations not sufficiently documented.	2	06-07	1	05
U.S. Department of Housing and Urban Development							
14.228	Community Development Block Grant-States	Employment and Economic Development	Inconsistent monitoring and reporting of project expenditures.	2	06-09	3	05
U. S. Department of Labor							
17.225	Unemployment Insurance	Employment and Economic Development	Inadequate review of ownership changes, employer wage detail changes.	1	05-17	1	04
17.225	Unemployment Insurance	Employment and Economic Development	Inadequate data integrity controls over employer rate calculations.	2	05-17	2	04
17.225	Unemployment Insurance	Employment and Economic Development	Failure to submit or document required federal financial reports.	1	06-09	2	05
U. S. Department of Transportation							
20.106	Airport Improvement Program	Transportation	Material testing requirements were not met.	1	06-12	3	05
20.205	Highway Planning and Construction	Transportation	Project oversight procedures need improvement.	1	05-20	2	04
20.205	Highway Planning and Construction	Transportation	Project oversight procedures need improvement.	2	06-12	2	05
20.205	Highway Planning and Construction	Transportation	Failure to reconcile project status reports to billings.	1	06-12	4	05
U. S. Department of Education							
84.033	Federal Work Study	Metropolitan State University	University did not earmark correct funds for community service workers.	1	KDV-05	8	05
84.063	Federal Pell Grant	State Colleges and Universities (MnSCU)	Student payment data not reported in a timely manner.	1	KDV-04	3	04
84.063	Federal Pell Grant	State Colleges and Universities (MnSCU)	Certain institutions did not timely report grant disbursements.	1	KDV-05	4	05
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Omitted items in published satisfactory academic progress policies.	1	KDV-04	1	04
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Inadequate policies and procedures for verifying applicant information.	1	KDV-04	4	04
Various	Financial Aid Cluster	Minnesota State University, Mankato	Inadequate monitoring of satisfactory academic progress.	1	KDV-04	6	04
Various	Financial Aid Cluster	Anoka Technical College	Omitted items in published satisfactory academic progress policies.	1	KDV-04	9	04
Various	Financial Aid Cluster	Anoka Technical College	Inconsistent calculation of return of Title IV funds.	1	KDV-04	9	04
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Need to clarify satisfactory academic progress policies.	1	KDV-05	1	05
Various	Financial Aid Cluster	Rochester Community and Technical College	Inadequate monitoring of satisfactory academic progress.	1	KDV-05	2	05
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Some institutions did not timely report changes in student status.	2	KDV-05	3	05
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Lack of policies for verifying applicant information.	1	KDV-05	5	05
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Title IV funds to be returned were not correctly calculated or returned.	2	KDV-05	6	05
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Student awards exceeded program limits.	1	KDV-05	7	05
Various	Financial Aid Cluster	State Colleges and Universities (MnSCU)	Excessive security rights to the financial aid systems.	2	KDV-05	9	05
Various	Financial Aid Cluster	Ridgewater College	Incorrect drawdown of federal funds/not recording loan cancellations.	1	KDV-05	10	05
Various	Financial Aid Cluster	Metropolitan State University	Grant activity not reconciled to general ledger.	1	KDV-05	10	05
Various	Financial Aid Cluster	Winona State University	Failure to timely report administrative changes to Dept. of Education.	1	KDV-05	11	05
84.126	Vocational Rehabilitation	Employment and Economic Development	Subrecipient financial reports not filed quarterly with the department.	1	06-09	4	05

*CATEGORY OF CORRECTIVE ACTION TAKEN
1 - Findings have been fully corrected.
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4 - Audit findings are no longer valid or do not warrant further action.
For Categories 2-3, reference Rpt. No. and Finding No. on the Status of Statewide Audit Findings supplemental information for more detail.

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL PROGRAM AUDIT FINDINGS
AS OF JUNE 30, 2006

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT. NO.	FINDING NO.	AUDIT REPORT FISCAL YR.
U.S. Election Assistance Commission							
90.401	Help America Vote Act	Secretary of State	Salary allocations not accurately made.	1	05-40	3	05
90.401	Help America Vote Act	Secretary of State	Financial status report not accurate.	1	05-40	4	05
90.401	Help America Vote Act	Secretary of State	Lack of contractor suspension and debarment verification.	1	05-40	5	05
U. S. Department of Health and Human Services							
93.044	Support Services and Senior Centers	Human Services	Inaccurate quarterly SF-269 reporting.	1	06-10	7	05
93.045	Aging Nutrition Services	Human Services	Inaccurate quarterly SF-269 reporting.	1	06-10	7	05
93.283	CDC - Investigations and Technical Assistance	Health	Salary allocations not sufficiently documented.	2	05-16	1	04
93.283	CDC - Investigations and Technical Assistance	Health	Inadequate management of fixed assets.	1	05-16	3	04
93.283	CDC - Investigations and Technical Assistance	Health	Salary allocations not sufficiently documented.	2	06-07	1	05
93.283	CDC - Investigations and Technical Assistance	Health	Excessive federal cash draws.	1	06-07	3	05
93.283	CDC - Investigations and Technical Assistance	Health	Inadequate management of fixed assets.	1	06-07	5	05
93.558	Temporary Assistance for Needy Families	Human Services	IEVS not used to validate eligibility for many program recipients.	1	05-13	2	04
93.558	Temporary Assistance for Needy Families	Human Services	IEVS discrepancies not promptly resolved.	1	05-13	4	04
93.558	Temporary Assistance for Needy Families	Human Services	Inappropriate security clearance to change IEVS data.	2	05-13	5	04
93.558	Temporary Assistance for Needy Families	Human Services - Hennepin County	No monitoring of FIAT override transactions.	1	05-18	H-1	04
93.558	Temporary Assistance for Needy Families	Human Services - Hennepin County	Untimely resolution of discrepancies identified by IEVS.	2	05-18	H-2	04
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	No monitoring of FIAT override transactions.	1	05-18	R-1	04
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	2	05-18	R-2	04
93.558	Temporary Assistance for Needy Families	Human Services - Saint Louis County	No monitoring of FIAT override transactions.	1	05-18	S-1	04
93.558	Temporary Assistance for Needy Families	Human Services	Untimely resolution of income discrepancies identified by IEVS.	1	04-11	4	03
93.558	Temporary Assistance for Needy Families	Human Services	Inappropriate security clearances to MAXIS.	2	02-53	2	02
93.558	Temporary Assistance for Needy Families	Human Services - Hennepin County	No monitoring of FIAT override transactions.	1	06-10	H-1	05
93.558	Temporary Assistance for Needy Families	Human Services - Hennepin County	Untimely resolution of discrepancies identified by IEVS.	2	06-10	H-2	05
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	No monitoring of FIAT override transactions.	1	06-10	R-1	05
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	2	06-10	R-2	05
93.558	Temporary Assistance for Needy Families	Human Services - Saint Louis County	No monitoring of FIAT override transactions.	1	06-10	S-1	05
93.568	Low Income Home Energy Assistance	Commerce	Inadequate documentation supporting recipient eligibility testing.	1	06-06	1	05
93.568	Low Income Home Energy Assistance	Commerce	Federal program numbers not identified in accounting system.	2	06-06	2	05
93.659	Adoption Assistance	Human Services	Inadequate eligibility documentation.	2	06-10	2	05
93.767	State Children's Health Insurance Program	Human Services	Inadequate documentation for certain eligibility criteria.	2	05-18	5	04
93.767	State Children's Health Insurance Program	Human Services	Inadequate eligibility documentation.	2	06-10	2	05
93.767	State Children's Health Insurance Program	Human Services - Hennepin County	No monitoring of FIAT override transactions.	1	06-10	H-1	05
93.767	State Children's Health Insurance Program	Human Services - Ramsey County	No monitoring of FIAT override transactions.	1	06-10	R-1	05
93.767	State Children's Health Insurance Program	Human Services - Saint Louis County	No monitoring of FIAT override transactions.	1	06-10	S-1	05
93.778	Medical Assistance	Human Services	IEVS not used to validate eligibility for many program recipients.	1	05-13	2	04
93.778	Medical Assistance	Human Services	Unclear how IEVS discrepancy data impacts eligibility for prior periods.	1	05-13	3	04
93.778	Medical Assistance	Human Services	IEVS discrepancies not promptly resolved.	1	05-13	4	04
93.778	Medical Assistance	Human Services	Inappropriate security clearance to change IEVS data.	2	05-13	5	04
93.778	Medical Assistance	Human Services - Hennepin County	No monitoring of FIAT override transactions.	1	05-18	H-1	04
93.778	Medical Assistance	Human Services - Hennepin County	Untimely resolution of discrepancies identified by IEVS.	2	05-18	H-2	04
93.778	Medical Assistance	Human Services - Ramsey County	No monitoring of FIAT override transactions.	1	05-18	R-1	04
93.778	Medical Assistance	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	2	05-18	R-2	04
93.778	Medical Assistance	Human Services - Saint Louis County	No monitoring of FIAT override transactions.	1	05-18	S-1	04
93.778	Medical Assistance	Human Services	Untimely resolution of income discrepancies identified by IEVS.	1	04-11	4	03
93.778	Medical Assistance	Human Services	Inadequate verification of drug rebate amounts.	1	06-10	1	05
93.778	Medical Assistance	Human Services	Inadequate controls over indirect cost allocation.	1	06-10	5	05
93.778	Medical Assistance	Human Services - Hennepin County	No monitoring of FIAT override transactions.	1	06-10	H-1	05
93.778	Medical Assistance	Human Services - Hennepin County	Untimely resolution of discrepancies identified by IEVS.	2	06-10	H-2	05
93.778	Medical Assistance	Human Services - Ramsey County	No monitoring of FIAT override transactions.	1	06-10	R-1	05
93.778	Medical Assistance	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	2	06-10	R-2	05
93.778	Medical Assistance	Human Services - Saint Louis County	No monitoring of FIAT override transactions.	1	06-10	S-1	05

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STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL PROGRAM AUDIT FINDINGS
AS OF JUNE 30, 2006

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT. NO.	FINDING NO.	AUDIT REPORT FISCAL YR.
U.S. Department of Homeland Security							
97.004	State Domestic Preparedness Equipment	Public Safety	Sales taxes inappropriately charged to program.	1	06-08	1	05

*CATEGORY OF CORRECTIVE ACTION TAKEN
1 - Findings have been fully corrected.
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Status of Prior Federal Program Audit Findings
Supplemental Information

Below are explanations for findings not fully corrected or the corrective action taken differs significantly from the previously stated corrective action plan.

Report 02-53

State Agency: Minnesota Department of Human Services

Federal Agencies: U. S. Department of Agriculture
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Food Stamps
93.558	Temporary Assistance for Needy Families

Finding 02-53-2 *Inappropriate security clearances to MAXIS.*

2. Many employees and contractors had inappropriate security clearances.

Recommendations

- *The department should ensure that all MAXIS security clearances are commensurate with employees' job duties.*
- *The department should develop a process to periodically recertify the appropriateness of all MAXIS security clearances.*

Minnesota Department of Human Services Response:

Although we have completed the security clearance review for the groups noted in the original audit report, the auditors are requiring us to review another group for the proper security clearance to MAXIS. We are continuing to work on this additional security review. We are on schedule to complete this task by our original completion date of March 31, 2007.

Person Responsible: Kate Wulf, Director, TSS

Estimated Completion Date: March 31, 2007

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report 05-13

State Agency: Minnesota Department of Human Services

Federal Agencies: U. S. Department of Agriculture
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Food Stamps
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Finding 05-13-5 *Inappropriate security clearance to change IEVS data.*

5. PRIOR FINDING PARTIALLY RESOLVED: Many employees had inappropriate security clearance to change IEVS data.

Recommendation

- *The department should ensure that all security clearances are commensurate with employees' job duties.*

Minnesota Department of Human Services Response:

Although we completed the security review on those security groups noted in our original correction plan, the auditor is requesting that we review another security group that might have inappropriate security clearance to IEVS. We are working on this new security review and it should be completed by March 31, 2007.

Person Responsible: Kate Wulf, Director, TSS

Estimated Completion Date: March 31, 2007

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report 05-16

State Agency: Minnesota Department of Health

Federal Agencies: U. S. Department of Agriculture
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.557	Special Nutrition for Women, Infants and Children
93.283	CDC – Investigations and Technical Assistance

Finding 05-16-1 *Salary allocations not sufficiently documented.*

1. **PRIOR FINDING NOT RESOLVED: The department did not comply with federal and state requirements for documenting time charged to programs, including the transfer of payroll costs between programs.**

   This finding is repeated in the current audit report. See Section III, Report 07-05, Finding 1, for the Department of Health's response.

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report 05-17

State Agency: Minnesota Department of Employment & Economic Development

Federal Agency: U. S. Department of Labor

CFDA Number/Program Name:

17.225 Unemployment Insurance

Finding 05-17-2 *Inadequate data integrity controls over employer rate calculations.*

2. The Department of Employment and Economic Development's (DEED) data integrity controls require improvement to ensure the accuracy of employer unemployment insurance tax rate calculations.

Recommendation

- *DEED should improve data integrity controls by reconciling and adjusting benefit charges posted to employer accounts when different than actual benefits paid and controlling computer application and data changes.*

Minnesota Department of Employment & Economic Development Response:

Part 1. As verified by the statistically valid sample of rate calculations submitted to the Department of Labor, our rate calculation process is accurate. Any deficiencies are being addressed in the system redesign.

Person Responsible: Kathy Nelson

Estimated Completion Date: Complete

Part 2. The current system of manual adjustments to keep the benefits payable in sync with the benefits chargeable is being automated.

Person Responsible: Kathy Nelson

Estimated Completion Date: Fall 2007

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report 05-18

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Number/Program Name:

93.767 State Children's Health Insurance Program

Finding 05-18-5 *Inadequate documentation for certain eligibility criteria.*

5. The Department of Human Services did not adequately document certain eligibility criteria for some State Children's Health Insurance Program participants.

This finding is repeated in the current audit report. See Section III, Report 07-08, Finding 2, for the Department of Human Services' response.

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report 05-18

State Agency: Minnesota Department of Human Services – Hennepin County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Finding 05-18-H-2 *Untimely resolution of discrepancies identified by IEVS.*

2. Hennepin County did not resolve income discrepancies identified as part of the benefit eligibility process in a timely manner.

This finding is repeated in the current audit report. See Section III, Report 07-08, Finding H-1, for Hennepin County's response.

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report 05-18

State Agency: Minnesota Department of Human Services – Ramsey County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Finding 05-18-R-2 *Untimely resolution of discrepancies identified by IEVS.*

2. Ramsey County did not resolve income discrepancies identified as part of the benefit eligibility process in a timely manner.

This finding is repeated in the current audit report. See Section III, Report 07-08, Finding R-1, for Ramsey County's response.

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report 06-06

State Agency: Minnesota Department of Commerce

Federal Agency: U. S. Department of Health and Human Services

CFDA Number/Program Name:

93.568 Low Income Home Energy Assistance

Finding 06-06-2 *Federal program numbers not identified in accounting system.*

2. The Department of Commerce did not consistently identify federal program numbers for all of its federal accounts in the state's accounting system.

This finding is repeated in the current audit report. See Section III, Report 07-03, Finding 2, for the Department of Commerce's response.

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report 06-07

State Agency: Minnesota Department of Health

Federal Agencies: U. S. Department of Agriculture
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.557	Special Nutrition for Women, Infants and Children
93.283	CDC - Prevention, Investigations and Technical Assistance

Finding 06-07-1 *Salary allocations not sufficiently documented.*

1. **PRIOR FINDING NOT RESOLVED: The department did not comply with federal and state requirements for documenting time charged to programs, including the transfer of payroll costs between programs.**

   This finding is repeated in the current audit report. See Section III, Report 07-05, Finding 1, for the Department of Health's response.

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report 06-09

State Agency: Minnesota Department of Employment & Economic Development

Federal Agency: U. S. Department of Housing and Urban Development

CFDA Number/Program Name:

14.228 Community Development Block Grant - States

Finding 06-09-3 *Inconsistent monitoring and reporting of project expenditures.*

3. **The department did not consistently monitor and report project expenditures for the federal Community Development Block Grant Program (CFDA #14.228).**

This finding is repeated in the current audit report. See Section III, Report 07-07, Finding 3, for the Department of Employment and Economic Development's response.

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report 06-10

State Agency: Minnesota Department of Human Services

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.659	Adoption Assistance
93.767	State Children's Health Insurance Program

Finding 06-10-2 *Inadequate eligibility documentation.*

2. The Department of Human Services did not adequately document certain eligibility criteria for two federal programs.

This finding is repeated in the current audit report. See Section III, Report 07-08, Finding 2, for the Department of Human Services' response.

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report 06-10

State Agency: Minnesota Department of Human Services – Hennepin County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Finding 06-10-H-2 *Untimely resolution of discrepancies identified by IEVS.*

2. **PRIOR FINDING NOT RESOLVED: Hennepin County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations. (Finding 05-18-H-2)**

This finding is repeated in the current audit report. See Section III, Report 07-08, Finding H-1, for Hennepin County's response.

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report 06-10

State Agency: Minnesota Department of Human Services – Ramsey County

Federal Agency: U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance

Finding 06-10-R-2 *Untimely resolution of discrepancies identified by IEVS.*

2. **PRIOR FINDING NOT RESOLVED: Ramsey County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations. (Finding 05-18-R-2)**

This finding is repeated in the current audit report. See Section III, Report 07-08, Finding R-1, for Ramsey County's response.

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report 06-12

State Agency: Minnesota Department of Transportation

Federal Agency: U. S. Department of Transportation

CFDA Number/Program Name:

20.205 Highway Planning and Construction Program

Finding 06-12-2 *Project oversight procedures need improvement.*

2. PRIOR AUDIT FINDING NOT RESOLVED: The department did not adequately follow certain project oversight procedures.

This finding is repeated in the current audit report. See Section III, Report 07-09, Finding 1, for the Department of Transportation's response.

Report KDV-05

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.268 Federal Direct Student Loans (FDSL)
84.032 Federal Family Education Loans (FFEL)

Finding KDV-05-3 *Some institutions did not timely report changes in student status.*

Condition:
The following Colleges and Universities did not report changes in student status to the National Student Loan Data System ("NSLDS") clearinghouse within the required deadlines through submission of student status confirmation reports every 60 days.

	Number of Instances
Dakota County Technical College	2
Inver Hills Community College	1
Minnesota West Community and Technical College	1
Minnesota State College – Southeast Technical	1
Rochester Community and Technical College	2
Southwest Minnesota State University	2
Winona State University	3

In addition, we also noted that the scheduling of data submissions to the clearinghouse and roster file creations left exposure for non-compliance with the 60 day requirement at various times during the year at Minnesota State University, Mankato, Minnesota State College – Southeast Technical, Rochester Community and Technical College and Winona State University.

Criteria:
Under the requirements for the Federal Family Education Loan and Federal Direct Student Loan Programs, changes in student status must be reported to NSLDS within 30 days, unless a Roster File is scheduled to be submitted within 60 days.

Effect:
The above Colleges and Universities are not in compliance with the reporting requirements specified by federal program guidelines.

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Recommendation:
The above Colleges and Universities should ensure student status changes are reported to NSLDS within 30 days, unless a Roster File submission is expected within 60 days. They should also review the submission dates for NSLDS to ensure compliance with either the 30 or 60 day requirement.

Minnesota State Colleges and Universities Response:

Southwest Minnesota State University is the only institution cited in KDV-05-3 that has not fully resolved the finding. Southwest Minnesota State University has updated a schedule with NSLDS to submit files every 30 days.

Person Responsible: David Vikander, Financial Aid Director, Southwest Minnesota State University.

Estimated Completion Date: Spring term 2007

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report KDV-05

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.007	Federal Supplemental Educational Opportunity Grant
84.063	Federal Pell Grant
84.032	Federal Family Education Loans (FFEL)
84.038	Federal Perkins Loans

Finding KDV-05-6 *Title IV funds to be returned were not correctly calculated or returned.*

Condition:
Inver Hills Community College incorrectly calculated return of Title IV funds for the fall 2004 term. The calculations were based on waiving a percentage of charges based on the last date of attendance. The impact of this calculation error was $ 1,099. *This has been corrected.*

Winona State University returned an amount that did not agree to the return of Title IV calculation. The impact of this was that Pell was underpaid by $ 140 and Perkins Loan was overpaid $ 140. *This has been corrected.*

St. Cloud State University did not perform calculations or return to Title IV funds for students who unofficially withdrew for spring 2005 and summer 2005 terms. The impact for spring 2005 was $ 96,662 and summer 2005 was $ 19,388. A summary of these questioned costs by SFA Program is as follows:

CFDA	Description	Time Period	Total
84.063	Federal Pell Grant	2005	$ 8,891
84.032	Subsidized Federal Family Education Loans	2005	38,250
84.032	Unsubsidized Federal Family Education Loans	2005	69,573
84.038	Federal Perkins Loans	2005	575
			$ 117,289

Criteria:
The *OMB Compliance Supplement* requires an institution to properly calculate and determine the return of Title IV funds for all students that receive financial aid and either officially or unofficially withdraw.

Effect:
The above College and Universities may not be consistent with special tests and provisions regarding return of Title IV funds as specified by the *OMB Compliance Supplement.*

Recommendation:
The above College and Universities should improve the methodology used to identify students and perform timely and accurate return of Title IV fund calculations.

Minnesota State Colleges and Universities Response:

St. Cloud State University has placed primary responsibility for ensuring compliance with Return to Title IV (R2T4) requirements with the Director of Business Services. In addition, the Office of the Chancellor's System Director for Financial Aid will be monitoring to ensure that the university is completing timely R2T4 calculations. Finally, the university is awaiting a determination letter from a U.S. Department of Education program review on this issue.

Person Responsible: Jeff Wagner, Director of Business Services, St. Cloud State University

Estimated Completion Date: Spring term 2007

Status of Prior Federal Program Audit Findings
Supplemental Information – Continued

Report KDV-05

State Agency: Minnesota State Colleges and Universities

Federal Agencies: U. S. Department of Education
U. S. Department of Health and Human Services

CFDA Numbers/Program Names:

84.007	Federal Supplemental Educational Opportunity Grant
84.033	Federal Work Study
84.063	Federal Pell Grant
84.268	Federal Direct Student Loans (FDSL)
84.032	Federal Family Education Loans (FFEL)
84.038	Federal Perkins Loans
93.364	Nursing Student Loans

Finding KDV-05-9 *Excessive security rights to the financial aid system.*

Condition:
Many colleges and universities had excessive security access rights granted to individuals to the financial aid system, including setup access for the financial aid system and deleting and changing holds.

Criteria:
The *OMB Compliance Supplement* administrative capability provisions require adequate security controls over SFA operations.

Effect:
MnSCU Colleges and Universities accepted a level of system control risk that created unnecessary security exposure to system access rights.

Recommendation:
MnSCU Colleges and Universities should ensure that access to the financial aid system is limited to appropriate levels based on job responsibilities to reduce unnecessary security risks.

Minnesota State Colleges and Universities Response:

The specific security identifier that allows access to setup in the financial aid system and the ability to delete and change holds will be limited to two individuals per institution. The system director for financial aid will approve exceptions to this requirement. The security identifier in question allows access to other functionality within the financial aid system. If necessary, additional security identifiers will be created to allow staff to gain access only to functionality needed to complete job responsibilities.

Person Responsible: Christopher Halling, System Director for Student Financial Aid

Estimated Completion Date: May 2007