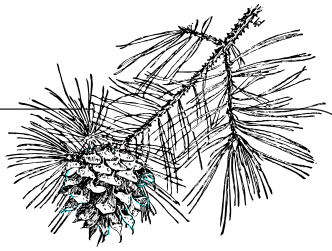
State of Minnesota

Financial and Compliance Report on Federally Assisted Programs

For the Year Ended June 30, 2009



On the cover

Minnesota Seasons

From snow laden branches to lush vegetation, with bursts of color in between, the trees of Minnesota reflect the spectacular extremes of the state's seasons.

Cover, top to bottom: Lilac bush in winter, autumn maple leaf, wooded banks of Lake Pepin near Lake City, spring apple tree blossoms

Divider page image: Minnesota's state tree, the Norway or Red Pine, stays evergreen in all seasons.

Financial and Compliance Report on Federally Assisted Programs

For the Year Ended June 30, 2009

State of Minnesota

2009 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 Management & Budget
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
651-201-8000

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

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

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

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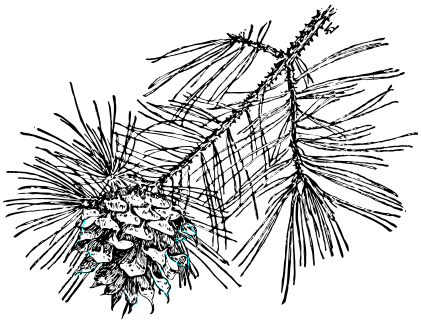


State of Minnesota

2009 Financial and Compliance Report on Federally Assisted Programs

Transmittal Letter from the Commissioner of Minnesota Management and Budget

March 25, 2010

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, 2009. This report meets the requirements of the Federal Single Audit Act of 1984 as amended in 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

This single audit report includes all federal assistance received by the state agencies determined to be a part of the State of Minnesota's primary government. Programs administered by the state's discretely presented component units are reported in separate single audit reports issued by the individual component units. The criteria used to define the state's reporting entity are those established by the Governmental Accounting Standards Board.

For purposes of the single audit in Minnesota, the audited entity is the state rather than each state agency. With this approach, the single audit can be combined with the state's annual financial audit. This is an efficient approach for Minnesota because state agencies are all subject to the same centralized controls (accounting, personnel/payroll and procurement systems).

Management Responsibilities

Minnesota Management and Budget is responsible for the accuracy, fairness and completeness of the Schedule of Expenditures of Federal Awards, including all disclosures, presented in this report. The department is also responsible for the Minnesota Accounting and Procurement System (MAPS), which was used in preparing this report. I believe the schedule provides a fair representation of expenditures for federal programs for the year ended June 30, 2009.

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

Minnesota Management and Budget is responsible for designing and applying statewide internal controls. State agencies are responsible for additional internal controls used for the administration of federal programs. These controls provide reasonable assurance that the state's assets are protected against loss, either intentional or unintentional; resource use is consistent with laws, regulations and policies; transactions are executed in accordance with management's authorization; and the accounting records from which financial schedules were prepared are reliable. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefit derived.

In addition, state agencies have specific responsibilities for federal programs. State agencies are required to manage and maintain adequate accounting records for their federal programs. They are required by the relevant federal departments and agencies to prepare periodic financial reports. State agencies are also responsible for assuring that organizations to which they subgrant federal funds have the required audits and promptly resolve federal program deficiencies reported as a result of those audits. The U.S. Department of Health and Human Services - Office of Inspector General – Office of Audit Services serves as the lead cognizant agency representing all federal agencies awarding federal assistance to the state of Minnesota.

Federal Financial Assistance to the State of Minnesota

In fiscal year 2009, the state of Minnesota received approximately $10.6 billion in federal assistance for its many programs.

Audits

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

The Office of the Legislative Auditor has audited the state's major federal programs identified in this single audit report, including the federal program expenditure schedules. The auditor's report on compliance with requirements applicable to each major federal program and on internal control over compliance is included as part of this report. The Office of the Legislative Auditor has also issued a report on internal control over financial reporting in conjunction with the audit of the state's Comprehensive Annual Financial Report for the year ended June 30, 2009.

All subrecipients receiving federal assistance from Minnesota state agencies have been required to have audits in accordance with OMB Circular A-133. Results of these audits are summarized in the Report on Audits of Subrecipients issued by the Minnesota Office of the State Auditor.

Report

This single audit report supplements the state's Comprehensive Annual Financial Report for the year ended June 30, 2009, and includes financial information on federal programs which was compiled by Minnesota Management and Budget.

The Office of the Legislative Auditor is responsible for preparing the auditor's report on compliance with requirements applicable to each major federal program and on internal control over compliance, the summary of auditor's results, and the schedules of audit findings and questioned costs for federal awards. Minnesota Management and Budget is responsible for preparing the schedules of expenditures for federal programs and the status of prior federal program audit findings schedule.

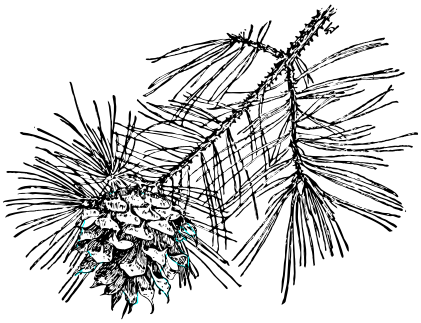
Acknowledgments

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

Sincerely,

Tom J. Hanson

Tom J. Hanson
Commissioner



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 Legislature

The Honorable Tim Pawlenty, Governor

Mr. Tom Hanson, Commissioner of Minnesota Management and Budget

Compliance

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, 2009. 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 $1.4 billion in federal awards. Those expenditures of federal awards are not included in the State of Minnesota's schedule of expenditures of federal awards for the year ended June 30, 2009. 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 their audits in accordance with OMB Circular A-133.

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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Minnesota's compliance with those requirements and performing such other procedures as we considered

necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Minnesota's compliance with those requirements.

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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which we are required to report in accordance with OMB Circular A-133 and which we describe 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Minnesota's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in the State of Minnesota's internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in the State of Minnesota's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance identified as Finding 10-11-2 in Section III of the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider all of the other deficiencies in internal control over compliance described in Section III of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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, 2009, and have issued our report thereon dated December 11, 2009.

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 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.

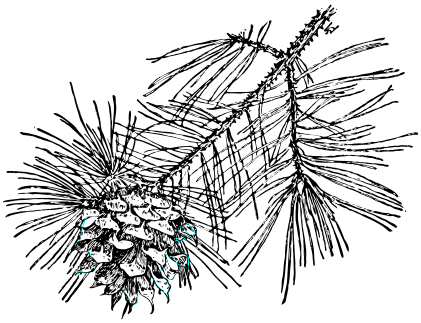
The State of Minnesota's department responses to the findings identified in our audit are included in Section III of the accompanying Schedule of Findings and Questioned Costs. We did not audit the responses and, accordingly, we express no opinion on them.

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
Deputy Legislative Auditor

March 5, 2010, except for Schedule of Expenditures of Federal Awards as to which the date is December 11, 2009



STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Supplemental Nutrition Assistance Program (SNAP) Cluster				
10.551	ARRA-SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	HUMAN SERVICES	$	18,337,048
10.551	SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	HUMAN SERVICES	$	417,740,024
10.561	ARRA-STATE ADMIN MATCHING GRANTS FOR SUPP. NUTR.	HUMAN SERVICES	$	1,386,639
10.561	STATE ADMIN MATCHING GRANTS FOR SUPP. NUTR.	HUMAN SERVICES	$	55,004,123
		Supplemental Nutrition Assistance Program (SNAP) Cluster Total:	**$**	**492,467,834**
Child Nutrition Cluster				
10.553	SCHOOL BREAKFAST PROGRAM	EDUCATION	$	27,539,703
10.555	NATIONAL SCHOOL LUNCH PROGRAM	EDUCATION	$	114,049,030
10.556	SPECIAL MILK PROGRAM FOR CHILDREN	EDUCATION	$	847,865
10.559	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	EDUCATION	$	3,439,853
		Child Nutrition Cluster Total:	**$**	**145,876,451**
10.557	SPECIAL SUPP. NUTRITION PROGRAM FOR WOMEN, INFANTS (4)	HEALTH	$	95,870,633
10.558	CHILD AND ADULT CARE FOOD PROGRAM	EDUCATION	$	61,432,663
U.S. DEPARTMENT OF DEFENSE				
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINT.	MILITARY AFFAIRS	$	67,881,929
12.401	ARRA-NATIONAL GUARD MILITARY OPERATIONS AND MAINT.	MILITARY AFFAIRS	$	80,159
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINT.	NATURAL RESOURCES	$	602,445
		Program 12.401 Total:	**$**	**68,564,533**
U.S. DEPARTMENT OF LABOR				
Workforce Investment Act (WIA) Cluster				
17.258	ARRA-WIA ADULT PROGRAM	EMPLOYMENT & ECONOMIC	$	299,530
17.258	WIA ADULT PROGRAM	EMPLOYMENT & ECONOMIC	$	9,461,414
17.259	ARRA-WIA YOUTH ACTIVITIES	EMPLOYMENT & ECONOMIC	$	2,436,663
17.259	WIA YOUTH ACTIVITIES	EMPLOYMENT & ECONOMIC	$	11,787,296

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, 2009

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF LABOR (Continued)				
17.260	ARRA-WIA DISLOCATED WORKERS	EMPLOYMENT & ECONOMIC	$	3,197,225
17.260	WIA DISLOCATED WORKERS	EMPLOYMENT & ECONOMIC	$	17,878,191
		Workforce Investment Act (WIA) Cluster Total:	**$**	**45,060,319**
17.225	UNEMPLOYMENT INSURANCE (5)	EMPLOYMENT & ECONOMIC	$	1,720,972,382
17.225	ARRA-UNEMPLOYMENT INSURANCE (5)	EMPLOYMENT & ECONOMIC	$	191,314,090
		Program 17.225 Total:	**$**	**1,912,286,472**
U.S. DEPARTMENT OF TRANSPORTATION				
Highway Planning and Construction Cluster				
20.205	HIGHWAY PLANNING AND CONSTRUCTION	NATURAL RESOURCES	$	46,253
20.205	HIGHWAY PLANNING AND CONSTRUCTION	PUBLIC SAFETY	$	261,910
20.205	HIGHWAY PLANNING AND CONSTRUCTION	TRANSPORTATION	$	632,278,581
20.205	ARRA-HIGHWAY PLANNING AND CONSTRUCTION	TRANSPORTATION	$	37,223,033
20.219	RECREATIONAL TRAILS PROGRAM	NATURAL RESOURCES	$	1,275,385
		Highway Planning and Construction Cluster Total:	**$**	**671,085,162**
Federal Transit Cluster				
20.500	FEDERAL TRANSIT_CAPITAL INVESTMENT GRANTS	TRANSPORTATION	$	31,962,366
20.507	FEDERAL TRANSIT_FORMULA GRANTS	PUBLIC SAFETY	$	36,873
20.507	FEDERAL TRANSIT_FORMULA GRANTS	TRANSPORTATION	$	350,484
		Federal Transit Cluster Total:	**$**	**32,349,723**
20.106	AIRPORT IMPROVEMENT PROGRAM	TRANSPORTATION	$	65,210,385
20.106	ARRA-AIRPORT IMPROVEMENT PROGRAM	TRANSPORTATION	$	1,233,719
		Program 20.106 Total:	**$**	**66,444,104**
U.S. DEPARTMENT OF EDUCATION				
Vocational Rehabilitation Cluster				
84.126	REHAB SERVICES_VOCATIONAL REHAB GRANTS	EMPLOYMENT & ECONOMIC	$	49,891,981
84.390	ARRA-REHAB SERVICES_VOCATIONAL REHAB GRANTS	EMPLOYMENT & ECONOMIC	$	67,428
		Vocational Rehabilitation Cluster Total:	**$**	**49,959,409**

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, 2009

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)				
Title I, Part A Cluster				
84.010	TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	EDUCATION	$	125,235,105
		Title I, Part A Cluster Total:	**$**	**125,235,105**
Student Financial Assistance Cluster				
84.007	FEDERAL SUPP. EDUCATIONAL OPPORTUNITY GRANTS	STATE COLLEGES & UNIVERSITIES	$	5,704,202
84.033	FEDERAL WORK-STUDY PROGRAM	STATE COLLEGES & UNIVERSITIES	$	7,331,334
84.063	FEDERAL PELL GRANT PROGRAM	STATE COLLEGES & UNIVERSITIES	$	152,803,128
84.375	ACADEMIC COMPETITIVENESS GRANTS	STATE COLLEGES & UNIVERSITIES	$	2,218,084
84.376	NATIONAL SCIENCE AND MATHEMATICS ACCESS TO RETAIN	STATE COLLEGES & UNIVERSITIES	$	959,877
84.379	TEACHER ED. ASSIST. FOR COLLEGE AND HIGHER ED. GRANTS	STATE COLLEGES & UNIVERSITIES	$	70,000
		Student Financial Assistance Cluster Total:	**$**	**169,086,625**
Special Education Cluster				
84.027	SPECIAL EDUCATION_GRANTS TO STATES	EDUCATION	$	196,042,068
84.173	SPECIAL EDUCATION_PRESCHOOL GRANTS	EDUCATION	$	8,222,849
		Special Education Cluster Total:	**$**	**204,264,917**
84.367	IMPROVING TEACHER QUALITY STATE GRANTS	EDUCATION	$	41,057,067
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Temporary Assistance for Needy Families (TANF) Cluster				
93.558	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	HUMAN SERVICES	$	259,774,390
		Temporary Assistance for Needy Families (TANF) Cluster Total:	**$**	**259,774,390**
Medicaid Cluster				
93.775	STATE MEDICAID FRAUD CONTROL UNITS	ATTORNEY GENERAL	$	881,702
93.777	STATE SURVEY AND CERT. OF HEALTH CARE PROVIDERS	HEALTH	$	7,908,103
93.777	STATE SURVEY AND CERT. OF HEALTH CARE PROVIDERS	HUMAN SERVICES	$	4,786,768
93.778	MEDICAL ASSISTANCE PROGRAM (4)	HUMAN SERVICES	$	3,812,402,966
93.778	ARRA-MEDICAL ASSISTANCE PROGRAM	HUMAN SERVICES	$	616,654,700
		Medicaid Cluster Total:	**$**	**4,442,634,239**

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, 2009

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)				
Immunization Cluster				
93.268	IMMUNIZATION GRANTS	HEALTH	$	35,596,725
		Immunization Cluster Total:	**$**	**35,596,725**
Child Care and Development Fund (CCDF) Cluster				
93.575	CHILD CARE AND DEVELOPMENT BLOCK GRANT	HUMAN SERVICES	$	54,281,957
93.596	CHILD CARE MANDATORY AND MATCHING FUNDS	HUMAN SERVICES	$	46,918,753
		Child Care and Development Fund (CCDF) Cluster Total:	**$**	**101,200,710**
93.563	CHILD SUPPORT ENFORCEMENT	HUMAN SERVICES	$	93,199,140
93.563	ARRA-CHILD SUPPORT ENFORCEMENT	HUMAN SERVICES	$	4,154,849
		Program 93.563 Total:	**$**	**97,353,989**
93.568	LOW-INCOME HOME ENERGY ASSISTANCE	COMMERCE	$	137,119,360
93.658	FOSTER CARE_TITLE IV-E	HUMAN SERVICES	$	49,891,901
93.658	ARRA-FOSTER CARE_TITLE IV-E	HUMAN SERVICES	$	1,453,931
		Program 93.658 Total:	**$**	**51,345,832**
93.667	SOCIAL SERVICES BLOCK GRANT	HUMAN SERVICES	$	33,754,606
93.767	CHILDREN'S HEALTH INSURANCE PROGRAM	HUMAN SERVICES	$	52,007,346
		Major Program Total:	**$**	**9,391,828,214**

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, 2009

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	MMB NON-OPERATING	$ 3,526,490
		Schools and Roads Cluster Total:	**$ 3,526,490**
Emergency Food Assistance Cluster			
10.568	ARRA-EMERGENCY FOOD ASSISTANCE (ADMINISTRATIVE COSTS)	HUMAN SERVICES	343,474
10.568	EMERGENCY FOOD ASSISTANCE (ADMINISTRATIVE COSTS)	HUMAN SERVICES	1,216,382
		Emergency Food Assistance Cluster Total:	**$ 1,559,856**
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	AGRICULTURE	706,799
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	ANIMAL HEALTH BOARD	1,088,393
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	NATURAL RESOURCES	101,525
		Program 10.025 Total:	**$ 1,896,717**
10.028	WILDLIFE SERVICES	NATURAL RESOURCES	136,186
10.069	CONSERVATION RESERVE PROGRAM	NATURAL RESOURCES	46,095
10.156	FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM	AGRICULTURE	247
10.162	INSPECTION GRADING AND STANDARDIZATION	AGRICULTURE	245,813
10.163	MARKET PROTECTION AND PROMOTION	AGRICULTURE	750,672
10.169	SPECIALTY CROP BLOCK GRANT PROGRAM	AGRICULTURE	161,585
10.170	SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	AGRICULTURE	89,088
10.200	GRANTS FOR AG. RESEARCH, SPECIAL RESEARCH GRANTS	AGRICULTURE	34,738
10.456	PARTNERSHIP AGREEMENTS TO DEV NON-INS RISK MGMT TOOLS	AGRICULTURE	51,392
10.475	COOP AGMNTS WITH STATES FOR INTRASTATE MEAT AND POULTRY	AGRICULTURE	1,036,604
10.479	FOOD SAFETY COOPERATIVE AGREEMENTS	AGRICULTURE	637,669
10.550	FOOD DONATION	EDUCATION	19,019,163
10.560	STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	EDUCATION	3,078,703

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, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE (Continued)			
10.565	COMMODITY SUPPLEMENTAL FOOD PROGRAM	HEALTH	$ 909,266
10.572	WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	AGRICULTURE	246,847
10.576	SENIOR FARMERS MARKET NUTRITION PROGRAM	AGRICULTURE	122,348
10.580	SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM, OUTREACH	HUMAN SERVICES	85,352
10.582	FRESH FRUIT AND VEGETABLE PROGRAM	EDUCATION	172,589
10.652	FORESTRY RESEARCH	NATURAL RESOURCES	6,230
10.652	FORESTRY RESEARCH	STATE COLLEGES & UNIVERSITIES	34,694
		Program 10.652 Total:	**$ 40,924**
10.664	COOPERATIVE FORESTRY ASSISTANCE	AGRICULTURE	541,136
10.664	COOPERATIVE FORESTRY ASSISTANCE	NATURAL RESOURCES	2,080,706
		Program 10.664 Total:	**$ 2,621,842**
10.668	ADDITIONAL LANDS-GRANTS	MMB NON-OPERATING	2,101,553
10.675	URBAN AND COMMUNITY FORESTRY PROGRAM	NATURAL RESOURCES	185,925
10.676	FOREST LEGACY PROGRAM	NATURAL RESOURCES	30,190
10.677	FOREST LAND ENHANCEMENT PROGRAM	NATURAL RESOURCES	92,161
10.678	FOREST STEWARDSHIP PROGRAM	NATURAL RESOURCES	297,666
10.680	FOREST HEALTH PROTECTION	AGRICULTURE	136,354
10.680	FOREST HEALTH PROTECTION	NATURAL RESOURCES	99,629
		Program 10.680 Total:	**$ 235,983**
10.861	PUBLIC TELEVISION STATION DIGITAL TRANSITION GRANT PROGRAM	STATE COLLEGES & UNIVERSITIES	17,766
10.902	SOIL AND WATER CONSERVATION	AGRICULTURE	81,419
10.902	SOIL AND WATER CONSERVATION	WATER & SOIL RESOURCES	4,536,551
		Program 10.902 Total:	**$ 4,617,970**
10.912	ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	AGRICULTURE	93,122
10.950	AGRICULTURAL STATISTICS REPORTS	AGRICULTURE	14,982

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, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF COMMERCE			
11.400	GEODETIC SURVEYS AND SERVICES	TRANSPORTATION	$ 80,000
11.407	INTERJURISDICTIONAL FISHERIES ACT OF 1986	NATURAL RESOURCES	11,831
11.413	FISHERY PRODUCTS INSPECTION AND CERTIFICATION	AGRICULTURE	19,849
11.419	COASTAL ZONE MANAGEMENT ADMINISTRATION AWARDS	NATURAL RESOURCES	1,064,566
11.555	PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT	PUBLIC SAFETY	1,689,920
U.S. DEPARTMENT OF DEFENSE			
12.104	FLOOD PLAIN MANAGEMENT SERVICES	MMB NON-OPERATING	7,461
12.113	REIMBURSEMENT OF TECHNICAL SERVICES	POLLUTION CONTROL AGENCY	220,680
12.300	BASIC AND APPLIED SCIENTIFIC RESEARCH	STATE COLLEGES & UNIVERSITIES	6,168
12.404	NATIONAL GUARD CIVILIAN YOUTH OPPORTUNITIES	MILITARY AFFAIRS	701,700
12.630	BASIC, APPLIED, AND ADV RES IN SCIENCE AND ENGINEERING	STATE COLLEGES & UNIVERSITIES	88,835
12.800	AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	STATE COLLEGES & UNIVERSITIES	4,167
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
CDBG - State-Administered Small Cities Program Cluster			
14.228	CDBG/STATE'S PROGRAM AND NON-ENTITLEMT GRANTS	EMPLOYMENT & ECONOMIC	23,396,863
		CDBG - State-Administered Small Cities Program Cluster	**$ 23,396,863**
14.231	EMERGENCY SHELTER GRANTS PROGRAM	HUMAN SERVICES	1,292,253
14.900	LEAD-BASED PAINT HAZARD CNTRL IN PRIVATELY-OWNED HOUSING	HEALTH	385,932
U.S. DEPARTMENT OF THE INTERIOR			
Fish and Wildlife Cluster			
15.605	SPORT FISH RESTORATION PROGRAM	NATURAL RESOURCES	14,525,633

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, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF THE INTERIOR (Continued)			
15.611	WILDLIFE RESTORATION	NATURAL RESOURCES	$ 10,605,162
15.611	WILDLIFE RESTORATION	STATE COLLEGES & UNIVERSITIES	2,225
		Fish and Wildlife Cluster Total:	**$ 25,133,020**
15.608	FISH AND WILDLIFE MANAGEMENT ASSISTANCE	NATURAL RESOURCES	17,818
15.608	FISH AND WILDLIFE MANAGEMENT ASSISTANCE	STATE COLLEGES & UNIVERSITIES	3,480
		Program 15.608 Total:	**$ 21,298**
15.615	COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	NATURAL RESOURCES	74,275
15.623	NORTH AMERICAN WETLANDS CONSERVATION FUND	NATURAL RESOURCES	619,312
15.626	FIREARM AND BOW HUNTER EDUCATION AND SAFETY PROGRAM	NATURAL RESOURCES	368,892
15.633	LANDOWNER INCENTIVE	NATURAL RESOURCES	306,981
15.634	STATE WILDLIFE GRANTS	NATURAL RESOURCES	1,257,999
15.637	MIGRATORY BIRD JOINT VENTURES	NATURAL RESOURCES	34,502
15.808	US GEOLOGICAL SURVEY_RESEARCH AND DATA COLLECTION	ADMINISTRATION	76,280
15.808	US GEOLOGICAL SURVEY_RESEARCH AND DATA COLLECTION	NATURAL RESOURCES	75,000
		Program 15.808 Total:	**$ 151,280**
15.809	NATIONAL SPATIAL DATA INFRASTRUCTURE COOP AGREEMENTS	ADMINISTRATION	33,055
15.912	NATIONAL HISTORIC LANDMARK	STATE COLLEGES & UNIVERSITIES	445
15.916	OUTDOOR RECREATION_ACQUISITION, DEVELOPMT AND PLANNING	NATURAL RESOURCES	440,174
15.978	UPPER MISSISSIPPI RIVER SYSTEM LT RESOURCE MONITORING	NATURAL RESOURCES	496,190
15.978	UPPER MISSISSIPPI RIVER SYSTEM LT RESOURCE MONITORING	STATE COLLEGES & UNIVERSITIES	7,908
		Program 15.978 Total:	**$ 504,098**
15.FFA	INTERIOR OF FISH & WILDLIFE SERVICE (7)	NATURAL RESOURCES	79,461
U.S. DEPARTMENT OF JUSTICE			
16.004	LAW ENFORCEMENT ASSIST._NARCOTICS AND DANGEROUS DRUGS	PUBLIC SAFETY	131,971
16.202	PRISONER REENTRY INITIATIVE DEMO. (OFFENDER REENTRY)	CORRECTIONS	205,114

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (Continued)			
16.523	JUVENILE ACCOUNTABILITY BLOCK GRANTS	PUBLIC SAFETY	$ 576,069
16.525	GRANTS TO REDUCE VIOLENCE ON CAMPUS	STATE COLLEGES & UNIVERSITIES	107,907
16.540	JUVENILE JUSTICE AND DELINQUENCY PREVENTION	PUBLIC SAFETY	1,025,876
16.541	PART E - DEVELOPING, TESTING AND DEMO PROMISING NEW PROG	STATE COLLEGES & UNIVERSITIES	646,564
16.548	TITLE V_DELINQUENCY PREVENTION PROGRAM	PUBLIC SAFETY	45,788
16.550	STATE JUSTICE STATISTICS PROGRAM FOR STATISTICAL ANALYSIS	PUBLIC SAFETY	50,000
16.554	NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	PUBLIC SAFETY	209,318
16.560	NAT'L INSTITUTE OF JUSTICE RESEARCH, EVALUATION, AND DEV	PUBLIC SAFETY	209,191
16.575	CRIME VICTIM ASSISTANCE	PUBLIC SAFETY	6,688,010
16.576	CRIME VICTIM COMPENSATION	PUBLIC SAFETY	236,913
16.579	EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	PUBLIC SAFETY	32,750
16.580	EDWARD BYRNE MEMORIAL ST AND LOCAL LAW ENFORCEMENT	PHARMACY BOARD	8,468
16.580	EDWARD BYRNE MEMORIAL ST AND LOCAL LAW ENFORCEMENT	PUBLIC SAFETY	527,867
16.580	EDWARD BYRNE MEMORIAL ST AND LOCAL LAW ENFORCEMENT	STATE COLLEGES & UNIVERSITIES	89,654
		Program 16.580 Total:	**$ 625,989**
16.582	CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	PUBLIC SAFETY	13,122
16.585	DRUG COURT DISCRETIONARY GRANT PROGRAM	TRIAL COURTS	287,391
16.588	VIOLENCE AGAINST WOMEN FORMULA GRANTS	PUBLIC SAFETY	1,927,514
16.590	COMMUNITY-DEFINED SOLUTION TO VIOLENCE AGAINST WOMEN	PUBLIC SAFETY	231,436
16.593	RESIDENTIAL SUBSTANCE ABUSE TREATMENT STATE PRISONERS	PUBLIC SAFETY	109,013
16.595	COMMUNITY CAPACITY DEVELOPMENT OFFICE	PUBLIC SAFETY	374,785
16.606	STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	CORRECTIONS	496,912
16.607	BULLETPROOF VEST PARTNERSHIP	PUBLIC SAFETY	53,837
16.609	COMMUNITY PROSECUTION AND PROJECT SAFE NEIGHBORHOODS	PUBLIC SAFETY	396,234

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (Continued)			
16.710	PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS	PUBLIC SAFETY	$ 437,674
16.712	POLICE CORPS	PUBLIC SAFETY	105,167
16.727	ENFORCING UNDERAGE DRINKING LAWS PROGRAM	PUBLIC SAFETY	331,363
16.735	PROTECTING INMATES AND SAFEGUARDING COMMUNITIES	CORRECTIONS	160,170
16.738	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT	PUBLIC SAFETY	2,243,168
16.741	FORENSIC DNA BACKLOG REDUCTION PROGRAM	PUBLIC SAFETY	759,384
16.742	PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT	PUBLIC SAFETY	164,518
16.744	ANTI-GANG INITIATIVE	PUBLIC SAFETY	277,377
U.S. DEPARTMENT OF LABOR			
Employment Services Cluster			
17.207	ARRA-EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	EMPLOYMENT & ECONOMIC	790,744
17.207	EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	EMPLOYMENT & ECONOMIC	19,148,024
17.801	DISABLED VETERANS' OUTREACH PROGRAM (DVOP)	EMPLOYMENT & ECONOMIC	1,491,174
17.804	LOCAL VETERANS' EMPLOYMENT REPRESENTATIVE PROGRAM	EMPLOYMENT & ECONOMIC	1,198,760
		Employment Services Cluster Total:	**$ 22,628,702**
17.002	LABOR FORCE STATISTICS	EMPLOYMENT & ECONOMIC	1,615,212
17.005	COMPENSATION AND WORKING CONDITIONS	LABOR AND INDUSTRY	103,297
17.235	SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	EMPLOYMENT & ECONOMIC	2,383,423
17.235	ARRA-SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	EMPLOYMENT & ECONOMIC	65,068
		Program 17.235 Total:	**$ 2,448,491**
17.245	TRADE ADJUSTMENT ASSISTANCE	EMPLOYMENT & ECONOMIC	4,799,622
17.261	WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	EMPLOYMENT & ECONOMIC	196,556
17.261	WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	STATE COLLEGES & UNIVERSITIES	93,417
		Program 17.261 Total:	**$ 289,973**

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF LABOR (Continued)			
17.266	WORK INCENTIVE GRANTS	EMPLOYMENT & ECONOMIC	$ 343,257
17.267	INCENTIVE GRANTS - WIA SECTION 503	EMPLOYMENT & ECONOMIC	1,261
17.267	INCENTIVE GRANTS - WIA SECTION 503	STATE COLLEGES & UNIVERSITIES	725
		Program 17.267 Total:	**$ 1,986**
17.268	H-1B JOB TRAINING GRANTS	EMPLOYMENT & ECONOMIC	371,136
17.268	H-1B JOB TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	228,391
		Program 17.268 Total:	**$ 599,527**
17.269	COMMUNITY BASED JOB TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	1,385,454
17.270	REINTEGRATION OF EX-OFFENDERS	CORRECTIONS	64,858
17.271	WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	EMPLOYMENT & ECONOMIC	296,426
17.273	TEMPORARY LABOR CERTIFICATION OF FOREIGN WORKERS	EMPLOYMENT & ECONOMIC	70,730
17.502	OCCUPATIONAL SAFETY AND HEALTH_SUSAN HARWOOD TRAINING	STATE COLLEGES & UNIVERSITIES	69,065
17.503	OCCUPATIONAL SAFETY AND HEALTH_STATE PROGRAM	LABOR AND INDUSTRY	3,675,374
17.504	CONSULTATION AGREEMENTS	LABOR AND INDUSTRY	1,016,316
17.600	MINE HEALTH AND SAFETY GRANTS	STATE COLLEGES & UNIVERSITIES	246,576
U.S. DEPARTMENT OF TRANSPORTATION			
Transit Services Programs Cluster			
20.513	CAPITAL ASSISTANCE PROGRAM FOR ELDERLY PERSONS	TRANSPORTATION	1,518,563
20.516	JOB ACCESS_REVERSE COMMUTE	TRANSPORTATION	554,234
20.521	NEW FREEDOM PROGRAM	TRANSPORTATION	474,011
		Transit Services Programs Cluster Total:	**$ 2,546,808**
Highway Safety Cluster			
20.600	STATE AND COMMUNITY HIGHWAY SAFETY	PUBLIC SAFETY	9,832,849
20.601	ALCOHOL IMPAIRED DRIVING COUNTERMEASURES INCENTIVE	PUBLIC SAFETY	1,128,018
20.609	SAFETY BELT PERFORMANCE GRANTS	PUBLIC SAFETY	48,779

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION (Continued)			
20.610	STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT	PUBLIC SAFETY	$ 255,314
20.612	INCENTIVE GRANT PROGRAM TO INCREASE MOTORCYCLIST SAFETY	PUBLIC SAFETY	96,511
		Highway Safety Cluster Total:	**$ 11,361,471**
20.200	HIGHWAY RESEARCH AND DEVELOPMENT PROGRAM	TRANSPORTATION	906,078
20.218	NATIONAL MOTOR CARRIER SAFETY	PUBLIC SAFETY	4,894,989
20.231	PERFORMANCE AND REGISTRATION INFO SYSTEMS MGMT	PUBLIC SAFETY	12,458
20.232	COMMERCIAL DRIVER LICENSE STATE PROGRAMS	PUBLIC SAFETY	810,460
20.233	BORDER ENFORCEMENT GRANTS	PUBLIC SAFETY	83,704
20.320	RAIL LINE RELOCATION AND IMPROVEMENT	TRANSPORTATION	442,275
20.505	FEDERAL TRANSIT_METROPOLITAN PLANNING GRANTS	TRANSPORTATION	5,866,636
20.509	FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS	TRANSPORTATION	15,150,534
20.608	MINIMUM PENALTIES FOR REPEAT OFFENDERS	PUBLIC SAFETY	5,987,114
20.614	NHTSA DISCRETIONARY SAFETY GRANTS	HEALTH	12,899
20.614	NHTSA DISCRETIONARY SAFETY GRANTS	PUBLIC SAFETY	74,208
		Program 20.614 Total:	**$ 87,107**
20.700	PIPELINE SAFETY PROGRAM BASE GRANTS	PUBLIC SAFETY	650,423
20.703	INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING	PUBLIC SAFETY	355,302
20.720	STATE DAMAGE PREVENTION PROGRAM GRANTS	PUBLIC SAFETY	137,410
U.S. GENERAL SERVICES ADMINISTRATION			
39.011	ELECTION REFORM PAYMENTS	SECRETARY OF STATE	666,838
U.S. NATIONAL AERONAUTICS & SPACE ADMINISTRATION			
43.001	AEROSPACE EDUCATION SERVICES PROGRAM	STATE COLLEGES & UNIVERSITIES	34,036

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
NATIONAL ENDOWMENT FOR THE ARTS			
45.024	PROMOTION OF THE ARTS_GRANTS TO ORGS AND INDIVIDUALS	STATE COLLEGES & UNIVERSITIES	$ 1,373
45.025	PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	ARTS BOARD	667,360
45.310	GRANTS TO STATES	EDUCATION	3,405,899
45.310	GRANTS TO STATES	STATE COLLEGES & UNIVERSITIES	96,265
		Program 45.310 Total:	**$ 3,502,164**
U.S. NATIONAL SCIENCE FOUNDATION			
47.041	ENGINEERING GRANTS	STATE COLLEGES & UNIVERSITIES	81,642
47.049	MATHEMATICAL AND PHYSICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	25,670
47.074	BIOLOGICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	546,568
47.075	SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES	STATE COLLEGES & UNIVERSITIES	59,738
47.076	EDUCATION AND HUMAN RESOURCES	NATURAL RESOURCES	14,094
47.076	EDUCATION AND HUMAN RESOURCES	STATE COLLEGES & UNIVERSITIES	1,632,164
		Program 47.076 Total:	**$ 1,646,258**
U.S. SMALL BUSINESS ADMINISTRATION			
59.037	SMALL BUSINESS DEVELOPMENT CENTERS	EMPLOYMENT & ECONOMIC	1,845,455
U.S. ENVIRONMENTAL PROTECTION AGENCY			
66.032	STATE INDOOR RADON GRANTS	HEALTH	298,932
66.034	SURVEYS, STUDIES, RESEARCH, INVESTIGATIONS CLEAN AIR ACT	POLLUTION CONTROL AGENCY	608,254
66.040	ARRA-STATE CLEAN DIESEL GRANT PROGRAM	POLLUTION CONTROL AGENCY	8,866
66.040	STATE CLEAN DIESEL GRANT PROGRAM	POLLUTION CONTROL AGENCY	36,632
		Program 66.040 Total:	**$ 45,498**

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY (Continued)			
66.419	WATER POLLUTION CONTROL STATE, INTERSTATE, AND TRIBAL	HEALTH	$ 45,621
66.419	WATER POLLUTION CONTROL STATE, INTERSTATE, AND TRIBAL	NATURAL RESOURCES	25,829
66.419	WATER POLLUTION CONTROL STATE, INTERSTATE, AND TRIBAL	POLLUTION CONTROL AGENCY	29,580
		Program 66.419 Total:	**$ 101,030**
66.432	STATE PUBLIC WATER SYSTEM SUPERVISION	HEALTH	2,592,563
66.436	SURVEYS, STUDIES, INVESTIGATIONS, DEMOS CLEAN AIR ACT	STATE COLLEGES & UNIVERSITIES	1,857
66.454	WATER QUALITY MANAGEMENT PLANNING	POLLUTION CONTROL AGENCY	113,043
66.460	NONPOINT SOURCE IMPLEMENTATION GRANTS	POLLUTION CONTROL AGENCY	4,670,781
66.461	REGIONAL WETLAND PROGRAM DEVELOPMENT GRANTS	POLLUTION CONTROL AGENCY	83,949
66.467	WASTEWATER OPERATOR TRAINING GRANT PROGRAM	POLLUTION CONTROL AGENCY	16,881
66.468	CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING	AGRICULTURE	5,347
66.468	CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING	HEALTH	2,241,447
		Program 66.468 Total:	**$ 2,246,794**
66.469	GREAT LAKES PROGRAM	HEALTH	19,437
66.469	GREAT LAKES PROGRAM	POLLUTION CONTROL AGENCY	313,836
66.469	GREAT LAKES PROGRAM	STATE COLLEGES & UNIVERSITIES	7,644
		Program 66.469 Total:	**$ 340,917**
66.471	STATE GRANTS TO REIMBURSE OPERATORS OF SMALL WATER SYST	HEALTH	75,469
66.472	BEACH MONITORING AND NOTIFICATION PROGRAM GRANTS	POLLUTION CONTROL AGENCY	252,282
66.474	WATER PROTECTION GRANTS TO THE STATES	HEALTH	290,749
66.479	WETLAND PROGRAM GRANTS - STATE/TRIBAL PROGRAM	NATURAL RESOURCES	503,435
66.479	WETLAND PROGRAM GRANTS - STATE/TRIBAL PROGRAM	POLLUTION CONTROL AGENCY	139,165
		Program 66.479 Total:	**$ 642,600**
66.509	SCIENCE TO ACHIEVE RESULTS (STAR) RESEARCH PROGRAM	HEALTH	89,327
66.509	SCIENCE TO ACHIEVE RESULTS (STAR) RESEARCH PROGRAM	STATE COLLEGES & UNIVERSITIES	119,840
		Program 66.509 Total:	**$ 209,167**
66.511	OFFICE OF RESEARCH AND DEVELOPMENT CONSOLIDATED	NATURAL RESOURCES	16,222

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
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YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY (Continued)			
66.516	P3 AWARD: NATIONAL STUDENT DESIGN COMPETITION	STATE COLLEGES & UNIVERSITIES	$ 19,590
66.605	PERFORMANCE PARTNERSHIP GRANTS	AGRICULTURE	901,139
66.605	PERFORMANCE PARTNERSHIP GRANTS	POLLUTION CONTROL AGENCY	9,444,397
		Program 66.605 Total:	**$ 10,345,536**
66.608	ENVIRONMENTAL INFORMATION EXCHANGE NETWORK GRANT	ADMINISTRATION	43,855
66.611	ENVIRONMENTAL POLICY AND INNOVATION GRANTS	POLLUTION CONTROL AGENCY	4,158
66.700	CONSOLIDATED PESTICIDE ENFORCEMENT COOP AGREEMENTS	AGRICULTURE	44,442
66.700	CONSOLIDATED PESTICIDE ENFORCEMENT COOP AGREEMENTS	NATURAL RESOURCES	25,768
		Program 66.700 Total:	**$ 70,210**
66.707	TSCA TITLE IV STATE LEAD GRANTS CERTIFICATION	HEALTH	270,316
66.709	MULTI-MEDIA CAPACITY BUILDING GRANTS FOR STATES	POLLUTION CONTROL AGENCY	29,179
66.802	SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE	POLLUTION CONTROL AGENCY	534,654
66.804	UNDERGROUND STORAGE TANK PREVENTION, DETECTION	POLLUTION CONTROL AGENCY	497,637
66.805	LEAKING UNDERGROUND STORAGE TANK TRUST FUND	POLLUTION CONTROL AGENCY	1,228,538
66.809	SUPERFUND STATE AND INDIAN TRIBE CORE PROGRAM	POLLUTION CONTROL AGENCY	247,041
66.817	STATE AND TRIBAL RESPONSE PROGRAM GRANTS	POLLUTION CONTROL AGENCY	731,376
66.818	BROWNFIELDS ASSESSMENT AND CLEANUP COOP AGREEMENTS	EMPLOYMENT & ECONOMIC	18,721
U.S. DEPARTMENT OF ENERGY			
81.041	STATE ENERGY PROGRAM	COMMERCE	821,259
81.042	WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	COMMERCE	10,593,508
81.042	ARRA-WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	COMMERCE	1,635,024
		Program 81.042 Total:	**$ 12,228,532**
81.049	OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	STATE COLLEGES & UNIVERSITIES	8,226
81.087	RENEWABLE ENERGY RESEARCH AND DEVELOPMENT	STATE COLLEGES & UNIVERSITIES	13,312
81.117	ENERGY EFFICIENCY AND RENEWABLE ENERGY	COMMERCE	3,166

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STATE OF MINNESOTA
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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF ENERGY (Continued)			
81.119	STATE ENERGY PROGRAM SPECIAL PROJECTS	COMMERCE	$ 195,708
81.502	MISCELLANEOUS FEDERAL GRANTS	STATE COLLEGES & UNIVERSITIES	113,950
U.S. DEPARTMENT OF EDUCATION			
TRIO Cluster			
84.042	TRIO_STUDENT SUPPORT SERVICES	STATE COLLEGES & UNIVERSITIES	6,115,967
84.044	TRIO_TALENT SEARCH	STATE COLLEGES & UNIVERSITIES	1,365,882
84.047	TRIO_UPWARD BOUND	STATE COLLEGES & UNIVERSITIES	6,439,549
84.066	TRIO_EDUCATIONAL OPPORTUNITY CENTERS	STATE COLLEGES & UNIVERSITIES	713,489
84.217	TRIO_MCNAIR POST-BACCALAUREATE ACHIEVEMENT	STATE COLLEGES & UNIVERSITIES	203,899
		TRIO Cluster Total:	**$ 14,838,786**
Early Intervention Services Cluster			
84.181	SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	EDUCATION	6,880,344
84.181	SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	HEALTH	303,907
		Early Intervention Services Cluster Total:	**$ 7,184,251**
84.002	ADULT EDUCATION - BASIC GRANTS TO STATES	EDUCATION	7,235,533
84.011	MIGRANT EDUCATION_STATE GRANT PROGRAM	EDUCATION	1,991,426
84.013	TITLE I PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	CORRECTIONS	426,684
84.013	TITLE I PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	EDUCATION	188,201
		Program 84.013 Total:	**$ 614,885**
84.031	HIGHER EDUCATION_INSTITUTIONAL AID	STATE COLLEGES & UNIVERSITIES	268,163
84.048	CAREER AND TECHNICAL EDUCATION -- BASIC GRANTS TO STATES	STATE COLLEGES & UNIVERSITIES	17,886,311
84.116	FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION	STATE COLLEGES & UNIVERSITIES	937,226
84.129	REHABILITATION LONG-TERM TRAINING	STATE COLLEGES & UNIVERSITIES	57,126
84.132	CENTERS FOR INDEPENDENT LIVING	EMPLOYMENT & ECONOMIC	1,090,456

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STATE OF MINNESOTA
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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
84.144	MIGRANT EDUCATION_COORDINATION PROGRAM	EDUCATION	$ 41,457
84.169	INDEPENDENT LIVING_STATE GRANTS	EMPLOYMENT & ECONOMIC	2,292,574
84.177	REHABILITATION SERVICES_IND LIVING SVS FOR OLDER INDIVIDUAL	EMPLOYMENT & ECONOMIC	525,637
84.184	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES	EDUCATION	76,640
84.184	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES	STATE COLLEGES & UNIVERSITIES	37,250
		Program 84.184 Total:	**$ 113,890**
84.185	BYRD HONORS SCHOLARSHIPS	EDUCATION	633,505
84.186	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES	EDUCATION	4,145,677
84.187	SUPPORTED EMPLOYMENT SERVICES	EMPLOYMENT & ECONOMIC	435,913
84.195	BILINGUAL EDUCATION TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	272,783
84.196	EDUCATION FOR HOMELESS CHILDREN AND YOUTH	EDUCATION	709,978
84.213	EVEN START_STATE EDUCATIONAL AGENCIES	EDUCATION	649,247
84.224	ASSISTIVE TECHNOLOGY	ADMINISTRATION	494,996
84.235	REHABILITATION SERVICES DEMONSTRATION AND TRAINING	EMPLOYMENT & ECONOMIC	128,223
84.243	TECH-PREP EDUCATION	STATE COLLEGES & UNIVERSITIES	310,294
84.255	LITERACY PROGRAMS FOR PRISON	CORRECTIONS	76,571
84.265	REHABILITATION TRAINING-STATE VOC REHAB	EMPLOYMENT & ECONOMIC	104,606
84.282	CHARTER SCHOOLS	EDUCATION	10,940,544
84.283	COMPREHENSIVE CENTERS	STATE COLLEGES & UNIVERSITIES	76,573
84.287	TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	EDUCATION	10,527,631
84.293	FOREIGN LANGUAGE ASSISTANCE	EDUCATION	139,774
84.298	STATE GRANTS FOR INNOVATIVE PROGRAMS	EDUCATION	847,078
84.318	EDUCATION TECHNOLOGY STATE GRANTS	EDUCATION	1,587,492
84.323	SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT	EDUCATION	944,151

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, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
84.324	RESEARCH IN SPECIAL EDUCATION	STATE COLLEGES & UNIVERSITIES	$ 795,422
84.326	SPEC EDUC_TECH ASST AND DISSEMINATION TO IMPROVE SERVICE	EDUCATION	200,522
84.331	GRANTS TO STATES FOR WORKPLACE AND COMM TRANSITION	CORRECTIONS	159,031
84.335	CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	STATE COLLEGES & UNIVERSITIES	134,634
84.336	TEACHER QUALITY PARTNERSHIP GRANTS	STATE COLLEGES & UNIVERSITIES	877,184
84.350	TRANSITION TO TEACHING	STATE COLLEGES & UNIVERSITIES	32,000
84.351	ARTS IN EDUCATION	CENTER FOR ARTS EDUCATION	83,886
84.357	READING FIRST STATE GRANTS	EDUCATION	6,199,535
84.358	RURAL EDUCATION	EDUCATION	33,853
84.360	SCHOOL DROPOUT PREVENTION PROGRAM	EDUCATION	488,176
84.361	VOLUNTARY PUBLIC SCHOOL CHOICE	EDUCATION	2,303,324
84.365	ENGLISH LANGUAGE ACQUISITION GRANTS	EDUCATION	7,936,881
84.366	MATHEMATICS AND SCIENCE PARTNERSHIPS	EDUCATION	1,931,508
84.368	GRANTS FOR ENHANCED ASSESSMENT INSTRUMENTS	EDUCATION	1,155,175
84.369	GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	EDUCATION	5,295,092
84.372	STATEWIDE DATA SYSTEMS	EDUCATION	1,155,056
84.373	SPECIAL EDUCATION_TECHNICAL ASSIST ON DATA COLLECTION	EDUCATION	221,050
84.377	SCHOOL IMPROVEMENT GRANTS	EDUCATION	941,536
84.398	ARRA-INDEPENDENT LIVING STATE GRANTS	EMPLOYMENT & ECONOMIC	6,490
84.399	INDEPENDENT LIVING SERVICES FOR OLDER IND WHO ARE BLIND	EMPLOYMENT & ECONOMIC	4,842

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, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. ELECTION ASSISTANCE COMMISSION			
90.400	HELP AMERICA VOTE COLLEGE PROGRAM	SECRETARY OF STATE	$ 1,913,454
90.400	HELP AMERICA VOTE COLLEGE PROGRAM	STATE COLLEGES & UNIVERSITIES	29,424
		Program 90.400 Total:	**$ 1,942,878**
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Head Start Cluster			
93.600	HEAD START	EDUCATION	119,564
		Head Start Cluster Total:	**$ 119,564**
Community Services Block Grant (CSBG) Cluster			
93.569	COMMUNITY SERVICES BLOCK GRANT	HUMAN SERVICES	8,198,488
		Community Services Block Grant (CSBG) Cluster Total:	**$ 8,198,488**
Aging Cluster			
93.044	SPEC PROG FOR THE AGING_TITLE III, PART B_GRANTS	HUMAN SERVICES	7,700,590
93.045	SPEC PROG FOR THE AGING_TITLE III, PART C_NUTRITION SERVICES	HUMAN SERVICES	7,449,132
93.053	NUTRITION SERVICES INCENTIVE PROGRAM	HUMAN SERVICES	2,081,728
		Aging Cluster Total:	**$ 17,231,450**
93.006	STATE AND TERRITORIAL AND TECHNICAL ASSISTANCE	HEALTH	7,370
93.041	SPEC PROG FOR THE AGING_TITLE VII, CHAP 3	HUMAN SERVICES	51,897
93.042	SPEC PROG FOR THE AGING_TITLE VII, CHAP 2_LONG TERM CARE	HUMAN SERVICES	267,729
93.043	SPEC PROG FOR THE AGING_TITLE III, PART D	HUMAN SERVICES	320,517
93.048	SPEC PROG FOR THE AGING_TITLE IV_AND TITLE II	HUMAN SERVICES	996,024
93.051	ALZHEIMER'S DISEASE DEMONSTRATION GRANTS TO STATES	HUMAN SERVICES	462,883
93.052	NATIONAL FAMILY CAREGIVER SUPPORT, TITLE III, PART E	HUMAN SERVICES	2,142,949
93.069	PUBLIC HEALTH EMERGENCY PREPAREDNESS	HEALTH	15,008,078

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, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.103	FOOD AND DRUG ADMINISTRATION_RESEARCH	AGRICULTURE	$ 627,592
93.110	MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAM	HEALTH	201,095
93.116	PROJECT GRANTS AND COOP AGREEMENTS FOR TUBERCULOSIS	HEALTH	1,011,053
93.127	EMERGENCY MEDICAL SERVICES FOR CHILDREN	EMERGENCY MEDICAL SERVICES	153,655
93.130	COOPERATIVE AGREEMENTS TO STATES/TERRITORIES	HEALTH	191,765
93.136	INJURY PREVENTION AND CONTROL RESEARCH	HEALTH	327,433
93.150	PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS	HUMAN SERVICES	658,999
93.161	HEALTH PROGRAM FOR TOXIC SUBSTANCES AND DISEASE	HEALTH	460,837
93.165	GRANTS TO STATES FOR LOAN REPAYMENT PROGRAM	HEALTH	98,650
93.185	IMMUNIZATION RESEARCH, DEMOS, PUB INFO AND EDUC	HEALTH	99,826
93.197	CHILDHOOD LEAD POISONING PREVENTION	HEALTH	591,459
93.204	SURVEILLANCE OF HAZARDOUS SUBSTANCE EVENTS	HEALTH	94,834
93.234	TRAUMATIC BRAIN INJURY STATE DEMO GRANT	HUMAN SERVICES	92,096
93.236	GRANTS FOR DENTAL PUBLIC HEALTH RESIDENCY TRAINING	HEALTH	27,304
93.241	STATE RURAL HOSPITAL FLEXIBILITY PROGRAM	HEALTH	2,144,717
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	HUMAN SERVICES	765,672
93.251	UNIVERSAL NEWBORN HEARING SCREENING	HEALTH	144,007
93.273	ALCOHOL RESEARCH PROGRAMS	STATE COLLEGES & UNIVERSITIES	112,002
93.283	CENTERS FOR DISEASE CONTROL AND PREVENTION_ASSISTANCE	HEALTH	13,995,010
93.286	DISCOVERY AND APPLIED RESEARCH FOR INNOVATIONS	STATE COLLEGES & UNIVERSITIES	77,396
93.301	SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	HEALTH	716,800
93.358	ADVANCED EDUCATION NURSING TRAINEESHIPS	STATE COLLEGES & UNIVERSITIES	71,873
93.380	SEXUAL VIOLENCE PREVENTION AND EDUCATION PROGRAM	HEALTH	684,091

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, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.393	CANCER CAUSE AND PREVENTION RESEARCH	HEALTH	$ 29,486
93.395	CANCER TREATMENT RESEARCH	HEALTH	260,877
93.395	CANCER TREATMENT RESEARCH	STATE COLLEGES & UNIVERSITIES	198,074
		Program 93.395 Total:	**$ 458,951**
93.399	CANCER CONTROL	HEALTH	54,785
93.448	FOOD SAFETY AND SECURITY MONITORING PROJECT	AGRICULTURE	348,812
93.449	RUMINANT FEED BAN SUPPORT PROJECT	AGRICULTURE	234,635
93.550	TRANSITIONAL LIVING FOR HOMELESS YOUTH	HUMAN SERVICES	78,647
93.556	PROMOTING SAFE AND STABLE FAMILIES	HUMAN SERVICES	2,335,521
93.564	CHILD SUPPORT ENFORCEMENT RESEARCH	HUMAN SERVICES	6,608
93.566	REFUGEE AND ENTRANT ASSISTANCE_STATE PROGRAMS	HUMAN SERVICES	9,327,383
93.576	REFUGEE AND ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	HEALTH	223,508
93.576	REFUGEE AND ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	HUMAN SERVICES	1,218,961
		Program 93.576 Total:	**$ 1,442,469**
93.584	REFUGEE AND ENTRANT ASSISTANCE_TARGETED ASSISTANCE	HUMAN SERVICES	2,580,273
93.586	STATE COURT IMPROVEMENT PROGRAM	SUPREME COURT	842,319
93.590	COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	HUMAN SERVICES	2,361,773
93.597	GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	HUMAN SERVICES	126,122
93.599	CHAFEE EDUCATION AND TRAINING VOUCHERS	HUMAN SERVICES	716,841
93.617	VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES	SECRETARY OF STATE	78,677
93.630	DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY	ADMINISTRATION	1,066,560
93.631	DEVELOPMENTAL DISABILITIES PROJECTS OF NAT'L SIGNIFICANCE	ADMINISTRATION	267,940
93.643	CHILDREN'S JUSTICE GRANTS TO STATES	HUMAN SERVICES	333,958
93.645	CHILD WELFARE SERVICES_STATE GRANTS	HUMAN SERVICES	4,190,635

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, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.648	CHILD WELFARE RESEARCH TRAINING OR DEMONSTRATION	STATE COLLEGES & UNIVERSITIES	$ 88,516
93.652	ADOPTION OPPORTUNITIES	HUMAN SERVICES	78,113
93.659	ARRA-ADOPTION ASSISTANCE	HUMAN SERVICES	1,492,457
93.659	ADOPTION ASSISTANCE	HUMAN SERVICES	23,912,663
		Program 93.659 Total:	**$ 25,405,120**
93.669	CHILD ABUSE AND NEGLECT STATE GRANTS	HUMAN SERVICES	417,160
93.670	CHILD ABUSE AND NEGLECT DISCRETIONARY ACTIVITIES	HEALTH	49,541
93.671	FAMILY VIOLENCE PREVENTION AND SERVICES	PUBLIC SAFETY	1,481,595
93.674	CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	HUMAN SERVICES	1,728,432
93.768	MEDICAID INFRASTRUCTURE GRANTS	HUMAN SERVICES	3,092,965
93.769	DEMONSTRATION TO MAINTAIN INDEPENDENCE AND EMPLOYMENT	HUMAN SERVICES	10,749,247
93.779	CENTERS FOR MEDICARE AND MEDICAID SERV (CMS) RESEARCH	HUMAN SERVICES	1,120,850
93.793	MEDICAID TRANSFORMATION GRANTS	HUMAN SERVICES	1,596,807
93.856	MICROBIOLOGY AND INFECTIOUS DISEASES RESEARCH	STATE COLLEGES & UNIVERSITIES	11,756
93.859	BIOMEDICAL RESEARCH AND RESEARCH TRAINING	STATE COLLEGES & UNIVERSITIES	36,289
93.865	CHILD HEALTH AND HUMAN DEVELOPMENT RESEARCH	STATE COLLEGES & UNIVERSITIES	102,835
93.888	SPECIALLY SELECTED HEALTH PROJECTS	STATE COLLEGES & UNIVERSITIES	236,320
93.889	NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	EMERGENCY MEDICAL SERVICES	40,000
93.889	NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	HEALTH	7,174,915
		Program 93.889 Total:	**$ 7,214,915**
93.913	GRANTS TO STATES FOR OPERATION OF OFFICES RURAL HEALTH	HEALTH	147,700
93.917	HIV CARE FORMULA GRANTS	HUMAN SERVICES	7,664,395
93.919	BREAST AND CERVICAL CANCER EARLY DETECTION	HEALTH	4,668,006
93.938	COOPERATIVE AGREEMENTS TO PREVENT HIV SPREAD	EDUCATION	701,841

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, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.940	HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	HEALTH	$ 2,954,116
93.944	HIV/AIDS SURVEILLANCE	HEALTH	483,446
93.945	ASSISTANCE PROGRAMS FOR CHRONIC DISEASE PREVENTION	HEALTH	60,690
93.946	COOP AGREEMTS TO SUPPORT SAFE MOTHERHOOD	HEALTH	144,739
93.958	BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	HUMAN SERVICES	7,649,202
93.959	BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE	HUMAN SERVICES	23,736,281
93.969	GERIATRIC EDUCATION CENTERS	STATE COLLEGES & UNIVERSITIES	37,861
93.977	PREVENTIVE HLTH SERVICES_SEXUALLY TRANSMITTED DISEASES	HEALTH	1,228,849
93.982	MENTAL HEALTH DISASTER ASSISTANCE AND EMERGENCY MENTAL	HUMAN SERVICES	231,244
93.988	COOP AGREEMTS FOR STATE-BASED DIABETES CONTROL	HEALTH	898,556
93.989	INTERNATIONAL RESEARCH AND RESEARCH TRAINING	STATE COLLEGES & UNIVERSITIES	10,702
93.991	PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	HEALTH	2,384,262
93.991	PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	PUBLIC SAFETY	131,193
		Program 93.991 Total:	**$ 2,515,455**
93.994	MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT	HEALTH	9,119,718
U.S. CORPORATION FOR NATIONAL & COMMUNITY SERVICE			
94.004	LEARN AND SERVE AMERICA_SCHOOL AND COMMUNITY BASED	EDUCATION	274,266
94.006	AMERICORPS	STATE COLLEGES & UNIVERSITIES	203,120
94.007	PROGRAM DEVELOPMENT AND INNOVATION GRANTS	STATE COLLEGES & UNIVERSITIES	567
U.S. SOCIAL SECURITY ADMINISTRATION			
Disability Insurance/SSI Cluster			
96.001	SOCIAL SECURITY_DISABILITY INSURANCE	EMPLOYMENT & ECONOMIC	22,954,750
		Disability Insurance/SSI Cluster Total:	**$ 22,954,750**

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, 2009

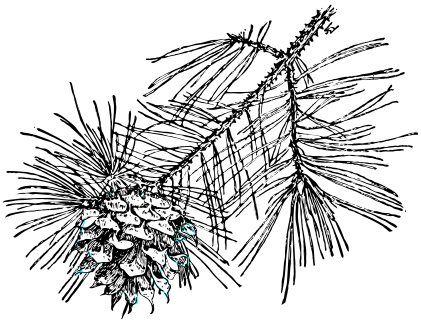
CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Homeland Security Cluster			
97.067	HOMELAND SECURITY GRANT PROGRAM	PUBLIC SAFETY	$ 13,809,160
		Homeland Security Cluster Total:	**$ 13,809,160**
97.001	PILOT DEMO-INTEROPERABLE EMERGENCY COMMUNICATIONS	PUBLIC SAFETY	1,869
97.008	URBAN AREAS SECURITY INITIATIVE	PUBLIC SAFETY	6,125
97.012	BOATING SAFETY FINANCIAL ASSISTANCE	NATURAL RESOURCES	3,468,410
97.017	PRE-DISASTER MITIGATION COMPETITIVE	PUBLIC SAFETY	63,003
97.020	HAZARDOUS MATERIALS TRAINING PROGRAM	STATE COLLEGES & UNIVERSITIES	420
97.021	HAZARDOUS MATERIALS ASSISTANCE PROGRAM	STATE COLLEGES & UNIVERSITIES	16,160
97.023	COMMUNITY ASSISTANCE	NATURAL RESOURCES	181,638
97.029	FLOOD MITIGATION ASSISTANCE	PUBLIC SAFETY	4,550
97.034	DISASTER UNEMPLOYMENT ASSISTANCE	EMPLOYMENT & ECONOMIC	196,840
97.036	DISASTER GRANTS - PUBLIC ASSISTANCE	PUBLIC SAFETY	16,974,691
97.039	HAZARD MITIGATION GRANT	PUBLIC SAFETY	2,123,618
97.041	NATIONAL DAM SAFETY PROGRAM	NATURAL RESOURCES	22,745
97.042	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	PUBLIC SAFETY	4,572,726
97.043	STATE FIRE TRAINING SYSTEMS GRANTS	STATE COLLEGES & UNIVERSITIES	18,402
97.045	COOPERATING TECHNICAL PARTNERS	NATURAL RESOURCES	55,396
97.047	PRE-DISASTER MITIGATION	PUBLIC SAFETY	21,469
97.056	PORT SECURITY GRANT PROGRAM	PUBLIC SAFETY	64,350
97.070	MAP MODERNIZATION MANAGEMENT SUPPORT	NATURAL RESOURCES	104,538
97.075	RAIL AND TRANSIT SECURITY GRANT PROGRAM	PUBLIC SAFETY	458,006

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, 2009

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY (Continued)			
97.078	BUFFER ZONE PROTECTION PROGRAM (BZPP)	PUBLIC SAFETY	$ 868,731
97.091	HOMELAND SECURITY BIOWATCH PROGRAM	POLLUTION CONTROL AGENCY	165,569
		Non Major Program Total:	**$ 656,702,458**

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



Notes to the Schedule of Expenditures of Federal Awards

These notes provide disclosures relevant to the Schedule of Expenditures of Federal Awards presented on the preceding pages.

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

The reporting policies for fiscal year 2009 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, 2009. 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 OMB Circular A-133 to determine which federal programs are major programs. Programs expending $30.1 million or more in federal awards are Type A programs and are considered major programs. Type B programs are programs expending less than $30.1 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 2009 basic edition catalog identifies federal programs. The schedules are presented in numeric CFDA order within each federal agency.

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

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 institutions:

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 (Unemployment Insurance and State Colleges and Universities 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

Below is a summary of the loan activity for the Perkins Loans (CFDA 84.038) and Nursing Student Loans (NSL) (CFDA 93.364) programs during fiscal year 2009. These programs are administered by Minnesota State Colleges and Universities (MnSCU).

	Perkins	NSL
Loans Receivable, Beginning	$ 34,821,964	$ 14,311
Loan Repayments	(3,430,833)	(3,803)
Loan Cancellations	(596,778)	–
New Loans Issued	3,647,226	–
Loans Receivable, Ending	$ 34,441,579	$ 10,508

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 2009.

Federal Family Education Loans Issued:		
Federal Subsidized Stafford	$	223,511,305
Federal Unsubsidized Stafford		253,827,913
Federal Parent Loans for Undergraduate Students		7,615,217
Total Federal Family Education Loans	$	484,954,435
Federal Direct Student Loans	$	74,151,286

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 2009, the state of Minnesota recognized a total rebate of $30,339,936 on sales of formula to participants in the WIC program.

The Medical Assistance Program (CFDA 93.778), administered through the Minnesota Department of Human Services, receives cash rebates from drug labelers on sales of drugs to participants in the Medical Assistance Program. During fiscal year 2009, the federal share of the rebate was $68,475,118.

Note 5 – Unemployment Insurance Program

For fiscal year 2009, expenditures for the Unemployment Insurance Program (CFDA 17.225) include federal and state unemployment insurance expenditures as well as federal administrative expenditures. As shown in the following table, some of these expenditures were funded by American Recovery and Reinvestment Act (ARRA) funds:

	Non-ARRA Funds	ARRA Funds	Total
State Unemployment Expenditures	$1,306,924,674	$47,555,700	$1,354,480,374
Federal Unemployment Expenditures	367,066,640	143,514,636	510,581,276
Federal Administrative Expenditures	46,981,068	243,754	47,224,822
Total Expenditures	$1,720,972,382	$191,314,090	$1,912,286,472

The Unemployment Insurance Program serves workers who are unemployed through no fault of their own and are seeking reemployment. To receive benefits, claimants must be able to work, available for work, and actively seeking work. For audits and reporting under OMB Circular A-133, the U.S. Department of Labor requires that both federal and state unemployment insurance funds be considered federal awards for determining Type A (major) federal programs and for reporting expenditures of federal awards.

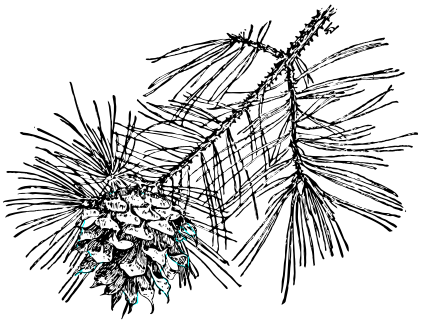
Note 6 – Water Quality Capitalization Grants

Water quality capitalization grants (CFDA 66.458) are used by states to create revolving funds to provide financing for construction of wastewater treatment facilities and implementation of other water quality management activities. Loans are administered from these funds by the State departments of Employment and Economic Development, Agriculture, and Pollution Control. The state's loan programs are Tourism Septic Loan (TLP), Small Cities (SCDP), Agriculture Best Management Practices (AG BMP) and Clean Water Partnership (CWP). A summary of the loan activity for fiscal year 2009 is shown below.

	TLP	SCDP	AG BMP	CWP
Loans Receivable, Beginning	$ 89,724	$ 120,880	$ 44,329,133	$ 18,166,140
Loan Repayments	(20,163)	(63,016)	(3,633,273)	(2,269,445)
New Loans Issued	–	–	3,919,074	3,684,971
Interest Capitalized	–	–	–	117,680
Loan Adjustments	–	–	–	–
Loans Receivable, Ending	$ 69,561	$ 57,864	$ 44,614,934	$ 19,699,346

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 an inexact number was assigned and the state agency was asked to work with the federal granting agency to obtain a valid CFDA number for the grant program.



Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2009

Section I:

Summary of Auditor's Results

Financial Statements

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

Schedule of Expenditures of Federal Awards

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

Federal Awards

Internal control over major programs:				
Material weakness identified?	X	Yes		No
Significant deficiencies 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

Dollar threshold used to distinguish between Type A and Type B programs:	$30.1 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, 2009

Section I: (continued)

Major Programs Audited

Federal Agency and Major Program Name	CFDA#
U. S. Department of Agriculture	
Supplemental Assistance Program (SNAP) Cluster	
Supplemental Nutrition Assistance Program (SNAP)	10.551
ARRA-Supplemental Nutrition Assistance Program (SNAP)	10.551
State Administrative Matching Grant for Supplemental Nutrition Program	10.561
ARRA-State Admin Matching Grant for Supplemental Nutrition Program	10.561
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
Special Supplemental Nutrition Program for Women, Infants and Children	10.557
Child and Adult Care Food Program	10.558
U. S. Department of Defense	
National Guard Military Operations and Maintenance	12.401
ARRA-National Guard Military Operations and Maintenance	12.401
U. S. Department of Labor	
Workforce Investment Act (WIA) Cluster	
WIA - Adult Program	17.258
ARRA-WIA - Adult Program	17.258
WIA - Youth Activities	17.259
ARRA-WIA - Youth Activities	17.259
WIA - Dislocated Workers	17.260
ARRA-WIA - Dislocated Workers	17.260
Unemployment Insurance	17.225
ARRA-Unemployment Insurance	17.225
U. S. Department of Transportation	
Highway Planning and Construction Cluster	
Highway Planning and Construction	20.205
ARRA-Highway Planning and Construction	20.205
Recreational Trails Program	20.219
Federal Transit Cluster	
Federal Transit – Capital Investment Grants	20.500
Federal Transit – Formula Grants	20.507

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
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Section I: (continued)

Major Programs Audited

Federal Agency and Major Program Name	CFDA#
U. S. Department of Transportation (continued)	
Airport Improvement	20.106
ARRA-Airport Improvement	20.106
U. S. Department of Education	
Special Education Cluster	
Special Education – Grants to States	84.027
Special Education - Preschool Grants	84.173
Student Financial Assistance Cluster	
Federal Supplemental Education Opportunity Grants	84.007
Federal Family Education Loans	84.032
Federal Work-Study Program	84.033
Federal Perkins Loan	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Academic Competitiveness Grant	84.375
National Science and Mathematics Access to Retain Talent Grant	84.376
Teacher Education Assistance Grants (TEACH)	84.379
Nursing Student Loans	93.364
Title I, Part A Cluster	
Title 1 Grants to Local Education Agencies	84.010
Vocational Rehabilitation Cluster	
Rehabilitation Services - Vocational Rehabilitation Grants	84.126
ARRA-Rehabilitation Services - Vocational Rehabilitation Grants	84.390
Improving Teacher Quality State Grants	84.367
U. S. Department of Health & Human Services	
Child Care and Development Fund (CCDF) Cluster	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds	93.596
Medicaid Cluster	
State Medicaid Fraud Control Units	93.775
State Survey and Certification of Health Care Providers	93.777
Medical Assistance Program	93.778
ARRA-Medical Assistance Program	93.778
Temporary Assistance for Needy Families (TANF) Cluster	
Temporary Assistance for Needy Families	93.558

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2009

Section I: (continued)

Major Programs Audited

Federal Agency and Major Program Name	CFDA#
U. S. Department of Health and Human Services (continued)	
Immunization Cluster	
Immunization Grants	93.268
Child Support Enforcement	93.563
ARRA-Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
Foster Care Title IV-E	93.658
ARRA-Foster Care Title IV-E	93.658
Social Services Block Grant	93.667
Children's Health Insurance Program	93.767

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2009

Section II:

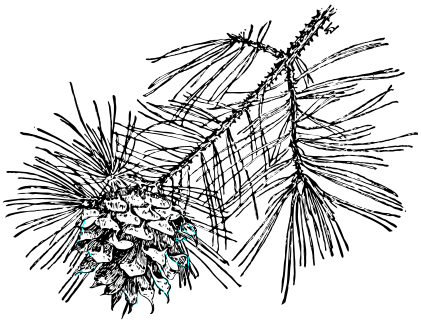
Financial Statement Audit Findings

On February 11, 2010, we separately issued our Report on Internal Control Over Statewide Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards.* (Legislative Audit Report 10-01). This report may also be accessed electronically at:
www.auditor.leg.state.mn.us/fad/pdf/fad1001.pdf

The report contains five findings related to controls over the preparation of the State of Minnesota's financial statements that are required to be reported in accordance with *Government Auditing Standards*. One of those findings related to federal awards.

Finding 2, including Appendix A, related to employees having inappropriate access to the state's business systems or having the ability to perform incompatible duties without mitigating controls. A portion of this finding, related to the Minnesota departments of Education, Human Services, and Transportation, could impact the administration of federal programs. In addition, a similar finding at the Minnesota Department of Employment and Economic Development is also presented in *Section III: Federal Program Audit Findings*, in Finding 10-10-6.

On November 6, 2009, an external public accounting firm for the Minnesota State Colleges and Universities, a part of the primary government of the State of Minnesota, separately issued a Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the Minnesota State Colleges and Universities' financial statements. Their report contained two findings, neither of which directly related to federal awards. Their report may be accessed electronically at:
www.finance.mnscu.edu/accounting/financialstatements/yearendstatements/docs/2009systemwide.pdf



Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2009

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Report 10-12	Minnesota Management and Budget	130
Report KDV-09	Minnesota State Colleges and Universities	140
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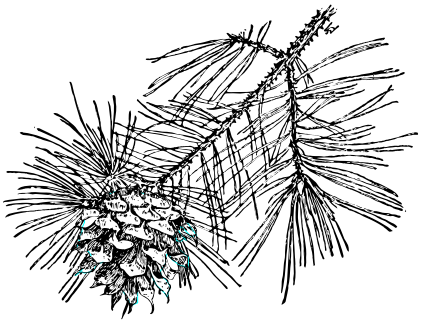

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SECTION III
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2009

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Agriculture								
10.551	Supplemental Nutrition Assistance Program	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
10.551	ARRA-Supplemental Nutrition Assistance Program	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
10.551	Supplemental Nutrition Assistance Program	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
10.551	ARRA-Supplemental Nutrition Assistance Program	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
10.551	Supplemental Nutrition Assistance Program	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
10.551	ARRA-Supplemental Nutrition Assistance Program	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
10.551	Supplemental Nutrition Assistance Program	Human Services	10-11	5	S	L	Inaccurate reporting of financial activity for federal programs	P
10.551	ARRA-Supplemental Nutrition Assistance Program	Human Services	10-11	5	S	L	Inaccurate reporting of financial activity for federal programs	P
10.551	Supplemental Nutrition Assistance Program	Human Services	10-11	7	S	C	Excessive federal cash balances	P
10.551	ARRA-Supplemental Nutrition Assistance Program	Human Services	10-11	7	S	C	Excessive federal cash balances	P
10.551	Supplemental Nutrition Assistance Program	Human Services	10-11	10	S		No independent review of payroll reports	P
10.551	ARRA-Supplemental Nutrition Assistance Program	Human Services	10-11	10	S		No independent review of payroll reports	P
10.551	Supplemental Nutrition Assistance Program	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
10.551	ARRA-Supplemental Nutrition Assistance Program	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
10.551	Supplemental Nutrition Assistance Program	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
10.551	ARRA-Supplemental Nutrition Assistance Program	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
10.557	Special Program for Women, Infants and Children	Health	10-03	1	S		No documented internal control structure ensuring compliance.	P
10.557	Special Program for Women, Infants and Children	Health	10-03	2	S		Inaccurate reporting on the Schedule of Federal Expenditures	P
10.557	Special Program for Women, Infants and Children	Health	10-03	3	S	I	Inadequate monitoring of vendors for suspension and debarment	P
10.557	Special Program for Women, Infants and Children	Health	10-03	4	S	F	Noncompliance with state equipment policies and procedures	P
10.557	Special Program for Women, Infants and Children	Minnesota Management and Budget	10-12	1	S		Inaccurate reporting on the draft schedule of expenditures	P
10.557	Special Program for Women, Infants and Children	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
10.558	Child and Adult Food Care	Education	10-08	1	S		No documented internal control structure ensuring compliance	P
10.558	Child and Adult Food Care	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
10.55X	Child Nutrition Cluster	Education	10-08	1	S		No documented internal control structure ensuring compliance	P
10.55X	Child Nutrition Cluster	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
10.561	State Admin Matching Grants for Supp. Nutrition	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
10.561	ARRA-State Admin Match Grants for Supp Nutrition	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
10.561	State Admin Matching Grants for Supp. Nutrition	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
10.561	ARRA-State Admin Match Grants for Supp Nutrition	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
10.561	State Admin Matching Grants for Supp. Nutrition	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
10.561	ARRA-State Admin Match Grants for Supp Nutrition	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
10.561	State Admin Matching Grants for Supp. Nutrition	Human Services	10-11	5	S	L	Inaccurate reporting of financial activity for federal programs	P
10.561	ARRA-State Admin Match Grants for Supp Nutrition	Human Services	10-11	5	S	L	Inaccurate reporting of financial activity for federal programs	P
10.561	State Admin Matching Grants for Supp. Nutrition	Human Services	10-11	7	S	C	Excessive federal cash balances	P
10.561	ARRA-State Admin Match Grants for Supp Nutrition	Human Services	10-11	7	S	C	Excessive federal cash balances	P
10.561	State Admin Matching Grants for Supp. Nutrition	Human Services	10-11	10	S		No independent review of payroll reports	P
10.561	ARRA-State Admin Match Grants for Supp Nutrition	Human Services	10-11	10	S		No independent review of payroll reports	P
10.561	State Admin Matching Grants for Supp. Nutrition	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
10.561	ARRA-State Admin Match Grants for Supp Nutrition	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
10.561	State Admin Matching Grants for Supp. Nutrition	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
10.561	ARRA-State Admin Match Grants for Supp Nutrition	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
U.S. Department of Defense								
12.401	National Guard Military Operations and Maintenance	Military Affairs	10-09	2	S	H	Untimely grant close-out / extension request procedures	P
12.401	National Guard Military Operations and Maintenance	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
U.S. Department of Housing and Urban Development								
14.228	Community Development Block Grants-Small Cities	Employment and Economic Development	10-10	1	S		No documented internal control structure ensuring compliance	P

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
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SECTION III
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2009

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Interior								
15.605	Sport Fish Restoration	Natural Resources	10-05	1	S		Inadequate internal control structure over single audit requirements	P
15.605	Sport Fish Restoration	Natural Resources	10-05	2	S		Inaccurate amounts on the schedule of expenditures in draft schedule	P
15.605	Sport Fish Restoration	Minnesota Management and Budget	10-12	1	S		Inaccurate reporting on the draft schedule of expenditures	P
15.611	Wildlife Restoration	Natural Resources	10-05	1	S		Inadequate internal control structure over single audit requirements	P
15.611	Wildlife Restoration	Natural Resources	10-05	2	S		Inaccurate amounts on the schedule of expenditures in draft schedule	P
15.611	Wildlife Restoration	Minnesota Management and Budget	10-12	1	S		Inaccurate reporting on the draft schedule of expenditures	P
U.S. Department of Labor								
17.225	Unemployment Insurance	Employment and Economic Development	10-10	1	S		No documented internal control structure ensuring compliance	P
17.225	ARRA-Unemployment Insurance	Employment and Economic Development	10-10	1	S		No documented internal control structure ensuring compliance	P
17.225	Unemployment Insurance	Employment and Economic Development	10-10	2	S		Inaccurate reporting of expenditures on the Schedule of Expenditures of Federal Awards	P
17.225	ARRA-Unemployment Insurance	Employment and Economic Development	10-10	2	S		Inaccurate reporting of expenditures on the Schedule of Expenditures of Federal Awards	P
17.225	Unemployment Insurance	Employment and Economic Development	10-10	3	S		Inadequate review of system data for certain benefits and employer tax filings	P
17.225	ARRA-Unemployment Insurance	Employment and Economic Development	10-10	3	S		Inadequate review of system data for certain benefits and employer tax filings	P
17.225	Unemployment Insurance	Employment and Economic Development	10-10	4	S	N	Benefits were not always appropriately assigned to employer accounts.	P
17.225	Unemployment Insurance	Employment and Economic Development	10-10	5	S		Amended unemployment determination notices are not always sent	P
17.225	ARRA-Unemployment Insurance	Employment and Economic Development	10-10	5	S		Amended unemployment determination notices are not always sent	P
17.225	Unemployment Insurance	Employment and Economic Development	10-10	6	S		Unnecessary and incompatible employee access to the state's accounting system	P
17.225	ARRA-Unemployment Insurance	Employment and Economic Development	10-10	6	S		Unnecessary and incompatible employee access to the state's accounting system	P
17.225	Unemployment Insurance	Employment and Economic Development	10-10	8	S		Inaccurate severance paid to one employee	P
17.225	Unemployment Insurance	Minnesota Management and Budget	10-12	1	S		Inaccurate reporting of expenditures on the Schedule of Expenditures of Federal Awards	P
17.225	ARRA-Unemployment Insurance	Minnesota Management and Budget	10-12	1	S		Inaccurate reporting of expenditures on the Schedule of Expenditures of Federal Awards	P
17.225	Unemployment Insurance	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
17.225	ARRA-Unemployment Insurance	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
17.258	Workforce Investment Act-Adult	Employment and Economic Development	10-10	1	S		No documented internal control structure ensuring compliance	P
17.258	ARRA-Workforce Investment Act-Adult	Employment and Economic Development	10-10	1	S		No documented internal control structure ensuring compliance	P
17.258	Workforce Investment Act-Adult	Employment and Economic Development	10-10	6	S		Unnecessary and incompatible employee access to the state's accounting system	P
17.258	ARRA-Workforce Investment Act-Adult	Employment and Economic Development	10-10	6	S		Unnecessary and incompatible employee access to the state's accounting system	P
17.258	Workforce Investment Act-Adult	Employment and Economic Development	10-10	7	S		Inadequate prior approval of overtime pay for one employee	P
17.258	Workforce Investment Act-Adult	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
17.258	ARRA-Workforce Investment Act-Adult	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
17.259	Workforce Investment Act-Youth	Employment and Economic Development	10-10	1	S		No documented internal control structure ensuring compliance	P
17.259	ARRA-Workforce Investment Act-Youth	Employment and Economic Development	10-10	1	S		No documented internal control structure ensuring compliance	P
17.259	Workforce Investment Act-Youth	Employment and Economic Development	10-10	6	S		Unnecessary and incompatible employee access to the state's accounting system	P
17.259	ARRA-Workforce Investment Act-Youth	Employment and Economic Development	10-10	6	S		Unnecessary and incompatible employee access to the state's accounting system	P
17.259	Workforce Investment Act-Youth	Employment and Economic Development	10-10	7	S		Inadequate prior approval of overtime pay for one employee	P
17.259	Workforce Investment Act-Youth	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
17.259	ARRA-Workforce Investment Act-Youth	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
17.260	Workforce Investment Act-Dislocated Worker	Employment and Economic Development	10-10	1	S		No documented internal control structure ensuring compliance	P
17.260	ARRA-Workforce Investment Act-Dislocated Worker	Employment and Economic Development	10-10	1	S		No documented internal control structure ensuring compliance	P
17.260	Workforce Investment Act-Dislocated Worker	Employment and Economic Development	10-10	6	S		Unnecessary and incompatible employee access to the state's accounting system	P
17.260	ARRA-Workforce Investment Act-Dislocated Worker	Employment and Economic Development	10-10	6	S		Unnecessary and incompatible employee access to the state's accounting system	P
17.260	Workforce Investment Act-Dislocated Worker	Employment and Economic Development	10-10	7	S		Inadequate prior approval of overtime pay for one employee	P
17.260	Workforce Investment Act-Dislocated Worker	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
17.260	ARRA-Workforce Investment Act-Dislocated Worker	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P

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CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Transportation								
20.106	Airport Improvement Program	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
20.106	ARRA-Airport Improvement Program	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
20.205	Highway Planning and Construction	Transportation	DOT-10	I	S	B, M	Noncompliance with materials control for grading and base construction	$9,873,000
20.205	Highway Planning and Construction	Transportation	DOT-10	II	S	B, M	Inadequate testing of bridge post tensioning steel strand	$7,639,000
20.205	Highway Planning and Construction	Transportation	DOT-10	III	S	B, M	Noncompliance with concrete materials control requirements	$2,138,000
20.205	Highway Planning and Construction	Transportation	DOT-10	IV	S	B, M	Noncompliance with materials control requirements for bituminous mixtures	$4,243,000
20.205	Highway Planning and Construction	Transportation	DOT-10	VI	S	C	Noncompliance with payment requirements for mobilization	$4,714,000
20.205	Highway Planning and Construction	Transportation	DOT-10	VIII	S	B	Noncompliance with federal acquisition regulations	$38,000
20.205	Highway Planning and Construction	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
20.500	Federal Transit Investment Grants	Transportation	DOT-10	V	S	B, M	Noncompliance with material control requirements for structural steel	$1,554,000
20.500	Federal Transit Investment Grants	Transportation	DOT-10	VII	S	B	Inadequate documentation for Northstar Commuter Rail flagging and interest costs	$154,000
20.500	Federal Transit Investment Grants	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
U.S. Department of Education								
84.010	Title 1 -- Grant to Local Education Agencies	Education	10-08	1	S		No documented internal control structure ensuring compliance	P
84.010	Title 1 -- Grant to Local Education Agencies	Education	10-08	4	S	B	Inadequate documentation of time charged to federal programs	P
84.010	Title 1 -- Grant to Local Education Agencies	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
84.367	Improving Teacher Quality State Grants	Education	10-08	1	S		No documented internal control structure ensuring compliance	P
84.367	Improving Teacher Quality State Grants	Education	10-08	4	S	B	Inadequate documentation of time charged to federal programs	P
84.367	Improving Teacher Quality State Grants	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
84.027	Special Education Grants to States	Education	10-08	1	S		No documented internal control structure ensuring compliance	P
84.027	Special Education Grants to States	Education	10-08	2	S	B	Insufficient verification of grant payments made to local education agencies	P
84.027	Special Education Grants to States	Education	10-08	3	S	M	Insufficient monitoring of subrecipient activity	$12,925
84.027	Special Education Grants to States	Education	10-08	4	S	B	Inadequate documentation of time charged to federal programs	P
84.027	Special Education Grants to States	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
84.173	Special Education Preschool Grants	Education	10-08	1	S		No documented internal control structure ensuring compliance	P
84.173	Special Education Preschool Grants	Education	10-08	2	S	B	Insufficient verification of grant payments made to local education agencies	P
84.173	Special Education Preschool Grants	Education	10-08	3	S	M	Insufficient monitoring of subrecipient activity	P
84.173	Special Education Preschool Grants	Education	10-08	4	S	B	Inadequate documentation of time charged to federal programs	P
84.173	Special Education Preschool Grants	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
84.126	Vocational Rehabilitation	Employment and Economic Development	10-10	1	S		No documented internal control structure ensuring compliance	P
84.126	Vocational Rehabilitation	Employment and Economic Development	10-10	6	S		Unnecessary and incompatible employee access to the state's accounting system	P
84.126	Vocational Rehabilitation	Employment and Economic Development	10-10	9	S		Non public data inappropriately entered into the accounting system has not been removed	P
84.126	Vocational Rehabilitation	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
84.126	Vocational Rehabilitation	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
84.390	ARRA-Vocational Rehabilitation	Employment and Economic Development	10-10	1	S		No documented internal control structure ensuring compliance	P
84.390	ARRA-Vocational Rehabilitation	Employment and Economic Development	10-10	6	S		Unnecessary and incompatible employee access to the state's accounting system	P
84.390	ARRA-Vocational Rehabilitation	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
various	Student Financial Aid Cluster	Minnesota State Colleges and Universities	KDV-09	08-1	S	N	College did not return Title-IV funds timely	P
various	Student Financial Aid Cluster	Minnesota State Colleges and Universities	KDV-09	07-8	S	E,N	Inadequate notification of disbursement of loan proceeds	P
various	Student Financial Aid Cluster	Minnesota State Colleges and Universities	KDV-09	09-3	S	N	Unclaimed federal disbursements not returned timely	P
various	Student Financial Aid Cluster	Minnesota State Colleges and Universities	KDV-09	09-4	S	L	Changes to administrative information not reported timely	P
various	Student Financial Aid Cluster	Minnesota State Colleges and Universities	KDV-09	09-5	S	G	Colleges not complying with matching, level of effort, or earmarking requirements	$1,762
various	Student Financial Aid Cluster	Minnesota State Colleges and Universities	KDV-09	09-6	S	L	Notification of disbursement of loan proceeds not made timely	P
various	Student Financial Aid Cluster	Minnesota State Colleges and Universities	KDV-09	09-7	S	E	College did not comply with eligibility requirement for Federal Family Education Loan	$2,805

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CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Health & Human Services								
93.069	Health Emergency Preparedness Program	Health	10-03	1	S		No documented internal control structure ensuring compliance	P
93.069	Health Emergency Preparedness Program	Health	10-03	3	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.069	Health Emergency Preparedness Program	Health	10-03	4	S	F	Noncompliance with state equipment policies and procedures	P
93.069	Health Emergency Preparedness Program	Health	10-03	5	S	I	Noncompliance with state procurement requirements	P
93.268	Childhood Immunization Grants	Health	10-03	1	S		No documented internal control structure ensuring compliance	P
93.268	Childhood Immunization Grants	Health	10-03	3	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.268	Childhood Immunization Grants	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
93.283	CDC Investigations and Technical Assistance	Health	10-03	1	S		No documented internal control structure ensuring compliance	P
93.283	CDC Investigations and Technical Assistance	Health	10-03	3	S	I	Inadequate monitoring of vendors for suspension and debarment	P
93.558	Temporary Assistance for Needy Families	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.558	Temporary Assistance for Needy Families	Human Services	10-11	2	M	N, E	Inadequately addressing responsibility for monitoring accurate eligibility determinations	P
93.558	Temporary Assistance for Needy Families	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.558	Temporary Assistance for Needy Families	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
93.558	Temporary Assistance for Needy Families	Human Services	10-11	5	S	L	Inaccurate reporting of financial activity for federal programs	P
93.558	Temporary Assistance for Needy Families	Human Services	10-11	6	S		Inaccurately recorded transactions and not promptly paying liabilities	P
93.558	Temporary Assistance for Needy Families	Human Services	10-11	10	S		No independent review of payroll reports	P
93.558	Temporary Assistance for Needy Families	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
93.558	Temporary Assistance for Needy Families	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
93.563	Child Support Enforcement	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.563	ARRA-Child Support Enforcement	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.563	Child Support Enforcement	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.563	ARRA-Child Support Enforcement	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.563	Child Support Enforcement	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
93.563	ARRA-Child Support Enforcement	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
93.563	Child Support Enforcement	Human Services	10-11	5	S	L	Inaccurate reporting of financial activity for federal programs	P
93.563	ARRA-Child Support Enforcement	Human Services	10-11	5	S	L	Inaccurate reporting of financial activity for federal programs	P
93.563	Child Support Enforcement	Human Services	10-11	10	S		No independent review of payroll reports	P
93.563	ARRA-Child Support Enforcement	Human Services	10-11	10	S		No independent review of payroll reports	P
93.563	Child Support Enforcement	Minnesota Management and Budget	10-12	1	S		Inaccurate reporting on the draft schedule of expenditures	P
93.563	ARRA-Child Support Enforcement	Minnesota Management and Budget	10-12	1	S		Inaccurate reporting on the draft schedule of expenditures	P
93.563	Child Support Enforcement	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
93.563	ARRA-Child Support Enforcement	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
93.563	Child Support Enforcement	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
93.563	ARRA-Child Support Enforcement	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
93.575	Child Care and Development - Discretionary	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.575	Child Care and Development - Discretionary	Human Services	10-11	2	M	E	Inadequately addressing responsibility for monitoring accurate eligibility determinations	P
93.575	Child Care and Development - Discretionary	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.575	Child Care and Development - Discretionary	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
93.575	Child Care and Development - Discretionary	Human Services	10-11	6	S		Inaccurately recorded transactions and not promptly paying liabilities	P
93.575	Child Care and Development - Discretionary	Human Services	10-11	7	S	C	Excessive federal cash balances	P
93.575	Child Care and Development - Discretionary	Human Services	10-11	10	S		No independent review of payroll reports	P
93.575	Child Care and Development - Discretionary	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
93.575	Child Care and Development - Discretionary	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
93.596	Child Care and Development - Mandatory and Match	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.596	Child Care and Development - Mandatory and Match	Human Services	10-11	2	M	E	Inadequately addressing responsibility for monitoring accurate eligibility determinations	P
93.596	Child Care and Development - Mandatory and Match	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.596	Child Care and Development - Mandatory and Match	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
93.596	Child Care and Development - Mandatory and Match	Human Services	10-11	6	S		Inaccurately recorded transactions and not promptly paying liabilities	P
93.596	Child Care and Development - Mandatory and Match	Human Services	10-11	7	S	C	Excessive federal cash balances	P
93.596	Child Care and Development - Mandatory and Match	Human Services	10-11	10	S		No independent review of payroll reports	P
93.596	Child Care and Development - Mandatory and Match	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
93.596	Child Care and Development - Mandatory and Match	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P

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SECTION III
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2009

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)								
93.658	Foster Care	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.658	ARRA-Foster Care	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.658	Foster Care	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.658	ARRA-Foster Care	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.658	Foster Care	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
93.658	ARRA-Foster Care	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
93.658	Foster Care	Human Services	10-11	10	S		No independent review of payroll reports	P
93.658	ARRA-Foster Care	Human Services	10-11	10	S		No independent review of payroll reports	P
93.658	Foster Care	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
93.658	ARRA-Foster Care	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
93.658	Foster Care	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
93.658	ARRA-Foster Care	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
93.659	Adoption Assistance	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.659	Adoption Assistance	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.667	Social Services Block Grant	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.667	Social Services Block Grant	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.667	Social Services Block Grant	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
93.667	Social Services Block Grant	Human Services	10-11	10	S		No independent review of payroll reports	P
93.667	Social Services Block Grant	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
93.667	Social Services Block Grant	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
93.767	Children's Health Insurance Program	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.767	Children's Health Insurance Program	Human Services	10-11	2	M	E	Inadequately addressing responsibility for monitoring accurate eligibility determinations	P
93.767	Children's Health Insurance Program	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.767	Children's Health Insurance Program	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
93.767	Children's Health Insurance Program	Human Services	10-11	8	S	L	Did not submit quarterly reports timely	P
93.767	Children's Health Insurance Program	Human Services	10-11	10	S		No independent review of payroll reports	P
93.767	Children's Health Insurance Program	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
93.767	Children's Health Insurance Program	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
93.777	State Health Care Provider Survey	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.777	State Health Care Provider Survey	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.777	State Health Care Provider Survey	Human Services	10-11	8	S	L	Did not submit quarterly reports timely	P
93.777	State Health Care Provider Survey	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
93.777	State Health Care Provider Survey	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
93.778	Medical Assistance	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.778	ARRA-Medical Assistance	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.778	Medical Assistance	Human Services	10-11	2	M	E	Inadequately addressing responsibility for monitoring accurate eligibility determinations	P
93.778	ARRA-Medical Assistance	Human Services	10-11	2	M	E	Inadequately addressing responsibility for monitoring accurate eligibility determinations	P
93.778	Medical Assistance	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.778	ARRA-Medical Assistance	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.778	Medical Assistance	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
93.778	ARRA-Medical Assistance	Human Services	10-11	4	S	B	Administration of Cost Allocation Plan	P
93.778	Medical Assistance	Human Services	10-11	6	S		Inaccurately recorded transactions and not promptly paying liabilities	P
93.778	ARRA-Medical Assistance	Human Services	10-11	6	S		Inaccurately recorded transactions and not promptly paying liabilities	P
93.778	Medical Assistance	Human Services	10-11	7	S	C	Excessive federal cash balances	P
93.778	ARRA-Medical Assistance	Human Services	10-11	7	S	C	Excessive federal cash balances	P
93.778	Medical Assistance	Human Services	10-11	8	S	L	Did not submit quarterly reports timely	P
93.778	ARRA-Medical Assistance	Human Services	10-11	8	S	L	Did not submit quarterly reports timely	P
93.778	Medical Assistance	Human Services	10-11	10	S		No independent review of payroll reports	P
93.778	ARRA-Medical Assistance	Human Services	10-11	10	S		No independent review of payroll reports	P
93.778	Medical Assistance	Minnesota Management and Budget	10-12	1	S		Inaccurate reporting on the draft schedule of expenditures	P
93.778	ARRA-Medical Assistance	Minnesota Management and Budget	10-12	1	S		Inaccurate reporting on the draft schedule of expenditures	P
93.778	Medical Assistance	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
93.778	ARRA-Medical Assistance	Minnesota Management and Budget	10-12	2	S		Incorrect projected costs used in calculating the statewide indirect cost rate	P
93.778	Medical Assistance	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P
93.778	ARRA-Medical Assistance	Minnesota Management and Budget	10-12	3	S		Inadequately protecting not public data in the state's information warehouse	P

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SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2009

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)								
93.959	Substance Abuse and Prevention Program	Human Services	10-11	1	S		No documented internal control structure ensuring compliance	P
93.959	Substance Abuse and Prevention Program	Human Services	10-11	3	S		Not public data on individuals not adequately protected	P
93.959	Substance Abuse and Prevention Program	Human Services	10-11	7	S	C	Excessive federal cash balances.	P
U. S. Department of Homeland Security								
97.036	Disaster Recovery Public Assistance Program	Public Safety	10-04	1	S		Inadequate internal control structure over single audit requirements.	P

Notes:
This summary schedule highlights federal program audit findings presented in the Minnesota Office of the Legislative Auditor's reports to the applicable state agencies.
These reports may be accessed at www.auditor.leg.state.mn.us.

The "RPT NO" column shows the report numbers in the format 0X-XX, and identifies individual agency reports; and the "FIND NO" are finding numbers within those reports.
The finding identifies whether the internal control (INT CONT) is a Material (M) weakness or a Significant (S) deficiency and/or compliance (COMP REQ) requirement addressed (A-N).
The financial impact of a finding is shown as procedural (P), non-quantifiable (NQ) or as a questioned cost.

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-09; and the "FIND NO" are finding numbers within KDV's report.

The Minnesota Department of Transportation (DOT) Office of Audit audited the department's federal programs.
The "RPT NO" for DOT federal program findings are reported in DOT 10-800-60, and the "FIND NO" are finding numbers within DOT's report.
The questioned costs for the DOT federal program findings represent the sum of the cited bid item and include both federal and state funds because the construction projects are financed from both sources and the funding ratio can vary by project and within projects.
A complete copy of the DOT Office of Audit Report is available at: http://www.dot.state.mn.us/const/tools/references.html

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

Report 10-03

State Agency: Minnesota Department of Health

Federal Agency: 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 – Investigations and Technical Assistance
93.069	CDC – Public Health Emergency Preparedness

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: 3U58DP522818–05W1/2008-2009
5U58DP524466–04/2008
5U58DP524466–05/2009
5U01CI000313–04/2008
5U01CI000313–05/2009
5U58DP000802–02/2009
5U58DP000857–02/2009
5U90TP516981–08/2008
5U90TP516981–09/2009

Finding 10-03-1 *No documented internal control structure ensuring compliance*

1. Prior Finding Partially Resolved:[1] The Department of Health did not identify, analyze, and document its internal controls related to business operations and the schedule of federal expenditures.

The Department of Health did not have a comprehensive risk assessment regarding its internal controls over compliance with federal single audit requirements. A comprehensive internal control structure is critical to preparing an accurate Schedule of Expenditures of Federal Awards and safeguarding federal resources. The department has an increased likelihood of a control deficiency if it does not clearly communicate to all staff its risks, control activities, and monitoring policies and procedures.

[1] Unless otherwise noted, all prior audit findings mentioned in this report are from the Office of Legislative Auditor's Financial Audit Division Report 09-06, *Department of Health Federal Compliance Audit*, issued March 26, 2009.

State policy stipulates that agency management has the responsibility to identify, analyze, and manage business risks that impact an entity's ability to maintain its financial strength and the overall quality of its products and government services.[2] This policy also requires communication of the internal control policies and procedures to all staff so they understand what is expected of them and the scope of their freedom to act. The policy further requires follow-up procedures that, at a minimum, should include ways to monitor results and report significant control deficiencies to individuals responsible for the process or activity involved, including executive management and those individuals in a position to take corrective action. Audit standards reinforced management's responsibility to have effective internal controls over its financial operations.[3] The federal government expects that those controls also ensure compliance with federal program requirements.

The Department of Health was aware of certain risks, had many control activities in place, and performed selected internal control monitoring functions. The department communicated with the Department of Management and Budget's internal control unit to gain centralized guidance in determining the best practices for internal control.

Findings 2 through 5 identify deficiencies in the department's internal control procedures and specific noncompliance with federal requirements which were not prevented or detected by the department's internal control structure. These deficiencies created an unacceptable risk of noncompliance or did not prevent or detect the noncompliance. It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it operates within a comprehensive internal control structure.

Recommendation

- *The department should regularly review and clearly document its risks, control activities, and internal control monitoring functions for its key business processes.*

Minnesota Department of Health Response:

The department concurs with this recommendation. Over the past year department staff have attended Internal Control Workshops, implemented the Minnesota Management and Budget (MMB) Code of Conduct Trainings agency-wide and met with the newly formed MMB Internal Control and Accountability unit. Compliance with this recommendation will be an ongoing process as the department continues to research information related to this recommendation and

[2] Department of Management and Budget Policy Number 0102-01.
[3] American Institute of Certified Public Accountants *Statement on Auditing Standards #109: Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*.

seeks guidance from MMB's internal control unit on risk assessment and best practices for internal control.

Person Responsible:	Barb Juelich, Chief Financial Officer
Estimated Completion Date:	Coincide with the timeline of guidance that is provided by Minnesota Management and Budget

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

Report 10-03

State Agency: Minnesota Department of Health

Federal Agency: U. S. Department of Agriculture

CFDA Numbers/Program Names:

10.557 Special Nutrition for Women, Infants and Children

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Not Applicable

Finding 10-03-2 *Inaccurate reporting of spending on draft schedule of expenditures*

2. Prior Finding Partially Resolved: The Department of Health did not accurately report financial activity on the Schedule of Expenditures of Federal Awards

The department did not accurately report financial activity on its 2009 Schedule of Expenditures of Federal Awards for the Special Nutrition Program for Women, Infants and Children (CFDA 10.557). The department did not exclude $2.5 million of infant formula rebates that were receivable at June 30, 2008, that the department had included in its fiscal year 2008 federal schedules. The department's controls over the preparation of this schedule should have included a step to ensure that it eliminated rebate amounts reported in the prior period.

Recommendation

- *The department should improve internal controls over preparation of its Schedule of Expenditures of Federal Awards to ensure that it accurately reports program rebate amounts.*

Minnesota Department of Health Response:

The department concurs with this recommendation. The department will continue to work closely with MMB in order to show correct rebate amounts in the preparation of the federal schedules.

Person Responsible: Barb Juelich, Chief Financial Officer
Estimated Completion Date: June 30, 2010

Report 10-03

State Agency: Minnesota Department of Health

Federal Agency: 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 – Investigations and Technical Assistance
93.069	CDC – Public Health Emergency Preparedness

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: 3U58DP522818–05W1/2008-2009
5U58DP524466–04/2008
5U58DP524466–05/2009
5U01CI000313–04/2008
5U01CI000313–05/2009
5U58DP000802–02/2009
5U58DP000857–02/2009
5U90TP516981–08/2008
5U90TP516981–09/2009

Finding 10-03-3 *Inadequate monitoring of vendors for suspension and debarment*

3. Prior Finding Partially Resolved: The Department of Health did not always comply with federal suspension and debarment requirements.

The department could not show that it had verified whether certain vendors with contracts greater than $25,000, but less than $100,000, had been suspended or debarred by the federal government or by the state.[4] Although none of the vendors we tested had been suspended or debarred, the department's procurement process did not include a step to verify the vendor's eligibility for participation in a federally funded program.

Federal requirements prohibit state agencies from contracting with vendors listed as suspended or debarred.[5] Specifically, state agencies must ensure no contracted vendors over $25,000 are suspended or debarred. In July 2009, the Department of Administration amended the state's

[4] Contracts equal to or greater than $100,000 all included a certification by the vendor that it was not suspended or debarred.
[5] U.S. Office of Management and Budget Circular A-133, Part 3 – Compliance Requirements.

standard contract language to include a certification by the vendor that it is not suspended or debarred. However, vendors determined to be sole source providers of services used a different contract that did not include the updated language.

Recommendation

- *The department needs to comply with federal requirements by verifying vendors are not suspended or debarred for all federally funded contracts exceeding $25,000.*

Minnesota Department of Health Response:

The department concurs with this recommendation and is now in full compliance with this recommendation. The department has amended internal contract processes to include verification if the vendor's eligibility for participation in a federally funded program for sole source contracts.

Person Responsible: Barb Juelich, Chief Financial Officer
Estimated Completion Date: June 30, 2010

Report 10-03

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
93.069	CDC – Public Health Emergency Preparedness

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: 3U58DP522818–05W1/2008-2009
5U58DP524466–04/2008
5U58DP524466–05/2009
5U01CI000313–04/2008
5U01CI000313–05/2009
5U58DP000802–02/2009
5U58DP000857–02/2009
5U90TP516981–08/2008
5U90TP516981–09/2009

Finding 10-03-4 *Inadequate equipment management*

4. The Department of Health did not comply with state equipment policies and procedures.

The department did not properly manage equipment purchased by the Special Nutrition Program for Women, Infants and Children (CFDA 10.557), Centers for Disease Control Technical Assistance Program (CFDA 93.283[6]), and Centers for Disease Control Public Health Emergency and Preparedness Program (CFDA 93.069[7]). Federal regulations require that the department manage equipment acquired under a federal grant in compliance with the state's policies and procedures.[8]

The department had the following errors in its equipment management:

- The department coded sensitive equipment items costing less than $5,000 as supplies in the state's accounting system. Sensitive items are items generally for personal use, or that could be easily sold, and are subject to pilferage or misuse, such as computers.[9] The

[6] Federal Awards 3U58DP522818–05W1, 5U58DP524466–04, 5U58DP524466–05, 5U01CI000313–04, 5U01CI000313–05, 5U58DP000802–02 and 5U58DP000857–02.
[7] Federal Awards 5U90TP516981–08 and 5U90TP516981–09.
[8] U.S. Office of Management and Budget Circular A-133, Part 3 – Compliance Requirements.
[9] Department of Administration Information Bulletin 03-19.

Department of Management and Budget established a list of codes for state agencies to identify expenditures, including specific codes under equipment, for computers and peripherals regardless of amount.[10] By not properly identifying equipment purchases in the accounting system, the department increased the risk that it would not include the equipment on its fixed asset lists or track sensitive items.

- Thirteen of seventeen sensitive items we reviewed did not have an asset label to identify the item as the property of the State of Minnesota. State policy requires departments to identify all sensitive items with a State of Minnesota fixed asset property label.[11]

Recommendation

- *The department should improve its controls over equipment management to ensure that it properly records sensitive equipment purchases on the state's accounting system and identifies sensitive items as the property of the State of Minnesota.*

Minnesota Department of Health Response:

The department concurs that it should properly identify sensitive items as property of the State of Minnesota. The Department's current policy and procedure for Fixed Asset Inventory Management requires staff to attach a "PROPERTY OF THE STATE OF MINNESOTA" sticker on each sensitive item purchased. The department will review its procedures to ensure the policy is followed.

The department also concurs with that portion of the recommendation that requires the department to properly record sensitive equipment purchases on the state's accounting system; however, the department is caught in a reporting dilemma between the state and federal reporting requirements and the current MAPS system is unable to resolve the dilemma without significant resources being invested with limited benefit being received.

The department will work with MMB to explore options for an efficient method of resolving the dilemma, including working with MMB on designing the new accounting system to accommodate both definitions of equipment.

Person Responsible: Barb Juelich, Chief Financial Officer
Estimated Completion Date: June 30, 2010

[10] Department of Management and Budget Policy Number 0207-01.
[11] Department of Administration Information Bulletin 03-19.

Report 10-03

State Agency: Minnesota Department of Health

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

CFDA Numbers/Program Names:
93.069 CDC – Public Health Emergency Preparedness

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: 5U90TP516981–08/2008
5U90TP516981–09/2009

Finding 10-03-5 *Noncompliance with procurement policies*

5. The Department of Health did not comply with state procurement requirements related to special expenses.

The department did not properly approve and encumber federal funds for special expenses before incurring the liability in the Centers for Disease Control Public Health Emergency and Preparedness Program (CFDA 93.069[12]). Federal requirements direct state departments to comply with state policies and procedures for procurements from federal funds.[13] State policy requires departments to obtain approval and encumber funds before incurring an obligation for special expenses.[14]

For 2 of 25 special expense transactions we tested, department staff incurred liabilities before obtaining approval. The first item was an obligation totaling $23,000 in federal and state funds for an annual community health conference. The department coordinated this October 2008 conference to bring together community health policy makers and workers from around the state to discuss core public health issues; however, the department did not approve or encumber the funds until late November 2008. The other item was an obligation of less than $200. The department incurred the liability in mid-December 2008, but did not approve or encumber the funds until January 2009. Advance approval of special expenses reduces the risk of unallowable or unreasonable expenditures and encumbrance of the funds ensures the department has sufficient funds available at the time of payment. Both items cited here were allowable under federal guidelines.

[12] Federal Awards 5U90TP516981–08 and 5U90TP516981–09.
[13] U.S. Office of Management and Budget Circular A-133, Part 3 – Compliance Requirements.
[14] Minnesota Department of Administration Policy FMR–4D–01. This policy defines special expenses as costs incurred in connection with legitimate business functions of the agency or assigned duties of an agency employee for which a higher level of scrutiny is deemed necessary and which are not reimbursable through the normal expense reimbursement provisions.

Recommendation

- *The department should comply with state requirements by authorizing and encumbering special expenses before incurring the liability.*

Minnesota Department of Health Response:

The department concurs with this recommendation. While the department had an approval process for the annual community health conference, that process did not follow state policies and procedures for encumbering funds. The department will review its internal approval and encumbrance procedures and the use of special expense forms for large conferences and amend as necessary to ensure state policies and procedures are followed.

Person Responsible: Barb Juelich, Chief Financial Officer
Estimated Completion Date: June 30, 2010

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

Report 10-04

State Agency: Minnesota Department of Public Safety

Federal Agency: U. S. Department of Homeland Security

CFDA Numbers/Program Names:

97.036 Disaster Recovery Public Assistance Program

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Not Applicable

Finding 10-04-1 *No documented internal control structure ensuring compliance*

1. **Prior Finding Partially Resolved: The Department of Public Safety did not identify, analyze, and document its internal controls over compliance with federal program requirements.**

The department did not document its risk assessment for internal controls over compliance with general and specific federal program compliance requirements and did not establish a monitoring process to assess the quality of internal control performance over time. Although the department was aware of certain risks, had control activities in place, and performed selected internal control monitoring functions, it did not comprehensively identify and analyze the risks, design controls to address significant risks, or develop monitoring procedures to ensure that controls were in place and effective to reduce the significant risks identified.

State policy requires that each agency head is responsible to identify, analyze, and manage business risks that impact the department's ability to maintain its financial strength and the overall quality of its products and government services.[15] This policy further requires follow-up procedures, which (at a minimum) should include ways to monitor results and report significant control deficiencies to individuals responsible for the process or activity involved, including executive management and those individuals in a position to take corrective action. The federal government expects that the department has controls to ensure compliance with federal program requirements.

It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it fully implements a comprehensive internal control structure over the administration of federal programs.

[15] Department of Management and Budget Policy Number 0102-01 – Internal Control.

Recommendation

- *The Department of Public Safety should clearly document its risks, control activities, and internal control monitoring functions for federal program requirements.*

Minnesota Department of Public Safety Response:

The department concurs with the recommendation. The department has created an Internal Audit Unit. We have been unable to fill the newly created Internal Audit Director position. We had a number of applicants for the position in January, but we found that none of the applicants met the minimum qualifications. We will try to fill the position again in April. The agency Internal Controls policy is currently being reviewed and we hope to have it in place by June. The department will formally document its risks, control activities, and internal control monitoring functions for federal program requirements once the Internal Audit Unit is staffed.

Person Responsible:	Frank Ahrens, Director, Office of Fiscal & Administrative Services
Estimated Completion Date:	A Department Administrative Policy on Internal Controls will be in place by June 30, 2010. Documentation of risks, control activities, and internal control monitoring functions for federal program requirements will be completed by October 2010.

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

Report 10-05

State Agency: Minnesota Department of Natural Resources

Federal Agency: U. S. Department of Interior

CFDA Numbers/Program Names:

15.605	Sport Fish Restoration
15.611	Wildlife Restoration

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Not Applicable

Finding 10-05-1 *No documented internal control structure ensuring compliance*

1. Prior Finding Partially Resolved: The Department of Natural Resources did not fully implement its internal controls over compliance with federal program requirements.

The department had not fully implemented the controls it had designed to address risks associated with administering federal grants. It had also not fully implemented its procedures to monitor federal financial activity and compliance. State policy requires department management to design, implement, and maintain an effective internal control system.[16] In addition, the federal government expects management to take responsibility for effective internal controls over its financial operations and compliance with federal program requirements.

In response to findings from our 2008 audit, the department identified the risks associated with administering federal grants, designed controls to address significant risks that had been identified, partially implemented some of the controls during the year, and developed a federal fiscal monitoring procedure. The department's designed controls addressed risks associated with new applications for federal grants, accounting for federal funds and program income, the eligibility of expenditures charged to federal programs, and included a monitoring function. It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it fully implements its controls over the administration of federal programs.

[16] Department of Management and Budget Policy 0102-01.

Recommendation

- *The Department of Natural Resources should implement and monitor controls designed to ensure compliance with federal program requirements.*

Minnesota Department of Natural Resources Response:

The DNR agrees with the finding. The Fish and Wildlife Division prepared a risk assessment, and initiated changes to its control procedures, after receiving the audit report on May 29, 2009. The Federal Aid Coordinator in the Office of Management and Budget Services will be responsible for ensuring the monitoring procedures are followed, and for implementing controls over the administration of federal programs.

Internal Audit will continue to report on the status of controls implemented by the Fish and Wildlife Division on a monthly basis until the recommendation is fully implemented.

Person Responsible: Federal Aid Coordinator
Estimated Completion Date: On-going

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

Report 10-05

State Agency: Minnesota Department of Natural Resources

Federal Agencies: U. S. Department of Interior

CFDA Numbers/Program Names:

15.605	Sport Fish Restoration
15.611	Wildlife Restoration

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Not Applicable

Finding 10-05-2 *Inaccurate reporting of spending on draft schedule of expenditures*

2. The draft Schedule of Expenditures of Federal Awards for the Fish and Wildlife Cluster overstated expenditures by $4.4 million.

The draft federal schedule of expenditures for the Fish and Wildlife Cluster, which includes the Sport Fish Restoration Program (CFDA 15.605) and the Wildlife Restoration Program (CFDA 15.611), erroneously included as federal program expenditures $7.4 million of state matching funds and omitted $3 million of direct administrative expenditures. The errors resulted in a net overstatement of $4.4 million. The departments of Natural Resources and Management and Budget shared responsibility for the accuracy of the federal schedule of expenditures. Although the departments exchanged information and several communications about the amounts reported in the schedule, misunderstandings resulted in the errors being reported and going undetected.

The state includes the department's Schedule of Expenditures of Federal Awards in its annual federal compliance report to the federal government. The state has a duty to ensure that the report provides accurate financial information for its federal program expenditures.

Recommendation

- *The departments of Natural Resources and Management and Budget should ensure the accuracy of the amounts reported in the Schedule of Expenditures of Federal Awards.*

Minnesota Department of Natural Resources Response:

Resolved: The DNR accepts the finding that an error occurred on the Sport Fish and Wildlife Restoration Program, which resulted in the inclusion of $7.4 million of state matching funds and the omission of $3 million in direct administrative expenditures.

In the Fall of 2008 the DNR worked with MMB to' develop a format to submit this information that adjusted for state match and department administrative costs at the end of the spreadsheet. The DNR submitted the 2008 federal single audit information this manner. The DNR prepared and submitted the 2009 information in the same agreed upon format. However, the wrong information was pulled from the DNR spreadsheet when compiling the state-wide report and the DNR did not identify the error

Person Responsible: Denise Anderson, Chief Financial Officer
Estimated Completion Date: Completed

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

Report 10-08

State Agency: Minnesota Department of Education

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

CFDA Numbers/Program Names:

10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.558	Child and Adult Care Food Program
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants
84.367	Improving Teacher Quality State Grants

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Not Applicable

Finding 10-08-1 *No documented internal control structure ensuring compliance*

1. Prior Finding Partially Resolved: The Department did not identify, analyze, and document its internal controls over compliance with federal single audit requirements.

The department did not have a comprehensive risk assessment pertaining to its internal controls over compliance with federal single audit requirements. The department had an increased likelihood of a control deficiency if it did not clearly communicate to all staff its risks, control activities, and monitoring policies and procedures.

State policy states that each agency head has the responsibility to identify, analyze, and manage business risks that impact an entity's ability to maintain its financial strength and the overall quality of its products and government services.[17] This policy also requires communication of the internal control policies and procedures to all staff so they understand what is expected of them and the scope of their freedom to act. The policy further requires follow-up procedures that, at a minimum, should include ways to monitor results and report significant control deficiencies to individuals responsible for the process or activity involved, including executive management and those individuals in a position to take corrective action. Audit standards reinforced management's responsibility to have effective internal controls over its financial

[17] Department of Management and Budget Policy Number 0102-01.

operations.[18] The federal government expects that those controls also ensure compliance with federal program requirements.

The Department of Education is aware of certain risks, has many control activities in place, and performs selected internal control monitoring functions. However, the department did not comprehensively identify and analyze the risks, design its controls to address significant risks, or develop monitoring procedures to ensure that controls are in place and are effective to reduce the significant risks identified. Since the last audit, the department completed risk assessments for the Child Nutrition Cluster and Child and Adult Care Food programs.

A comprehensive control structure has the following key elements:

- Personnel are trained and knowledgeable about federal single audit requirements and applicable policies and procedures.

- Management identifies risks associated with federal single audit requirements and develops policies and procedures to effectively address the identified risks.

- Management continuously monitors the effectiveness of the controls, identifies weaknesses and breakdowns in controls, and takes corrective action.

- Management focuses on continual improvement to ensure an acceptable balance between controls and costs.

Findings 2 through 4 identify deficiencies in the department's internal control procedures and specific noncompliance with federal requirements that were not prevented or detected by the department's internal control structure. These deficiencies created an unacceptable risk of noncompliance or did not prevent or detect the noncompliance. It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it operates within a comprehensive internal control structure.

Recommendation

- *The Department should frequently review and clearly document its risks, control activities, and internal control monitoring functions for federal program requirements.*

Minnesota Department of Education Response:

The Department agrees with this recommendation and will continue to work on the risk assessment and internal control structure. The Department has and will be working with and through the guidance being provided by the Internal Controls group at Minnesota Management

[18] Statement on Auditing Standards #109.

and Budget. With their direction, it is expected the Department will be on track to complete the assessment and analysis by the end of state fiscal year 2011.

The manager responsibility for implementation of this finding will be Tammy McGlone, Director of Administrative Services.

Persons Responsible: Tammy McGlone, Director of Administrative Services
Estimated Completion Date: June 30, 2011

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

Report 10-08

State Agency: Minnesota Department of Education

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: H027A070087A
H173A070086

Finding 10-08-2 *Inadequate verification of payment transactions*

2. The Department of Education did not always verify that it paid local education agencies for actual special education program expenditures

The department did not determine whether its payments for two federal programs agreed with actual expenditures reported by the local education agencies. For the Special Education Grants to States (CFDA 84.027[19]) and Special Education Preschool Grants (CFDA 84.173[20]), the department used information from its Electronic Data Reporting System as the basis to determine periodic payments to the local education agencies. However, the local education agencies reported actual expenditures and, ultimately, audited expenditures on the department's Uniform Financial Accounting and Reporting Standards.

For 10 out of 13 local education agencies we tested, the amounts disbursed by the department through the Electronic Data Reporting System did not agree to the expenditures reported by the local education agencies at year end in the Uniform Financial Accounting and Reporting Standards system. For these 10 local education agencies, discrepancies between the department's payment amounts and the local education agencies' reported actual expenditures at year end ranged from about $1,000 to $600,000.

Without a determination of the reasons for these discrepancies between the department's payments and the local education agencies' reported actual costs, the department could over or underreimburse the agencies for their special education expenditures.

[19] Federal Award H027A070087A.
[20] Federal Award H173A070086.

Recommendation

- *The department should verify that its payments to local education agencies agreed with actual special education expenditures reported at year end.*

Minnesota Department of Education Response:

For state fiscal year (FY) 2009, MDE will verify that its special education payments to local education agencies (LEAs) agree with audited expenditures reported under the Uniform Financial Accounting and Reporting Standards (UFARS) by implementing the following procedures:

- LEAs will be required to reconcile expenditures reported through the Electronic Data Reporting System (EDRS), which were used to make state special education aid payments and federal aid payments for IDEA Part B, Sections 611 and 619, with audited expenditures reported through UFARS. This will be completed by June 30, 2010.
- MDE is currently transitioning away from the use of EDRS for payment of special education aids. For state FY 2010 and later, federal aid payments for IDEA Part B, Sections 611 and 619, are being made using the new State Educational Record View and Submission (SERVS) system. MDE will require expenditures reported through SERVS to match the audited expenditures reported through UFARS.
- The reconciliation process outlined above for state FY 2009 will continue to be used for state special education for state FY 2010 and until the transition is completed to the new system.

Tom Melcher, Director of Program Finance, will be responsible for resolving this finding and the Department expects the finding to be resolved by July 1, 2010.

Person Responsible: Tom Melcher, Director of Program Finance
Estimated Completion Date: July 1, 2010

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

Report 10-08

State Agency: Minnesota Department of Education

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants

Questioned Costs: $12,925

Federal Project Nos./Award Year: H027A070087A
H027A080087
H173A070086
H173A080086.

Finding 10-08-3 *Insufficient monitoring of subrecipient activity*

3. The Department of Education did not comply with federal sub-recipient monitoring requirements for special education program.

The department did not perform adequate subrecipient monitoring for the Special Education Grants to States (CFDA 84.027[21]) and Special Education Preschool Grants (CFDA 84.173[22]) programs. Although the department conducted site visits of local education agencies, it did not formally communicate the results of those site visits to the local education agencies or the department's management. The purpose of the site visits was to determine whether the local education agency complied with federal regulations and program eligibility requirements. The department said that during fiscal year 2009 it conducted 33 site visits, but only one site visit had a documented report of its results. That report identified $12,925 of unallowable costs.

Federal regulations required the department to provide reasonable assurance that subrecipients used federal awards for authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements, and achieved performance goals.[23] The department used site visits as a part of its monitoring activities. The department did not have policies or procedures that established standards for documenting and reviewing the work performed, reporting on the results, and tracking the resolution of issues identified.

[21] Federal Award H027A070087A and H027A080087.
[22] Federal Award H173A070086 and H173A080086.
[23] OMB Circular No. A-133.

Recommendation

- *The department should establish policies and procedures to ensure special education site visits are reviewed, results are reported, appropriative corrective action plans are completed, and instances of noncompliance are resolved in a timely manner.*

Minnesota Department of Education Response:

The Department will implement the recommendations of the auditor. Policies and procedures will be established to ensure findings are reviewed, reported and corrective action plans completed

Elizabeth Stephens, Acting Director of Program Accountability and Compliance, will be responsible for resolving this finding and the Department expects the finding to be fully resolved by July 1, 2010.

Person Responsible:	Elizabeth Stephens, Acting Director of Program Accountability and Compliance
Estimated Completion Date:	July 2, 2010

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

Report 10-08

State Agency: Minnesota Department of Education

Federal Agencies: U. S. Department of Education

CFDA Numbers/Program Names:

84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: H027A080087
H173A070086
S010A070023A
A010A080023

Finding 10-08-4 *Inadequate time reporting*

4. The Department of Education did not always document time charged to federal programs in compliance with federal requirements

The department did not always document payroll costs charged to applicable federal programs, including Special Education Grants to States (CFDA 84.027[24]), Special Education Preschool Grants (CFDA 84.173[25]), and Title I -- Grants to Local Education Agencies (CFDA 84.010[26]). The documentation to support payroll costs for four of seven employees we tested did not comply with federal requirements. Specifically, the department's documentation was deficient as follows:

- Two employees did not have required personnel activity reports to support the allocation of their payroll costs to the federal program.

- Two employees had personnel activity reports that were not consistent with the time reported on the state's payroll system.

[24] Federal Award H027A080087.
[25] Federal Award H173A070086.
[26] Federal Award S010A070023A and A010A080023.

Federal regulations require that payroll costs charged to specific programs must be supported by evidence to show that the employees worked on those programs.[27] The regulations require each employee who works on multiple programs to periodically complete a personnel activity report. This report tracks the time the employee actually spends on each program's duties and should either support that the payroll system's allocation of payroll hours reasonably approximates the employee's actual hours or should prompt a change to the payroll system's allocation.

Recommendation

- *The department should ensure that employees understand federal requirements for documenting time charged to federal programs and monitor whether employees appropriately and accurately complete personnel activity reports.*

Minnesota Department of Education Response:

The Department agrees with the auditors findings and has already implemented corrective action. In addition to auditing the payroll labor distribution sheets each payroll period, we will now audit that labor distribution against personnel activity reports. We are also creating a standard form for PARS that will be used consistently by all employees. Finally, we have reinstituted the quarterly certification of labor distribution posting for all salary and benefits charges to state and federal funds as an additional verification that payroll charges are properly reflected in all accounts in all funds.

Tammy McGlone, Director of Administrative, is responsible for resolving this finding and the Department expects the finding to be fully resolved by May 1, 2010.

Person Responsible: Tammy McGlone, Director of Administrative Services
Estimated Completion Date: May 1, 2010

[27] OMB Circular No. A-87.

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

Report 10-09

State Agency: Minnesota Department of Military Affairs

Federal Agencies: U. S. Department of Defense

CFDA Numbers/Program Names:

12.401 National Guard Military Operations and Maintenance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Grant #W912LM-04-2-1000

Finding 10-09-2 *Untimely grant close-out or extension request procedures*

2. The Department of Military Affairs did not make timely requests to the federal government to extend the period over which it could use National Guard Military Operations & Maintenance Project (CFDA 12.401, Grant #W912LM-04-2-1000) funds for federal fiscal year 2008.

The department did not submit to the federal government timely requests to extend the period for which program funds were available. The program's master cooperative agreements required the department to submit within 90 days of the end of the federal fiscal year either a final accounting of all funding and disbursements or a request to extend the period over which it can use those grant funds.[28] For five of the eleven agreement appendices the department did not submit requests for extensions within 90 days.[29] For four of the appendices, the department submitted the extension requests about three months late, and the department submitted one request a year after the 90-day deadline. Without this authorization to spend funds after the end of the grant period, the state may incur costs that the federal government will not reimburse.

Recommendation

- *The Department of Military Affairs should comply with the master cooperative agreements and submit extension requests by the required deadline.*

[28] The Department of Military Affairs entered into master cooperative agreements for Army National Guard Facilities Programs and Air National Guard Facility Operations & Maintenance Activities with the United States Department of Defense to provide federal support for services provided by Military Affairs.
[29] Appendices represent separate sections or parts of the overall master cooperative grant agreement. Each appendix contains specific terms and conditions, allowable costs, reports, and approved budgets for the area.

Minnesota Department of Military Affairs Response:

The department concurs with the recommendation. The Department of Military Affairs processes between 30 and 35 claims for reimbursement each month. Some of these deal with long-term construction projects that span more than one federal fiscal year. Because the state and federal fiscal years do not align and most of the other claims deal with state charges (workers compensation, e.g.) that span two federal fiscal years we are often required to keep the prior year claim for the respective appendix open until we have recognized the appropriate charges and applied them to the federal claims for that fiscal year. The problems created by finding number one above, also affected this requirement and our ability to complete them in a timely manner. Since the monthly claims are not processed it is difficult to determine the purposes for keeping the claims open and to list the outstanding charges as required on the appendices.

We are going to reassign staff supervisory responsibilities, ensure that we are more than one staff member deep in these critical areas and processes by cross-training other staff, and will more closely monitor the submission of these request for extensions to the federal government. We will also engage our federal program managers in discussions about how we request extensions to these claims at the end of the fiscal year, establish responsibilities for doing so, and establish a better method for monitoring those appendices that need to be extended beyond the normal periods.

Person Responsible:	Terrence Palmer, Comptroller, Department of Military Affairs
Estimated Completion Date:	September 30, 2010

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

Report 10-10

State Agency: Minnesota Department of Employment and Economic Development

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

CFDA Numbers/Program Names:

14.228	Community Development Block Grant – Small Cities
17.225	Unemployment Insurance
17.225	ARRA-Unemployment Insurance
17.258	Workforce Investment Act – Adult
17.258	ARRA-Workforce Investment Act – Adult
17.259	Workforce Investment Act – Youth
17.259	ARRA-Workforce Investment Act – Youth
17.260	Workforce Investment Act – Dislocated Worker
17.260	ARRA-Workforce Investment Act – Dislocated Worker
84.126	Vocational Rehabilitation
84.390	ARRA-Vocational Rehabilitation

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See footnotes, if applicable

Finding 10-10-1 *No documented internal control structure ensuring compliance*

1. **Prior Finding Partially Resolved: The Department of Employment and Economic Development did not identify and document its internal controls to ensure compliance with federal requirements.**[30]

The department did not have a comprehensive risk assessment identifying its internal controls over compliance with federal single audit requirements. As a result, the department has an increased likelihood of a control deficiency if it does not clearly communicate to all staff its risks, control activities, and monitoring policies and procedures. In response to a prior year's finding, the department established an internal audit function that recently developed a risk assessment over federal compliance. However, department management had not yet reviewed and approved the assessment and had not collaborated on strategies to ensure that the designed controls are effective and monitored.

[30] The finding applies to all federal grant awards for programs listed in Table 1 of Report 10-10.

State policy details that each agency head has the responsibility to identify, analyze, and manage business risks that impact an entity's ability to maintain its financial strength and the overall quality of its products and government services.[31] This policy also requires communication of the internal control policies and procedures to all staff so they understand what is expected of them and the scope of their freedom to act. Follow-up procedures are also required per this policy and, at a minimum, should include ways to monitor results and report significant control deficiencies to individuals responsible for the process or activity involved, including executive management and those individuals in a position to take corrective action. The federal government expects management to take responsibility for effective internal controls over its financial operations and compliance with federal program requirements.

Findings 2 through 9 identify specific deficiencies in the agency's internal control procedures that resulted in noncompliance with federal requirements or increased risk of misspending federal money. These deficiencies created a risk of noncompliance or did not detect or prevent noncompliance from occurring. In addition, the department had some control deficiencies that resulted in an error in a required financial report for Unemployment Insurance (CFDA 17.225), and allowed it to submit eight Unemployment Insurance (CFDA 17.225) reports from 3 to 30 days late, and one Vocational Rehabilitation (CFDA 84.126) report 8 days past the required federal deadline.

If the department had a comprehensive internal control structure, it should have identified these deficiencies, assessed the degree of risk of these deficiencies, designed control procedures to address significant risks, and monitored whether controls were working as designed and effective in reducing the risks to an acceptably low level.

Recommendation

- *The department should continue to review and clearly document its risks, control activities, and internal control monitoring functions for its key business practices ensuring compliance with federal requirements.*

Minnesota Department of Employment and Economic Development Response:

The department agrees with the finding and recommendation. During fiscal year 2010, the department established an internal control function. A written document has been developed which outlines the risks, related controls, and recommendations to improve controls over compliance. This document will be reviewed by management and strategies will be developed to address the identified risks. In addition, a monitoring plan will be developed to obtain reasonable assurance that the controls are working as intended. Cindy Farrell, Chief Financial Officer, will oversee the completion of these activities by June 30, 2010.

[31] Department of Management and Budget Policy 0102-01.

Person Responsible: Cindy Farrell, Chief Financial Officer
Estimated Completion Date: June 30, 2010

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

Report 10-10

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U. S. Department of Labor

CFDA Numbers/Program Names:

17.225	Unemployment Insurance
17.225	ARRA-Unemployment Insurance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See footnotes, if applicable

Finding 10-10-2 *Inaccurate reporting of expenditures on the Schedule of Expenditures of Federal Awards*

2. The department did not detect errors made on the Schedule of Expenditures of Federal Awards for the federal Unemployment Insurance program.

The department did not coordinate accurate program expenditures with the Department of Management and Budget. The initial Schedule of Expenditures of Federal Awards did not correctly distinguish between regular Unemployment Insurance expenditures (CFDA 17.225[32]) and American Recovery and Reinvestment Act expenditures for the state's Unemployment Insurance program (CFDA 17.225A[33]). The schedule overstated the regular Unemployment Insurance expenditures by about $143.5 million and understated the related federal American Recovery and Reinvestment Act expenditures by the same amount. Although the department properly tracked the American Recovery and Reinvestment Act Unemployment Insurance expenditures, it did not review a later draft of the schedule and did not identify that the Department of Management and Budget used incorrect amounts.

[32] Federal Grant #UI-16754-08-55-A-27 (Unemployment Insurance Administration, Emergency Compensation, and Trade Benefits); however, federal grant numbers are not used for Unemployment Insurance benefits.
[33] Federal Grant #UI-18028-09-55-A-27 (Unemployment Insurance Administration and Emergency Compensation); however, federal grant numbers are not used for other ARRA Unemployment Insurance benefits.

Recommendation

- *The department should improve its internal controls to ensure the accurate reporting of federal Unemployment Insurance program and related American Recovery and Reinvestment Act expenditures on the Schedule of Expenditures of Federal Awards.*

Minnesota Department of Employment and Economic Development Response:

The department agrees with the finding and recommendation. The error occurred when the schedule was incorrectly adjusted and the department did not detect this. The department will develop a more formalized review procedure to ensure the accuracy of information reported to Minnesota Management and Budget (MMB). Cindy Farrell, Chief Financial Officer, will oversee the development of this procedure by May 31, 2010.

Person Responsible: Cindy Farrell, Chief Financial Officer
Estimated Completion Date: May 31, 2010

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

Report 10-10

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U. S. Department of Labor

CFDA Numbers/Program Names:

17.225	Unemployment Insurance
17.225	ARRA-Unemployment Insurance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See footnotes, if applicable

Finding 10-10-3 *Inadequate review of system data for certain benefits and employer tax filings*

3. The department did not review system reports designed to identify possible fraudulent Unemployment Insurance benefits and employer tax filings.

The department's information system for the Unemployment Insurance (CFDA 17.225[34]) program relies on information submitted by benefit applicants and employers to determine benefit and tax amounts and to send them their money. The department designed some reports to identify data anomalies that may indicate fraud. However, department staff did not generate and review key exceptions identified in these reports, including the following:

- Applicant Bank Data – The department did not investigate whether applicants sharing bank accounts indicated fraud. While the department had identified this as a possible indication of fraud and had designed a report to identify these applicants, it had not developed a strategy to follow through or investigate these applicants for potential fraud. The report could be a way to detect perpetrators of unemployment applicant fraud using identity theft. Using the report's data, we noted several instances where unemployment benefits for three or more applicants were paid into the same bank accounts as shown on Table 2.

[34] Federal grant numbers are not used for Unemployment Insurance benefits.

Table 2

Unemployment Benefits Paid into the Same Bank Accounts

July 1, 2008, to June 30, 2009

Number of Applicants Depositing into a Single Bank Account	Number of Occurrences	Number of Applicants Involved	Unemployment Benefits Paid
3	53	159	$ 636,591
4	15	60	298,647
5	2	10	37,287
6	1	6	11,523
7	1	7	49,815
8	1	8	7,933
9	0	0	0
10	1	10	45,648
11	1	11	49,292
12	0	0	0
13	1	13	84,942
Total	76	284	$1,221,678

Source: Department of Employment and Economic Development, Unemployment Insurance System.

- Employer Tax Rates - The department did not use a report it designed to detect employers manipulating employee wage data to avoid paying their full share of unemployment taxes. The report identifies possible inappropriate shifts in employee wage detail data filed by employers that the department should review. The review could determine whether the employer was shifting employees to cause lower tax rates and avoid paying required Unemployment Insurance taxes. The federal government required[35] states to enact laws[36] prohibiting employer fraud through actions that avoid taxes. Since the department did not review the report it designed to identify these practices, there is an increased risk that employer tax fraud will not be detected and brought to the attention of department management. In addition, the department did not have a process to identify and review transfers of wage detail and unemployment benefits between predecessor and successor employer accounts resulting from certain employer mergers or acquisitions. Because employer tax rate calculations are based, in part, on historic wage and benefit data, a review is necessary to avoid errors resulting in an understatement of an employer's future unemployment tax rate.

[35] Public Law 108-295, Federal SUTA (State Unemployment Tax Act) Dumping Prevention Act of 2004.
[36] *Minnesota Statutes* 2009, 268.051.

Recommendation

- *The department should improve internal controls that prevent and detect Unemployment Insurance fraud, including:*
  - *investigating applicant benefits being deposited into the same bank accounts; and*
  - *reviewing system employer account data for indications of employer tax avoidance schemes and accuracy of transfers of wage and benefit data between employer accounts.*

Minnesota Department of Employment and Economic Development Response:

The department partially agrees with the findings and the recommendations. In regards to applicant banking data, the identified report had been analyzed in the past. Based on that analysis, it was determined that the report was not in a viable format to provide useful information. The report identified many legitimate payments of benefits to multiple family members using the same bank account, as well as legitimate financial institutions used by applicants without bank accounts. DEED has since developed a more refined report that will address the auditor's specific concerns. It is important to note that this is only one of many controls that the UI program has in place to deter and detect applicant fraud.

In regards to employer account data, DEED uses two reports to identify potential tax avoidance schemes. While each report is unique, the results of the two reports overlap considerably. During the audit period, the UI program regularly reviewed one of the two reports. Largely due to an increased work load resulting from these difficult economic times, the other report was not consistently reviewed. DEED is in the process of adding staff that will, among other things, ensure that reports are reviewed regularly. Since employer tax rates are based on an experience rating period covering four years, any necessary adjustments discovered during these reviews can still be processed without any risk to the integrity of employer tax rates. Kathy Nelson, Unemployment Insurance Director, will oversee the resolution of this finding by June 30, 2010.

Person Responsible: Kathy Nelson, Unemployment Insurance Director
Estimated Completion Date: June 30, 2010

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

Report 10-10

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U. S. Department of Labor

CFDA Numbers/Program Names:

17.225 Unemployment Insurance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See footnotes, if applicable

Finding 10-10-4 *Benefits were not always appropriately assigned to employer accounts*

4. Prior Finding Partially Resolved: The department did not ensure that unemployment benefit payments were always appropriately assigned to employer accounts.

The department did not ensure the propriety of the determination not to assign some Unemployment Insurance (CFDA #17.225[37]) benefits to employers' accounts. The Unemployment Insurance System uses the benefits to determine tax rate for most employers, or to request reimbursement for the benefits from certain types of employers.[38] When the department does not properly assign unemployment benefits to an employer, the system understates the employer's tax rate or does not obtain reimbursement for the benefits. In response to this finding in our prior audit report, the department made some changes to the Unemployment Insurance System in April 2009 to address these concerns; however, 3 of the 18 unassigned benefits we tested after the department made the system changes were in error and should have been assigned to an employer.

State statutes generally require the department to use unemployment benefits paid to determine an employer's tax rate, but also include a number of exceptions to that general rule.[39] For example, an employer's tax rate would not be affected by federally funded extended benefits paid to an applicant or unemployment benefits determined to be an overpayment.

When the Unemployment Insurance System pays benefits, it either assigns the benefits to an employer or identifies the benefit as not assignable. When questions or appeals arise, department employees obtain additional information from benefit recipients and employers that may result in

[37] Federal grant numbers are not used for Unemployment Insurance benefits.
[38] Certain nonprofit, governmental, and tribal organizations may choose to reimburse the Unemployment Insurance Fund for benefits paid rather than pay an unemployment tax.
[39] *Minnesota Statutes* 2009, 268.047.

a change to whether the system either does or does not assign the benefits to an employer. The complexity of the statutory provisions and judgments made by department employees increased the risk that information in the system may result in the system inappropriately not assigning benefits to an employer. For fiscal year 2009, the total unemployment benefits not assigned to employers' accounts were $176.6 million.

Recommendation

- *The department should review benefits not assigned to employers and correct any incorrect determinations found. It should also develop a process to monitor the propriety of unemployment benefit payments that are not assigned to employer accounts.*

Minnesota Department of Employment and Economic Development Response:

The department agrees with the finding and the recommendation. Although most of the issues from the prior audit finding have been resolved, DEED does still have some work remaining to help detect benefit charges which have not been properly assigned. Kathy Nelson, Unemployment Insurance Director, will oversee the resolution of this finding by June 30, 2010.

Person Responsible: Kathy Nelson, Unemployment Insurance Director
Estimated Completion Date: June 30, 2010

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

Report 10-10

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U. S. Department of Labor

CFDA Numbers/Program Names:

17.225	Unemployment Insurance
17.225	ARRA-Unemployment Insurance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See footnotes, if applicable

Finding 10-10-5 *Amended unemployment determination notices are not always sent*

5. The department did not send amended unemployment determination notices to some applicants and employers.

The Unemployment Insurance (CFDA 17.225[40]) System failed to identify whether it generated and sent about 3,400 benefit redetermination notifications to affected applicants and employers. *Minnesota Statutes* requires a legal notification called the 'determination of benefit account' to identify the amount of unemployment benefits and also requires prompt notification if the department amends that determination.[41] The department could not explain why the Unemployment Insurance System's database showed it did not generate the required correspondence and could not confirm to us whether the notifications had been sent. In addition to alerting the recipient to a change in their benefits, these notifications serve as a key control to allow the recipient or employer the ability to appeal the determination or question possible errors or fraud.

Recommendation

- *The department should ensure that applicants and employers receive notification of amended unemployment benefit determinations in compliance with statutes.*

[40] Federal grant numbers are not used for Unemployment Insurance benefits.
[41] *Minnesota Statutes* 2009, 268.07.

Minnesota Department of Employment and Economic Development Response:

The department partially agrees with the finding and the recommendation. The 3,400 benefit redetermination notifications mentioned in the finding was a preliminary assessment. Upon subsequent review of the 739,447 initial monetary determinations and redeterminations required to be mailed to applicants and employers, it was determined that only 383 were not sent. Additional controls have been identified and implemented effective March 10, 2010 to address the scenario that was causing this to occur. The department considers this finding to be resolved.

Person Responsible: Kathy Nelson, Unemployment Insurance Director
Estimated Completion Date: March 10, 2010

Report 10-10

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U. S. Department of Education
U. S. Department of Labor

CFDA Numbers/Program Names:

17.225	Unemployment Insurance
17.225	ARRA-Unemployment Insurance
17.258	Workforce Investment Act – Adult
17.258	ARRA-Workforce Investment Act – Adult
17.259	Workforce Investment Act – Youth
17.259	ARRA-Workforce Investment Act – Youth
17.260	Workforce Investment Act – Dislocated Worker
17.260	ARRA-Workforce Investment Act – Dislocated Worker
84.127	Vocational Rehabilitation
84.390	ARRA-Vocational Rehabilitation

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See footnotes, if applicable

Finding 10-10-6 *Unnecessary and incompatible employee access to the state's accounting system*

6. The department allowed some employees to have unnecessary or incompatible access to the state's accounting system.[42]

Several of the department's employees had the following unnecessary or incompatible access:

- As of December 2009, the department was unaware that the Department of Management and Budget had not processed security changes for several employees that the department had submitted in April 2009. The department had not monitored periodic security reports to confirm whether requested changes were made.

- The department had 15 employees with access to the encumbering and receiving functions in the state's accounting system that the Department of Management and Budget had defined as incompatible access. The Department of Management and

[42] The finding applies to all federal grant awards for programs listed in Table 1 of Report 10-10.

Budget's internal control policy[43] requires separation of incompatible duties so no one employee has too much control over a financial transaction or process and its security policy[44] specifies separation of encumbering and receiving functions. The policy allows alternative mitigating controls if an agency cannot separate those functions; however, the department did not have written procedures outlining its mitigating procedures.

Allowing employees to have inappropriate access to business systems or to perform incompatible functions increased the risk that errors or fraud could occur without detection and compromised the integrity of financial transactions for federal expenditures.

Recommendation

- *The department should eliminate unnecessary or incompatible access to the state's accounting system. If it allows incompatible access, the department should ensure that controls are effectively designed to mitigate the risk of error or fraud.*

Minnesota Department of Employment and Economic Development Response:

The department partially agrees with the finding and the recommendation. DEED has since followed up with Minnesota Management and Budget and the security changes requested in April of 2009 have been processed. The department does perform a thorough review of security profiles for both the MAPS and SEMA4 systems on an annual basis. If this problem had not been identified by the auditors, it would have been detected through that process. However, DEED is now reviewing the security reports more frequently to confirm that any change request submitted to MMB is processed in a timely manner.

The department disagrees that there were 15 individuals with incompatible access to the state's accounting system. Although these individual's security profiles allowed them to perform both encumbering and receiving functions, the mitigating control in place was that they could not process payments thereby adequate separation of duties had been maintained. The department agrees that this mitigating control was not documented. However, upon subsequent review of these individuals, it has been determined that the ability to perform the receiving function was unnecessary so it has been removed from their security profiles. The department considers this finding to be resolved.

Person Responsible: Cindy Farrell, Chief Financial Officer
Estimated Completion Date: March 11, 2010

[43] Department of Management and Budget Policy 0102-01.
[44] Department of Management and Budget Policy 1101-07.

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

Report 10-10

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U. S. Department of Labor

CFDA Numbers/Program Names:

17.258	Workforce Investment Act – Adult
17.259	Workforce Investment Act – Youth
17.260	Workforce Investment Act – Dislocated Worker

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See footnotes, if applicable

Finding 10-10-7 *Inadequate prior approval of overtime pay for one employee*

7. The department did not always adequately monitor overtime hours worked as required by its policy; it allowed one employee to incur overtime in excess of the hours authorized.

The department did not ensure that its supervisors limited employee use of overtime to authorized amounts for one of ten employees tested. From April to June 2009, the department paid the employee 71 hours more in overtime than the 240 hours the supervisor had authorized. The employee incurred the overtime to coordinate conferences for some programs including the federal Workforce Investment Act (CFDA 17.258, 17.259, 17.260[45]). The department's policy for overtime states that supervisors are responsible to monitor any overtime hours worked employees and to verify that the number of hours of overtime worked does not exceed the number of hours authorized.[46] For the year, the employee earned $21,961 for 829 overtime hours. The department paid a total of $1.6 million in overtime compensation to employees in fiscal year 2009.

Recommendation

- *The department should ensure that overtime hours worked do not exceed the number of hours authorized.*

[45] Federal Grant #AA-17129-08-55-A-27.
[46] Department of Employment and Economic Development Policy PPM201.

Minnesota Department of Employment and Economic Development Response:

Response: The department agrees with the finding and the recommendation. During fiscal year 2009, DEED updated its policy regarding overtime to ensure that prior approvals are obtained and documented. That policy does require supervisors to ensure that overtime worked does not exceed authorized amounts. The issue identified by the auditor appears to be an isolated incident resulting from an employee transferring between supervisors. Cindy Farrell, Chief Financial Officer, will remind supervisors of their responsibilities for managing overtime by March 31, 2010.

Person Responsible: Cindy Farrell, Chief Financial Officer
Estimated Completion Date: March 31, 2010

Report 10-10

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U. S. Department of Labor

CFDA Numbers/Program Names:

17.225 Unemployment Insurance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See footnotes, if applicable

Finding 10-10-8 *Inaccurate severance paid to one employee*

8. The department did not accurately calculate a severance payment for one employee.

For one of eight severance payments we tested, the department did not accurately calculate the severance paid upon separation from state service. The error resulted in an underpayment of $3,061 to the employee and a liability for the Unemployment Insurance program (CFDA 17.225[47]). The applicable bargaining agreement provided the employee with 40 percent of the unused sick leave balance if they met certain severance qualifications.[48] However, the department manually miscalculated the severance payoff by 100 hours. While the department stated that it had a review process for severance calculations, the reviewer did not discover the calculation error.

Recommendations

- *The department should ensure that it accurately calculates severance payments in compliance with applicable bargaining agreements.*
- *The department should pay the employee the additional $3,061 severance owed.*

[47] Federal Grant #UI-16754-08-55-A-27, #UI-18028-09-55-A-27.
[48] Minnesota Association of Professional Employees, article 13, section 1.

Minnesota Department of Employment and Economic Development Response:

The department agrees with the finding and the recommendations. Most severance calculations are automatically done through the payroll system. The issue identified by the auditor had some unique circumstances that required a manual calculation. This calculation was erroneous and resulted in an underpayment of $3,061. This was corrected and paid to the employee's medical savings account on February 2, 2010. In the future, any manual calculations will be better documented and more thoroughly reviewed by the supervisor. The department considers this finding to be resolved.

Person Responsible: Cindy Farrell, Chief Financial Officer
Estimated Completion Date: February 2, 2010

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

Report 10-10

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.126 Vocational Rehabilitation

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See footnotes, if applicable

Finding 10-10-9 *Not public data inappropriately entered into the accounting system has not been removed*

9. Prior Finding Partially Resolved: The department did not remove or protect client names it inappropriately entered in the state's accounting system in prior years.

The department had not removed or protected Vocational Rehabilitation (CFDA 84.126[49]) client names it had previously entered into the state's accounting system. Because department staff entered this data into unprotected fields, the not public data could be viewed by anyone with access to the transactions on the state's information warehouse. In fiscal year 2009, the department stopped entering this information into the state's accounting system; however, it had not removed prior years' client information in the state's information warehouse. State statutes define 'not public' data as any government data that is classified by statute, federal law, or temporary classification as confidential, private, nonpublic, or protected nonpublic.[50] In addition, state policy specifically instructs state agencies to not include names and other not public data in the state's accounting system.[51]

Recommendation

- *The Department of Employment and Economic Development should work with the Department of Management and Budget to remove or protect client names that were included in the state's accounting system in prior years.*

[49] Federal Grant #H390A090032, # H390A090033, #H126A090032B, #H126A090033B, #H126A080032D, #H126A080033D.
[50] *Minnesota Statutes* 2009, 13.791, 268A.05.
[51] Department of Management and Budget Policy 0803-01.

Minnesota Department of Employment and Economic Development Response:

The department agrees with the finding and the recommendation. DEED has had several discussions with MMB regarding the need to protect private client data that is contained in the state's information warehouse. This information is currently available to all state agency users that have access to the expenditure table in the information warehouse. MMB is currently working on a modification to the information warehouse security that would limit agency user access to data from their own agency. Cindy Farrell, Chief Financial Officer, will continue to work with MMB to ensure this modification is implemented by June 30, 2010.

Person Responsible: Cindy Farrell, Chief Financial Officer
Estimated Completion Date: June 30, 2010

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

Report 10-11

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.551	ARRA - Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
10.561	ARRA - Supplemental Nutrition Assistance Program (SNAP) Administration
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.563	ARRA - Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.658	ARRA - Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.778	ARRA - Medical Assistance
93.959	Substance Abuse

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 10-11 Appendix A

Finding 10-11-1 *No documented internal control structure ensuring compliance*

1. **Prior Finding Partially Resolved:[52] The Department of Human Services did not identify, analyze, and document its internal controls related to business operations and the schedules of federal expenditures.**

[52]Unless otherwise noted, all prior audit findings mentioned in this report are from the Office of the Legislative Auditor's Financial Audit Division Report 09-10, *Department of Human Services Federal Compliance Audit*, issued March 26, 2009.

The Department of Human Services did not have a comprehensive risk assessment regarding its internal controls over compliance with federal single audit requirements.[53] A comprehensive internal control structure is critical to the preparation of accurate Schedules of Expenditures of Federal Awards and safeguarding of federal resources. The department had an increased likelihood of a control deficiency if it did not clearly communicate to all staff its risks, control activities, and monitoring policies and procedures.

The Department of Human Services was aware of certain risks, had many control activities in place, and performed selected internal control monitoring functions. In addition, it had begun to identify and document some financial-related risks and related control activities. However, the department did not identify and analyze all the risks, design comprehensive controls to address significant risks, or develop sufficient monitoring procedures to ensure that controls were in place and were effective to reduce the significant risks identified.

State policy stipulates that agency management is responsible to identify, analyze, and manage business risks that affect its ability to maintain its financial strength and the overall quality of its products and government services.[54] This policy also requires communication of the internal control policies and procedures to all staff so they understand expectations and the scope of their freedom to act. The policy further requires follow-up procedures that, at a minimum, should include ways to monitor results and report significant control deficiencies to individuals responsible for the process or activity involved, including the agency's executive management and other individuals in a position to take corrective action. Audit standards reinforced management's responsibility to have effective internal controls over its financial operations.[55] The federal government expects that those controls also ensure compliance with federal program requirements.

Findings 2 through 11 identify deficiencies in the department's internal control procedures and specific noncompliance with federal requirements that the department's internal control structure did not prevent or detect. If the department had a comprehensive internal control structure, it may have identified these deficiencies, assessed the degree of risk of these deficiencies, designed control procedures to address significant risks, and monitored whether controls were working as designed and effective in reducing the risks to an acceptably low level. It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it operates within a comprehensive internal control structure.

[53]This finding affects all major federal programs identified in Table 1.
[54]Department of Management and Budget Policy 0102-01.
[55]American Institute of Certified Public Accountants Statement on Auditing Standards #109: Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement.

Recommendation

- *The Department of Human Services should continue to review and clearly document its risks, control activities, and internal control monitoring functions for its key business processes related to major federal programs.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation. During the June – December 2009 period, Financial Operations Division management, supervisors and staff committed in excess of 600 hours to a risk assessment process that was based on the Minnesota Management and Budget Internal Control Self-Assessment Tool. The resulting document will be reviewed, updated at least annually, and appropriate actions will be taken that respond to risks.

Person Responsible: Martin L. Cammack, Financial Operations Director
Estimated Completion Date: December 31, 2010

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

Report 10-11

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.767	State Children's Health Insurance Program
93.778	Medical Assistance
93.778	ARRA - Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 10-11 Appendix A

Finding 10-11-2 *Inadequately addressing responsibility for monitoring accurate eligibility determinations*

2. The Department of Human Services did not adequately address its responsibility to monitor and ensure accurate recipient eligibility determinations for four major federal programs.

The department did not have a comprehensive approach to ensure it provided federal program benefits only to eligible recipients for four of its major federal programs (Child Care Cluster - CFDA 93.575 and 93.596; Children's Health Insurance Program - CFDA 93.767; Medical Assistance - CFDA 93.778 and 93.778A; and Temporary Assistance for Needy Families - CFDA 93.558).[56] The department delegated most eligibility determination duties to county social services agencies; however, it remained ultimately responsible to ensure that it provided benefits only to eligible clients.[57] The department did not assess whether its internal controls provided comprehensive, consistent, and timely assurance that it met its recipient eligibility oversight responsibilities.

[56] The federal award numbers for programs affected are in Appendix A.

[57] County staff worked with clients to determine and validate whether the client met certain eligibility requirements, such as citizenship, immigration status, residency, and income. The county staff entered validated information into the state's computer system. The state paid benefits to the clients.

Because the department lacked a comprehensive, coordinated approach to its eligibility oversight responsibilities, it did not identify or design controls to address the following areas where oversight was not sufficient:

- **Child Care Cluster:** The department did not have adequate internal controls in place to determine how well county social service agencies performed eligibility functions.[58] During fiscal year 2009, the department began paying child care providers directly rather than having each county make the payments. The department did not recognize that this change significantly increased its oversight responsibilities and did not assess the design of its existing controls to determine whether the controls were sufficient. The department's existing controls included training for county staff about state program policies and the use of the state's computer system.

- **Medical Assistance:** The department did not consider how to effectively coordinate its eligibility oversight efforts to address deficiencies in comprehensive coverage for the following activities:

  -- The Medicaid Eligibility Quality Control Unit did not include annual eligibility redeterminations in the scope of its testing. In accordance with a federally approved pilot project, the unit tested the counties' eligibility determinations for new applicants, which the department estimates made up only about 28 percent of Medical Assistance recipients during our audit scope.

  -- The department did not consider how it could have used county single audits to help it achieve more effective oversight. It also did not identify the inconsistent scopes of counties' federal single audits. About two-thirds of the counties' auditors did not test Medical Assistance eligibility determinations as part of their single audit work because of questions about audit requirements. The department did not formalize its audit requirements in written agreements with the counties. Although not required, formal written agreements could clarify the department's expectations and provide recourse for nonperformance.

  -- In compliance with the federal Centers for Medicare and Medicaid Services requirements, the department measures payment error rates every three years for Medical Assistance and the Children's Health Insurance Program. Part of this payment error rate measurement requires the department to look at eligibility procedures. However, in each three-year cycle, this measurement only covers one federal fiscal year. This leaves a gap of two federal fiscal years that the department does not examine using this process.

[58] Five counties contracted with nonprofit entities to provide these services.

- **Temporary Assistance for Needy Families:** Although the department had a Program Assessment and Integrity Division that performed many timely and consistent eligibility oversight functions, it did not sufficiently test whether county staff accurately handled certain sanctions in the department's eligibility system. Federal regulations require that clients who refused a work plan or did not cooperate with child support enforcement should be sanctioned, while clients who are single parents and unable to work because they did not have a viable childcare option should not be sanctioned.[59]

Our testing of some eligibility determinations made by Ramsey County and our review of the testing performed by the department's Payment Error Rate Measurement Section identified 8 out of 66 recipients who did not meet all eligibility requirements for two programs. For Medical Assistance, two recipient files at Ramsey County lacked citizenship documentation. For other counties the department reviewed, one recipient file lacked sufficient income documentation. For the Children's Health Insurance Program, three recipients did not meet program income guidelines, and two recipient files lacked appropriately signed applications. These errors indicated that the department needed to provide the counties with more instruction and oversight for eligibility determinations.

Recommendations

- *The Department of Human Services should develop a comprehensive, coordinated approach to ensure and monitor compliance with federal eligibility requirements. It should consider how it can use the following elements to enhance its controls:*
  - *Formal agreements with counties to communicate federal program requirements and the department's expectations.*
  - *Consistent and enhanced scopes of counties' single audits.*

- *The Department of Human Services should develop internal controls to monitor the specific eligibility requirements related to sanctions for the Temporary Assistance for Needy Families program.*

Minnesota Department of Human Services Response:

The department will clearly define and implement a comprehensive approach to ensure compliance with federal eligibility requirements for its major federal programs. Currently, the department carries out a number of oversight function carried out by the Program Assessment and Integrity Division (PAID) and the specific audit activities conducted by PERM and MEQC. However, as stated in the finding this approach may not appear adequate as we have not coordinated these activities into a comprehensive agency approach. Using a comprehensive

[59] 45 CFR parts 261.14, 264.30, and 261.56.

approach, we will assure eligibility reviews are conducted on a continuing and routine basis. We will carefully consider both of the suggested elements to a comprehensive coordinated approach as suggested in the recommendation. We will report back to the OLA on the comprehensive approach implemented by DHS.

Person Responsible: David Ehrhardt, Internal Audit Director
Estimated Completion Date: July 1, 2010

DHS will:

- Review and revise its training curriculum and instructions to employment counselors regarding procedure to follow when imposing sanctions, including proper documentation.
- Develop and issue protocol for employment services supervisors to use in conducting targeted reviews of sanctioned cases.
- Integrate review of MFIP sanctions into case review guides for county financial supervisors.

Person Responsible: Kate Wulf, acting TES Director
Ramona Scarpace, PAID Director
Estimated Completion Date: September 2010

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

Report 10-11

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.551	ARRA - Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
10.561	ARRA - Supplemental Nutrition Assistance Program (SNAP) Administration
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93.563	ARRA - Child Support Enforcement
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93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.658	ARRA - Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.778	ARRA - Medical Assistance
93.959	Substance Abuse

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 10-11 Appendix A

Finding 10-11-3 *Not public data on individuals not adequately protected*

3. Prior Finding Not Resolved: The Department of Human Services did not adequately protect not public data on individuals.

The department did not sufficiently protect not public data on individuals.[60] The department sometimes recorded the names or social security numbers of assistance recipients in fields in the

[60] This potentially affects all the federal award numbers for programs in Appendix A.

state's accounting system, which was then stored in the state's information warehouse. Anyone with access to commonly used tables in the state's information warehouse could view this not public data. In addition, the department incorporated the not public data into its own information warehouse.

State statutes define data on individuals that is collected, maintained, used, or disseminated by a welfare system as private data on individuals.[61] The statutes prohibit the Department of Human Services and other departments with public assistance systems from disclosing the data except under very restricted circumstances. In addition, state policy categorizes accounting system data as public and specifically instructs state agencies that names and health-related information on individuals should not be included.[62]

Recommendations

- *The Department of Human Services should not record not public data in unprotected fields in the state's accounting system.*
- *The Department of Human Services should work with the Department of Management and Budget to remove or restrict access to the data in the state's information warehouse.*
- *The Department of Human Services should eliminate or protect not public data it brings into its warehouse from the state's information warehouse.*

Minnesota Department of Human Services Response:

Department Response 3-1: The department agrees with this recommendation. On a very limited basis it has been the department's practice to enter an individual's name in the MAPS Vendor Invoice Field Code field so the vendor will know who the payment is attributable to. As soon as possible, this practice will be discontinued and replaced with a remittance advice mailing to the vendor and/or use of MMB's pull warrant / warrant enclosure process. For those limited instances where an individual is the MAPS vendor receiving payment, the department is not aware of an alternative; however employee access to MAPS is restricted at DHS due to the functionality of the department's information warehouse. The SWIFT system is expected to provide a solution to this issue.

Person Responsible: Martin L. Cammack, Financial Operations Director
Estimated Completion Date: June 30, 2011

[61] *Minnesota Statutes* 2009, Chapter 13.46
[62] Department of Management and Budget Policy 0803-01.

Department Response 3-2: The department agrees with this recommendation and will continue to assist the Department of Management and Budget. The specific situations referred to in Response #3-1 will be identified for the Department of Management and Budget so that if it is technically feasible, they may remove or restrict access to the data in the state's information warehouse.

Person Responsible: Martin L. Cammack, Financial Operations Director
Estimated Completion Date: June 30, 2011

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

Report 10-11

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.551	ARRA - Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
10.561	ARRA - Supplemental Nutrition Assistance Program (SNAP) Administration
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.563	ARRA - Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.658	ARRA - Foster Care
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.778	Medical Assistance
93.778	ARRA - Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 10-11 Appendix A

Finding 10-11-4 *Administration of Cost Allocation Plan*

4. The Department of Human Services had weaknesses in its administration of the department's Cost Allocation Plan for federal assistance program expenditures.

For the majority of its federal programs, including the major ones listed in Appendix A, the department did not have an adequate process to ensure that costs were allocated properly to its cost allocation plan. In 4 of the 16 cost pools tested, we found that the department did not correctly distribute applicable administrative expenditures to the correct schedule and/or cost center schedule as outlined in its written plan. Cost pools, schedules, and cost centers are groupings of incurred costs identified with two or more federal programs. Each grouping constitutes a pool of expenses that are of like character in terms of the functions they benefit and

the method used to allocate the costs. Four instances included allocation or manual adjustment errors ranging from $11,000 to $374,000. In addition, one of the four also was incorrect because the department did not change its cost allocation plan to reflect current program requirements.

The department also did not have controls in place to ensure that only allowable costs were included in its cost allocation plan. For example, the department's allocation process did not prevent it from including an unallowable $60,000 transaction coded in the accounting system as a land improvement.[63]

Recommendation

- *The Department of Human Services should improve its process for allocating federal assistance program expenditures to its Cost Allocation Plan.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation. The department will continue to improve its process for allocating federal assistance program expenditures to its Cost Allocation Plan. During the past year, the cost allocation process has been modified to include additional double-checks by staff. Additional staff resources have also been assigned to the cost allocation function and procedural documentation has been updated.

Person Responsible: Martin L. Cammack, Financial Operations Director
Estimated Completion Date: Completed

[63] The inclusion of this $60,000 unallowable cost did not result in a questioned cost because the department erred when it coded this transaction as a land improvement. Our testing verified that it was a cost allowable for inclusion in the department's indirect cost rate. Finding 6 further discusses the coding error.

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

Report 10-11

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.551	ARRA - Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
10.561	ARRA - Supplemental Nutrition Assistance Program (SNAP) Administration
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.563	ARRA - Child Support Enforcement

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 10-11 Appendix A

Finding 10-11-5 *Inaccurate reporting of financial activity for federal programs*

5. The Department of Human Services did not accurately report financial activity for certain federal programs.[64]

The department had errors in several reports submitted to the federal government. The department risked questioned costs when it made the following errors:

- The department did not report $24 million in maintenance of effort expenditures for the Temporary Assistance for Needy Families Program's annual report (CFDA 93.558). The department did not report the working family credit amount administered by the Department of Revenue. The federal oversight agency for this program required that the total of maintenance of effort claimed in the annual report must equal what the department claimed in the fourth quarter report.[65]

- The department also incorrectly reported amounts for the Child Support Enforcement Program (CFDA 93.563 and 93.563A) in its June 30, 2009, report. The department reported cost recovery and federal annual fees as $256,000 when the correct total was

[64] See Appendix A for crosswalk from Catalogue of Federal Domestic Award (CFDA) numbers to specific federal award grant number.
[65] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, TANF-ACF-PI-2008-06 *Temporary Assistance for Needy Families Program Instructions.*

$1.17 million. In addition, it reported interest and other income at zero when the correct total was $52,000.

- Finally, the department did not include approximately $23,000 for the value of benefit cards that were lost and replaced for the Supplemental Nutritional Assistance Program (CFDA 10.551, 10.551A, 10.651, and 10.651A) on its monthly program reports. Federal guidelines consider this activity a key reporting item.[66]

The department did not sufficiently review and validate the accuracy of its reports before submitting them to the federal government.

Recommendations

- *The Department of Human Services should ensure the accuracy of all federal financial reports.*
- *The Department of Human Services should correct the inaccurate reports and work with the appropriate federal agencies to determine if the errors resulted in any amounts due to the federal government.*

Minnesota Department of Human Services Response:

Department Response #5-1

The department agrees with this recommendation and will provide additional supervisory review of all federal reports before submission.

Person Responsible: Martin L. Cammack, Financial Operations Director
Estimated Completion Date: Completed

Department Response #5-2

The department agrees with this recommendation and has already determined that none of the errors resulted in additional amounts due to the federal government. The inaccurate reports have already been corrected and resubmitted.

Person Responsible: Martin L. Cammack, Financial Operations Director
Estimated Completion Date: Completed

[66] Per the March 2009 OMB Circular A-133 Compliance Supplement, Part 4, section regarding Compliance Requirement L (Special Reporting), Line 9 on the FNS-46 Report is a "Key Line Item" which contains critical information.

Report 10-11

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.778	Medical Assistance
93.778	ARRA - Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 10-11 Appendix A

Finding 10-11-6 *Inaccurately recorded transactions and not promptly paying liabilities*

6. The Department of Human Services did not accurately record certain transactions in the state's accounting system for several major federal programs and did not promptly pay its liabilities.[67]

For several major federal programs, including Medical Assistance (CFDA 93.778 and 93.778A), Temporary Assistance for Needy Families (CFDA 93.558), and Child Care Cluster (CFDA 93.575 & 93.596), the department did not select the correct accounting code when recording expenditures. The department miscoded more than $13 million in Medical Assistance vendor payments for interpreter and other services performed by medical providers as grants or aids to counties. In other instances, department employees coded grant payments to the wrong type of governmental entity or to a non-governmental grantee. In one case, the department coded a $275,000 block grant for needy families to the communications category. It also miscoded a $60,000 building water damage restoration to a land improvement category.

In addition, the department did not always use the correct record date in the state's accounting system and did not always promptly pay its liabilities. Four out of thirty items tested had incorrect record dates with errors ranging from 6 to 199 days from the actual date of liability. The department did not promptly pay 6 of the same 30 items. The lateness of the payment ranged from 3 to 169 days. State policy[68] requires all agencies to correctly record the receipt date of

[67] See Appendix A for crosswalk from Catalogue of Federal Domestic Award (CFDA) number to specific federal award grant number.
[68] Department of Management and Budget Policy 0901-01.

goods or services and state statutes[69] require prompt payment, either within the vendor's early payment discount period or 30 days after invoicing, as applicable.

Recommendations

- *The Department of Human Services should record transactions using the correct accounting codes and record dates.*
- *The Department of Human Services should promptly pay its bills, as required by statute.*

Minnesota Department of Human Services Response:

Department Response #6-1

The department agrees with the recommendation concerning $13 million in MA vendor payments coded as grants or aid to counties. We will take the necessary steps to ensure future interpreter service payments use the appropriate object code.

The department will also provide additional training and instruction to Financial Operations Division staff regarding the use of correct record dates when payments are made in MAPS.

Person Responsible: Martin L. Cammack, Financial Operations Director
Estimated Completion Date: June 30, 2010

Department Response #6-2

The department agrees with this recommendation. The department will review its business process to determine whether the time required for the internal routing and approval of invoices can be reduced so payments may be made more promptly

Person Responsible: Martin L. Cammack, Financial Operations Director
Estimated Completion Date: June 30, 2010

[69] *Minnesota Statutes* 2009, 16A.124.

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

Report 10-11

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.551	ARRA - Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
10.561	ARRA - Supplemental Nutrition Assistance Program (SNAP) Administration
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.778	Medical Assistance
93.778	ARRA - Medical Assistance
93.959	Substance Abuse and Prevention Program

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 10-11 Appendix A

Finding 10-11-7 *Excessive federal cash balances*

7. Prior Finding Not Resolved: The Department of Human Services was not in compliance with federal cash management requirements.[70]

The department did not comply with its Treasury-State Agreement for the Supplemental Nutrition Assistance Program (CFDA 10.551, 10.551A, 10.651, and 10.651A), the Medical Assistance Program (CFDA 93.778 and 93.778A), and the Child Care Cluster Programs (CFDA 93.575 and 93.596). In accordance with the federal Cash Management Improvement Act, the department agreed to minimize the time it holds federal cash. The Treasury-State Agreement allows the department to make payments no later than one day after the receipt of federal funds for the Medical Assistance, Child Care, and Nutrition programs.

For the Medical Assistance Program, the department exceeded its one-day limit and had significant excess cash on hand four times throughout fiscal year 2009. The number of consecutive days in which this program had positive cash balances ranged from 3 to 8 days for a

[70] The federal award numbers for programs affected are in Appendix A.

total of 23 days, and the positive federal cash amounts per day ranged from $11 million to $125 million.

For the Child Care Cluster, the department exceeded its one-day limit and had excess cash on hand four times throughout fiscal year 2009. The number of consecutive days in which this program had positive cash balances ranged from 1 to 7 days for a total of 12 days, and the positive federal cash amounts per day ranged from $145,000 to $8,200,000.

For the Supplemental Nutrition Assistance Program, the department exceeded its one-day limit and had significant excess cash on hand three times, for a total of nine days throughout fiscal year 2009. The positive federal cash amounts per day were approximately $1 million.

The Substance Abuse Prevention and Treatment Program (CFDA 93.959), which is not included in the Treasury-State Agreement, also did not minimize the time it held federal cash. The department held excess cash for more than one day 28 times during fiscal year 2009. The number of consecutive days in which this program had positive cash balances ranged from 1 to 12 days for a total of 108 days, and the positive federal cash amounts per day were from $10,000 to $1,700,000.

By not closely monitoring its federal cash balances, the department contributed nearly $25,000 to the state's overall interest payable to the federal government during fiscal year 2009.

Recommendation

- *The Department of Human Services should comply with the federal Cash Management Improvement Act and its Treasury-State Agreement by better monitoring and maintaining minimum program cash balances.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation. The infusion of ARRA money created most of the cash on hand issues specific to CFDA's 93.778 and 93.778A. Large receipts coming into these accounts also contributed to this finding. For a period of time, there was some confusion about how to accurately draw these funds and their interaction with our regular Medicaid award which resulted in the department having too much cash on hand. Through additional technical assistance and coordination with CMS, and thorough internal review, the department has since established procedures and internal controls to prevent this from occurring in the future.

Over the past year, training has been provided to accountants regarding monitoring cash balances and modifications have been made to our Federal Funds Management system to provide additional edits to prevent the drawing of excess cash on hand.

In addition to these changes, DHS will also implement additional monitoring of cash balances throughout the year. A monthly review will be done of CFDAs where interest is owed; this report will be provided to FOD management for additional review and follow-up.

Person Responsible: Martin L. Cammack, Financial Operations Director
Estimated Completion Date: June 30, 2010

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

Report 10-11

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 Health Care Provider Survey
93.778	Medical Assistance
93.778	ARRA - Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 10-11 Appendix A

Finding 10-11-8 *Did not submit quarterly reports timely*

8. Prior Finding Not Resolved: The Department of Human Services submitted reports to the federal government late for three federal programs.

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 and 93.778A), the Children's Health Insurance Program (CFDA 93.767), and the State Health Care Providers Survey (CFDA 93.777). The department did not meet the 30-day reporting requirement for filing quarterly reports to the federal government for several years. During fiscal year 2009, the department electronically filed the reports from 13 to 111 days after the due date. The federal government relies on the reports to ensure compliance with program objectives and ensure that the state is appropriately managing and monitoring the federal award.[71]

Recommendation

- *The Department of Human Services should improve its reporting process to ensure timely submission of all of its federal reports.*

[71] See Appendix A for crosswalk from Catalogue of Federal Domestic Award (CFDA) number to specific federal award grant number.

Minnesota Department of Human Services Response:

The department has made several improvements to its processes in an attempt to improve report submission timing. Unfortunately, given the level of complexity and continuous changes at the federal level, meeting designated timelines will continue to be difficult if not impossible.

We are developing a quarterly CMS-64/21 Report status/issue log. This log will be reviewed quarterly with the DHS Medicaid Director, Reports & Forecasts Director and CFO to ensure appropriate follow-up within DHS and continued coordination with federal CMS staff.

Person Responsible: Martin L. Cammack, Financial Operations Director
Estimated Completion Date: December 31, 2010

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

Report 10-11

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.551	ARRA - Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
10.561	ARRA - Supplemental Nutrition Assistance Program (SNAP) Administration
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.563	ARRA - Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.658	ARRA - Foster Care
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.778	Medical Assistance
93.778	ARRA - Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 10-11 Appendix A

Finding 10-11-10 *No independent review of payroll reports*

10. The Department of Human Services did not independently review two key payroll reports.

The department did not independently review two key payroll reports to ensure the accuracy of wages and to verify that staff posted payroll expenditures to correct accounts on the state's accounting system. The self service time entry audit report identifies payroll transactions that did not follow the expected timesheet completion and review process. It lists instances when an employee did not complete their own timesheet and when someone other than the employee's supervisor authorized the timesheet for payment. The payroll register report shows the current

pay period's earnings codes, hours, pay rates, adjustments, lump-sum payments, and expense reimbursements.

The Department of Management and Budget's policies require agencies to review these reports.[72] For fiscal year 2009, the department did have payroll staff review the two reports. However, the employee who performed the reviews was not independent of the payroll process. Also, the department did not require an employee or supervisor to sign off on report exceptions. An independent review of the reports by an employee outside the payroll process and follow up of repeated unusual transactions would significantly reduce the risk of errors or fraud.

Recommendations

- *The Department of Human Services should conduct an independent review of the self service time entry audit report and payroll register report each pay period to verify the accuracy of payroll transactions.*
- *The Department of Human Services should follow up on self service time entry audit report and payroll register report exceptions and work with department supervisors to reduce the frequency of those exceptions.*
- *The Department of Human Services should document its review of key payroll reports and show the resolution of exceptions noted.*

Minnesota Department of Human Services Response:

Department Response #10-1

The department agrees with this finding. DHS will review duties of payroll staff and identify staff that are best able to perform an independent review of these reports.

Person Responsible: Martin L. Cammack, Financial Operations Director
Estimated Completion Date: June 30, 2010

Department Response #10-2

The department agrees with this finding. As part of the review and documentation of payroll duties, DHS will review the process currently being followed regarding these reports and

[72]Department of Management and Budget's policies PAY0017 *Employee Self Service Time Entry,* PAY0018 *Labor Distribution,* and PAY0028 *Agency Verification of Payroll and Human Resources Transactions.*

document procedures to for payroll staff to use when following-up with department supervisors regarding noted exceptions.

Person Responsible: Martin L. Cammack, Financial Operations Director
Estimated Completion Date: June 30, 2010

Department Response #10-3

The department agrees with this finding. As part of the review and documentation of payroll duties, DHS will review the process currently being followed regarding these reports and document procedures for payroll staff to use when following-up with department supervisors regarding noted exceptions and subsequent resolution of expectations.

Person Responsible: Martin L. Cammack, Financial Operations Director
Estimated Completion Date: June 30, 2010

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

Report 10-11

State Agency: Minnesota Department of Human Services

Appendix A
Major Federal Programs
Administered by the Department of Human Services
Fiscal Year 2009

CFDA[1]	Program Name	Federal Award Numbers
	Food and Nutrition Services Cluster[2]	-----
10.551	Supplemental Nutrition Assistance Program	2009IS601842, 2009IS802642, 2009IS604542,
10.551A	Supplemental Nutrition Assistance Program ARRA[3]	2009ID281142, 2009ID282142
10.561	Supplemental Nutrition Assistance Program Administration	2009IS251442, 2009CQ260342, 2009IS803642, 2009IQ650342, 2009CE251842, 20097E251842, 2009IS251942, 2009IS252042, 2009CQ252042
10.561A	Supplemental Nutrition Assistance Program Administration ARRA	2009ID250342
93.558	Temporary Assistance for Needy Families	0602MNTANF, 0702MNTANF, 0802MNTANF, 0902MNTANF,
93.563	Child Support Enforcement	9904MN4004, 0104MN4004, 0304MN4004, 0404MN4004, 0604MN4004, 0804MN4004, 0804MN4004, 0904MN4004, 0504MNHMHR, 0604MNHMHR, 0704MNHMHR,
93.563 A	Child Support Enforcement ARRA	0904MN4002
	Child Care Cluster	-----
93.575	Child Care and Development Block Grant	0502MNCCDF, 0602MNCCDF, 0702MNCCDF, 0802MNCCDF, 0902MNCCDF
93.596	Child Care Mandatory and Matching Fund	Same as above
93.658	Foster Care – Title IV-E	0401MN1401, 0601MN1401, 0701MN1401, 0801MN1401, 0901MN1401
93.658A	Foster Care - Title IV-E ARRA	0901MN1402
93.667	Social Services Block Grant	0601MNSOS2, 0901MNSOSR
93.767	Children's Health Insurance Program	0805MN5021, 0905MN5021
	Medicaid Cluster	-----
93.775	State Medicaid Fraud Control Unit[4]	Not expended at DHS, no issues
93.777	State Health Care Providers Survey	0805MN5001, 0905MN5001
93.778	Medical Assistance Program	0705MN5048, 0805MN5048, 0905MN5048, 0705MN5028, 0805MN5028, 0905MN5028
93.778A	Medical Assistance Program ARRA	0905MNARRA

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

[1]The Catalog of Federal Domestic Assistance (CFDA) is a unique number assigned by the federal government to identify its programs.
[2]A cluster of programs is a group of closely related programs that have similar compliance requirements and are treated as a single program.
[3]The American Recovery and Reinvestment Act (ARRA) funds were segregated to fulfill transparency guidelines.
[4]The State Medicaid Fraud Control Unit is administered through the Minnesota Office of the Attorney General. We performed specific federal compliance audit work on this program for fiscal year 2008. We did not report any written findings or recommendations.
Source: Minnesota Accounting and Procurement System.

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

Report 10-12

State Agency: **Minnesota Department of Management and Budget**

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

CFDA Numbers/Program Names:

10.557	Special Nutrition for Women, Infants and Children
15.605	Sport Fish Restoration Program
15.611	Wildlife Restoration Program
17.225	Unemployment Insurance
17.225	ARRA – Unemployment Insurance
93.563	Child Support Enforcement
93.563	ARRA – Child Support Enforcement
93.778	Medical Assistance
93.778	ARRA – Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Not Applicable

Finding 10-12-1 *Inaccurate reporting of the draft schedule of federal expenditures*

1. **Prior Finding Partially Resolved:[73] The state's procedures for preparing the Schedule of Expenditures of Federal Awards resulted in some significant misclassifications and other errors to the draft schedules.**

Although the Department of Management and Budget improved its review of agency information used to prepare the state's Schedule of Expenditures of Federal Awards, the department continued to have errors in the fiscal year 2009 schedule that required audit adjustments. In addition, there were significant misclassifications of expenditures between American Recovery and Reinvestment Act funds and other related federal funds. The department and the applicable agencies could have detected the misstatements by reviewing adjusted amounts and by comparing variances in amounts between fiscal years and following up on significant differences.

[73] Office of the Legislative Auditor's Financial Audit Division Report 09-14, *Department of Finance Federal Compliance Audit*, issued March 26, 2009.

The state's process to prepare the schedule requires extensive adjustments to the data provided by the state's accounting system. The Department of Management and Budget relies on other departments to determine federal expenditures, additional accruals or other adjustments when those amounts are not readily available from the state's accounting system, or when it accounts for programs outside of the state's Federal Fund.

The Department of Management and Budget and other agencies had the following misclassifications and errors related to the 2009 Schedule of Expenditures of Federal Awards:

- The departments of Management and Budget and Employment and Economic Development did not accurately report the funding sources for the Unemployment Insurance Program on the 2009 Schedule of Expenditures of Federal Awards.[74] The schedule overstated the program's regular federal expenditures by about $143.5 million and understated the related federal American Recovery and Reinvestment Act expenditures by the same amount.

- The departments of Management and Budget and Human Services did not accurately report the funding sources for the Medical Assistance and Child Support Enforcement programs. For the Medical Assistance Program, the departments overstated the federal American Recovery and Reinvestment Act expenditures by $502.7 million and understated the other related federal expenditures by the same amount on the 2009 Schedule of Expenditures of Federal Awards.[75] In addition, the Department of Management and Budget overstated the Child Support Enforcement Program's regular federal expenditures by $4.1 million and understated the related federal American Recovery and Reinvestment Act expenditures by the same amount.[76]

- The Department of Health did not accurately report financial activity on its fiscal year 2009 Schedule of Expenditures of Federal Awards for the Special Nutrition Program for Women, Infants and Children.[77] The department did not exclude $2.5 million of infant formula rebates that the department had included as a receivable on its June 30, 2008, federal schedules. The departments of Health and Management and Budget's controls over the preparation of this schedule should have included a step to ensure that it eliminated rebate amounts reported in the prior fiscal year.

- The departments of Management and Budget and Natural Resources did not accurately report federal expenditures; they erroneously included $7.4 million in state matching expenditures and omitted $3 million of direct federal administrative expenditures in the Schedule of

[74] CFDA 17.225 and CFDA 17.225A, with total expenditures of $1.9 billion. The Catalog of Federal Domestic Assistance (CFDA) is a unique number assigned by the federal government to identify its programs.
[75] CFDA 93.778 and 93.778A, with total expenditures of $4.4 billion.
[76] CFDA 93.563A.
[77] CFDA 10.557, with total expenditures of $95 million.

Expenditures of Federal Awards for the Fish and Wildlife Cluster.[78] Although both departments exchanged information and several communications about the amounts reported in the schedule, misunderstandings resulted in the errors being reported and going undetected.

Finally, the Department of Management and Budget did not provide draft expenditure schedules to us for audit until January 8, 2010, which was three weeks after our agreed upon due date. The Single Audit Act requires that the state's major programs be determined based on the final audited schedules. Changes in the determination of major federal programs may result in the need for additional audit work before the state can issue its *Financial and Compliance Report on Federally Assisted Programs*, possibly risking its ability to issue the report by March 31, as required by the federal government.

Recommendations

- *The Department of Management and Budget and applicable state agencies should:*
  - *Ensure that they properly reflect expenditures and accruals in the draft federal expenditure schedules.*
  - *Enhance its analytical procedures to include non-Federal Fund activity.*

- *The Department of Management and Budget should more promptly prepare the Schedule of Expenditures of Federal Awards to allow an earlier determination of major programs.*

Minnesota Department of Management and Budget Response:

We agree with the recommendation. Thank you for recognizing the improvement in our process. We continue to place a high priority on ensuring the accuracy of the Schedule of Expenditures of Federal Awards totaling over $10 billion for Fiscal Year 2009 and on enhancing the controls and processes related to its preparation. Our process was strengthened this year by providing agencies with drafts of the adjusted schedules for final review prior to submission to the auditors. In addition, we continued to reconcile all data included in the state's Federal Fund to appropriate federal programs. This reconciliation ensured that all accruals and adjustments made to the Federal Fund were also made to the appropriate federal programs. We also continued to compare prior year and current year balances by federal program and worked with agencies to obtain explanations for significant variances to ensure accuracy.

Fiscal year 2009 was the first year the state reported expenditures of American Recovery and Reinvestment Act (ARRA). Agencies were provided with instructions to separately report

[78] Fish and Wildlife Cluster includes the Sport Fish Restoration Program (CFDA 15.605) and the Wildlife Restoration Program (CFDA 15.611).

ARRA expenditures. We compared the ARRA expenditures reported to us with our expectations of programs receiving ARRA funds and then contacted and worked with applicable agencies on any discrepancies. Although total expenditures reported were accurate, misclassifications of expenditures between ARRA and non-ARRA funding remained after these efforts. We will continue to work with agencies to ensure accurate identification of ARRA and non-ARRA expenditures and to stress the importance of separating these amounts.

We will also continue working with agencies to ensure the accuracy and timeliness of the Schedule of Expenditures of Federal Awards. We will continue to emphasize to agencies the importance of thorough reviews and comparisons of current and prior year data.

Person Responsible: Barb Ruckheim, Financial Reporting Director
Estimated Completion Date: March 31, 2011

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

Report 10-12

State Agency: Minnesota Department of Management and Budget

Federal Agency: U. S. Department of Agriculture
U. S. Department of Labor
U. S. Department of Transportation
U. S. Department of Education
U. S. Department of Health and Human Services
U. S. Department of Homeland Security

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program
10.551	ARRA-Supplemental Nutrition Assistance Program
10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.557	Special Nutrition for Women, Infants and Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
10.561	State Admin Matching Grants for Supplemental Nutrition
10.561	ARRA-State Admin Matching Grants for Supplemental Nutrition
12.401	National Guard Military Operations and Maintenance
17.225	Unemployment Insurance
17.225	ARRA-Unemployment Insurance
17.258	Workforce Investment Act – Adult
17.258	ARRA-Workforce Investment Act – Adult
17.259	Workforce Investment Act – Youth
17.259	ARRA-Workforce Investment Act – Youth
17.260	Workforce Investment Act – Dislocated Worker
17.260	ARRA-Workforce Investment Act – Dislocated Worker
20.106	Airport Improvement Program
20.106	ARRA-Airport Improvement Program
20.205	Highway Planning and Construction
20.500	Federal Transit Capital Investment Grants
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.126	Vocational Rehabilitation
84.173	Special Education – Preschool Grants
84.367	Improving Teacher Quality State Grants
84.390	ARRA-93.268 Vocational Rehabilitation

93.268	Childhood Immunization Grants
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.563	ARRA-Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.658	ARRA-Foster Care
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.778	ARRA-Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Not Applicable

Finding 10-12-2 *Incorrect projected costs used in calculating the statewide indirect cost rate*

2. The Department of Management and Budget did not always use correct projected costs when it calculated the statewide indirect cost charges and misreported certain cost information to the federal government.

The Department of Management and Budget used the wrong fiscal year's projected general support service costs when it calculated the 2009 statewide indirect cost charges. *Minnesota Statutes*[79] require the department to allocate all statewide general support service costs to the entities that use the services.[80] The department determines the indirect cost rates based on projected costs for the upcoming fiscal year's general support services and adjustments to the prior year's projected costs to align with the actual costs incurred. Generally, the department used the appropriation amounts passed into law as the projected costs for fiscal year 2009. However, for one of seven departments we tested, the department mistakenly used the fiscal year 2008 projected costs instead of the 2009 projected costs. This error overstated the projected budget costs for the department by $407,000. For one of the other departments we tested, the Department of Management and Budget understated the costs for the Office of Enterprise Technology by $1,803,000 due to an undetermined error. We estimate that these errors resulted in a net understatement of the federal share of indirect costs totaling approximately $315,000.

[79] *Minnesota Statutes* 2009, 16A.127.
[80] These services include centralized services provided by the departments of Administration, Management and Budget, and the offices of Enterprise Technology, Legislative Auditor, and others.

These errors will be offset in fiscal year 2011 when the department adjusts the projected fiscal year 2009 costs to the actual costs.

The department used the correct fiscal year 2007 amounts in its calculation of the indirect costs but reported incorrect information to the federal government in the supplementary schedules for 5 out of 32 general support services functions we tested. The department is required to submit the cost allocation plan to the United States Department of Health and Human Services each year the state intends to claim indirect costs under federal awards. This plan includes supplementary cost allocation schedules for the prior year's actual cost. The department overstated the cost for the state's accounting system operations by $4 million and understated the costs for the other four functions by $36,652 in these supplementary schedules.

An independent person at the department reviewed both the indirect cost calculation and the statewide cost allocation plan. However, the reviews were not detailed enough to identify the above errors.

Recommendation

- *The department should perform a detailed review to ensure it accurately calculates the indirect cost charges and reports accurate information in the statewide cost allocation plan.*

Minnesota Department of Management and Budget Response:

We agree with the recommendation. The state's indirect cost plan is a very lengthy and complex document. The allocation of indirect costs is extremely complex with multiple levels of allocations using data from numerous sources. The state's indirect cost plan calculates the indirect costs based on projected costs for the upcoming fiscal year and the settle-up on the difference between the projected costs and actual costs for the previous fiscal year. As you noted, accurate actual fiscal year 2007 costs were used for calculation of indirect costs, but the estimated projected costs did not include the most recent information available at the time the plan was completed. In the future, we will ensure that the documentation is maintained for the determination of the projected costs based on the information available at the time the plan is prepared in a couple instances. In addition, we will ensure the information included in supplementary schedules supporting the detail of costs included in the indirect cost plan are updated and reviewed.

Person Responsible: Barb Ruckheim, Financial Reporting Director
Estimated Completion Date: April 30, 2010

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

Report 10-12

State Agency: Minnesota Department of Management and Budget

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program
10.551	ARRA-Supplemental Nutrition Assistance Program
10.561	State Admin Matching Grants for Supplemental Nutrition
10.561	ARRA-State Admin Matching Grants for Supplemental Nutrition
84.126	Vocational Rehabilitation
84.390	ARRA-Vocational Rehabilitation
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.563	ARRA-Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.658	ARRA-Foster Care
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.778	ARRA-Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Not Applicable

Finding 10-12-3 *Inadequately protecting not public data in the state's information warehouse*

3. The Department of Management and Budget did not adequately protect not public data on individuals maintained within the state's information data warehouse.

The department did not sufficiently protect not public data on individuals that reside within the state's information warehouse. The department is responsible for the management and security of the state's accounting system and information data warehouse. State policy prohibits agencies

from entering not public data into unprotected fields in the state's accounting system.[81] Some state agencies, however, have recorded the names or social security numbers of public assistance recipients in unprotected fields in the state's accounting system, inadvertently making the data available to state employees and contractors with access to detailed information in certain tables in the state's warehouse.

Not public data includes any government data which is classified by statute, federal law, or temporary classification as confidential, private, nonpublic, or protected nonpublic. State statutes define data on individuals that is collected, maintained, used, or disseminated by a welfare or public assistance program as private data on individuals.[82] The statutes prohibit state departments with public assistance systems from disclosing the data except under very restricted circumstances. In addition, state policy categorizes accounting system data as public and specifically instructs state agencies that names and certain health-related information on individuals should not be included.[83]

In fiscal year 2009, the Department of Employment and Economic Development discontinued the practice of entering not public data into the state's accounting system; it had not, however, removed prior years' client information that is maintained within the state's information warehouse. The Department of Human Services continued to record not public information on public assistance recipients in unprotected fields within the state's accounting system, allowing this data to be included in the state's information warehouse and its own data warehouse.

Recommendation

- *The Department of Management and Budget should work with state agencies to identify and remove or protect not public data that is stored in the state's information warehouse.*

Minnesota Department of Management and Budget Response:

We agree with the recommendation. As noted in the audit report, MMB policy is to restrict private data in MAPS and agencies have been instructed not to enter private data into MAPS public data fields. We do not provide access to the public for these fields through any of our public access methods. Access to this data is limited to individuals who have been granted security roles with authorization to view this type of MAPS data in the warehouse. We have taken steps to develop further security controls. We are testing a new security process to limit access to those authorized individuals of the agency owning the data and to those with clearance to view all state agency data (such as MMB) who have security roles authorizing access to this data. Development of this new increased security level has been a very complex effort, requiring

[81] Department of Management and Budget Policy 0803-01.
[82] *Minnesota Statutes* 2009, 13.791.
[83] Department of Management and Budget Policy 0803-01.

over 1,000 hours of MMB time. The effort is nearly complete. In addition, we will send a notice to all MAPS users reminding them of the policy to restrict private data from MAPS public data fields.

Person Responsible:	Ellen Schwandt, Administrative Systems Supervisor and Technical Director of the Information Warehouse Delores Staffanson, Agency Support Director
Estimated Completion Date:	April 30, 2010

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

Report KDV-09

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

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

Questioned Costs: None – Procedural Finding Only

Finding KDV-08-1 *College did not return Title IV Funds timely*

Condition:
Inver Hills Community College did not return Title IV funds in a timely manner. More than 30 days elapsed from the end of the semester to the date of determination of withdrawal for one student. Inver Hills Community College did not report a student's date of withdrawal correctly on R2T4 form.

Criteria:
The withdrawal date must be determined within 30 days after the student withdrew or 30 days after the end of the term for unofficial withdrawal in order to return Title IV funds timely.

Effect:
The College were not in compliance with the federal requirements regarding the return of Title IV funds.

Recommendation:
The College should review current procedures used to identify Title IV returns to ensure timely and accurate return of these funds. The withdrawal date must be determined within the prescribed due date in order to return federal funds timely.

Minnesota State Colleges and Universities Response:

The College agrees with the auditor's recommendation and will ensure that all funds are returned to the Department or Education in a timely manner.

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

Estimated Completion Date: June 30, 2010

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

Report KDV-09

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.032	Federal Family Education Loans (FFEL)
84.038	Federal Perkins Loans
84.268	Federal Direct Student Loans

Questioned Costs: None – Procedural Finding Only

Finding KDV-07-8 *Inadequate notification of disbursement of loan proceeds.*

Condition:
MnSCU's three direct lending institutions [Minnesota State Community and Technical College, Minnesota State University-Moorhead, Bemidji State University] relied on the disbursement disclosure sent by the direct lending loan origination center of the U.S. Department of Education. They did not provide their own separate notification.

Criteria:
Code of Federal Regulations (CFR) Section 668.165 requires if an institution credits a student's account at the institution with direct loans, FFEL or federal Perkins program funds, the institution must notify the student or parent in writing of the date and amount of the loan disbursement and the students' or parents' right to cancel all or a part of the loan proceeds.

Effect:
The above Colleges and Universities were not in compliance with CFR Section 668.165 relating to notification of loan disbursements information.

Recommendation:
The Office of the Chancellor should continue to work with Colleges and Universities to develop a process to ensure proper notifications are completed when loan proceeds are disbursed.

Minnesota State Colleges and Universities Response:
The named Colleges and Universities and the Office of the Chancellor agree with the auditor's recommendations. Minnesota State University Moorhead has been using an in-house developed notification process since August, 2009. An automated process has been developed by the MnSCU system *that will be in production by the effective date below* and that will enable all MnSCU institutions to comply with notification requirements using the new process.

Persons Responsible:
Minnesota State College and University System Office

Estimated Completion Date: June 30, 2010

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

Report KDV 09

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

Questioned Costs: None – Procedural Finding Only

Finding KDV-09-3 *Unclaimed federal disbursements not returned timely*

Condition:
Rainy River Community College, Minnesota State University Moorhead, Vermillion Community College and Minnesota West Community and Technical College did not have procedures in place to ensure that unclaimed federal disbursements were returned to the Department of Education within 240 days as required by 34 CFR 668.164.

Criteria:
Unclaimed federal funds must be returned no later than 240 days after check issuance.

Effect:
The Colleges were not in compliance with the federal requirements regarding the disbursement of Title IV funds.

Recommendation:
The Colleges and University should review current procedures used to identify Title IV disbursements to ensure timely return of unclaimed funds.

Minnesota State Colleges and Universities Response:

The Colleges agree with the auditor's recommendation and will improve their written procedures for return of unclaimed federal disbursements within 240 days as required by federal regulations. In addition, the Financial Reporting unit sent a memo out to all colleges and universities along with a guideline regarding unclaimed property in February 2010.

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

Persons Responsible:

Rainy River Community College	Pat Leistikow, Director of Finance and Facilities
Minnesota State University Moorhead	Mark Rice, University Comptroller
Vermillion Community College	Nicole Squires, Business Manager
Minnesota West Community and Technical College	Diana Fliss, Business Manager

Estimated Completion Date: June 30, 2010

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

Report KDV-09

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
84.032	Federal Family Education Loans ("FFEL")
84.038	Federal Perkins Loans
93.364	Nursing Student Loans

Questioned Costs: None – Procedural Finding Only

Finding KDV-09-4 *Changes to administrative information not reported timely*

Condition:
Dakota County Technical College and Fond du Lac Community College failed to report required administrative changes within the 10 calendar day requirement.

Criteria:
The Federal Student Aid Handbook requires reporting of administrative changes to the U. S. Department of Education within 10 calendar days.

Effect:
The above Colleges were not in compliance with the Federal Student Aid Handbook relating to reporting of information.

Recommendation:
The above listed Colleges should implement procedures to promptly report the required information changes to the Department of Education.

Minnesota State Colleges and Universities Response:

The Colleges agree with the auditor's recommendation and will improve their procedure to ensure prompt notification to the Department of Education concerning all required information changes.

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

Persons Responsible:

Dakota County Technical College	Scott Roelke, Director of Financial Aid
Fond du Lac Community College	Dave Sutherland, Director of Financial Aid

Estimated Completion Date: March 31, 2010

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

Report KDV-09

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.033 Federal Work Study

Questioned Costs: $ 1,762

Federal Project Nos. P033A088368

Finding KDV-09-5 *Colleges not complying with matching, level of effort, or earmarking requirements*

Condition:
Fond du Lac Community College did not use at least 7% of its initial and supplemental FWS allocations for the award year to compensate students employed in community service activities. Additional funds of$ 1,762 were needed to comply with the 7% earmark requirement. The College also failed to obtain the proper waiver from the Department of Education in a timely manner to exempt them from the 7% requirement.

Mesabi Range Community and Technical College did not assign one student to family literacy duty as required. The College failed to obtain the proper waiver from the Department of Education in a timely manner to exempt them from the family literacy requirement. Further, Mesabi Range Community and Technical College's Federal Workstudy accounting system records did not match the FISAP report. Institutional and Federal Expenditures amounts of $ 14,044 and $ 4,681 were transposed on the FISAP report.

Criteria:
The OMB *Compliance Supplement* requires an institution to use 7% of its FWS allocation to students employed in Community Service Activities unless a waiver is obtained from the Department of Education. Further, one student must be assigned to an eligible family literacy duty to be in compliance with the Supplement unless a valid waiver is obtained.
The *OMB Compliance Supplement* also requires accurate and timely reporting of federal grant information.

Effect:
The above Colleges were not in compliance with the OMB *Compliance Supplement* relating to matching, level of effort, earmarking and reporting.

Recommendation:
The above Colleges should ensure all required level of effort and earmarking is performed and allocated in the future, or obtain proper waivers to exempt the College from the 7% requirement. The above College should also implement procedures to review and reconcile activity and resolve any differences prior to filing the applicable FISAP for federal grants to ensure compliance with OMB Provisions.

Minnesota State Colleges and Universities Response:

The Colleges agree with the auditor's recommendation and will improve their procedure to ensure required level of effort and earmarking are performed or allocated properly or that proper waivers are obtained in a timely manner and that the FISAP is reviewed and reconciled prior to submission.

Persons Responsible:

Fond du Lac Community College	Dave Sutherland, Director of Financial Aid
Mesabi Range Community and Technical College	George Walters, Director of Financial Aid

Estimated Completion Date: June 30, 2010

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

Report KDV-09

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.063 Federal Pell Grant

Questioned Costs: None – Procedural Finding Only

Finding KDV-09-6 *Notification of disbursement of loan proceeds not made timely*

Condition:
Dakota County Technical College did not report Federal Pell Grant Program (Pell) disbursements within 30 days. The College reported the majority of disbursements on time. However, 4 disbursements were reported 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:
The above College was not in compliance with the reporting requirements specified by federal program guidelines.

Recommendation:
The above College should ensure that Federal Pell Grant Program 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 will improve their procedure to ensure that all Pell grant disbursements are reported within 30 days.

Persons Responsible:
Dakota County Technical College Scott Roelke, Director of Financial Aid

Estimated Completion Date: March 31, 2010

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

Report KDV-09

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
84.032	Federal Family Education Loans ("FFEL")

Questioned Costs: $ 2,805 Subsidized FFEL

Finding KDV-09-7 *College did not comply with eligibility requirement for Federal Family Education Loan program*

Condition:
One student at Alexandria Technical College received a third party award which was incorrectly excluded in the federal award calculation, causing a FFEL overaward totaling $ 2,805.

Criteria:
The OMB requires an institution properly calculate and determine an eligible student's financial aid award.

Effect:
The College was not in compliance with eligibility requirements regarding FFEL programs.

Recommendation:
The College should ensure students are awarded aid based on accurate eligibility levels.

Minnesota State Colleges and Universities Response:

The College agrees with the auditor's recommendation and will ensure that all students are awarded based on accurate eligibility levels.

Persons Responsible:

Alexandria Technical College	Steve Richards, Dean of Technology and Student Financial Services

Estimated Completion Date: June 30, 2010

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

MnDOT Office of Audit Report 10-800-60

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: $9,873,000 (This amount represents the sum of the cited bid item and includes both federal and state funds.)

Federal Project Nos./Award Year: 0708(007)/2008
6608(022)/2008
2907(104)/2007
0012(302)/2008
0169(316)/2006
5108(116)/2008
8606(002)/2006
5708(173)/2008
MN77(100)/2007
8207(045)/2008
1307(155)/2008
MN86(100)/2007
0012(308)/2007

Finding DOT-10-I *Noncompliance with materials control for grading and base construction*

I. Prior Finding Not Resolved: The department did not comply with materials control requirements for grading and base construction.

Significant systemic noncompliance with requirements was noted for grading, base construction, and concrete materials as follows and resulted in $9,873,000 in questioned costs.

- Payment reductions for failing materials did not meet specifications for three of fifteen projects tested.

- Grading and base reports were inaccurate, incomplete, or not completed for five of fifteen projects tested. Related testing was missed on three of the five projects.

- The Certification of Aggregates and Granular Materials was not completed and submitted correctly for nine of fifteen projects, and the associated quality control gradations were not completed and submitted correctly for ten of fifteen projects audited.

- Quality assurance gradations did not meet requirements for four of fifteen projects evaluated.

- Percent crushing tests (exceptions for three of fifteen projects tested) and aggregate quality tests (exceptions noted for four of fifteen projects tested) were not performed.

- Moisture content tests were not completed as required for four of fifteen projects audited.

- Extraction for bitumen content tests were not done for two of fifteen projects evaluated.

- 78% of required dynamic cone penetration tests were not done on one project.

- Relative moisture and relative density tests were not done on one project.

- Materials Certification Exception Summaries did not list exceptions to grading and base materials control requirements for four of fifteen projects tested.

Recommendation

- *Department management should work with cities, counties, and districts to ensure compliance with requirements for grading and base materials control.*

Minnesota Department of Transportation Response:

Mn/DOT concurs that the above referenced findings are problematic but are not approaching the level of "systemic" issues. Several mitigating actions have either occurred or are planned to be implemented for the upcoming construction season; among them are:

-Most project engineers have provided the Contractor's Certificate of Aggregates & Granular Materials (albeit post audit;
-In most cases, either forensic testing or post audit materials testing resulted in materials meeting intended specifications;
-forensic DCP tests were performed, several Quality Assurance (QA) tests were conducted on the Class 5, and deductions were taken for failing materials (QA tests are agency tests that are conducted to ensure compliance of materials).

Additionally, Mn/DOT's Office of Construction and Innovative Contracting is recommending that any grading work undertaken without a Contractor's Certificate of Aggregates & Granular

Materials in-hand should be declared as Unauthorized Work and treated accordingly. The department continues to emphasize the importance of complying with materials control standards through meetings, training, electronic newsletters, and specific issue communications to affected parties.
(Additional supporting documentation is available.)

Persons Responsible:	Operations Division Director, State Aid for Local Transportation Division Director, and Engineering Services Division Director
Estimated Completion Date:	March 4, 2010, and on-going

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

MnDOT Office of Audit Report 10-800-60

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: $7,639,000 (This represents the sum of the cited bid item and includes both federal and state funds.)

Federal Project Nos./Award Year: MN34(118)/2003
MN34(121)/2008

Finding DOT-10-II *Noncompliance with materials control for bridge post tensioning steel strand*

II. Agency testing was not done on post tensioning steel strand for one bridge and was incomplete on a second bridge.

The Materials Certification Exception Summary did not explain the basis for accepting post tensioning steel strand with missed tests or failing test results. Not performing agency testing until after steel strand was placed and accepted jeopardized potential opportunities to recover failing steel strand costs. Procuring new steel strand to replace steel strand not meeting ASTM A416 requirements will likely increase costs.

Recommendations

- *The Operations Division Director should provide assurance that Post Tensioning Steel Strand will function as designed on bridges.*

- *The Engineering Services Division Director should coordinate with the Policy, Safety, and Strategic Initiatives Division Director and Federal Highway Administration personnel in contractually emphasizing the requirement to perform required testing on post tensioning steel strand.*

Minnesota Department of Transportation Response:
This is a joint response from the Engineering Services Division, Bridge Office and the Metro In response to the failing tests and excessive field elongations, Mn/DOT decided to discontinue using the remaining strand leftover as material-on-hand from the first contract. New strand was

then supplied for Bridge No. 82855 to replace the strand that was recycled and verification tests were performed by Mn/DOT with all lots of strand meeting the requirements of ASTM A416. Mn/DOT is confident that the post-tensioning strand installed on Bridge Nos. 82855 and 82856 will function as designed.

Engineering Services Division
The 2009 Materials Control Schedule was updated to include both pre-stressing and posttensioning strand sampling and testing. The Special Provisions have been discussed with the Bridge Office (authors) and the sampling and testing of the strand will be highlighted to make the requirements consistent with the Materials Control Schedule. The same tests will be performed for both in accordance with ASTM A416. The relaxation test (200 – 1,000 hours) is not required, but may be considered for inclusion by the manufacturer in the future.

Operations Division
Mn/DOT agrees with the recommendation to revise the post-tensioning special provisions to emphasize verification testing by Mn/DOT. The revised provisions will specifically identify verification of breaking strength, yield strength, and elongation properties of post-tensioning strand to ASTM A416. Mn/DOT will include a requirement in the special provisions for the contractor to provide test results from an independent testing laboratory that demonstrate the strand meets the relaxation properties required by ASTM A416. These test results shall be performed on similarly dimensioned strand of the same grade and manufacturing process as strand to be supplied to the project and shall have been performed within the previous 12 months.

Persons Responsible: Operations Division Director, Engineering Services Division Director

Estimated Completion Date: March 4, 2010, and on-going

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

MnDOT Office of Audit Report 10-800-60

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: $2,138,000 (This represents the sum of the cited bid item and includes both federal and state funds.)

Federal Project Nos./Award Year: 0708(007)/2008
6608(022)/2008
5708(173)/2008

Finding DOT-10-III *Noncompliance with concrete materials control requirements*

III. Prior Finding Not Resolved: The department did not comply with materials control requirements for concrete.

The department did not comply with concrete materials control requirements for three of nine projects tested.

- Cores for thickness were not taken for concrete pavement valued at $940,000. Quality control verification companion sample gradation and moisture tests for aggregate were also not done.
- A payment reduction for air content test results falling outside specification was not applied for concrete on two projects.
- No. 200 sieve coarse aggregate testing was not done for three projects.
- Testing was missed for cementitious materials and admixtures for concrete on two projects.

Recommendation

- *Department management should work with cities, counties, and districts to ensure compliance with requirements for concrete materials control.*

Minnesota Department of Transportation Response:

The department continues to work with project staff to ensure compliance with requirements. Following are some actions that have occurred to mitigate this finding:

-Forensic "coring" was conducted on the concrete pavement to ensure compliance. For those core samples that did not meet specification, penalties have been applied;
-Quality Control (QC) and Quality Assurance (QA) verification samples have been completed;
-Penalties have been applied to failing materials.

The department continues to emphasize the importance of complying with materials control standards through meeting, training, electronic newsletter, and specific issue communications. (Additional supporting documentation is available.)

Persons Responsible: Operations Division Director and State Aid for Local Transportation Division Director

Estimated Completion Date: March 4, 2010, and on-going

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

MnDOT Office of Audit Report 10-800-60

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: $4,243,000 (This represents the sum of the cited bid item and includes both federal and state funds.)

Federal Project Nos./Award Year: MN77(100)/2007
8207(045)/2008

Finding DOT-10-IV *Noncompliance with bituminous materials control requirements for two projects*

IV. The department did not comply with materials control requirements for bituminous mixtures.

- Cores for density and thickness were not taken for bituminous mixture valued at $2.1 million until after the MnDOT audit of a project. Agency verification testing was also missed.

- A lower grade of asphalt binder was used in place of a required higher grade for bituminous mixture valued at $2.1 million on a second project audited.

- For both projects, asphalt binder performance grade testing was missed.

Recommendation

- *The State Aid for Local Transportation Division Director should instruct cities and counties to comply with bituminous mixture materials control requirements and document changes to asphalt binder performance grade use as required.*

Minnesota Department of Transportation Response:

Mn/DOT concurs with this finding. Mitigating actions that have occurred include:

-Forensic testing has been conducted for density and thickness of bituminous material;

-A supplemental agreement was issued and payment was adjusted appropriately for the lower grade asphalt.

The department continues to emphasize the importance of complying with materials control standards through meeting, training, electronic newsletter, and specific issue communications. (Additional supporting documentation is available.)

Persons Responsible: State Aid for Local Transportation Division Director

Estimated Completion Date: March 4, 2010, and on-going

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

MnDOT Office of Audit Report 10-800-60

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Number/Program Name:

20.500 Federal Transit Investment Grants Program

Questioned Costs: $1,554,000 (This represents the sum of the cited bid item and includes both Federal and State funds.)

Federal Project Nos./Award Year: MN-03-0201-01/2008

Finding DOT-10-V *Noncompliance with structural steel materials control requirements for NorthStar Commuter Rail project*

V. The department did not comply with materials control requirements for structural steel.

- Certified mill test reports and welders' certificates needed to verify the quality of the work were not available.

Recommendation

- *Operations Division Director should retain an additional $1,554,000 from payment until the contractor provides the required certified mill test reports and welders' certificates.*

Minnesota Department of Transportation Response:

The Northstar Quality Coordinator recently performed a review and produced a Quality Assurance Report to address this finding and the results concluded:

-QA testing results concluded that specifications were met
-Welders' Certificates, Certificates of Compliance, and Certified Materials Reports are available. (Additional documentation is available.)

The department continues to emphasize the importance of complying with materials control standards through meeting, training, electronic newsletter, and specific issue communications. (Additional supporting documentation is available.

Persons Responsible: Operations Division Director

Estimated Completion Date: March 4, 2010, and on-going

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

MnDOT Office of Audit Report 10-800-60

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: $4,714,000 (This represents the sum of the cited bid item and includes both federal and state funds.)

Federal Project Nos./Award Year: 0708(007)/2008
0169(316)/2006
6608(022)/2008
0012(302)/2008
5108(116)/2008
8606(002)/2006

Finding DOT-10-VI *Noncompliance with mobilization payment requirements*

VI. The department did not comply with payment requirements for mobilization.

- For six projects, mobilization was paid too early or too late. This exception to requirements has been discussed with management verbally for a number of years, but has not yet been corrected.

Recommendation

- *Operations Division Director and State Aid for Local Transportation Division Director should instruct cities, counties, and districts to comply with requirements for mobilization payment.*

Minnesota Department of Transportation Response:

Mn/DOT concurs with this finding. The Office of Construction and Innovative Contracting has revised Standard Specification 2021 Mobilization to be simpler and easier to interpret. In addition to the new tabular form indicating the amount of partial payments to be made, references to “Major contract items” have been removed. These changes should result in less confusion as to the partial payment amounts due the contractor for the lump sum bid item mobilization.

These revised specifications will be included in the special provisions for future projects and in the re-write of Mn/DOT's 2011 Standard Specification for Construction.

Persons Responsible: Operations Division Director and State Aid for Local Transportation Division Director

Estimated Completion Date: March 4, 2010, and on-going

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

MnDOT Office of Audit Report 10-800-60

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Number/Program Name:

20.500 Federal Transit Investment Grants Program

Questioned Costs: $154,000 (This represents the sum of the cited bid item and includes both federal and state funds.)

Federal Project Nos./Award Year: MN-03-0201-01/2008

Finding DOT-10-VII *Costs for NorthStar Commuter Rail project flagging and interest expense were not properly documented*

VII. The department needs to document NorthStar Commuter Rail project flagging and interest costs.

- A $59,000 flagging costs invoice did not document employee names or overhead rates.
- For interest costs totaling $95,000, calculations and offsets were not verified or documented.

Recommendation

- *Operations Division Director should obtain documentation to support payment of flagging and interest costs.*

Minnesota Department of Transportation Response:

Project staff has verified that the rates for June are reasonable by using additional documentation from subsequent months. Mn/DOT Finance Staff and the Audit Director examined supporting documentation and conclude that the Northstar (and partners) response is reasonable.

Persons Responsible: Operations Division Director

Estimated Completion Date: March 4, 2010, and on-going

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

MnDOT Office of Audit Report 10-800-60

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: $38,000 (This represents the sum of the cited bid item and includes both federal and state funds.)

Federal Project No./Award Year: 9127(504)/1996

Finding DOT-10-VIII *Noncompliance with federal acquisition regulations*

VIII. The department did not comply with the federal acquisition regulations.

- Consultant agreements included $38,000 in administratively approved payments. The associated costs were incurred prior to an executed agreement between a consultant and subconsultant that resulted in noncompliance with federal acquisition regulations.

Recommendation

- *Chief Financial Officer, Operations Division Director, and Engineering Services Division Director should ensure that costs billed for federal reimbursement comply with the federal acquisition regulations.*

Minnesota Department of Transportation Response:
The Operations Division Director agrees that all costs billed for reimbursement must comply with Federal Acquisition Regulations (FAR). Mn/DOT's Chief Financial Officer has instructed the Office of Financial Operations staff to review the questioned costs for Federal Project IVH 9127 and correct if necessary.

The CFO concurs that all costs billed for reimbursement must comply with Federal Acquisition Regulations; this requirement was defined as a part of the contract, however, the sub-consultant was reimbursed without a written agreement being executed. The CFO has instructed Financial Operations staff to determine whether this was billed as federal participating, and if so, recommends that the billing be amended to federal non-participating.

The CFO also suggests that the Contract Management Section send periodic reminders of FAR requirements to those who are responsible for contract administration.

Persons Responsible:	Chief Financial Officer, Operations Division Director, and Engineering Services Division Director
Estimated Completion Date:	March 4, 2010, and on-going

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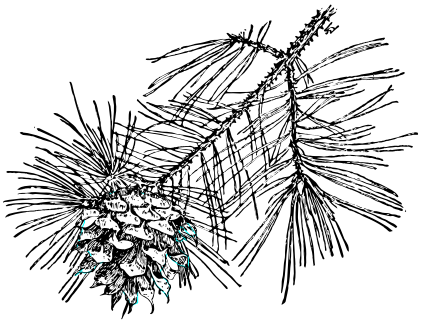

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO	FIND NO	AUDIT REPORT FISCAL YR.
	U.S. Department of Agriculture						
10.551	Food Stamps	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
10.551	Food Stamps	Human Services	Subgranted federal funds not included in subrecipient audit.	1	09-10	3	2008
10.551	Food Stamps	Human Services	Not public data on individuals not adequately protected.	2	09-10	4	2008
10.551	Food Stamps	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
10.551	Food Stamps	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
10.551	Food Stamps	Minnesota Management & Budget (Finance)	Inadequate audit coverage for subgranted federal funds.	1	09-14	1	2008
10.557	Special Nutrition for Women, Infants and Children	Health	Inaccurate reporting of spending on draft schedule of expenditures.	2	08-02	11	2007
10.557	Special Nutrition for Women, Infants and Children	Health	Lack of monitoring of subrecipient activity.	1	08-10	2	2007
10.557	Special Nutrition for Women, Infants and Children	Health	No documented internal control structure ensuring compliance.	2	09-06	1	2008
10.557	Special Nutrition for Women, Infants and Children	Health	Inaccurate reporting on the Schedule of Federal Expenditures.	2	09-06	3	2008
10.557	Special Nutrition for Women, Infants and Children	Health	Incompatible access to the state's accounting system.	1	09-06	4	2008
10.557	Special Nutrition for Women, Infants and Children	Health	Inadequate monitoring of subrecipients.	1	09-06	5	2008
10.557	Special Nutrition for Women, Infants and Children	Health	Inadequate monitoring of vendors for suspension and debarment.	2	09-06	6	2008
10.557	Special Program for Women, Infants and Children	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
10.557	Special Program for Women, Infants and Children	Minnesota Management & Budget (Finance)	Inaccurate reporting on the draft schedule of expenditures.	2	09-14	2	2008
10.558	Child and Adult Food Care	Education	Inadequate internal control structure over single audit requirements.	2	09-08	1	2008
10.558	Child and Adult Food Care	Education	Inaccurately calculated and received indirect costs.	1	09-08	2	2008
10.558	Child and Adult Food Care	Education	Inadequate monitoring of vendors for suspension and debarment.	1	09-08	5	2008
10.558	Child and Adult Food Care	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
10.561	Food Stamp Administration	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
10.561	Food Stamp Administration	Human Services	Subgranted federal funds not included in subrecipient audit.	1	09-10	3	2008
10.561	Food Stamp Administration	Human Services	Not public data on individuals not adequately protected.	2	09-10	4	2008
10.561	Food Stamp Administration	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
10.561	Food Stamp Administration	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
10.561	Food Stamp Administration	Minnesota Management & Budget (Finance)	Inadequate audit coverage for subgranted federal funds.	1	09-14	1	2008
10.55X	Child Nutrition Cluster	Education	Inadequate internal control structure over single audit requirements.	2	09-08	1	2008
10.55X	Child Nutrition Cluster	Education	Inaccurately calculated and received indirect costs.	1	09-08	2	2008
10.55X	Child Nutrition Cluster	Education	Inadequate monitoring of vendors for suspension and debarment.	1	09-08	5	2008
10.55X	Child Nutrition Cluster	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
	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.	1	06-09	3	2005
14.228	Community Development Block Grant-States	Employment and Economic Development	Inconsistent monitoring and reporting of project expenditures.	1	07-07	3	2006
14.228	Community Development Block Grant-States	Employment and Economic Development	Inconsistent monitoring of subrecipient audits.	1	08-11	2	2007
14.228	Community Development Block Grant-States	Employment and Economic Development	Inaccurate reporting of project expenditures.	1	08-11	3	2007
14.228	Community Development Block Grant-States	Employment and Economic Development	No documented internal control structure ensuring compliance.	2	09-09	1	2008
14.228	Community Development Block Grant-States	Employment and Economic Development	Inadequate documentation of need and prior approval of overtime pay.	1	09-09	3	2008
14.228	Community Development Block Grant-States	Employment and Economic Development	Inadequate monitoring of subrecipient audits.	1	09-09	4	2008
14.228	Community Development Block Grant-States	Employment and Economic Development	Inaccurate reporting of project expenditures.	1	09-09	5	2008
14.228	Community Development Block Grant-States	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
	U.S. Department of Interior						
15.605	Sport Fish Restoration	Natural Resources	Inadequate internal control structure over single audit requirements.	2	09-07	1	2008
15.605	Sport Fish Restoration	Natural Resources	Insufficient evidence to support some of its payment transactions.	1	09-07	2	2008
15.605	Sport Fish Restoration	Natural Resources	Inaccurate reporting of program income.	1	09-07	4	2008
15.605	Sport Fish Restoration	Natural Resources	Inadequate monitoring of vendors for suspension and debarment.	1	09-07	5	2008
15.605	Sport Fish Restoration	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
15.611	Wildlife Restoration	Natural Resources	Inadequate internal control structure over single audit requirements.	2	09-07	1	2008
15.611	Wildlife Restoration	Natural Resources	Insufficient evidence to support some of its payment transactions.	1	09-07	2	2008
15.611	Wildlife Restoration	Natural Resources	Charged unallowable costs to the federal government.	1	09-07	3	2008
15.611	Wildlife Restoration	Natural Resources	Inaccurate reporting of program income.	1	09-07	4	2008
15.611	Wildlife Restoration	Natural Resources	Inadequate monitoring of vendors for suspension and debarment.	1	09-07	5	2008
15.611	Wildlife Restoration	Natural Resources	Inaccurate recording of expenditures in the state's accounting system.	1	09-07	6	2008
15.611	Wildlife Restoration	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008

*CATEGORY OF CORRECTIVE ACTION TAKEN
1 - Findings have been fully corrected.
2 - Findings are not corrected or are only partially corrected.
3 - Corrective action taken was significantly different than previously reported.
4 - Audit findings are no longer valid or do not warrant further action.
For Categories 2 and 3, please refer to Status of Prior Federal Program Audit Findings supplemental information for further details.

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO	FIND NO	AUDIT REPORT FISCAL YR.
	U.S. Department of Labor						
17.225	Unemployment Insurance	Employment and Economic Development	No documented internal control structure ensuring compliance.	2	09-09	1	2008
17.225	Unemployment Insurance	Employment and Economic Development	Benefits not always assigned to employers for use in tax rate calculations.	2	09-09	2	2008
17.225	Unemployment Insurance	Employment and Economic Development	Inadequate documentation of need and prior approval of overtime pay.	1	09-09	3	2008
17.225	Unemployment Insurance	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
17.225	Unemployment Insurance	Minnesota Management & Budget (Finance)	Inaccurate reporting of spending on draft schedule of expenditures.	2	09-14	2	2008
17.258	Workforce Investment Act-Adult	Employment and Economic Development	No documented internal control structure ensuring compliance.	2	09-09	1	2008
17.258	Workforce Investment Act-Adult	Employment and Economic Development	Inadequate documentation of need and prior approval of overtime pay.	1	09-09	3	2008
17.258	Workforce Investment Act-Adult	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
17.258	Workforce Investment Act-Adult	Minnesota Management & Budget (Finance)	Inaccurate reporting of spending on draft schedule of expenditures.	1	09-14	2	2008
17.259	Workforce Investment Act-Youth	Employment and Economic Development	No documented internal control structure ensuring compliance.	2	09-09	1	2008
17.259	Workforce Investment Act-Youth	Employment and Economic Development	Inadequate documentation of need and prior approval of overtime pay.	1	09-09	3	2008
17.259	Workforce Investment Act-Youth	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
17.260	Workforce Investment Act-Dislocated Worker	Employment and Economic Development	No documented internal control structure ensuring compliance.	2	09-09	1	2008
17.260	Workforce Investment Act-Dislocated Worker	Employment and Economic Development	Inadequate documentation of need and prior approval of overtime pay.	1	09-09	3	2008
17.260	Workforce Investment Act-Dislocated Worker	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
17.503	Occupational Safety and Health-State Program	Labor and Industry	Grievance settlement paid without prior federal approval.	1	08-20	7	2008
	U.S. Department of Transportation						
20.205	Highway Planning and Construction	Transportation	Project oversight procedures need improvement.	2	06-12	2	2005
20.205	Highway Planning and Construction	Transportation	Project oversight procedures need improvement.	2	07-09	1	2006
20.205	Highway Planning and Construction	Transportation	Project oversight procedures not adequately followed.	2	08-13	1	2007
20.205	Highway Planning and Construction	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
20.205	Highway Planning and Construction	Transportation	No reconciliation of federal expenditure report to the accounting system.	1	09-13	1	2008
20.205	Highway Planning and Construction	Minnesota Management & Budget (Finance)	Insufficient support for schedule of federal expenditures.	1	09-14	2	2008
20.205	Highway Planning and Construction	Transportation	Noncompliance with materials control for grading and base construction.	2	DOT- 09	I	2008
20.205	Highway Planning and Construction	Transportation	Prepayment of insurance expenses and inadequate documentation.	2	DOT- 09	II	2008
20.205	Highway Planning and Construction	Transportation	Noncompliance with concrete materials control requirements.	2	DOT- 09	III	2008
20.205	Highway Planning and Construction	Transportation	Noncompliance with environmental requirements for some projects.	2	DOT- 09	IV	2008
20.500	Federal Transit Capital Investment Grants	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
20.500	Federal Transit Capital Investment Grants	Minnesota Management & Budget (Finance)	Insufficient support for schedule of federal expenditures.	1	09-14	2	2008
	U.S. Department of Education						
84.010	Title 1 -- Grant to Local Education Agencies	Education	Inadequate internal control structure over single audit requirements.	2	09-08	1	2008
84.010	Title 1 -- Grant to Local Education Agencies	Education	Inaccurately calculated and received indirect costs.	1	09-08	2	2008
84.010	Title 1 -- Grant to Local Education Agencies	Education	Insufficient evidence to support some of its payment transactions.	1	09-08	3	2008
84.010	Title 1 -- Grant to Local Education Agencies	Education	Insufficient monitoring of subrecipient activity.	1	09-08	4	2008
84.010	Title 1 -- Grant to Local Education Agencies	Education	Inadequate monitoring of vendors for suspension and debarment.	1	09-08	5	2008
84.010	Title 1 -- Grant to Local Education Agencies	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
84.010	Title 1 -- Grant to Local Education Agencies	Minnesota Management & Budget (Finance)	Inadequate audit coverage for subgranted federal funds.	1	09-14	1	2008
84.126	Vocational Rehabilitation	Employment and Economic Development	No documented internal control structure ensuring compliance.	2	09-09	1	2008
84.126	Vocational Rehabilitation	Employment and Economic Development	Inadequate documentation of need and prior approval of overtime pay.	1	09-09	3	2008
84.126	Vocational Rehabilitation	Employment and Economic Development	Not public data included in the state's accounting system.	2	09-09	6	2008
84.126	Vocational Rehabilitation	Employment and Economic Development	Clients' plans were not amended for changes in services and amounts.	1	09-09	7	2008
84.126	Vocational Rehabilitation	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
84.367	Improving Teacher Quality State Grants	Education	Inadequate internal control structure over single audit requirements.	2	09-08	1	2008
84.367	Improving Teacher Quality State Grants	Education	Inaccurately calculated and received indirect costs.	1	09-08	2	2008
84.367	Improving Teacher Quality State Grants	Education	Insufficient monitoring of subrecipient activity.	1	09-08	4	2008
84.367	Improving Teacher Quality State Grants	Education	Inadequate monitoring of vendors for suspension and debarment.	1	09-08	5	2008

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STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO	FIND NO	AUDIT REPORT FISCAL YR.
	U.S. Department of Education (continued)						
84.367	Improving Teacher Quality State Grants	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
84.367	Improving Teacher Quality State Grants	Minnesota Management & Budget (Finance)	Inadequate audit coverage for subgranted federal funds.	1	09-14	1	2008
various	Special Education Cluster	Education	Inadequate internal control structure over single audit requirements.	2	09-08	1	2008
various	Special Education Cluster	Education	Inaccurately calculated and received indirect costs.	1	09-08	2	2008
various	Special Education Cluster	Education	Inadequate monitoring of vendors for suspension and debarment.	1	09-08	5	2008
various	Special Education Cluster	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
various	Federal Financial Aid Cluster	Minnesota State Colleges and Universities	Inadequate notification of disbursement of loan proceeds.	2	KDV-07	8	2007
various	Federal Financial Aid Cluster	Minnesota State Colleges and Universities	Two colleges did not return Title IV funds timely.	2	KDV-08	1	2008
various	Federal Financial Aid Cluster	Minnesota State Colleges and Universities	Three colleges had inadequate notifications when disbursing loan funds.	1	KDV-08	2	2008
various	Federal Financial Aid Cluster	Minnesota State Colleges and Universities	Two colleges had inadequate verification procedures.	1	KDV-08	3	2008
	U.S. Department of Health & Human Services						
93.268	Immunization Grants	Health	Salary allocations not sufficiently documented.	1	07-05	1	2006
93.268	Immunization Grants	Health	Inaccurate reporting of spending on draft schedule of expenditures.	1	08-02	11	2007
93.268	Immunization Grants	Health	Salary allocations not sufficiently documented.	1	08-10	1	2007
93.268	Childhood Immunization Grants	Health	No documented internal control structure ensuring compliance.	2	09-06	1	2008
93.268	Childhood Immunization Grants	Health	Inadequate documentation of time charged to federal programs.	1	09-06	2	2008
93.268	Childhood Immunization Grants	Health	Inaccurate reporting on Schedule of Federal Expenditures.	1	09-06	3	2008
93.268	Childhood Immunization Grants	Health	Inadequate monitoring of vendors for suspension and debarment.	2	09-06	6	2008
93.268	Childhood Immunization Grants	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
93.283	CDC - Investigations and Technical Assistance	Health	Salary allocations not sufficiently documented.	1	05-16	1	2004
93.283	CDC - Investigations and Technical Assistance	Health	Salary allocations not sufficiently documented.	1	06-07	1	2005
93.283	CDC - Investigations and Technical Assistance	Health	Salary allocations not sufficiently documented.	1	07-05	1	2006
93.283	CDC - Investigations and Technical Assistance	Health	Lack of monitoring of subrecipient activity.	1	08-10	2	2007
93.283	CDC - Investigations and Technical Assistance	Health	Salary allocations not sufficiently documented.	1	08-10	1	2007
93.283	CDC - Investigations and Technical Assistance	Health	No documented internal control structure ensuring compliance.	2	09-06	1	2008
93.283	CDC - Investigations and Technical Assistance	Health	Inadequate documentation of time charged to federal programs.	1	09-06	2	2008
93.283	CDC - Investigations and Technical Assistance	Health	Inadequate monitoring of subrecipients.	1	09-06	5	2008
93.283	CDC - Investigations and Technical Assistance	Health	Inadequate monitoring of vendors for suspension and debarment.	2	09-06	6	2008
93.283	CDC - Investigations and Technical Assistance	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	4	05-18	R-2	2004
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	4	06-10	R-2	2005
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	4	07-08	R-1	2006
93.558	Temporary Assistance for Needy Families	Human Services	Salary allocations not sufficiently documented.	1	08-12	1	2007
93.558	Temporary Assistance for Needy Families	Human Services	Excessive federal cash balances.	1	08-12	4	2007
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	4	08-12	R-1	2007
93.558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
93.558	Temporary Assistance for Needy Families	Human Services	Subgranted federal funds not included in subrecipient audit.	1	09-10	3	2008
93.558	Temporary Assistance for Needy Families	Human Services	Not public data on individuals not adequately protected.	2	09-10	4	2008
93.558	Temporary Assistance for Needy Families	Human Services	Salary allocations not sufficiently documented.	1	09-10	5	2008
93.558	Temporary Assistance for Needy Families	Human Services	Excessive federal cash balances.	1	09-10	8	2008
93.558	Temporary Assistance for Needy Families	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
93.558	Temporary Assistance for Needy Families	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS	4	09-10	R-1	2008
93.558	Temporary Assistance for Needy Families	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
93.558	Temporary Assistance for Needy Families	Minnesota Management & Budget (Finance)	Inadequate audit coverage for subgranted federal funds.	1	09-14	1	2008
93.563	Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
93.563	Child Support Enforcement	Human Services	Subgranted federal funds not included in subrecipient audit.	1	09-10	3	2008
93.563	Child Support Enforcement	Human Services	Not public data on individuals not adequately protected.	2	09-10	4	2008
93.563	Child Support Enforcement	Human Services	Inaccurate reporting of spending on draft schedule of expenditures.	1	09-10	7	2008
93.563	Child Support Enforcement	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
93.563	Child Support Enforcement	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
93.563	Child Support Enforcement	Minnesota Management & Budget (Finance)	Inadequate audit coverage for subgranted federal funds.	1	09-14	1	2008
93.575	Child Care and Development - Discretionary	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
93.575	Child Care and Development - Discretionary	Human Services	Subgranted federal funds not included in subrecipient audit.	1	09-10	3	2008
93.575	Child Care and Development - Discretionary	Human Services	Not public data on individuals not adequately protected.	2	09-10	4	2008
93.575	Child Care and Development - Discretionary	Human Services	Excessive federal cash balances.	2	09-10	8	2008
93.575	Child Care and Development - Discretionary	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
93.575	Child Care and Development - Discretionary	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008

*CATEGORY OF CORRECTIVE ACTION TAKEN
1 - Findings have been fully corrected.
2 - Findings are not corrected or are only partially corrected.
3 - Corrective action taken was significantly different than previously reported.
4 - Audit findings are no longer valid or do not warrant further action.
For Categories 2 and 3, please refer to Status of Prior Federal Program Audit Findings supplemental information for further details.

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO	FIND NO	AUDIT REPORT FISCAL YR.
	U.S. Department of Health & Human Services (continued)						
93.575	Child Care and Development - Discretionary	Minnesota Management & Budget (Finance)	Inadequate audit coverage for subgranted federal funds.	1	09-14	1	2008
93.596	Child Care and Development - Mandatory and Match	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
93.596	Child Care and Development - Mandatory and Match	Human Services	Not public data on individuals not adequately protected.	2	09-10	4	2008
93.596	Child Care and Development - Mandatory and Match	Human Services	Excessive federal cash balances.	2	09-10	8	2008
93.596	Child Care and Development - Mandatory and Match	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
93.596	Child Care and Development - Mandatory and Match	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
93.658	Foster Care	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
93.658	Foster Care	Human Services	Subgranted federal funds not included in subrecipient audit.	1	09-10	3	2008
93.658	Foster Care	Human Services	Not public data on individuals not adequately protected.	2	09-10	4	2008
93.658	Foster Care	Human Services	Salary allocations not sufficiently documented.	1	09-10	5	2008
93.658	Foster Care	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
93.658	Foster Care	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
93.658	Foster Care	Minnesota Management & Budget (Finance)	Inadequate audit coverage for subgranted federal funds.	1	09-14	1	2008
93.659	Adoption Assistance	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
93.659	Adoption Assistance	Human Services	Not public data on individuals not adequately protected.	2	09-10	4	2008
93.659	Adoption Assistance	Human Services	Salary allocations not sufficiently documented.	1	09-10	5	2008
93.659	Adoption Assistance	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
93.659	Adoption Assistance	Human Services	Federal reimbursements provided to vendor for ineligible clients.	1	09-10	10	2008
93.659	Adoption Assistance	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
93.667	Social Services Block Grant	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
93.667	Social Services Block Grant	Human Services	Not public data on individuals not adequately protected.	2	09-10	4	2008
93.667	Social Services Block Grant	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
93.667	Social Services Block Grant	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
93.767	State Children's Health Insurance Program	Human Services	Did not submit quarterly reports timely.	2	07-08	5	2006
93.767	State Children's Health Insurance Program	Human Services	Did not submit quarterly reports timely.	2	08-12	6	2007
93.767	State Children's Health Insurance Program	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
93.767	State Children's Health Insurance Program	Human Services	Not public data on individuals not adequately protected.	2	09-10	4	2008
93.767	State Children's Health Insurance Program	Human Services	Did not submit quarterly reports timely.	2	09-10	6	2008
93.767	State Children's Health Insurance Program	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
93.767	State Children's Health Insurance Program	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
93.776	Hurricane Katrina	Human Services	No documented internal control structure ensuring compliance.	4	09-10	1	2008
93.776	Hurricane Katrina	Human Services	Not public data on individuals not adequately protected.	4	09-10	4	2008
93.776	Hurricane Katrina	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
93.776	Hurricane Katrina	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
93.777	State Survey and Certification of Health Care Provider	Human Services	Did not submit quarterly reports timely.	2	07-08	5	2006
93.777	State Survey and Certification of Health Care Provider	Human Services	Did not submit quarterly reports timely.	2	08-12	6	2007
93.777	State Survey and Certification of Health Care Provider	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
93.777	State Survey and Certification of Health Care Provider	Human Services	Not public data on individuals not adequately protected.	2	09-10	4	2008
93.777	State Survey and Certification of Health Care Provider	Human Services	Did not submit quarterly reports timely.	2	09-10	6	2008
93.777	State Survey and Certification of Health Care Provider	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
93.777	State Survey and Certification of Health Care Provider	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
93.778	Medical Assistance	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	4	05-18	R-2	2004
93.778	Medical Assistance	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	4	06-10	R-2	2005
93.778	Medical Assistance	Human Services	Did not submit quarterly reports timely.	2	07-08	5	2006
93.778	Medical Assistance	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	4	07-08	R-1	2006
93.778	Medical Assistance	Human Services	Did not submit quarterly reports timely.	2	08-12	6	2007
93.778	Medical Assistance	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	4	08-12	R-1	2007
93.778	Medical Assistance	Human Services - Ramsey County	Insufficient citizenship documentation to verify eligibility.	2	08-12	R-2	2007
93.778	Medical Assistance	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
93.778	Medical Assistance	Human Services	Payments to fraudulent vendor.	1	09-10	2	2008
93.778	Medical Assistance	Human Services	Subgranted federal funds not included in subrecipient audit.	1	09-10	3	2008
93.778	Medical Assistance	Human Services	Not public data on individuals not adequately protected.	2	09-10	4	2008
93.778	Medical Assistance	Human Services	Did not submit quarterly reports timely.	2	09-10	6	2008
93.778	Medical Assistance	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
93.778	Medical Assistance	Human Services - Ramsey County	Untimely resolution of discrepancies identified by IEVS.	4	09-10	R-1	2008
93.778	Medical Assistance	Human Services - Ramsey County	Insufficient citizenship documentation to verify eligibility.	2	09-10	R-2	2008
93.778	Medical Assistance	Human Services - Hennepin County	Non-compliance with eligibility criteria.	1	09-10	H-1	2008
93.778	Medical Assistance	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
93.778	Medical Assistance	Minnesota Management & Budget (Finance)	Inadequate audit coverage for subgranted federal funds.	1	09-14	1	2008
93.959	Substance Abuse	Human Services	No documented internal control structure ensuring compliance.	2	09-10	1	2008
93.959	Substance Abuse	Human Services	Not public data on individuals not adequately protected.	2	09-10	4	2008
93.959	Substance Abuse	Human Services	Salary allocations not sufficiently documented.	1	09-10	5	2008
93.959	Substance Abuse	Human Services	Excessive federal cash balances.	2	09-10	8	2008
93.959	Substance Abuse	Human Services	Inadequate monitoring of vendors for suspension and debarment.	4	09-10	9	2008
93.959	Substance Abuse	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008

*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 and 3, please refer to Status of Prior Federal Program Audit Findings supplemental information for further details.

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO	FIND NO	AUDIT REPORT FISCAL YR.
	U.S. Department of Homeland Security						
97.036	Disaster Recovery Public Assistance Program	Public Safety	Inadequate internal control structure over single audit requirements.	2	09-11	1	2008
97.036	Disaster Recovery Public Assistance Program	Public Safety	Inaccurate reporting of spending on Schedule of Federal Expenditures.	1	09-11	2	2008
97.036	Disaster Recovery Public Assistance Program	Public Safety	Inadequate verification of time charged to federal programs.	1	09-11	3	2008
97.036	Disaster Recovery Public Assistance Program	Public Safety	Charged unallowable costs to the federal government.	1	09-11	4	2008
97.036	Disaster Recovery Public Assistance Program	Public Safety	Inadequate safeguarding of fixed assets.	1	09-11	5	2008
97.036	Disaster Recovery Public Assistance Program	Office of Enterprise Technology	Inaccurate calculation of excess retained earnings.	1	09-12	1	2008
97.036	Disaster Recovery Public Assistance Program	Minnesota Management & Budget (Finance)	Inadequate reporting of spending on draft schedule of expenditures.	1	09-14	2	2008

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1 - Findings have been fully corrected.
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4 - Audit findings are no longer valid or do not warrant further action.
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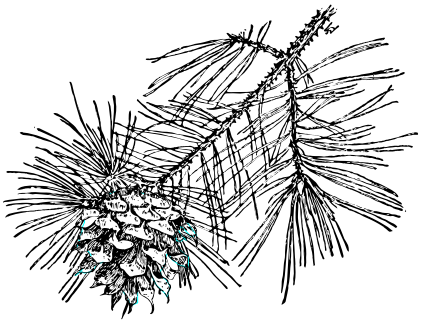

Supplemental Information
Status of Prior Federal Program Audit Findings

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

Report 06-12

State Agency: Minnesota Department of Transportation

Federal Agencies: U. S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

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 MnDOT Office of Audit Report 10-800-60, Finding I and III, for the Department of Transportation's response.

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

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.

This finding is repeated in the current audit report. See Section III, Report 10-11, Finding 8, for the Department of Human Services' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 07-09

State Agency: Minnesota Department of Transportation

Federal Agencies: U. S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

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)**

This finding is repeated in the current audit report. See Section III, Report MnDOT Office of Audit Report 10-800-60, Finding I and III, for the Department of Transportation's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 08-02

State Agency: Minnesota Department of Health

Federal Agency: U. S. Department of Agriculture

CFDA Number/Program Name:

10.557 Special Nutrition for Women, Infants and Children

Finding 08-02-11 Inaccurate reporting of spending on draft schedule of expenditures.

11. The state's procedures for preparing the Schedule of Expenditures of Federal Awards resulted in significant audit adjustments to the draft schedules and delays in determining the major programs to be audited under the Single Audit Act.

This finding is repeated in the current audit report. See Section III, Report 10-03, Finding 2, for the Department of Health's response.

Report 08-12

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 Health Care Provider Survey
93.778	Medical Assistance

Finding 08-12-6 Did not submit quarterly reports timely.

6. PRIOR FINDING NOT RESOLVED: The Department of Human Services submitted reports late to the federal government for three federal programs. (Prior Finding 07-08-5)

This finding is repeated in the current audit report. See Section III, Report 10-11, Finding 8, for the Department of Human Services' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 08-12

State Agency: Minnesota Department of Human Services – Ramsey County

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

CFDA Numbers/Program Names:

93.778 Medical Assistance

Finding 08-12-R-2 Insufficient citizenship documentation to verify eligibility

2. **Ramsey County did not comply with citizenship verification requirements.**

This finding is repeated in the current audit report. See Section III, Report 10-11, Finding 2, for the response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 08-13

State Agency: Minnesota Department of Transportation

Federal Agency: U. S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

Finding 08-13-1 Project oversight procedures not adequately followed

1. **Prior Audit Finding Not Resolved: MnDOT did not adequately follow certain project oversight procedures. (Prior Findings 07-09-1 and 06-12-2)**

This finding is repeated in the current audit report. See Section III, Report MnDOT Office of Audit Report 10-800-60, Finding I and III, for the Department of Transportation's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-06

State Agency: Minnesota Department of Health

Federal Agency: 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 Investigations and Technical Assistance

Finding 09-06-1 No documented internal control structure ensuring compliance.

1. **The Minnesota Department of Health did not identify, analyze, and document their internal controls related to business operations and schedule of federal expenditures.**

This finding is repeated in the current audit report. See Section III, Report 10-03, Finding, 1 for the Department of Health's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-06

State Agency: Minnesota Department of Health

Federal Agency: U.S. Department of Agriculture

CFDA Numbers/Program Names:

10.557 Special Nutrition for Women, Infants and Children

Finding 09-06-3 Inaccurate reporting on the Schedule of Federal Expenditures.

3. **Prior Finding Partially Resolved: The Department of Health did not accurately report financial activity on the Schedule of Expenditures of Federal Awards.**

This finding is repeated in the current audit report. See Section III, Report 10-03, Finding 2, for the Department of Health's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-06

State Agency: Minnesota Department of Health

Federal Agency: 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 Investigations and Technical Assistance

Finding 09-06-6 Inadequate monitoring of vendors for suspension and debarment.

6. The Department of Health did not comply with federal suspension and debarment requirements.

This finding is repeated in the current audit report. See Section III, Report 10-03, Finding 3, for the Department of Health's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-07

State Agency: Minnesota Department of Natural Resources

Federal Agency: U.S. Department of Interior

CFDA Numbers/Program Names:

15.605	Sport Fish Restoration
15.611	Wildlife Restoration

Finding 09-07-1 Inadequate internal control structure over single audit requirements.

1. **The Department of Natural Resources did not identify, analyze, and document their internal controls over compliance with federal single audit requirements.**

This finding is repeated in the current audit report. See Section III, Report 10-05, Finding 1, for the Department of Natural Resources' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-08

State Agency: Minnesota Department of Education

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

CFDA Numbers/Program Names:

10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.558	Child and Adult Food Care
84.010	Title 1 -- Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants
84.367	Improving Teacher Quality State Grants

Finding 09-08-1 Inadequate internal control structure over single audit requirements.

1. **The Department of Education did not identify, analyze, and document their internal controls over compliance with federal single audit requirements.**

This finding is repeated in the current audit report. See Section III, Report 10-08, Finding 1, for the Department of Education's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-09

State Agency: Minnesota Department of Employment and Economic Development

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

CFDA Numbers/Program Names:

14.228	Community Development Block Grant-Small Cities
17.225	Unemployment Insurance
17.258	Workforce Investment Act-Adult
17.259	Workforce Investment Act-Youth
17.260	Workforce Investment Act-Dislocated Worker
84.126	Vocational Rehabilitation

Finding 09-09-1 No documented internal control structure ensuring compliance.

1. **Prior Finding Partially Resolved: The Department of Employment and Economic Development did not identify and document its internal controls ensuring compliance with federal requirements.**[3]

This finding is repeated in the current audit report. See Section III, Report 10-10, Finding 1, for the Department of Employment and Economic Development's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-09

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U.S. Department of Labor

CFDA Numbers/Program Names:

17.225 Unemployment Insurance

Finding 09-09-2 Benefits not always assigned to employers for use in tax rate calculations.

2. Prior Finding Partially Resolved: The department did not ensure that unemployment benefit payments were always appropriately assigned to employer accounts for use in tax rate calculations.

This finding is repeated in the current audit report. See Section III, Report 10-10, Finding 4, for the Department of Employment and Economic Development's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-09

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U.S. Department of Education

CFDA Numbers/Program Names:

84.126 Vocational Rehabilitation

Finding 09-09-6 Not public data included in the state's accounting system.

6. Prior Finding Partially Resolved: The department entered not public data in the state's accounting system.

This finding is repeated in the current audit report. See Section III, Report 10-10, Finding 9, for the Department of Employment and Economic Development's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-10

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health & Human Services

CFDA Numbers/Program Names:

10.551	Food Stamps
10.561	Food Stamp Administration
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.575	Child Care and Development – Discretionary
93.596	Child Care and Development - Mandatory and Match
93.658	Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.776	Hurricane Katrina
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.959	Substance Abuse

Finding 09-10-1 No documented internal control structure ensuring compliance.

1. **The Department of Human Services did not identify, analyze, and document its internal controls related to business operations and the schedules of federal expenditures.**

This finding is repeated in the current audit report. See Section III, Report 10-11, Finding 1, for the Department of Human Services' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-10

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health & Human Services

CFDA Numbers/Program Names:

10.551	Food Stamps
10.561	Food Stamp Administration
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development - Mandatory and Match
93.658	Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.776	Hurricane Katrina
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.959	Substance Abuse

Finding 09-10-4 Not public data on individuals not adequately protected.

4. The Department of Human Services did not adequately protect not public data on individuals.

This finding is repeated in the current audit report. See Section III, Report 10-11, Finding 3, for the Department of Human Services' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-10

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

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

Finding 09-10-6 Did not submit quarterly reports timely.

6. Prior Finding Not Resolved: The Department of Human Services submitted reports to the federal government late for three federal programs. (Prior Finding 07-08-5 and 08-12-6)

This finding is repeated in the current audit report. See Section III, Report 10-11, Finding 8, for the Department of Human Services' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-10

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

93.575	Child Care and Development - Discretionary
93.596	Child Care and Development - Mandatory and Match
93.959	Substance Abuse

Finding 09-10-8 Excessive federal cash balances.

8. Prior Finding Not Resolved: The Department of Human Services was not in compliance with federal cash management requirements.

This finding is repeated in the current audit report. See Section III, Report 10-11, Finding 7, for the Department of Human Services' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-10

State Agency: Minnesota Department of Human Services - Ramsey County

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

CFDA Numbers/Program Names:

93.778 Medical Assistance

Finding 09-10-R-2 Insufficient citizenship documentation to verify eligibility.

R-2. Prior Finding Not Resolved: Ramsey County did not comply with citizenship verification requirements. (Prior Finding 08-12-R-2)

This finding is repeated in the current audit report. See Section III, Report 10-11, Finding 2, for the response.

Report 09-11

State Agency: Minnesota Department of Public Safety

Federal Agency: U.S. Department of Homeland Security

CFDA Numbers/Program Names:

97.036 Disaster Recovery Public Assistance Program

Finding 09-11-1 Inadequate internal control structure over single audit requirements.

1. **The Department of Public Safety did not identify, analyze, and document their internal controls over compliance with federal single audit requirements for the Disaster Recovery Public Assistance Program.**

This finding is repeated in the current audit report. See Section III, Report 10-04, Finding 1, for the Department of Public Safety's response.

Report 09-14

State Agency: Minnesota Management and Budget (Finance)

Federal Agency: U.S. Department of Agriculture
U.S. Department of Labor

CFDA Numbers/Program Names:

10.557	Special Program for Women, Infants and Children
17.225	Unemployment Insurance

Finding 09-14-2 Inaccurate reporting of spending on draft schedule of expenditures.

2. Prior Finding Partially Resolved: The state's procedures for preparing the Schedule of Expenditures of Federal Awards resulted in a significant audit adjustment and two errors to the draft schedules and impacted the determination of major programs to be audited under the Single Audit Act.

This finding is repeated in the current audit report. See Section III, Report 10-12, Finding 1, for Minnesota Management and Budget's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report KDV-07

State Agency: Minnesota State Colleges and Universities (MnSCU)

Federal Agency: U.S. Department of Education

CFDA Numbers/Program Names:

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

Finding KDV-07-08 Inadequate notification of disbursement of loan proceeds.

Condition:
MnSCU's three direct lending institutions also did not provide the required notification. Rather, these institutions relied on the disbursement disclosure sent by the direct lending loan origination center of the U.S. Department of Education. They did not provide their own separate notification.

Minnesota State Colleges and Universities Response:

The named Colleges and Universities and the Office of the Chancellor agree with the auditor's recommendations. Minnesota State University Moorhead has been using an in-house developed notification process since August, 2009. An automated process has been developed by the MnSCU system that will be in production by June 30, 2010, and will enable all MnSCU institutions to comply with notification requirements using the new process.

This finding is repeated in the current audit report. See Section III, Report KDV-09, Finding 07-8, for the Minnesota State Colleges and Universities' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report KDV-08

State Agency: Minnesota State Colleges and Universities

Federal Agency: U.S. Department of Education

CFDA Numbers/Program Names:

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

Finding KDV-08-1 Two colleges did not return Title IV funds timely.

1. **Inver Hills Community College did not return Title IV funds in a timely manner. More than 30 days elapsed from the end of the semester to the date of determination of withdrawal for one student. Inver Hills Community College did not report a student's date of withdrawal correctly on R2T4 form.**

This finding is repeated in the current audit report. See Section III, Report KDV-09, Finding 08-1, for the Minnesota State Colleges and Universities' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

MnDOT Office of Audit Report 09-800-71

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

Finding DOT 09-I Noncompliance with materials control for grading and base construction.

I. Prior Finding Not Resolved: The department did not comply with materials control requirements for grading and base construction.

This finding is repeated in the current audit report. See Section III, Report MnDOT Office of Audit Report 10-800-60, Finding I for the Department of Transportation's response.

MnDOT Office of Audit Report 09-800-71

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

Finding DOT 09-II Prepayment of insurance expenses and inadequate documentation.

II. Inadequate cash management procedures resulted in prepayment of contractor liability insurance premiums and performance bond expenses, and some expenses lacked supporting documentation.

The department prepaid contractor liability insurance premiums and performance bond costs ranging from $5.2 million to $9 million for state project 2783-120. We estimated a loss of interest earnings on these prepayments of approximately $400,000 based on an interest rate of 3.5 – 5 percent. In addition, $2.3 million in payments lacked supporting documentation.

Recommendation

- *The Operations Division Director should revise future contracts to reimburse contractors for liability insurance premiums and performance bond costs over the term of the contract and ensure that all payments are adequately supported.*

This finding is unresolved but is not repeated in MnDOT Office of Audit Report 10-800-60. The department continues to work with the Federal Highway Administration (FHWA) to resolve this finding.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

MnDOT Office of Audit Report 09-800-71

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

Finding DOT 09-III Noncompliance with concrete materials control requirements.

III. Prior Finding Not Resolved: The department did not comply with materials control requirements for concrete.

This finding is repeated in the current audit report. See Section III, Report MnDOT Office of Audit Report 10-800-60, Finding III, for the Department of Transportation's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

MnDOT Office of Audit Report 09-800-71

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

Finding DOT 09-IV Noncompliance with environmental requirements for some projects.

IV. Prior Finding Not Resolved: The department did not comply with federal and state environmental requirements for some projects.

Contractors did not complete permit erosion control inspection logs for 2 of 18 projects tested. In addition, for five of eight projects tested, contractors did not submit notifications of intent to perform bridge demolitions at least ten days in advance as required by the Asbestos National Emissions Standards for Hazardous Air Pollutants. In addition, for three of three projects tested, contractors failed to comply with state statutes and rules pertaining to lead paint removal and disposition.

Recommendation

- *The Operations Division Director and State Aid for Local Transportation Director should instruct districts, cities and counties to comply with environmental requirements specified in contract special provisions as well as state and federal regulations.*

This finding is unresolved but is not repeated in MnDOT Office of Audit Report 10-800-60. The department continues to work with the Federal Highway Administration (FHWA) to resolve this finding.