MINNESOTA

Financial and Compliance Report on Federally Assisted Programs

For the Year Ended June 30, 2019

MINNESOTA

State of Minnesota

Financial and Compliance Report on Federally Assisted Programs

For the Year Ended June 30, 2019

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

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State of Minnesota

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Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
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2019 Financial and Compliance Report on Federally Assisted Programs

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MANAGEMENT AND BUDGET

Date: March 13, 2020

To: The Honorable Tim Walz, Governor

From: Commissioner Myron Frans

Cc: Chief of Staff Chris Schmitter

RE: 2019 Financial and Compliance Report on Federally Assisted Programs Transmittal Letter from the Commissioner of Minnesota Management and Budget

Dear Governor Walz:

I am submitting the State of Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 2019. This report meets the requirements of the Federal Single Audit Act of 1984 as amended in 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) contained in 2 CFR Part 200, as applicable.

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

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

Management Responsibilities

Minnesota Management and Budget is responsible for the accuracy, fairness and completeness of the Schedule of Expenditures of Federal Awards, including all disclosures, presented in this report. The department is also responsible for the Statewide Integrated Financial Tools System (SWIFT), which was used in preparing this report. I believe the schedule provides a fair representation of expenditures for federal programs for the year ended June 30, 2019.

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 2019, the state of Minnesota received approximately $13.7 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 the Uniform Guidance contained in 2 CFR Part 200, as applicable.

The Office of the Legislative Auditor has audited the state's major federal programs identified in this single audit report. The auditor's report on compliance with requirements applicable to each major federal program and on internal control over compliance is included as part of this report. The Office of the Legislative Auditor has also issued a report on internal control over financial reporting in conjunction with the audit of the state's Comprehensive Annual Financial Report for the year ended June 30, 2019.

All subrecipients receiving federal assistance from Minnesota state agencies have been required to have audits in accordance with the Uniform Guidance contained in 2 CFR Part 200, as applicable. Results of these audits are summarized in the Report on Audits of Subrecipients issued by the Minnesota Office of the State Auditor.

Report

This single audit report supplements the state's Comprehensive Annual Financial Report for the year ended June 30, 2019 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.

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

Independent Auditor's Report

Members of the Minnesota Legislature

The Honorable Tim Walz, Governor

Mr. Myron Frans, Commissioner of Minnesota Management and Budget

Report on Compliance for Each Major Federal Program

The Office of the Legislative Auditor (OLA) has audited the State of Minnesota's compliance with the compliance requirements contained in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the State of Minnesota's major federal programs for the year ended June 30, 2019. The state's major federal programs are identified in Section I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Officials in the executive branch of Minnesota state government are responsible for compliance with the federal requirements, laws, regulations, contracts, and grants applicable to these federal programs.

Auditor's Responsibility

OLA's responsibility is to express an opinion on compliance for each of the State of Minnesota's major federal programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Title 2 U.S. *Code of Federal* Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State of Minnesota's compliance.

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

As described in the findings in Section III of the accompanying Schedule of Findings and Questioned Costs and identified below, the State of Minnesota did not comply with certain federal requirements that are applicable to one of its major federal programs. These federal requirements included verifying program eligibility for recipients of assistance, as described in the Uniform Guidance. Compliance with such requirements is necessary, in our opinion, for the State of Minnesota to comply with the requirements applicable to the Temporary Assistance for Needy Families program (CFDA 93.558), as reported in Finding 2019-020.

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

In our opinion, except for the material noncompliance described in the Basis for Qualified Opinion paragraph, the State of Minnesota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Temporary Assistance for Needy Families (CFDA 93.558) for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Minnesota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in Section III of the accompanying Schedule of Findings and Questioned Costs. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Officials in the executive branch of Minnesota state government are responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the state's internal control over compliance with the requirements that could have a direct and material effect on each major federal program. The purpose of our consideration of internal control was to determine the auditing procedures necessary for us to express our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance. Our consideration of internal control was not for the purpose of expressing an opinion on its effectiveness over compliance; accordingly, we do not express an opinion on the effectiveness of the State of Minnesota's internal control over compliance.

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

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, described in Section III of the accompanying Schedule of Findings and Questioned Costs, as Finding 2019-020 to be material weaknesses.

A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, described in Section III of the accompanying Schedule of Findings and Questioned Costs, as Findings 2019-001 through 2019-019 and 2019-021 through 2019-049 to be significant deficiencies.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2019, and have issued our report thereon dated December 13, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Minnesota's basic financial statements.

The State of Minnesota's basic financial statements include the operations of its discretely presented component units, which received approximately $1.69 billion in federal awards for the year ended June 30, 2019. 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, 2019. Our audit, described below, did not include the state's discretely presented component units because they are not included as part of the state's primary government; accordingly, those units have engaged other auditors to perform their federal compliance audits in accordance with the Uniform Guidance.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

James Nobles
Legislative Auditor

Tracy Gebhard, CPA
Legislative Audit Director

March 13, 2020

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2019

CFDA Number	Federal Program Name or *Pass-Through Entity (Identifying Number)*	State Agency		Total Federal Expenditures		Amounts Provided to Subrecipients
U.S. Department Of Agriculture						
Supplemental Nutrition Assistance Program (SNAP) Cluster						
10.551	Supplemental Nutrition Assistance Program	Human Services	$	499,391,435	$	-
10.561	State Admin Matching Grants For Supp Nutr	Human Services	$	76,346,832	$	66,454,825
	Supplemental Nutrition Assistance Program (SNAP) Cluster Total:		**$**	**575,738,267**	**$**	**66,454,825**
Child Nutrition Cluster						
10.553	School Breakfast Program	Education	$	52,340,433	$	52,238,105
10.555	National School Lunch Program	Education	$	162,746,487	$	162,553,538
10.556	Special Milk Program For Children	Education	$	645,235	$	645,235
10.559	Summer Food Service Program For Children	Education	$	11,461,555	$	11,113,800
	Child Nutrition Cluster Total:		**$**	**227,193,710**	**$**	**226,550,678**
Food Distribution Cluster						
10.565	Commodity Supplemental Food Program	Health	$	1,132,727	$	1,081,665
10.568	Emergency Food Assistance (Administrative Costs)	Human Services	$	1,387,467	$	1,161,019
	Food Distribution Cluster Total:		**$**	**2,520,194**	**$**	**2,242,684**
Forest Service Schools and Roads Cluster						
10.665	Schools And Roads - Grants To States	MN Management & Budget	$	8,701,845	$	8,701,845
	Forest Service Schools and Roads Cluster Total:		**$**	**8,701,845**	**$**	**8,701,845**
10.001	Agricultural Research Service	MnSCU	$	15,908	$	-
10.025	Plant And Animal Disease, Pest Control, And Animal Care	Agriculture	$	910,088	$	-
10.025	Plant And Animal Disease, Pest Control, And Animal Care	Animal Health Board	$	508,864	$	-
10.025	Plant And Animal Disease, Pest Control, And Animal Care	MnSCU	$	39,936	$	-
10.025	*Pass-Through from the Gypsy Moth Slow the Spread Foundation (Unknown)*	Agriculture	$	45,520	$	-
	Program 10.025 Total:		**$**	**1,504,408**	**$**	**-**
10.093	Voluntary Public Access & Habitat Incentive Program	Natural Resources	$	175,251	$	55,435
10.117	Biofuel Infrastructure Partnership	Agriculture	$	1,210,534	$	1,210,534
10.156	Federal-State Marketing Improvement Program	Agriculture	$	3,805	$	-
10.170	Specialty Crop Block Grant Program - Farm Bill	Agriculture	$	1,216,401	$	967,857
10.171	Organic Certification Cost Share	Agriculture	$	447,994	$	-
10.178	Trade Mitigation Program Eligible Recipient Agency Operational Funds	Human Services	$	28,422	$	28,422
10.215	Sustainable Agriculture Research and Education					
10.215	*Pass-Through from the University of Minnesota (Unknown)*	Agriculture	$	31,505	$	-
10.221	Tribal Colleges Education Equity Grants	MnSCU	$	116,171	$	-
10.222	Tribal Colleges Endowment Program	MnSCU	$	178,096	$	-
10.227	1994 Institutions Research Program	MnSCU	$	107,430	$	-
10.310	Agriculture And Food Research Initiative	MnSCU	$	70,207	$	-
10.326	Capacity Building for Non-Land Grant College of Agricultures	MnSCU	$	12,091	$	-
10.351	Rural Business Development Grant	MnSCU	$	28,849	$	-
10.443	Outreach And Assist. For Disadvantaged Farmers	MnSCU	$	140,631	$	-
10.460	Risk Management Education Partnerships	MnSCU	$	29,533	$	-
10.475	Coop Agmnts With States For Intrastate Meat, Poultry	Agriculture	$	1,603,610	$	-
10.479	Food Safety Cooperative Agreements	Agriculture	$	433,144	$	-
10.500	Cooperative Extension Service	MnSCU	$	172,189	$	-
10.536	CACFP Training Grants	Education	$	32,196	$	-
10.541	Child Nutrition-Technology Innovation Grant	Education	$	445,420	$	-
10.557	Special Supp. Nutrition Program For Women, Infants (4)	Health	$	84,726,134	$	24,263,031
10.558	Child And Adult Care Food Program	Education	$	73,204,583	$	71,545,283
10.560	State Administrative Expenses For Child Nutrition	Education	$	5,006,016	$	-
10.572	WIC Farmers' Market Nutrition Program (FMNP)	Agriculture	$	356,648	$	-
10.574	Team Nutrition Grants	Education	$	161,995	$	9,484
10.576	Senior Farmers' Market Nutrition Program	Agriculture	$	126,803	$	-
10.578	WIC Grants To States (WGS)	Health	$	3,005,229	$	1,111,304
10.579	Child Nutrition Discretionary Grants Limited Availability	Education	$	378,865	$	375,151
10.582	Fresh Fruit And Vegetable Program	Education	$	2,802,187	$	2,673,792
10.664	Cooperative Forestry Assistance	Natural Resources	$	1,429,550	$	703,681
10.675	Urban And Community Forestry Program	Natural Resources	$	231,751	$	206,874

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2019

CFDA Number	Federal Program Name or *Pass-Through Entity (Identifying Number)*	State Agency		Total Federal Expenditures		Amounts Provided to Subrecipients
10.678	Forest Stewardship Program	Natural Resources	$	276,393	$	73,866
10.680	Forest Health Protection	Agriculture	$	104,622	$	-
10.680	Forest Health Protection	MnSCU	$	16,521	$	-
10.680	Forest Health Protection	Natural Resources	$	135,995	$	17,556
10.680	*Pass-Through from the Gypsy Moth Slow the Spread Foundation (Unknown)*	Agriculture	$	333,442	$	-
	Program 10.680 Total:		**$**	**590,580**	**$**	**17,556**
10.890	Rural Development Cooperative Agreement Program	MnSCU	$	6,550	$	-
10.902	Soil And Water Conservation	MnSCU	$	2,435	$	-
10.902	Soil And Water Conservation	Water & Soil Resources	$	530,767	$	-
	Program 10.902 Total:		**$**	**533,202**	**$**	**-**
10.912	Environmental Quality Incentives Program	Water & Soil Resources	$	21,122	$	-
10.933	Wetlands Mitigation Banking Program	Water & Soil Resources	$	71,604	$	-
U.S. Department Of Commerce						
11.008	NOAA Mission-Related Education Awards	MnSCU	$	52,203	$	-
11.407	Interjurisdictional Fisheries Act Of 1986	Natural Resources	$	15,209	$	-
11.419	Coastal Zone Management Administration Awards	Natural Resources	$	1,107,873	$	595,042
11.549	State And Local Implementation Grant Program	Public Safety	$	126,194	$	-
U.S. Department Of Defense						
12.002	Procurement Technical Assistance For Business Firms	Administration	$	570,999	$	-
12.113	Reimbursement Of Technical Services	Pollution Control Agency	$	212,865	$	-
12.300	Basic And Applied Scientific Research	MnSCU	$	1,610	$	-
12.400	Military Construction, National Guard	Military Affairs	$	30,563,858	$	-
12.401	National Guard Military Operations And Maint	Military Affairs	$	53,323,738	$	-
12.401	National Guard Military Operations And Maint	Water & Soil Resources	$	3,187,473	$	-
	Program 12.401 Total:		**$**	**56,511,211**	**$**	**-**
12.404	National Guard Challenge Program	Military Affairs	$	1,420,773	$	1,420,773
12.630	Basic, Applied, And Adv Res In Science And Engineering	MnSCU	$	43,791	$	-
12.630	R&D-Basic, Applied, And Adv Res In Science, Engineer	Natural Resources	$	75,199	$	-
12.902	Information Security Grant	MnSCU	$	383,954	$	-
12.903	GenCyber Grants Program	MnSCU	$	248,659	$	-
U.S. Department Of Housing & Urban Development						
14.228	CDBG/State's Program And Non-Entitlemt Grants	Employment & Economic	$	15,481,465	$	13,894,973
14.231	Emergency Solutions Grants Program	Human Services	$	2,134,307	$	1,952,434
U.S. Department Of The Interior						
Fish and Wildlife Cluster						
15.605	Sport Fish Restoration Program	Natural Resources	$	12,668,860	$	-
15.611	Wildlife Restoration And Basic Hunter Education	Natural Resources	$	21,171,842	$	821,000
15.626	Enhanced Hunter Education And Safety Program	Natural Resources	$	258,102	$	-
	Fish and Wildlife Cluster Total:		**$**	**34,098,804**	**$**	**821,000**
15.231	Fish, Wildlife and Plant Conservation Resource Management	MnSCU	$	51,300	$	-
15.605	R&D Sport Fish Restoration Program	Natural Resources	$	195,000	$	-
15.608	Fish And Wildlife Management Assistance	Agriculture	$	7,818	$	-
15.608	Fish And Wildlife Management Assistance	Natural Resources	$	255,408	$	39,406
	Program 15.608 Total:		**$**	**263,226**	**$**	**39,406**
15.611	R&D Wildlife Restoration And Basic Hunter Education	Natural Resources	$	1,191,965	$	-
15.615	Cooperative Endangered Species Conservation Fund	Natural Resources	$	74,802	$	1,122
15.634	State Wildlife Grants	Natural Resources	$	1,163,190	$	-
15.647	Migratory Bird Conservation	Natural Resources	$	38,851	$	-
15.657	Endangered Species Conservation - Rec Implement	MN Zoological Board	$	63,960	$	-
15.657	Endangered Species Conservation - Rec Implement	Natural Resources	$	32,691	$	-
	Program 15.657 Total:		**$**	**96,651**	**$**	**-**
15.662	Great Lakes Restoration	MnSCU	$	338,042	$	-
15.662	Great Lakes Restoration	Natural Resources	$	722,768	$	82,384
	Program 15.662 Total:		**$**	**1,060,810**	**$**	**82,384**
15.666	Endangered Species Conservation-Wolf Livestock Loss	Agriculture	$	32,055	$	-
15.808	US Geological Survey Research And Data Collection	Natural Resources	$	8,329	$	-
15.904	Historic Preservation Fund Grants-In-Aid	Administration	$	857,491	$	60,920

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2019

CFDA Number	Federal Program Name or *Pass-Through Entity (Identifying Number)*	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
15.916	Outdoor Recreation Acquisition, Developmt, Planning	Natural Resources	$ 264,888	$ 264,888
15.978	Upper Mississippi River System LT Resource Monitoring	Natural Resources	$ 709,533	$ -
15.980	National Ground-Water Monitoring Network	Natural Resources	$ 16,940	$ -
U.S. Department Of Justice				
16.017	Sexual Assault Services Formula Program	Public Safety	$ 477,633	$ 470,541
16.021	Justice Systems Response To Families	Trial Courts	$ 197,864	$ -
16.029	Office on Violence Against Women Special Projects	Trial Courts	$ 38,414	$ -
16.320	Services For Trafficking Victims	Health	$ 994,989	$ 648,089
16.525	Grants To Reduce Violence On Campus	MnSCU	$ 142,201	$ -
16.540	Juvenile Justice And Delinquency Prevention	Public Safety	$ 574,858	$ 478,872
16.543	Missing Children's Assistance	Public Safety	$ 533,980	$ 700
16.550	State Justice Statistics Program For Statistical Analysis	Public Safety	$ 31,648	$ -
16.554	National Criminal History Improvement Program (NCHIP)	Public Safety	$ 2,231,973	$ -
16.560	Nat'l Institute Of Justice Research, Evaluation, And Dev	Public Safety	$ 48,928	$ -
16.560	*Pass-Through from the Urban Institute (09178-000-00)*	Corrections	$ 42,022	$ -
	Program 16.560 Total:		**$ 90,950**	**$ -**
16.575	Crime Victim Assistance	Public Safety	$ 33,109,130	$ 31,920,410
16.576	Crime Victim Compensation	Public Safety	$ 1,779,602	$ -
16.582	Crime Victim Assistance/Discretionary Grants	MnSCU	$ 41,355	$ -
16.582	Crime Victim Assistance/Discretionary Grants	Public Safety	$ 271,814	$ 268,140
	Program 16.582 Total:		**$ 313,169**	**$ 268,140**
16.585	Drug Court Discretionary Grant Program	Trial Courts	$ 413,607	$ -
16.588	Violence Against Women Formula Grants	Public Safety	$ 2,085,988	$ 1,817,398
16.590	Arrest Policies And Enforcemt Of Protection Orders	Corrections	$ 133,289	$ -
16.590	Arrest Policies And Enforcemt Of Protection Orders	Trial Courts	$ 27,363	$ -
	Program 16.590 Total:		**$ 160,652**	**$ -**
16.593	Residential Substance Abuse Treatment State Prisoners	Public Safety	$ 138,368	$ 17,071
16.606	State Criminal Alien Assistance Program	Corrections	$ 290,941	$ -
16.710	Public Safety Partnership And Community Policing Grants	Public Safety	$ 462,795	$ -
16.734	Special Data Collections & Statistical Studies	Public Safety	$ 221,193	$ -
16.738	Edward Byrne Memorial Justice Assistance Grant	Public Safety	$ 2,540,997	$ 2,255,870
16.741	DNA Backlog Reduction Program	Public Safety	$ 107,724	$ -
16.742	Paul Coverdell Forensic Sciences Improvement Grant	Public Safety	$ 122,130	$ 37,657
16.745	Criminal And Juvenile Justice And Mental Health	Corrections	$ 39,129	$ -
16.754	Harold Rogers Prescription Drug Monitoring	Pharmacy Board	$ 48,529	$ -
16.754	Harold Rogers Prescription Drug Monitoring	Public Safety	$ 23,415	$ -
	Program 16.754 Total:		**$ 71,944**	**$ -**
16.812	Second Chance Act Prisoner Reentry Initiative	Corrections	$ 693,126	$ -
16.833	National Sexual Assault Kit Initiative	Public Safety	$ 83,355	$ 39,408
U.S. Department Of Labor				
Employment Service Cluster				
17.207	Employment Service/Wagner-Peyser Funded Activities	Employment & Economic	$ 21,527,627	$ 912,071
17.801	Disabled Veterans' Outreach Program (DVOP)	Employment & Economic	$ 2,401,310	$ -
	Employment Service Cluster Total:		**$ 23,928,937**	**$ 912,071**
WIOA Cluster				
17.258	WIA/WIOA Adult Program	Employment & Economic	$ 7,629,414	$ 6,368,710
17.259	WIOA Youth Activities	Employment & Economic	$ 8,316,051	$ 7,555,764
17.278	WIA/WIOA Dislocated Worker Formula Grants	Employment & Economic	$ 8,385,328	$ 6,732,961
	WIOA Cluster Total:		**$ 24,330,793**	**$ 20,657,435**
17.002	Labor Force Statistics	Employment & Economic	$ 1,175,599	$ -
17.005	Compensation And Working Conditions	Labor And Industry	$ 97,205	$ -
17.225	Unemployment Insurance (5)	Employment & Economic	$ 770,334,365	$ -
17.225	ARRA-Unemployment Insurance (5)	Employment & Economic	$ 348,553	$ -
	Program 17.225 Total:		**$ 770,682,918**	**$ -**
17.235	Senior Community Service Employment Program	Employment & Economic	$ 2,123,809	$ 2,003,430
17.245	Trade Adjustment Assistance	Employment & Economic	$ 9,129,938	$ -
17.268	H-1B Job Training Grants	Employment & Economic	$ 999,973	$ 882,858
17.271	Work Opportunity Tax Credit Program (WOTC)	Employment & Economic	$ 198,127	$ -

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2019

CFDA Number	Federal Program Name or *Pass-Through Entity (Identifying Number)*	State Agency		Total Federal Expenditures		Amounts Provided to Subrecipients
17.273	Temporary Labor Certification For Foreign Workers	Employment & Economic	$	133,820	$	-
17.277	Workforce Investment Act (WIA) Nat'l Emergency Grants	Employment & Economic	$	41,210	$	41,210
17.282	Trade Adj Assist Comm Clg And Career Training Grants	MnSCU	$	626,725	$	-
17.282	*Pass-Through from the University of Minnesota (H004931201)*	MnSCU	$	32,660	$	-
	Program 17.282 Total:		**$**	**659,385**	**$**	**-**
17.283	Workforce Innovation Fund	Employment & Economic	$	2,505,866	$	-
17.285	Apprenticeship USA Grants	Labor And Industry	$	743,400	$	397,751
17.503	Occupational Safety And Health State Program	Labor And Industry	$	3,495,839	$	-
17.504	Consultation Agreements	Labor And Industry	$	1,052,967	$	-
17.600	Mine Health And Safety Grants	MnSCU	$	371,078	$	-
17.720	Disability Employment Policy Development	Employment & Economic	$	326,365	$	-
17.720	Disability Employment Policy Development	MnSCU	$	12,580	$	-
	Program 17.720 Total:		**$**	**338,945**	**$**	**-**
U.S. Department Of State						
19.021	Investing in People in The Middle East and North Africa	MnSCU	$	3,895	$	-
19.040	Public Diplomacy Programs	MnSCU	$	3,895	$	-
U.S. Department Of Transportation						
Highway Planning and Construction Cluster						
20.205	Highway Planning And Construction	MnSCU	$	16,098	$	-
20.205	Highway Planning And Construction	Transportation	$	822,556,842	$	137,041,389
20.219	Recreational Trails Program	Natural Resources	$	2,849,592	$	1,782,143
20.224	Federal Lands Access Program	Transportation	$	961,734	$	961,734
	Highway Planning and Construction Cluster Total:		**$**	**826,384,266**	**$**	**139,785,266**
Federal Transit Cluster						
20.500	Federal Transit Capital Investment Grants	Transportation	$	470,504	$	470,504
20.526	Bus And Bus Facilities Formula Program	Transportation	$	2,599,981	$	2,599,981
	Federal Transit Cluster Total:		**$**	**3,070,485**	**$**	**3,070,485**
Transit Services Programs Cluster						
20.513	Enhanced Mobility For Srs And Individuals With Disabilities	Transportation	$	2,549,661	$	2,169,870
	Transit Services Programs Cluster Total:		**$**	**2,549,661**	**$**	**2,169,870**
Highway Safety Cluster						
20.600	State And Community Highway Safety	Public Safety	$	6,159,008	$	1,409,004
20.616	National Priority Safety Programs	Public Safety	$	4,588,028	$	1,283,055
	Highway Safety Cluster Total:		**$**	**10,747,036**	**$**	**2,692,059**
20.106	Airport Improvement Program (7)	Transportation	$	51,576,861	$	51,137,354
20.200	R&D-Highway Research And Development Program	Transportation	$	3,720,398	$	-
20.205	R&D-Highway Planning And Construction	Transportation	$	3,975,911	$	-
20.215	Highway Training & Education	Transportation	$	745,475	$	248,199
20.215	R&D-Highway Training And Education	Transportation	$	150,000	$	-
20.218	National Motor Carrier Safety	Public Safety	$	5,365,403	$	-
20.232	Commercial Driver's License Prog Improvement	Public Safety	$	29,247	$	-
20.237	Motor Carrier Safety Assistance High Priority Activities	Public Safety	$	299,631	$	-
20.314	Railroad Development	Transportation	$	517,667	$	517,667
20.319	High-Speed Rail Corridors And Service Cap Assistance	Transportation	$	2,297,948	$	2,297,548
20.505	Metropolitan Transportation Planning	Transportation	$	6,789,946	$	6,677,884
20.509	Formula Grants For Rural Areas	Transportation	$	22,933,878	$	20,998,884
20.528	Rail Fixed Guideway Public Trans State Safety Oversight	Public Safety	$	95,594	$	-
20.608	Minimum Penalties For Repeat Offenders	Public Safety	$	6,580,704	$	3,051,606
20.614	NHTSA Discretionary Safety Grants	Public Safety	$	91,868	$	-
20.700	Pipeline Safety Program Base Grants	Public Safety	$	1,857,077	$	-
20.703	Interagency Hazardous Materials Public Sector Training	Public Safety	$	284,544	$	183,916
20.720	State Damage Prevention Program Grants	Public Safety	$	82,009	$	-
20.721	PHMSA Pipeline Safety Program	Public Safety	$	43,114	$	-
20.933	National Infrastructure Investments	Transportation	$	3,909,276	$	3,909,276
U.S. General Services Administration						
39.003	Donation Of Federal Surplus Personal Property	Administration	$	361,060	$	-

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2019

CFDA Number	Federal Program Name or *Pass-Through Entity (Identifying Number)*	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
U.S. National Aeronautics & Space Administration				
43.001	Science	MnSCU	$ 180,092	$ -
43.008	Education	MnSCU	$ 80,000	$ -
43.008	*Pass-Through from the University of Minnesota (NNX15AI18H)*	MnSCU	$ 19,439	$ -
43.008	*Pass-Through from the University of Minnesota (NNX16AI93A)*	MnSCU	$ 3,214	$ -
	Program 43.008 Total:		**$ 102,653**	**$ -**
U.S. National Foundation Arts & Humanities				
45.024	Promotion Of The Arts Grants To Orgs And Individuals	Center For Arts Education	$ 6,659	$ -
45.025	Promotion Of The Arts Partnership Agreements	Arts Board	$ 781,506	$ 84,502
45.025	Promotion Of The Arts Partnership Agreements	MnSCU	$ 600	$ -
	Program 45.025 Total:		**$ 782,106**	**$ 84,502**
45.163	Promotion Of The Humanities Professional Development	MnSCU	$ 1,106	$ -
45.310	Grants To States	Education	$ 2,496,233	$ 1,584,562
U.S. National Science Foundation				
47.041	Engineering Grants	MnSCU	$ 105,456	$ -
47.049	R&D-Mathematical And Physical Sciences	MnSCU	$ 15,785	$ -
47.050	Geosciences	MnSCU	$ 63,025	$ -
47.070	Computer And Information Science And Engineering	MnSCU	$ 65,368	$ -
47.074	R&D-Biological Sciences	MnSCU	$ 129,306	$ -
47.075	Social, Behavioral, And Economic Sciences	MnSCU	$ 45,563	$ -
47.076	Education and Human Resources			
47.076	*Pass-Through from the University of Minnesota (1712161)*	MnSCU	$ 404	$ -
47.076	*Pass-Through from the University of Minnesota (1712619)*	MnSCU	$ 38,048	$ -
47.076	*Pass-Through from the University of Minnesota (H006117608)*	MnSCU	$ 5,280	$ -
47.076	*Pass-Through from the University of Minnesota (HRD-1712619)*	MnSCU	$ 81,541	$ -
	Program 47.076 Total:		**$ 125,273**	**$ -**
47.076	R&D-Education And Human Resources	MnSCU	$ 3,340,288	$ -
U.S. Small Business Administration				
59.037	Small Business Development Centers	Employment & Economic	$ 2,178,922	$ 2,178,922
59.037	Small Business Development Centers	MnSCU	$ 664,314	$ -
	Program 59.037 Total:		**$ 2,843,236**	**$ 2,178,922**
59.061	State Trade And Export Promotion Pilot Grant	Employment & Economic	$ 52,809	$ -
U.S. Department Of Veterans Affairs				
64.005	State Home Facilities Construction	Veterans Affairs	$ 188,825	$ -
64.027	Post-9/11 Veterans Educational Assistance	MnSCU	$ 403,231	$ -
64.028	Post 9/11 Veterans Educational Assistance	MnSCU	$ 97,930	$ -
64.203	State Cemetery Grants	Veterans Affairs	$ 1,396,708	$ -
U.S. Environmental Protection Agency				
Drinking Water State Revolving Fund Cluster				
66.468	Capitalization Grants For Drinking Water State Funds	Health	$ 152,442	$ -
66.468	*Pass-Through from the Public Facilities Authority (FS97581416)*	Health	$ 3,540,078	$ 701,737
	Drinking Water State Revolving Fund Cluster Total:		**$ 3,692,520**	**$ 701,737**
66.032	State Indoor Radon Grants	Health	$ 382,513	$ -
66.034	Surveys, Studies, Research, Investigations Clean Air Act	Pollution Control Agency	$ 429,458	$ -
66.040	State Clean Diesel Grant Program	Pollution Control Agency	$ 163,189	$ 129,149
66.419	Water Pollution Control State, Interstate, And Tribal	Health	$ 53,736	$ -
66.419	Water Pollution Control State, Interstate, And Tribal	Pollution Control Agency	$ 32,526	$ -
	Program 66.419 Total:		**$ 86,262**	**$ -**
66.432	State Public Water System Supervision	Health	$ 2,407,742	$ -
66.454	Water Quality Management Planning	Pollution Control Agency	$ 303,440	$ -
66.460	Nonpoint Source Implementation Grants	Pollution Control Agency	$ 1,782,519	$ 1,722,848
66.461	Regional Wetland Program Development Grants	Natural Resources	$ 17,594	$ -
66.461	Regional Wetland Program Development Grants	Water & Soil Resources	$ 92,750	$ -
	Program 66.461 Total:		**$ 110,344**	**$ -**
66.469	Great Lakes Program	Health	$ 395,663	$ 234,393
66.469	Great Lakes Program	Natural Resources	$ 70,430	$ -
66.469	Great Lakes Program	Pollution Control Agency	$ 561,217	$ 39,622
	Program 66.469 Total:		**$ 1,027,310**	**$ 274,015**

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

State of Minnesota
Federal Programs
Schedule of Expenditures
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CFDA Number	Federal Program Name or *Pass-Through Entity (Identifying Number)*	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
66.472	Beach Monitoring And Notification Program Grants	Health	$ 191,625	$ -
66.605	Performance Partnership Grants	Agriculture	$ 694,637	$ -
66.605	Performance Partnership Grants	Pollution Control Agency	$ 8,976,283	$ 28,277
	Program 66.605 Total:		**$ 9,670,920**	**$ 28,277**
66.608	Environmental Information Exchange Network Grant	Health	$ 121,007	$ -
66.707	TSCA Title IV State Lead Grants Certification	Health	$ 324,382	$ -
66.802	Superfund State, Political Subdivision, And Indian Tribe	Pollution Control Agency	$ 832,828	$ -
66.804	Underground Storage Tank Prevention, Detection	Pollution Control Agency	$ 466,155	$ -
66.805	Leaking Underground Storage Tank Trust Fund	Pollution Control Agency	$ 675,928	$ -
66.809	Superfund State And Indian Tribe Core Program	Pollution Control Agency	$ 102,128	$ -
66.817	State And Tribal Response Program Grants	Pollution Control Agency	$ 477,867	$ -
66.818	Brownfields Assessment And Cleanup Coop Agreements	Employment & Economic	$ 328,388	$ -
66.818	Brownfields Assessment And Cleanup Coop Agreements	Pollution Control Agency	$ 129,943	$ -
	Program 66.818 Total:		**$ 458,331**	**$ -**
66.954	Tribal ecoAmbassadors	MnSCU	$ 137	$ -
U.S. Department Of Energy				
81.041	State Energy Program	Commerce	$ 1,324,688	$ 480,509
81.042	Weatherization Assistance For Low-Income Persons	Commerce	$ 10,518,182	$ 9,278,922
81.119	State Energy Program Special Projects	Commerce	$ 765,507	$ 637,898
U.S. Department Of Education				
Student Financial Assistance Cluster				
84.007	Federal Supp. Educational Opportunity Grants	MnSCU	$ 7,015,591	$ -
84.033	Federal Work-Study Program	MnSCU	$ 6,669,577	$ -
84.038	Federal Perkins Loan (2)	MnSCU	$ 29,644,280	$ -
84.063	Federal Pell Grant Program	MnSCU	$ 224,423,528	$ -
84.268	Federal Direct Student Loans (3)	MnSCU	$ 436,872,348	$ -
84.379	Teacher Ed. Assist. For College And Higher Ed. Grants	MnSCU	$ 540,628	$ -
93.364	Nursing Student Loans (2)	MnSCU	$ 20,198	$ -
	Student Financial Assistance Cluster Total:		**$ 705,186,150**	**$ -**
Special Education (IDEA) Cluster				
84.027	Special Education Grants To States	Education	$ 193,869,312	$ 178,123,668
84.173	Special Education Preschool Grants	Education	$ 7,443,544	$ 6,123,515
	Special Education (IDEA) Cluster Total:		**$ 201,312,856**	**$ 184,247,183**
TRIO Cluster				
84.042	TRIO Student Support Services	MnSCU	$ 9,297,140	$ -
84.044	TRIO Talent Search	MnSCU	$ 940,418	$ -
84.047	TRIO Upward Bound	MnSCU	$ 7,361,952	$ -
84.066	TRIO Educational Opportunity Centers	MnSCU	$ 995,386	$ -
84.217	TRIO McNair Post-Baccalaureate Achievement	MnSCU	$ 217,333	$ -
	TRIO Cluster Total:		**$ 18,812,229**	**$ -**
84.002	Adult Education - Basic Grants To States	Education	$ 5,566,982	$ 4,272,114
84.010	Title I Grants To Local Educational Agencies	Education	$ 170,235,193	$ 168,274,820
84.011	Migrant Education State Grant Program	Education	$ 1,784,889	$ 1,458,983
84.013	Title I State Agency Prog For Neglected, Delinq Children	Education	$ 514,373	$ -
84.016	Undergrad International Studies And Foreign Lang	MnSCU	$ 68,496	$ -
84.031	Higher Education Institutional Aid	MnSCU	$ 2,837,688	$ -
84.048	Career And Technical Education -- Basic Grants To States	MnSCU	$ 17,390,561	$ 5,091,026
84.116	Fund For The Improvement Of Postsecondary Education	MnSCU	$ 57,727	$ -
84.126	Rehab Services Vocational Rehab Grants	Employment & Economic	$ 55,701,526	$ -
84.129	Rehabilitation Long-Term Training	MnSCU	$ 394,357	$ -
84.177	Rehabilitation Services Ind Living Svs Older Individuals	Employment & Economic	$ 688,247	$ -
84.181	Special Education-Grants For Infants And Families	Education	$ 7,384,635	$ 5,889,832
84.184	Safe And Drug-Free Schools And Communities-Nat'l	Education	$ 204,939	$ 32,897
84.187	Supported Employment Services	Employment & Economic	$ 250,641	$ -
84.196	Education For Homeless Children And Youth	Education	$ 870,231	$ 610,534
84.206	Javits Gifted And Talented Students	Education	$ 39,164	$ -
84.282	Charter Schools	Education	$ 4,472,662	$ 4,190,178
84.287	Twenty-First Century Community Learning Centers	Education	$ 11,527,409	$ 10,986,920

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

State of Minnesota
Federal Programs
Schedule of Expenditures
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CFDA Number	Federal Program Name or *Pass-Through Entity (Identifying Number)*	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
84.323	Special Education - State Personnel Development	Education	$ 1,124,014	$ 941,595
84.324	Research In Special Education	MnSCU	$ 826	$ -
84.325	Special Ed - Personnel Develop. For Disabled Children	MnSCU	$ 237,984	$ -
84.326	Spec Educ To Improve Services For Disabled Children	Education	$ 203,452	$ 203,452
84.334	Gain Early Awareness And Readiness For Undergraduate	MnSCU	$ 353,643	$ -
84.335	Child Care Access Means Parents In School	MnSCU	$ 206,480	$ -
84.350	Transition To Teaching	MnSCU	$ 85,392	$ -
84.358	Rural Education	Education	$ 250,359	$ 239,318
84.365	English Language Acquisition State Grants	Education	$ 10,048,400	$ 8,996,379
84.366	Mathematics And Science Partnerships	Education	$ 296,490	$ 287,287
84.367	Supporting Effective Instruction State Grants	Education	$ 27,295,114	$ 25,754,411
84.368	Grants For Enhanced Assessment Instruments	Education	$ 457,978	$ -
84.369	Grants For State Assessments And Related Activities	Education	$ 7,573,565	$ -
84.371	Striving Readers	Education	$ 7,593,568	$ 7,248,637
84.372	Statewide Longitudinal Data Systems	Education	$ 1,997,060	$ -
84.372	Statewide Longitudinal Data Systems	MnSCU	$ 11,793	$ -
84.372	*Pass-Through from the Minnesota Office of Higher Education (R372A150004)*	MnSCU	$ 40,751	$ -
	Program 84.372 Total:		**$ 2,049,604**	**$ -**
84.377	School Improvement Grants	Education	$ 4,967,055	$ 4,784,229
84.419	Preschool Development Grants	Education	$ 123,955	$ -
84.424	Student Support and Academic Enrichment Program	Education	$ 3,097,974	$ 2,673,841
84.938	Hurricane Education Recovery	Education	$ 788,455	$ 778,602
U.S. Department Of Health & Human Services				
Aging Cluster				
93.044	Spec Prog For The Aging Title III, Part B Grants	Human Services	$ 7,556,938	$ 6,327,301
93.045	Spec Prog For The Aging Title III, Part C Nutrition Services	Human Services	$ 10,159,588	$ 9,652,857
93.053	Nutrition Services Incentive Program	Human Services	$ 1,753,452	$ 1,753,452
	Aging Cluster Total:		**$ 19,469,978**	**$ 17,733,610**
Temporary Assistance for Needy Families (TANF) Cluster				
93.558	Temporary Assistance For Needy Families	Human Services	$ 206,674,089	$ 82,478,808
	Temporary Assistance for Needy Families (TANF) Cluster Total:		**$ 206,674,089**	**$ 82,478,808**
Child Care and Development Fund (CCDF) Cluster				
93.575	Child Care And Development Block Grant	Human Services	$ 100,330,518	$ -
93.596	Child Care Mandatory And Matching Funds	Human Services	$ 44,082,639	$ 32,105,932
	Child Care and Development Fund (CCDF) Cluster Total:		**$ 144,413,157**	**$ 32,105,932**
Medicaid Cluster				
93.775	State Medicaid Fraud Control Units	Attorney General	$ 2,369,566	$ -
93.777	State Survey And Cert. Of Health Care Providers	Health	$ 3,571,940	$ -
93.777	State Survey And Cert. Of Health Care Providers	Human Services	$ 6,160,671	$ -
93.778	Medical Assistance Program (4)	Human Services	$ 7,707,342,592	$ 227,564,733
	Medicaid Cluster Total:		**$ 7,719,444,769**	**$ 227,564,733**
93.008	Medical Reserve Corps Small Grant Program			
93.008	*Pass-Through from the National Assoc of County & City Health Officials (5 HITEP150032-02)*	Health	$ 605	$ -
93.041	Spec Prog For The Aging Title VII, Chap 3	Human Services	$ 81,987	$ -
93.042	Spec Prog For The Aging Title VII, Chap 2 Long Term Care	Human Services	$ 273,193	$ -
93.043	Spec Prog For The Aging Title III, Part D	Human Services	$ 328,698	$ 328,698
93.048	Spec Prog For The Aging Title IV And Title II	Human Services	$ 191,048	$ 143,814
93.052	National Family Caregiver Support, Title III, Part E	Human Services	$ 2,819,123	$ 2,705,266
93.059	Training In General, Pediatric Dentistry	MnSCU	$ 373,919	$ -
93.068	Chronic Diseases: Research, Control, Prevention	Health	$ 40,525	$ -
93.069	Public Health Emergency Preparedness	Health	$ 11,272,695	$ 4,496,167
93.070	Environ Public Health & Emerg Response	Health	$ 1,852,753	$ 18,178
93.071	Medicare Enrollment Assistance	Human Services	$ 431,909	$ 431,909
93.073	Birth Defects And Developmental Disabilities	Health	$ 173,360	$ -

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

State of Minnesota
Federal Programs
Schedule of Expenditures
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CFDA Number	Federal Program Name or *Pass-Through Entity (Identifying Number)*	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
93.074	HPP and PHEP Aligned Cooperative Agreements			
93.074	*Pass-Through from the Illinois Health & Hospital Assoc (NU90TP921901-01)*	Health	$ 981	$ -
93.079	Cooperative Agreements To Promote Adolescent Health	Education	$ 34,147	$ -
93.079	Cooperative Agreements To Promote Adolescent Health	Health	$ 24,447	$ -
	Program 93.079 Total:		**$ 58,594**	**$ -**
93.084	Prevent Disease, Disability, and Death by Infectious Diseases			
93.084	*Pass-Through from the University of Wisconsin - Madison (U01CK000505-01)*	Health	$ 133,595	$ -
93.088	Advancing System Improvements in Women's Health	Health	$ 76,780	$ -
93.090	Guardianship Assistance	Human Services	$ 6,362,061	$ 190,613
93.092	ACA Personal Responsibility Education	Health	$ 865,941	$ 607,181
93.103	Food And Drug Administration Research	Agriculture	$ 2,310,628	$ 155,629
93.103	Food And Drug Administration Research	Health	$ 247,758	$ -
93.103	*Pass-Through from the Association of Food and Drug Officials (AFDO) (Unknown)*	Agriculture	$ 8,992	$ -
	Program 93.103 Total:		**$ 2,567,378**	**$ 155,629**
93.104	CCM Health Services For Children With Sed	Human Services	$ 1,496,219	$ 889,357
93.110	Maternal And Child Health Federal Consolidated Prog	Health	$ 32,532	$ -
93.110	*Pass-Through from the University of Colorado Denver (UG8MC28554-01)*	Health	$ 440	$ -
93.110	*Pass-Through from the Assoc of Maternal & Child Health Prog (U45MC27709)*	Health	$ 597	$ -
93.110	*Pass-Through from the Assoc of Public Health Laboratories (UG9MC30369)*	Health	$ 32,073	$ -
	Program 93.110 Total:		**$ 65,642**	**$ -**
93.116	Project Grants And Coop Agreements For Tuberculosis	Health	$ 1,156,313	$ 16,825
93.127	Emergency Medical Services For Children	Emergency Med. Services	$ 110,434	$ 108,954
93.130	Cooperative Agreements To States/Territories	Health	$ 187,461	$ -
93.136	Injury Prevention And Control Research	Health	$ 2,510,937	$ 222,598
93.143	NIEHS Superfund Hazardous Substances			
93.143	*Pass-Through from the University of Minnesota (2R25ES023595-04)*	MnSCU	$ 7,245	$ -
93.150	Projects For Assistance In Transition From Homelessness	Human Services	$ 768,373	$ 736,061
93.165	Grants To States For Loan Repayment Program	Health	$ 90,000	$ -
93.178	Nursing Workforce Diversity	MnSCU	$ 520,477	$ -
93.184	Disabilities Prevention	Health	$ 266,901	$ 137,240
93.184	*Pass-Through from the University of Alabama (NU27DD001157-03)*	Health	$ 35,301	$ -
	Program 93.184 Total:		**$ 302,202**	**$ 137,240**
93.197	Childhood Lead Poisoning Prevention	Health	$ 294,399	$ -
93.234	Traumatic Brain Injury State Demo Grant	Human Services	$ 100,320	$ 31,000
93.235	ACA Abstinence Education	Health	$ 675,889	$ 516,575
93.236	Grants to States to Support Oral Health Workforce Activities	Health	$ 381,273	$ 57,989
93.240	State Capacity Building	Health	$ 471,629	$ -
93.241	State Rural Hospital Flexibility Program	Health	$ 858,605	$ 544,828
93.243	Substance Abuse And Mental Health Services	Health	$ 852,133	$ 198,181
93.243	Substance Abuse And Mental Health Services	Human Services	$ 3,813,748	$ 3,381,997
93.243	Substance Abuse And Mental Health Services	MnSCU	$ 822,267	$ -
93.243	Substance Abuse And Mental Health Services	Trial Courts	$ 287,987	$ -
	Program 93.243 Total:		**$ 5,776,135**	**$ 3,580,178**
93.251	Universal Newborn Hearing Screening	Health	$ 280,007	$ 53,011
93.262	Occupational Safety & Health Grants	Health	$ 83,204	$ -
93.262	Occupational Safety & Health Grants	MnSCU	$ 6,424	$ -
93.262	*Pass-Through from the University of Iowa (Unknown)*	Agriculture	$ 10,950	$ -
93.262	*Pass-Through from the University of Minnesota (U54OH010170-09)*	Health	$ 132,041	$ -
	Program 93.262 Total:		**$ 232,619**	**$ -**

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

State of Minnesota
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Schedule of Expenditures
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CFDA Number	Federal Program Name or *Pass-Through Entity (Identifying Number)*	State Agency		Total Federal Expenditures		Amounts Provided to Subrecipients
93.268	Immunization Cooperative Agreements	Health	$	55,599,635	$	295,282
93.270	Adult Viral Hepatitis Prevention, Control	Health	$	112,458	$	-
93.279	Drug Abuse And Addiction Research	MnSCU	$	29,546	$	-
93.283	Centers For Disease Control And Prevention Assistance	Health	$	243,996	$	-
93.283	*Pass-Through from the University of Minnesota (1U01CK000357-03)*	Health	$	35,221	$	-
	Program 93.283 Total:		**$**	**279,217**	**$**	**-**
93.296	State Partnership To Improve Minority Health	Health	$	212,493	$	-
93.301	Small Rural Hospital Improvement Grant Program	Health	$	813,594	$	784,820
93.305	National State Based Tobacco Control Programs	Health	$	893,514	$	-
93.310	Trans-NIH Research Support	Health	$	45,952	$	-
93.310	*Pass-Through from the University of Minnesota (1U2CES026533-01)*	Health	$	157,715	$	-
	Program 93.310 Total:		**$**	**203,667**	**$**	**-**
93.314	Early Hearing Detection And Intervention Info System	Health	$	92,589	$	19,845
93.317	Emerging Infections Programs	Health	$	4,289,940	$	-
93.323	Epidemiology And Lab Capacity For Infect Diseases	Health	$	9,161,448	$	184,991
93.324	State Health Insurance Assistance Program	Human Services	$	803,921	$	472,864
93.336	Behavioral Risk Factor Surveillance System	Health	$	392,520	$	-
93.354	Cooperative Agreement for Emergency Response: Public Health Emergency Response	Health	$	683,008	$	-
93.366	State & Partner Actions to Improve Oral Health Outcomes	Health	$	147,814	$	-
93.367	Flex Fdg Mod-Infra Dev & Maint for St Mfg Food Reg Prog	Agriculture	$	434,866	$	-
93.369	ACL Independent Living State Grants	Employment & Economic	$	2,928,511	$	2,631,338
93.393	Cancer Cause and Prevention Research					
93.393	*Pass-Through from the University of Minnesota (5U01CA164975-06)*	Health	$	3,694	$	-
93.413	The State Flexibility to Stabilize the Market Grant Program	Commerce	$	79,625	$	-
93.423	1332 State Innovation Waivers	Commerce	$	130,719,696	$	130,719,696
93.424	NON-ACA/PPHF - Building Capacity of the Public Health System to Improve Population Health					
93.424	*Pass-Through from the Council of State & Territorial Epidemiologist (NU38OT000297-01)*	Health	$	72,441	$	-
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease	Health	$	1,115,172	$	-
93.432	ACL Centers For Independent Living	Employment & Economic	$	1,112,762	$	1,112,762
93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research					
93.433	*Pass-Through from the Medical University of South Carolina (90DP0050-03)*	Health	$	8,177	$	-
93.434	Every Student Succeeds Act/Preschool Development Grants	Education	$	507,726	$	-
93.435	Innovative Strategies to prevent and Manage Diabetes and Heart Disease and Stroke	Health	$	460,942	$	42,925
93.436	Well-Integrated Screening & Evaluation for Women Across The Nation (Wisewomen)	Health	$	245,382	$	6,249
93.439	State Physical Activity & Nutrition (SPAN)	Health	$	325,857	$	-
93.448	Food Safety And Security Monitoring Project	Agriculture	$	518,460	$	-
93.464	ACL Assistive Technology	Administration	$	531,697	$	-
93.500	Pregnancy Assistance Fund Program	Health	$	906,414	$	637,083
93.511	ACA Grants For Health Insurance Premium Review	Health	$	857,766	$	-
93.516	PHTC and NCCPHT Programs					
93.516	*Pass-Through from the University of Michigan (UB6HP316840200)*	Health	$	22,605	$	-
93.521	ACA Building Epidemiology And Lab Capacity	Health	$	2,316,801	$	-
93.539	PPHF 2012-Capacity Building Assistance	Health	$	3,681,360	$	516,279
93.556	Promoting Safe And Stable Families	Human Services	$	3,407,328	$	2,620,502
93.563	Child Support Enforcement	Human Services	$	123,362,490	$	94,155,316
93.566	Refugee And Entrant Assistance State Programs	Human Services	$	5,034,743	$	3,103,705

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2019

CFDA Number	Federal Program Name or *Pass-Through Entity (Identifying Number)*	State Agency		Total Federal Expenditures		Amounts Provided to Subrecipients
93.568	Low-Income Home Energy Assistance	Commerce	$	122,967,285	$	117,890,377
93.569	Community Services Block Grant	Human Services	$	7,271,125	$	6,823,194
93.576	Refugee And Entrant Assistance Discretionary Grants	Health	$	113,082	$	-
93.584	Refugee And Entrant Assistance Targeted Assistance	Human Services	$	351,773	$	351,773
93.586	State Court Improvement Program	Supreme Court	$	433,692	$	-
93.590	Community-Based Child Abuse Prevention Grants	Human Services	$	2,050,008	$	1,702,963
93.597	Grants To States For Access And Visitation Programs	Human Services	$	148,589	$	137,319
93.599	Chafee Education And Training Vouchers	Human Services	$	764,764	$	686,584
93.600	Head Start	Education	$	115,491	$	-
93.603	Adoption Incentive Payments	Human Services	$	815,560	$	815,560
93.627	ACA Testing Experience And Functional Assessment Tools	Human Services	$	832,401	$	566,825
93.630	Developmental Disabilities Basic Support And Advocacy	Administration	$	990,296	$	463,215
93.640	Basic Health Program (ACA)	Human Services	$	384,479,104	$	-
93.643	Children's Justice Grants To States	Human Services	$	279,216	$	158,800
93.645	Stephanie Tubbs Jones Child Welfare Services	Human Services	$	4,399,186	$	1,023,423
93.658	Foster Care Title IV-E	Human Services	$	70,811,023	$	62,958,268
93.658	ARRA-Foster Care Title IV-E	MnSCU	$	646,683	$	-
	Program 93.658 Total:		**$**	**71,457,706**	**$**	**62,958,268**
93.659	Adoption Assistance	Human Services	$	40,181,589	$	3,474,825
93.667	Social Services Block Grant	Human Services	$	31,964,061	$	30,621,743
93.669	Child Abuse And Neglect State Grants	Human Services	$	514,967	$	-
93.671	Family Violence Prevention And Services	Public Safety	$	1,816,130	$	1,801,216
93.674	Chafee Foster Care Independence Program	Human Services	$	2,348,146	$	1,871,429
93.732	Mental and Behavioral Health Education and Training Grants	MnSCU	$	105,747	$	-
93.733	Capacity Building Assistance	Health	$	93,761	$	-
93.735	State Public Health Approaches	Health	$	282,409	$	95,000
93.747	Elder Abuse Prevention Intervention Program	Human Services	$	275,701	$	-
93.753	Child Lead Poisoning Prevention Surveillance	Health	$	119,608	$	30,000
93.755	Surveillance For Diseases - Immigrants/Refugees	Health	$	393,978	$	-
93.757	State/Local Public Health Prevention Actions	Health	$	2,068,018	$	1,476,497
93.758	Preventative Health And Health Services	Health	$	1,030,303	$	44,272
93.767	Children's Health Insurance Program	Human Services	$	99,438,350	$	28,140
93.788	Opioid STR	Human Services	$	6,330,608	$	5,727,202
93.791	Money Follows The Person Rebalancing Demo	Human Services	$	10,204,215	$	987,919
93.800	Organized Approaches To Increase Colorectal Cancer Screenings	Health	$	1,369,844	$	183,990
93.810	Paul Coverdell National Acute Stroke Program	Health	$	766,004	$	15,000
93.815	Domestic Ebola Supplement To ELC	Health	$	1,476,146	$	20,000
93.817	HPP Ebola Preparedness And Response Activities	Health	$	1,246,359	$	1,088,669
93.859	Biomedical Research And Research Training	MnSCU	$	87,049	$	-
93.859	*Pass-Through from the University of Minnesota (K12GM119955)*	MnSCU	$	45,578	$	-
	Program 93.859 Total:		**$**	**132,627**	**$**	**-**
93.865	Child Health and Human Development Extramural Research					
93.865	*Pass-Through from the Children's Research Institute (1R01HD095068-01)*	Health	$	23,323	$	-
93.870	Maternal Infant Early Childhood Home Visiting	Health	$	8,096,214	$	6,839,152
93.875	Assistance For Oral Disease Prevention And Control	Health	$	110,153	$	77,405
93.876	Antimicrobial Resistance Surveillance	Health	$	187,187	$	-
93.881	Health Ins Enforce & Consumer Protection Grants Program	Commerce	$	412,563	$	-
93.889	National Bioterrorism Hospital Preparedness	Health	$	3,801,164	$	2,777,863
93.898	Cancer Prevent Control Prog For State Territory Tribal Orgs	Health	$	5,172,088	$	255,016
93.913	Grants To States For Operation Of Offices Rural Health	Health	$	174,632	$	-
93.917	HIV Care Formula Grants	Human Services	$	9,640,284	$	1,387,570
93.940	HIV Prevention Activities Health Department Based	Health	$	2,844,660	$	608,375
93.945	Assistance Programs For Chronic Disease Prevention	Health	$	124,041	$	-
93.946	Coop Agreemts To Support Safe Motherhood	Health	$	477,952	$	71,872
93.958	Block Grants For Community Mental Health Services	Human Services	$	8,925,760	$	6,998,970

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

State of Minnesota
Federal Programs
Schedule of Expenditures
Year Ended June 30, 2019

CFDA Number	Federal Program Name or *Pass-Through Entity (Identifying Number)*	State Agency	Total Federal Expenditures	Amounts Provided to Subrecipients
93.959	Block Grants - Prevention, Treatment Of Substance Abuse	Human Services	$ 24,249,013	$ 11,667,420
93.977	Preventive Hlth Services Sexually Transmitted Diseases	Health	$ 1,408,270	$ 160,763
93.981	CDC Improving Student Health and Academic Achievement	Education	$ 331,146	$ 39,178
93.991	Preventive Health And Health Services Block Grant	Health	$ 1,733,048	$ 74,724
93.994	Maternal And Child Health Services Block Grant	Health	$ 8,984,328	$ 5,947,189
U.S. Corporation For National & Community Service Commission				
94.006	AmeriCorps			
94.006	*Pass-Through from the ServeMinnesota (18ACHMN0010002-18)*	Pollution Control Agency	$ 393,097	$ -
U.S. Social Security Administration				
Disability Insurance/SSI Cluster				
96.001	Social Security Disability Insurance	Employment & Economic	$ 24,685,573	$ -
	Disability Insurance/SSI Cluster Total:		**$ 24,685,573**	**$ -**
U.S. Department Of Homeland Security				
97.008	Non-Profit Security Program	Public Safety	$ 210,862	$ 210,862
97.012	Boating Safety Financial Assistance	Natural Resources	$ 2,085,585	$ 920,290
97.023	Community Assistance	Natural Resources	$ 270,489	$ -
97.036	Disaster Grants - Public Assistance	Public Safety	$ 13,145,426	$ 12,044,067
97.039	Hazard Mitigation Grant	Public Safety	$ 2,942,492	$ 2,832,134
97.041	National Dam Safety Program	Natural Resources	$ 93,521	$ -
97.042	Emergency Management Performance Grants	Public Safety	$ 6,074,414	$ 3,211,237
97.043	State Fire Training Systems Grants	Public Safety	$ 20,000	$ -
97.045	Cooperating Technical Partners	Natural Resources	$ 1,239,407	$ 374,460
97.047	Pre-Disaster Mitigation	Public Safety	$ 300,183	$ 35,696
97.056	Port Security Grant Program	Natural Resources	$ 176,498	$ -
97.067	Homeland Security Grant Program	Public Safety	$ 9,045,448	$ 6,727,269
97.067	*Pass-Through from the Michigan Dept of Agriculture & Rural Development (Unknown)*	Agriculture	$ 10,465	$ -
	Program 97.067 Total:		**$ 9,055,913**	**$ 6,727,269**
97.091	Homeland Security Biowatch Program	Health	$ 954,636	$ -
Federal Programs Total			**$ 13,733,932,910**	**$ 2,097,442,274**

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 2019 conform to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) contained in 2 CFR Part 200, as applicable. The required Schedule of Expenditures of Federal Awards is presented for the state's fiscal year ended June 30, 2019.

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

For purposes of financial reporting, the Catalog of Federal Domestic Assistance (CFDA) numbers from the 2019 basic edition catalog identify federal programs. The schedule is presented in numeric CFDA order within each federal agency, except for clusters of programs.

Federal guidelines define clusters as a grouping of closely related programs that share common compliance requirements. The types of clusters are research and development (R&D), student financial aid (SFA), and others as defined by the compliance supplement. Since the state receives R&D awards from several federal agencies, those awards are not grouped together in the schedule of expenditures. Instead, the awards included in the R&D cluster are identified by the prefix "R&D" within the name of the federal program. For the year ended June 30, 2019, the total R&D cluster expenditures were $12,793,852.

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

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

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

Alexandria Technical & Community College 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 College Metropolitan State University Minneapolis College Minnesota State College – Southeast Minnesota State Community & Technical College Minnesota State University, Mankato	Minnesota State University, Moorhead Minnesota West Community & Technical College Normandale Community College North Hennepin Community College Northland Community & Technical College Northwest Technical College Pine Technical and Community College Rainy River Community College Ridgewater College Riverland Community College Rochester Community & Technical College St. Cloud State University St. Cloud Technical & Community 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 non-major special revenue funds (Trunk Highway, Municipal State-Aid Street, County State-Aid Highway, Natural Resources, Game and Fish, and Miscellaneous Special Revenue funds), major proprietary funds (Unemployment Insurance and State Colleges and Universities funds), and the General Fund (a major governmental fund), include federal activity. The Statewide Integrated Financial Tools (SWIFT) system is the primary source of financial information. Some state agencies maintain additional manual records or separate cost accounting systems to provide additional information.

Classification of Statement Information

Expenditures are presented for all federal programs and include amounts sub-granted to other state or local governmental units, nongovernmental organizations, or individuals. Sub-grant expenditures are recognized by the primary state agency sub-granting the funds, not by the state agency receiving the sub-grant from the primary state agency, except for portions of Temporary Aid for Needy Families (TANF) (CFDA 93.558). TANF sub-grants, which are transferred into the Social Services Block Grant (CFDA 93.667) and the Child Care Development Block Grant (CFDA 93.575), are included in those programs and not TANF.

Note 2 – Perkins and Nursing Student Loan Programs

Below is a summary of the loan activity for the Perkins Loans (CFDA 84.038) and Nursing Student Loans (NSL) (CFDA 93.364) programs during fiscal year 2019. These programs are administered by Minnesota State Colleges and Universities (MnSCU).

	Perkins	Nursing Student Loans
Loans Receivable	$ 29,644,280	$ 20,198
Loan Repayments	(4,323,310)	(2,051)
Loan Cancellations	(288,503)	-
Loans Receivables, Ending	$ 25,032,467	$ 18,147
Allowance for Doubtful Accounts	(2,960,303)	-
Total Loans Receivable	$ 22,072,164	$ 18,147

Note 3 – Federal Direct Student Loan Program

MnSCU financial records provide information on various federal higher education student loan programs for which the state does not manage the federal funds.

Under the Federal Direct Student Loan (FDSL) program (CFDA 84.268), the federal government, rather than a private lender, provides the loan principal to the student. MnSCU distributed the following FDSL loans to students attending state colleges or universities during fiscal year 2019.

Federal Direct Student Loans Issued:		
Direct Federal Subsidized Stafford	$	166,591,819
Direct Federal Unsubsidized Stafford		254,617,438
Direct Federal Parent Loans for Undergraduate Students		15,195,561
Direct Federal Graduate PLUS		467,530
Total Federal Direct Student Loans	$	436,872,348

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 2019, the state of Minnesota recognized a total rebate of about $26,846,000 on sales of formula to participants in the WIC program.

The Medical Assistance Program (CFDA 93.778), administered through the Minnesota Department of Human Services, receives cash rebates from drug labelers on sales of drugs to participants in the Medical Assistance Program. The rebates are used to offset program costs and are reported as expenditure reductions. During fiscal year 2019, the state of Minnesota reduced expenditures by $336,523,000 for the federal share of the rebate.

Note 5 – Unemployment Insurance Program

For fiscal year 2019, expenditures for the Unemployment Insurance Program (CFDA 17.225) include federal and state unemployment insurance expenditures as well as federal administrative expenditures. As shown in the following table, some of these expenditures continue to be funded by American Recovery and Reinvestment Act (ARRA) funds:

	Non-ARRA Funds	ARRA Funds	Total
State Unemployment Expenditures	$ 722,354,750	$ -	$ 722,354,750
Federal Unemployment Expenditures	4,604,330	-	4,604,330
Federal Administrative Expenditures	43,375,285	348,553	43,723,838
Total Expenditures	$ 770,334,365	$ 348,553	$ 770,682,918

The Unemployment Insurance Program serves workers who are unemployed through no fault of their own and are seeking reemployment. To receive benefits, claimants must be able to work, available for work, and actively seeking work. For audits and reporting under the Uniform Guidance, the U.S. Department of Labor requires that both federal and state unemployment insurance funds be considered federal awards for determining Type A 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), Agriculture Best Management Practices (AG BMP), and Clean Water Partnership (CWP). A summary of the loan activity for fiscal year 2019 is shown below. All loan issues are made from repaid funds and no new federal funding has been provided. Therefore, no expenditures are shown on the face of the Schedule of Expenditures.

	TLP	AG BMP	CWP
Loans Receivable, Beginning	$ 167,030	$ 35,249,787	$ 15,033,792
Loan Repayments	(32,142)	(7,886,004)	(2,784,231)
New Loans Issued	-	19,232,109	3,229,761
Interest Capitalized	-	-	34,608
Loans Receivable, Ending	$ 134,888	$ 46,595,892	$ 15,513,930

Note 7 – Airport Improvement Program

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

Note 8 – CFDA Numbers

For certain programs, the correct CFDA number could not be determined. At times, state agencies receive federal grant funds from a federal agency with a program number instead of a CFDA number. When possible, a CFDA number was obtained for the program. Certain CFDA numbers reported are for programs no longer in operation. These programs had funds carried over from previous years. In other cases, an inexact number was assigned, and the state agency was asked to work with the federal granting agency to obtain a valid CFDA number for the grant program.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019

Section I:

Summary of Audit Results

Financial Statements

Type of independent auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	___ Yes	X 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 for all major programs, expect for Temporary Assistance for Needy Families (CFDA 93.558), which was qualified.	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200, Section 516?	X Yes	___ No

Identification of Major Programs

Dollar threshold used to distinguish between Type A and Type B programs:	$30.0 Million	
Auditee qualified as low-risk auditee?	___ Yes	X No

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019

Section I: (continued)

Major Programs Audited

Federal Agency and Major Program Name	CFDA#
U. S. Department of Agriculture	
Supplemental Nutrition Assistance Program (SNAP) Cluster	
Supplemental Nutrition Assistance Program (SNAP)	10.551
State Administrative Matching Grant for Supplemental Nutrition Program	10.561
Special Supplemental Nutrition Program for Women, Infants and Children	10.557
U. S. Department of Defense	
National Guard Military Construction Projects	12.400
U. S. Department of Education	
Student Financial Assistance Cluster	
Federal Supplemental Education Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loans	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Teacher Education Assistance for College and Higher Ed. Grants (TEACH)	84.379
Nursing Student Loans	93.364
Rehabilitation Services - Vocational Rehabilitation Grants	84.126
U. S. Department of Employment & Economic Development	
Disability Insurance/SSI Cluster	
Social Security Disability Insurance	96.001
U. S. Department of Health & Human Services	
Public Health Emergency Preparedness	93.069
Waivers for State Innovation for Section 1332 of the PPACA	93.423
Temporary Assistance for Needy Families (TANF) Cluster	
Temporary Assistance for Needy Families	93.558
Child Care and Development Fund (CCDF) Cluster	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds	93.596
Foster Care Title IV-E	93.658
ARRA - Foster Care Title IV-E	93.658
Adoption Assistance	93.659
Children's Health Insurance Program	93.767

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019

Section I: (continued)

Major Programs Audited

Federal Agency and Major Program Name	CFDA#
U. S. Department of Health & Human Services (continued)	
Medicaid Cluster	
State Medicaid Fraud Control Units	93.775
State Survey and Certification of Health Care Providers	93.777
Medical Assistance Program	93.778
National Bioterrorism Hospital Preparedness	93.889
U. S. Department of The Interior	
Fish and Wildlife Cluster	
Sport Fish Restoration Program	15.605
Wildlife Restoration And Basic Hunter Education	15.611
Enhanced Hunter Education and Safety Program	15.626
U. S. Department of Justice	
Crime Victims Assistance	16.575
U. S. Department of Labor	
Unemployment Insurance	17.225
ARRA - Unemployment Insurance	17.225
U.S. Department of Transportation	
Highway Safety Cluster	
State and Community Highway Safety	20.600
National Priority Safety Programs	20.616

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019

Section II:

Financial Statement Audit Findings

On December 13, 2019, we separately issued a report on *Internal Controls Over Statewide Financial Reporting* for the year ended June 30, 2019 in accordance with *Government Auditing Standards.* The report contained no findings. The report may be accessed electronically at: **https://www.auditor.leg.state.mn.us/fad/2020/ICCFRFY19.pdf.**

On November 19, 2019, an external public accounting firm for the Minnesota State Colleges and Universities, a part of the primary government of the State of Minnesota, separately issued a report on *Internal Control Over Financial Reporting* for the year ended June 30, 2019. This report was based on an audit of the Minnesota State Colleges and Universities' financial statements performed in accordance with *Government Auditing Standards*. The report contained no findings. The report may be accessed electronically at: **https://www.minnstate.edu/system/finance/accounting/financialstatements/yearendstatements/Systemwide-FY19.pdf**.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019

Index of Section III
Federal Program Audit Findings and Questioned Costs

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SECTION III
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2019

(Note 1)

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	SF-SAC FIND REF	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Agriculture			(Note 2)		(Note 2)				
10.551	Supplemental Nutrition Assistance Program (SNAP)	Human Services	20-08	1	2019-017	S	N	Noncompliance with EBT card security requirements	P
10.551	Supplemental Nutrition Assistance Program (SNAP)	Human Services	20-08	2	2019-018	S	N	Noncompliance with independence requirements for quality control unit	P
10.551	Supplemental Nutrition Assistance Program (SNAP)	Human Services	20-08	23	2019-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) system	P
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Health	20-07	1	2019-016	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
10.561	State Admin Matching Grant (SNAP)	Human Services	20-08	1	2019-017	S	N	Noncompliance with EBT card security requirements	P
10.561	State Admin Matching Grant (SNAP)	Human Services	20-08	2	2019-018	S	N	Noncompliance with independence requirements for quality control unit	P
10.561	State Admin Matching Grant (SNAP)	Human Services	20-08	21	2019-037	S	M	Noncompliance with subrecipient monitoring requirements	P
10.561	State Admin Matching Grant (SNAP)	Human Services	20-08	22	2019-038	S	M	Noncompliance with federal subrecipient monitoring requirements	P
10.561	State Admin Matching Grant (SNAP)	Human Services	20-08	23	2019-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) system	P
10.561	State Admin Matching Grant (SNAP)	Human Services	20-08	24	2019-040	S	B	Indirect Costs inappropriately allocated	$172,893
10.561	State Admin Matching Grant (SNAP)	Human Services	20-08	25	2019-041	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
U.S. Department of Defense									
12.400	National Guard Military Construction Projects	Military Affairs	20-02	1	2019-004	S	I	Noncompliance with procurement requirements	P
U.S. Department of Education			(Note 3)						
84.038	Federal Perkins Loans	Minnesota State	CLA-19	1	2019-001	S	P	Noncompliance with Third-Party Eligibility Requirements	P
84.010	Title 1 Grants to Local Educational Agencies	Education	20-06	1	2019-015	S	H	Noncompliance with Carryforward provisions	$79,979
84.126	Vocational Rehabilitation	Employment and Economic De	20-09	5	2019-047	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
84.126	Vocational Rehabilitation	Employment and Economic De	20-09	6	2019-048	S	C	Noncompliance with cash management	$215,474
U.S. Department of Health & Human Services									
93.423	Waivers for State Innovation for Section 1332	Commerce	20-01	1	2019-002	S	I	Noncompliance with procurement, suspension, and debarment requirements	P
93.423	Waivers for State Innovation for Section 1332	Commerce	20-01	2	2019-003	S	M	Noncompliance with subrecipient monitoring requirements	P
93.558	Temporary Assistance for Needy Families (TANF)	Human Services	20-08	3	2019-019	S	N	Benefits not always reduced	$3,512
93.558	Temporary Assistance for Needy Families (TANF)	Human Services	20-08	4	2019-020	M	E	Noncompliance with federal elegibility requirements	$34,281
93.558	Temporary Assistance for Needy Families (TANF)	Human Services	20-08	5	2019-021	S	H	Costs charged to a federal award that were incurred before the start date of that award	$208,056
93.558	Temporary Assistance for Needy Families (TANF)	Human Services	20-08	6	2019-022	S	L	Noncompliance with reporting requirements	P
93.558	Temporary Assistance for Needy Families (TANF)	Human Services	20-08	7	2019-023	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.558	Temporary Assistance for Needy Families (TANF)	Human Services	20-08	21	2019-037	S	M	Noncompliance with subrecipient monitoring requirements	P
93.558	Temporary Assistance for Needy Families (TANF)	Human Services	20-08	22	2019-038	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.558	Temporary Assistance for Needy Families (TANF)	Human Services	20-08	23	2019-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) system	P
93.558	Temporary Assistance for Needy Families (TANF)	Human Services	20-08	24	2019-040	S	B	Indirect Costs inappropriately allocated	$172,893
93.558	Temporary Assistance for Needy Families (TANF)	Human Services	20-08	25	2019-041	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
93.563	Child Support Enforcement States Program	Human Services	20-08	22	2019-038	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.575	Child Care and Development Block Grant	Human Services	20-08	8	2019-024	S	E	Noncompliance with eligibility requirements	$24,169
93.575	Child Care and Development Block Grant	Human Services	20-08	9	2019-025	S	H	Noncompliance with period of performance	$3,378,718
93.575	Child Care and Development Block Grant	Human Services	20-08	10	2019-026	S	N	Noncompliance with monitoring health and safety requirements	P
93.575	Child Care and Development Block Grant	Human Services	20-08	23	2019-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) system	P
93.596	Child Care Mandatory and Matching Funds	Human Services	20-08	8	2019-024	S	E	Noncompliance with eligibility requirements	$24,169

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SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
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(Note 1)

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	SF-SAC FIND REF	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
93.596	Child Care Mandatory and Matching Funds	Human Services	20-08	9	2019-025	S	H	Noncompliance with period of performance	$3,378,718
93.596	Child Care Mandatory and Matching Funds	Human Services	20-08	10	2019-026	S	N	Noncompliance with monitoring health and safety requirements	P
93.596	Child Care Mandatory and Matching Funds	Human Services	20-08	21	2019-037	S	M	Noncompliance with subrecipient monitoring requirements	P
93.596	Child Care Mandatory and Matching Funds	Human Services	20-08	22	2019-038	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.596	Child Care Mandatory and Matching Funds	Human Services	20-08	23	2019-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) system	P
93.596	Child Care Mandatory and Matching Funds	Human Services	20-08	24	2019-040	S	B	Indirect Costs inappropriately allocated	$172,893
93.596	Child Care Mandatory and Matching Funds	Human Services	20-08	25	2019-041	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
93.658	Foster Care Title IV-E	Human Services	20-08	11	2019-027	S	L	Noncompliance with reporting requirements	P
93.658	Foster Care Title IV-E	Human Services	20-08	12	2019-028	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.658	Foster Care Title IV-E	Human Services	20-08	21	2019-037	S	M	Noncompliance with subrecipient monitoring requirements	P
93.658	Foster Care Title IV-E	Human Services	20-08	22	2019-038	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.658	Foster Care Title IV-E	Human Services	20-08	23	2019-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) system	P
93.658	Foster Care Title IV-E	Human Services	20-08	24	2019-040	S	B	Indirect Costs inappropriately allocated	$172,893
93.658	Foster Care Title IV-E	Human Services	20-08	25	2019-041	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
93.659	Adoption Assistance	Human Services	20-08	13	2019-029	S	B, C	Noncompliance with cash management requirements and reimbursement for unallowable costs	$174,750
93.659	Adoption Assistance	Human Services	20-08	14	2019-030	S	A, B	Unallowable costs and activities	$93,206
93.659	Adoption Assistance	Human Services	20-08	15	2019-031	S	G	Noncompliance with supplement not supplant requirements	$100,000
93.659	Adoption Assistance	Human Services	20-08	16	2019-032	S	L	Noncompliance with Federal reporting requirements	P
93.659	Adoption Assistance	Human Services	20-08	22	2019-038	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.659	Adoption Assistance	Human Services	20-08	23	2019-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) system	P
93.659	Adoption Assistance	Human Services	20-08	24	2019-040	S	B	Indirect Costs inappropriately allocated	$172,893
93.659	Adoption Assistance	Human Services	20-08	25	2019-041	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
93.667	Social Services Block Grant (SSBG)	Human Services	20-08	17	2019-033	S	L	Inaccurate financial reports	P
93.667	Social Services Block Grant (SSBG)	Human Services	20-08	22	2019-038	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.767	Children's Health Insurance Program	Human Services	20-08	20	2019-036	S	N	Noncompliance with revalidation of providers	P
93.767	Children's Health Insurance Program (CHIP)	Human Services	20-08	23	2019-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) system	P
93.767	Children's Health Insurance Program (CHIP)	Human Services	20-08	24	2019-040	S	B	Indirect Costs inappropriately allocated	$172,893
93.767	Children's Health Insurance Program (CHIP)	Human Services	20-08	26	2019-042	S	E	Noncompliance with eligibility requirements	$36,145
93.778	Medical Assistance	Human Services	20-08	18	2019-034	S	E	Noncompliance with eligibility requirements	$1,624
93.778	Medical Assistance	Human Services	20-08	19	2019-035	S	N	Noncompliance with payment and program integrity requirements	$11,061,624
93.778	Medical Assistance	Human Services	20-08	20	2019-036	S	N	Noncompliance with revalidation of providers	P
93.778	Medical Assistance	Human Services	20-08	21	2019-037	S	M	Noncompliance with subrecipient monitoring requirements	P
93.778	Medical Assistance	Human Services	20-08	22	2019-038	S	M	Noncompliance with federal subrecipient monitoring requirements	P
93.778	Medical Assistance	Human Services	20-08	23	2019-039	S	A, B, E	Inadequate internal controls regarding logical access to Automated Data Processing (ADP) system	P
93.778	Medical Assistance	Human Services	20-08	24	2019-040	S	B	Indirect Costs inappropriately allocated	$172,893
93.778	Medical Assistance	Human Services	20-08	25	2019-041	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
93.889	National Bioterrorism Hospital Preparedness	Health	20-07	1	2019-016	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
U.S. Department of Interior									
15.605	Sport Fish Restoration	Natural Resources	20-04	1	2019-006	S	A, B	Noncompliance with Allowable Costs and Activities	$3,065

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SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
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(Note 1)

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	SF-SAC FIND REF	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
15.605	Sport Fish Restoration	Natural Resources	20-04	2	2019-007	S	A, B	Noncompliance with allowable activities and costs	$29,772
15.605	Sport Fish Restoration	Natural Resources	20-04	3	2019-008	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
15.611	Wildlife Restoration and Basic Hunter Education	Natural Resources	20-04	1	2019-006	S	A, B	Noncompliance with Allowable Costs and Activities	$3,065
15.611	Wildlife Restoration and Basic Hunter Education	Natural Resources	20-04	2	2019-007	S	A, B	Noncompliance with allowable activities and costs	$29,772
15.611	Wildlife Restoration and Basic Hunter Education	Natural Resources	20-04	3	2019-008	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
U.S. Department of Justice									
16.575	Crime Victim Assistance	Public Safety	20-05	1	2019-009	S	M	Noncompliance with subrecipient monitoring requirements	P
16.575	Crime Victim Assistance	Public Safety	20-05	2	2019-010	S	M	Noncompliance with subrecipient monitoring requirements	P
16.575	Crime Victim Assistance	Public Safety	20-05	3	2019-011	S	M	Noncompliance with subrecipient monitoring requirements	P
16.575	Crime Victim Assistance	Public Safety	20-05	6	2019-014	S	P	Internal control weakness	P
U.S. Department of Labor									
17.225	Unemployment Insurance	Employment and Economic De	20-09	1	2019-043	S	A, B	Noncompliance with allowable activities and costs	$3,900
17.225	Unemployment Insurance	Employment and Economic De	20-09	2	2019-044	S	E	Noncompliance with eligibility	$554
17.225	Unemployment Insurance	Employment and Economic De	20-09	3	2019-045	S	H	Noncompliance with period of performance	$18,357
17.225	Unemployment Insurance	Employment and Economic De	20-09	4	2019-046	S	L	Noncompliance with reporting requirements	P
U.S. Social Security Administration									
96.001	Social Security-Disability Insurance	Employment and Economic De	20-09	7	2019-049	S	A, B	Noncompliance with allowable activities and costs	$8,248
U.S. Department of Transportation									
20.600	State and Community Highway Safety	Public Safety	20-05	4	2019-012	S	B	Noncompliance with allowable cost provisions	$5,693
20.600	State and Community Highway Safety	Public Safety	20-05	6	2019-014	S	P	Internal control weakness	P
20.616	National Priority Safety Programs	Public Safety	20-03	1	2019-005	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
20.616	National Priority Safety Programs	Public Safety	20-05	5	2019-013	S	P	Noncompliance with federal schedule of expenditures of federal awards requirements	P
20.616	National Priority Safety Programs	Public Safety	20-05	6	2019-014	S	P	Internal control weakness	P

Notes:
(Note 1) - This summary schedule highlights federal program audit findings presented in the Financial and Compliance Report on Federally Assisted Programs.
(Note 2) - The "RPT NO" column shows the report numbers in the format XX-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), unknown (U), or as a questioned cost. The SF-SAC FIND REF is the Single Audit Report finding number for fiscal year 2019.
(Note 3) - CliftonLarsonAllen, LLP (CLA) audited the Minnesota State Colleges and Universities financial statements and the federal financial aid cluster.
The "RPT NO" for CliftonLarsonAllen federal program findings are reported in CLA-XX; and the "FIND NO" are finding numbers within CliftonLarsonAllen's report.

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Report CLA-19

State Agency	Minnesota State Colleges and Universities
Federal Agency(ies)	U.S. Department of Education
CFDA Number(s)/ Program Name(s):	84.038 – Federal Perkins Loans
Questioned Costs:	None
Federal Project Nos./ Award Year	Not Provided

Finding Number 2019-001 (CLA-19-1) (CLA Report 2019-001) *Noncompliance with Third-Party Eligibility Requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The Code of Federal Regulations, 34 CFR 668.25(c) requires contracts with institutions, language stating that as a third-party servicer Heartland Campus Solutions ECSI (ECSI) (Third Party Loan Servicer to the System) agrees to:

- Comply with all statutory or regulatory provisions, and special arrangements, agreements, limitations, suspensions, and terminations entered into under Title IV HEA Programs.
- Refer to the ED Office of Inspector General for Investigations any information indicating there is reasonable cause to believe:
  - The institution might have engaged in fraud or other criminal misconduct in connection with the institution's administration of any Title IV, HEA program, or
  - An applicant for Title IV, HEA program assistance might have engaged in fraud or other criminal misconduct in connection with his or her application.

Be jointly and severally liable with the institution for any violation by the servicer of any statutory or regulatory provisions, and special arrangements, agreements, limitations, suspensions, and terminations entered into under Title IV HEA Programs.

Condition:

During our testing, we noted ECSI's contract did not comply with the Third-Party Eligibility Compliance Requirements listed in Section IV of the Department of Education SFA Guide.

Questioned Costs:

None.

Context:

During review of the ECSI's attestation report, it was noted there was a finding relating to agreements. Per review of the contract with ECSI, it was noted the contract was missing the required information.

Cause:

The contract did not include required information.

Effect:

ECSI is not in compliance with all statutory or regulatory provisions, and special arrangements, agreements, limitations, suspensions, and terminations entered into under the Title IV HEA Programs. This finding must also be reported for the institutions' ECSI services.

Repeat Finding:

No.

Auditor's Recommendation:

We recommend that Minnesota State implement a thorough review process of all third-party servicer contracts to make sure they comply with all Department of Education Rules and Regulations.

Views of Responsible Officials and Planned Corrective Action:

There is no disagreement with the audit finding.

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Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019

Report 20-01

State Agency	Minnesota Department of Commerce
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.423 – Waivers for State Innovation for Section 1332 of the Patient Protection and Affordable Care Act (PPACA)
Questioned Costs:	None
Federal Project Nos./ Award Year	2018 - SIWIW0002A

Finding Number 2019-002 (20-01-1) *Noncompliance with procurement, suspension, and debarment requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 25, Section 205 (a) states, "An agency may not make an award to an entity until the entity has complied with the requirements described in § 25.200 to provide a valid unique entity identifier and maintain an active SAM registration with current information."

The *Code of Federal* Regulations, Title 2, Part 25, Section 200 (b) states, "The program announcement, regulation, or other issuance must require each entity that applies and does not have an exemption under § 25.110 to: (1) Be registered in the SAM prior to submitting an application or plan; (2) Maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by an agency; and (3) Provide its unique entity identifier in each application or plan it submits to the agency."

Condition:

The Department of Commerce did not require its subrecipient to have an active System for Award Management (SAM) registration prior to making the subaward.

Questioned Costs:

None.

Context:

This is a systemic issue. The department made just one subaward to one subrecipient for this federal program.

Cause:

The department did not require the subrecipient to provide an active SAM registration.

Effect:

SAM is a government-wide portal that consolidates the capabilities of multiple systems and information sources used by the federal government in conducting the acquisition and financial assistance processes. Information in SAM is used by anyone interested in the business of the federal government.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Commerce should require its subrecipient to provide an active System for Award Management (SAM) registration now and prior to making any subsequent subaward.

Views of Responsible Officials and Planned Corrective Action:

The Department of Commerce agrees with this finding.

Minnesota Office of the Legislative Auditor
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Report 20-01

State Agency	Minnesota Department of Commerce
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.423 – Waivers for State Innovation for Section 1332 of the Patient Protection and Affordable Care Act (PPACA)
Questioned Costs:	None
Federal Project Nos./ Award Year	2018- SIWIW0002A

Finding Number 2019-003 (20-01-2) *Noncompliance with subrecipient monitoring requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Condition:

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

Questioned Costs:

None.

Context:

This is a systemic issue. The department made just one subaward to one subrecipient for this federal program. The department did not communicate 9 of the 17 required information elements to its subrecipient. The following required information elements were not communicated: 1) subrecipient's unique entity identifier, 2) Federal award identification number, 3) amount of federal funds obligated to the subrecipient by this action, 4) total amount of federal funds obligated to the subrecipient (for all federal programs) by the department, including the current and other open subawards, 5) total amount awarded to the subrecipient from the federal program, 6) CFDA number and name, 7) whether the award is research and development, 8) indirect cost rate for the federal award, and 9) either the indirect cost rate agreed upon by the subrecipient and the federal government; the indirect cost rate agreed upon by the department and the subrecipient; or a de minimis rate of 10 percent.

Cause:

The department did not design or implement internal controls to ensure it communicated all required award information to its subrecipient. The department was not aware of this federal requirement, as it was not stated in the award letter.

Effect:

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

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Commerce should communicate all of the required information to its subrecipient at the time of the subaward.

The Department of Commerce should design and implement internal controls to ensure it communicates all required award information to its subrecipient.

Views of Responsible Officials and Planned Corrective Action:

The Department of Commerce agrees with this finding.

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Report 20-02

State Agency	Minnesota Department of Military Affairs
Federal Agency(ies)	U.S. Department of Defense
CFDA Number(s)/ Program Name(s):	12.400 –National Guard Military Construction Projects
Questioned Costs:	None
Federal Project Nos./ Award Year	W912LM-17-2-2002, W912LM-17-2-2003, W912LM-17-2-2004, W912LM-17-2-2005, W912LM-18-2-2003

Finding Number 2019-004 (20-02-1) *Noncompliance with procurement requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 317, requires that the state must follow the same policies and procedures it uses for procurements from its nonfederal funds.

Minnesota Statutes 16C.04, subd. 2(a), states "The commissioner [of the Department of Administration] must develop policies regarding code of ethics and conflict of interest designed to prevent conflicts of interest for employees involved in the acquisition of goods, services, construction, and utilities or the award and administration of grant contracts. The policies must apply to employees who are directly or indirectly involved in the acquisition of goods, services, and utilities, developing requests for proposals, evaluating bids or proposals, awarding the contract, selecting the final vendor, drafting and entering into contracts, evaluating performance under these contracts, and authorizing payments under the contract."

Minnesota Statutes 16B.33, subd. 4(b), states “A board member may not participate in the review, discussion, or selection of a designer or firm in which the member has a financial interest.”

Minnesota Department of Administration, Purchasing Policy 4 (Admin 98.30), states "Each state agency should establish a policy creating an internal mechanism for employees’ use in identifying an actual conflict of interest or a potential conflict of interest."

Condition:

The Department of Military Affairs did not obtain documentation from its employees or the State Design Selection Board to determine whether any actual or potential conflicts of interest existed and to respond to any of those identified conflicts of interest.

Questioned Costs:

None.

Context:

We tested two of the 12 contracts with federal expenditures during fiscal year 2019. For one contract, the State Design Selection Board selected the design vendor. We followed up with the board to determine how conflicts of interest are handled and if any conflicts of interested were identified. We found that the board requires members to self-identify any conflicts of interest and recuse themselves. The board notifies the department of any recusals. The department stated that the board did not notify them of any recusals for the contract we tested. For the other contract, the lowest bidder was selected since the contract was for a construction project.

Cause:

The department did not develop a policy for employees' use in identifying an actual or a potential conflict of interest and for monitoring the State Design Selection Board's identification of and response to an actual or a potential conflict of interest.

Effect:

The department's employees or members of the State Design Selection Board may have an actual or a potential conflict of interest with a potential contractor. Without an effective policy to identify and address conflicts of interest, the department may not select the "best value" contractor.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Military Affairs should obtain documentation from its employees and the State Design Selection Board to determine whether any actual or a potential conflict of interest existed.

The Department of Military Affairs should develop a policy for employees' use in identifying an actual or a potential conflict of interest and for monitoring the State Design Selection Board's identification of and response to an actual or a potential conflict of interest.

Views of Responsible Officials and Planned Corrective Action:

The Department of Military Affairs agrees with this finding.

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Report 20-03

State Agency	Minnesota Department of Transportation
Federal Agency(ies)	U.S. Department of Transportation
CFDA Number(s)/ Program Name(s):	20.616 – National Priority Safety Programs
Questioned Costs:	None
Federal Project Nos./ Award Year	18X920405CMN17

Finding Number 2019-005 (20-03-1) *Noncompliance with federal schedule of expenditures of federal awards requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Statewide Operating Procedure 0402-02.1, states that when a subrecipient relationship exists between two state agencies, only the primary recipient agency that receives funds directly from the federal government reports expenditures on the Schedule of Expenditures of Federal Awards.

Condition:

The Department of Transportation overstated expenditures reported on the Schedule of Expenditures of Federal Awards for the Highway Safety Cluster by $59,282.

Questioned Costs:

None.

Context:

The overstatement was about 0.55 percent of the federal expenditures reported for the Highway Safety Cluster, and about 1.29 percent of the federal expenditures reported specifically for CFDA #20.616. The department did not make similar errors for one other federal program that it received funds from another state agency as a subgrant. We proposed an audit adjustment to correct the schedule, and the Department of Management and Budget posted the adjustment.

Cause:

The department misunderstood state policies and procedures for reporting federal expenditures on the Schedule of Expenditures of Federal Awards. The department received Highway Safety Cluster funds from the Department of Public Safety as a subgrant. Instead of reporting no federal expenditures for the program, the department netted its program expenditures against its program receipts from the Department of Public Safety and reported the difference as the expenditure total on the schedule.

Effect:

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

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Transportation should implement effective internal controls to ensure it does not report federal expenditures on the schedule of expenditures of federal awards for federal funds received as subgrants from other state agencies.

Views of Responsible Officials and Planned Corrective Action:

The Department of Transportation agrees with this finding.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
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Report 20-04

State Agency	Minnesota Department of Natural Resources
Federal Agency(ies)	U.S. Department of the Interior
CFDA Number(s)/ Program Name(s):	Fish and Wildlife Cluster 15.605 – Sport Fish Restoration 15.611 – Wildlife Restoration and Basic Hunter Education Fish and Wildlife Research and Development Cluster
Questioned Costs:	$3,065
Federal Project Nos./ Award Year	15.605 – F17AF00294 15.611 – F17AF00282, F17AF00281

Finding Number 2019-006 (20-04-1) *Noncompliance with Allowable Costs and Activities*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

State Payroll Policy PAY0017 states, "When backup approvers and payroll staff modify or approve timesheets, they should document the reason for the modification or approval on the comments page and notify the primary supervisor/manager to ensure that the timesheet modification or approval was appropriate."

Condition:

Employees at the Department of Natural Resources did not always complete their own timesheet, and the supervisor with direct knowledge of an employee's work did not always approve the employee's timesheet.

Questioned Costs:

Questioned costs $3,065.

Context:

We randomly selected and reviewed 60 timesheets. Two of the timesheets were either completed by a supervisor or approved by someone other than the employee's primary supervisor without a reasonable explanation. Combined, these two instances had $3,065 charged to federal programs. We estimated that the likely amount of questioned costs for the entire testing population was $765,258.

We reviewed additional timesheets, not specifically related to federal awards, and found that the issue was pervasive.

Cause:

The Department of Natural Resources did not fully implement the state's policy. The department did not require the employee nor the primary supervisor to validate the accuracy of timesheets not initially completed by employees or approved by primary supervisors.

Effect:

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

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Natural Resources should develop policies and procedures to ensure it complies with the state's payroll requirements.

Views of Responsible Officials and Planned Corrective Action:

The Department of Natural Resource agrees with this finding.

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Report 20-04

State Agency	Minnesota Department of Natural Resources
Federal Agency	U.S. Department of The Interior
CFDA Number(s)/ Program Name(s):	Fish and Wildlife Cluster 15.605 – Sport Fish Restoration 15.611 – Wildlife Restoration and Basic Hunter Education Fish and Wildlife Research and Development Cluster
Questioned Costs:	$29,772
Federal Project Nos./ Award Year	15.605 – F17AF00294, F19AF00189 15.611 - F17AF00282

Finding Number 2019-007 (20-04-2) *Noncompliance with allowable activities and costs.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The Code of Federal Regulations, Title 2, Part 200, Section 439 (b)(1) stated "Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity." Furthermore, according to the individual project statements and award letters, equipment was not included as an allowable activity.

Condition:

The Department of Natural Resources recorded unallowable costs to federal awards.

Questioned Costs:

$29,772

Context:

We tested 60 individual transactions for costs other than payroll. We identified one transaction that was for the purchase of equipment totaling $5,209. However, approved project documentation did not allow for the purchase of equipment. We expanded our testing and identified four additional purchases of equipment totaling $24,563.

The department has a process in place to identify unallowable costs and activities before it makes a request for reimbursement. The process is manual and the expenditures in question went undetected. Complexity of expenditures coding and the use of incorrect account codes contributed to the issue. The department recorded other costs such as supplies and repairs in the account code designated for non-capital expenditures.

Cause:

The department has a control in place to identify unallowable costs and activities. However, the control did not operate effectively to identify all unallowable equipment purchases.

Effect:

The department incorrectly requested reimbursement for $29,772 in unallowable costs.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Natural Resources should record only unallowable activities and costs to federal awards.

The Department of Natural Resources should enhance internal controls to ensure only allowable activities and costs are recorded to federal awards.

Views of Responsible Officials and Planned Corrective Action:

The Department of Natural Resource partially agrees with this finding. In its response, the department stated that the finding does not recognize that the department had more than sufficient unclaimed allowable expenses to offset the unallowable expenses recorded. We agree with the department's statement; however, there may be additional unallowable costs that the department requested reimbursement for that were not identified by the department itself or in our sample test. Furthermore, our Finding 2019-006 identified additional questioned costs that were not considered by the department when responding to this finding.

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Report 20-04

State Agency	Minnesota Department of Natural Resources
Federal Agency(ies)	U.S. Department of the Interior
CFDA Number(s)/ Program Name(s):	Fish and Wildlife Cluster 15.605 – Sport Fish Restoration 15.611 – Wildlife Restoration and Basic Hunter Education
Questioned Costs:	None – Procedural Finding Only
Federal Project Nos./ Award Year	15.605 – F17AF00056, F19AF00047, F19AF00168, F18AF000144, 13AF00585 15.611 – F17AF00457, F17AF00454,

Finding Number 2019-008 (20-04-3) *Noncompliance with federal schedule of expenditures of federal awards requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

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

Condition:

The Department of Natural Resources inaccurately reported expenditures on the schedule of expenditures of Federal awards for the Fish and Wildlife Cluster and did not accurately reallocate the portion of those expenditures spent on research and development to the Research and Development Cluster on the schedule.

Questioned Costs:

None.

Context:

CFDA 15.605 in the Fish and Wildlife Cluster was understated by $315,737 in accrued expenditures omitted from the schedule, which was about 0.9% of the federal expenditures for the cluster, and about 2.5% of the federal expenditures specifically for CFDA 15.605.

CFDA 15.605 and 15.611 in the Fish and Wildlife Cluster were overstated by $22,064 and $349,090, respectively, for federal expenditures that should have been reported in the Research and Development Cluster. The overstated expenditures were about 1.1% of the federal expenditures for the cluster, and about 0.2% and 1.6% of the federal expenditures for each CFDA, respectively. The corresponding understated expenditures for CFDA 15.605 and 15.611 in the Research and Development Cluster were about 11.3% and 29.3% of the federal expenditures for research and development for each CFDA, respectively.

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

Cause:

For the accrued expenditures omitted from the schedule, the responsibility for identifying accrued expenditures and adding them to the schedule shifted to a different employee after a long-term employee left the department. The department did not have written procedures documenting how to determine federal expenditures to include on the schedule, which likely contributed to the different employee missing the accrued expenditures. The department also did not have a sufficient secondary review to ensure the accuracy of the schedule.

For the research and development activity misallocated between clusters, the activity was separately identified in the accounting records, but the responsible employee only identified and reallocated a portion of that activity to the research and development cluster. The department also did not have a sufficient secondary review to ensure the accuracy of the schedule.

Effect:

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

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Natural Resources should develop written procedures for preparing the schedule of expenditures of Federal awards.

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

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Views of Responsible Officials and Planned Corrective Action:

The Department of Natural Resource agrees with this finding.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
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Report 20-05

State Agency	Minnesota Department of Public Safety
Federal Agency(ies)	U.S. Department of Justice
CFDA Number(s)/ Program Name(s):	16.575 – Crime Victim Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	2016-VA-GX-0054; 2017-VA-GX-0080; 2018-V2-GX-0069

Finding Number 2019-009 (20-05-1) *Noncompliance with subrecipient monitoring requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 331, states, "All pass-through entities must (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward.... Required information includes: (1) Federal Award Identification...(ii) Subrecipient's unique entity identifier;...(iv) Federal Award Date...."

Condition:

The Department of Public Safety did not communicate the federal award date and did not always identify the subrecipient's unique entity identifier in the information provided to subrecipients.

Questioned Costs:

None.

Context:

We reviewed the subaward information for a sample of 17 of 174 subrecipients. Those 17 subrecipients collectively received about $3.6 million in Crime Victim Assistance funds from the department during the period of July 1, 2018, to June 30, 2019. The department did not identify the federal award date for any of the 17 and did not identify the subrecipient's unique entity identifier for 12 of the 17.

Cause:

The department omitted the federal award date from its subaward agreement template due to an oversight. The department requested, but did not require, subrecipients to provide unique entity identifiers with subaward applications and did not have procedures to ensure it included the unique entity identifier in subaward information provided to subrecipients.

Effect:

Omitting required federal award information could prevent subrecipients from clearly identifying the federal award from which the subawards originated.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Public Safety should include federal award dates in its subaward agreement template.

The Department of Public Safety should require subrecipients to provide unique entity identifiers with subaward applications.

Views of Responsible Officials and Planned Corrective Action:

The Department of Public Safety agrees with this finding.

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Report 20-05

State Agency	Minnesota Department of Public Safety
Federal Agency(ies)	U.S. Department of Justice
CFDA Number(s)/ Program Name(s):	16.575 – Crime Victim Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	2015-VA-GX-0023; 2016-VA-GX-0054; 2017-VA-GX-0080; 2018-V2-GX-0069

Finding Number 2019-010 (20-05-2) *Noncompliance with subrecipient monitoring requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 28, Part 94, Section 106, requires states to develop a monitoring plan for crime victim assistance subawards. The department's monitoring plan requires one type of site visit once every other year, another type of site visit at least once per grant period (for grants less than $250,000) or once per year (for grants $250,000 or higher), and a financial desk review at least once per grant period.

Condition:

The Department of Public Safety did not always conduct subrecipient monitoring activities required by its monitoring plan.

Questioned Costs:

None.

Context:

We reviewed the department's monitoring activities for a sample of 28 of 174 subrecipients. Those 28 subrecipients collectively received about $4.85 million in Crime Victim Assistance funds from the department during the period of July 1, 2018, to June 30, 2019. The department did not conduct all of the required monitoring activities for 19 of the sample subrecipients, as follows:

- The type of site visit required once every other year was not conducted for five sample subrecipients, and the financial desk review was also not conducted for one of those subrecipients.

- The type of site visit required once per grant period was not conducted for four sample subrecipients.

- The type of site visit required once per year was not conducted for ten sample subrecipients. Five of those subrecipients had site visits in one of the two years in the grant period, and the other five did not have site visits in either year.

Cause:

The department did not conduct the required monitoring activities due to staff oversight and a lack of supervisory review. The department utilized tracking sheets to record the dates and results of monitoring activities, but staff did not always update the tracking sheets. In addition, supervisors did not perform thorough reviews of the tracking sheets to ensure staff conducted and documented all required monitoring activities. Finally, we noted inconsistencies in the frequency of required monitoring activities described in different parts of the department's monitoring plan.

Effect:

The department did not adequately monitor subrecipient activities to provide reasonable assurance that subrecipients administered subawards in compliance with the terms and conditions of the subaward.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Public Safety should develop procedures, including a thorough supervisory review, to ensure staff conduct all required monitoring activities.

The Department of Public Safety should revise its monitoring plan to eliminate the inconsistencies in the frequency of required monitoring activities.

Views of Responsible Officials and Planned Corrective Action:

The Department of Public Safety agrees with this finding.

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Report 20-05

State Agency	Minnesota Department of Public Safety
Federal Agency(ies)	U.S. Department of Justice
CFDA Number(s)/ Program Name(s):	16.575 – Crime Victim Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	2015-VA-GX-0023; 2016-VA-GX-0054; 2017-VA-GX-0080

Finding Number 2019-011 (20-05-3) *Noncompliance with subrecipient monitoring requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

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

The *Code of Federal Regulations*, Title 2, Part 200, Section 521(a), states, "The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action."

Condition:

The Department of Public Safety did not issue a management decision for one subrecipient audit finding.

Questioned Costs:

None.

Context:

We identified 66 Crime Victim Assistance subrecipients that required audits, but the department's subrecipient audit tracking worksheet included just 43 of them. The subrecipient cited was the only subrecipient with a Crime Victim Assistance audit finding.

Cause:

The department utilized a worksheet to track subrecipient audits, but the worksheet did not include all subrecipients that required an audit. The subrecipient with the audit finding was omitted from the worksheet.

Effect:

The subrecipient audit finding cited $22,202 in questioned costs and recommended the subrecipient repay that amount to the department or reduce future reimbursement requests. The subrecipient agreed with the recommendation and stated in its corrective action plan that it would repay $22,202 to the department in July 2019. When we provided a copy of the subrecipient audit finding to the department in February 2020, department staff told us they were unaware of the finding and did not know whether the subrecipient repaid the $22,202 or reduced future reimbursement requests.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Public Safety should issue a management decision on the subrecipient audit finding cited and ensure the necessary corrective action occurs.

The Department of Public Safety should improve its internal controls to ensure it identifies and reviews all subrecipients that require an audit and issues management decisions within six months of the acceptance of the subrecipient audit report by the Federal Audit Clearinghouse.

Views of Responsible Officials and Planned Corrective Action:

The Department of Public Safety did not explicitly agree with this finding. The department verbally told us they would collect the questioned costs from the subrecipient. In addition, the department stated in its response that it would review its current processes to track subrecipient audit findings.

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Report 20-05

State Agency	Minnesota Department of Public Safety
Federal Agency(ies)	U.S. Department of Transportation
CFDA Number(s)/ Program Name(s):	20.600 – State and Community Highway Safety
Questioned Costs:	$5,693
Federal Project Nos./ Award Year	18X9204020MN17, 69A37518300004020MN0

Finding Number 2019-012 (20-05-4) *Noncompliance with allowable cost provisions.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

State Payroll Policy PAY0017 states, "When backup approvers...approve timesheets, they should document the reason...and notify the primary supervisor/manager to ensure that the timesheet...approval was appropriate."

Condition:

The Department of Public Safety did not properly approve three employee timesheets in compliance with state policy. Specifically, backup approvers approved the timesheets without documenting the reason for their approval instead of the primary approver.

Questioned Costs:

$5,693

Context:

We reviewed a random sample of 25 employee timesheets. The three timesheets approved by backup approvers without a documented explanation included $5,693 in payroll costs, which represented about

19.3 percent of the total payroll costs on the 25 timesheets reviewed. Based on that exception rate, we estimated potential questioned payroll costs of $536,974.

Cause:

The department generated a payroll system exception report each pay period that identified instances of timesheet approval by backup approvers. However, the department did not have procedures to take further action when the report showed no documentation explaining the backup approval.

Effect:

The assigned primary approvers of timesheets are the most knowledgeable about the work schedule of the employee. Backup approvers are not as knowledgeable, which increases the risk of inaccurate timesheets that could result in unallowable costs charged to the federal program.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Public Safety should implement internal controls to ensure it properly documents reasons for timesheet approval by backup approvers in compliance with state policy.

Views of Responsible Officials and Planned Corrective Action:

The Department of Public Safety did not explicitly agree with this finding; however, the department stated in its response that it would conduct training for managers and supervisors to ensure compliance.

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Report 20-05

State Agency	Minnesota Department of Public Safety
Federal Agency(ies)	U.S. Department of Transportation
CFDA Number(s)/ Program Name(s):	20.616 – National Priority Safety Programs (part of the Highway Safety Cluster)
Questioned Costs:	None
Federal Project Nos./ Award Year	18X920405DMN16 and 18X920405DMN17

Finding Number 2019-013 (20-05-5) *Noncompliance with federal schedule of expenditures of federal awards requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Statewide Operating Procedure 0402-02.1, states that when a subrecipient relationship exists between two state agencies, only the primary recipient agency that receives funds directly from the federal government reports expenditures on the Schedule of Expenditures of Federal Awards.

Condition:

The Department of Public Safety overstated expenditures reported on the Schedule of Expenditures of Federal Awards for the Highway Safety Cluster by $622,438.

Questioned Costs:

None

Context:

The overstatement was about 5.79 percent of the federal expenditures reported for the Highway Safety Cluster and about 13.57 percent of the federal expenditures reported specifically for CFDA #20.616. We proposed an audit adjustment to correct the schedule, and the Department of Management and Budget posted the adjustment.

Cause:

The department double-counted $635,169 in expenditures for subgrants it made to other divisions within the department. Both the subgrant expenditures for the payments to the subgrant divisions and the expenditures of those funds by the subgrant divisions were recorded in the accounting system, and the department did not properly eliminate the expenditures of the subgrant divisions to avoid double-counting. Accounting officers that calculated the subgrant division expenditure eliminations made errors, and the secondary review of those calculations was not sufficient to identify and correct the errors.

The department omitted a $12,731 expenditure from the schedule. The accounting officer that reviewed the schedule did not communicate the omitted expenditure to the accounting manager, and the secondary review was not sufficient to identify and correct the omission.

Effect:

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

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Public Safety should strengthen its internal controls to ensure it does not double-count expenditures related to subgrants made to other divisions within the department on the schedule of expenditures of federal awards.

The Department of Public Safety should establish procedures to perform an effective secondary review of the schedule of expenditures of federal awards to ensure accuracy.

Views of Responsible Officials and Planned Corrective Action:

The Department of Public Safety did not explicitly agree with this finding; however, the department stated in its response that it would create new procedures for the completion of the schedule of expenditures of federal awards.

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Report 20-05

State Agency	Minnesota Department of Public Safety
Federal Agencies	U.S. Department of Justice U.S. Department of Transportation
CFDA Number(s)/ Program Name(s):	16.575 – Crime Victim Assistance Highway Safety Cluster 20.600 – State and Community Highway Safety 20.616 – National Priority Safety Programs
Questioned Costs:	None
Federal Project Nos./ Award Year	Crime Victim Assistance 2015-VA-GX-0023; 2016-VA-GX-0054; 2017-VA-GX-0080; 2018-V2-GX-0069 Highway Safety Cluster 18X52016402MN12; 18X9204020MN16; 18X920405CMN16; 18X920405DMN16; 18X9204020MN17; 18X920405BMN17; 18X920405CMN17; 18X920405DMN17; 18X920405EMN17; 18X920405FMN17; 69A37518300004020MN0; 69A3751830000405BMNH; 69A3751830000405CMN0; 69A3751830000405DMNL; 69A3751830000405FMN0

Finding Number 2019-014 (20-05-6) *Internal control weakness.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Condition:

The Department of Public Safety's internal controls over federal awards did not include secondary reviews of several tasks performed by individual employees.

We noted a lack of secondary review of the following tasks:

- Draws of federal cash for Crime Victim Assistance.
- Completion and submission of financial reports for Crime Victim Assistance.
- Calculations to validate compliance with maintenance of effort requirements for the Highway Safety Cluster.
- Calculations to validate compliance with matching requirements for the Highway Safety Cluster.

Questioned Costs:

None

Context:

We identified an immaterial error of $4,641 for one financial report submitted for Crime Victim Assistance. We also identified several errors in the department's calculations related to maintenance of effort and matching requirements for the Highway Safety Cluster. Those miscalculations did not affect the department's compliance with those requirements.

Cause:

The department did not consider the risks posed by the lack of secondary reviews.

Effect:

The lack of secondary reviews increases the risk of noncompliance with federal requirements.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Public Safety should implement internal controls over federal awards that include secondary reviews.

Views of Responsible Officials and Planned Corrective Action:

The Department of Public Safety did not explicitly agree with this finding; however, the department stated in its response that it would create new procedures to strengthen internal controls.

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Report 20-06

State Agency	Minnesota Department of Education
Federal Agency(ies)	U.S. Department of Education
CFDA Number(s)/ Program Name(s):	84.010- Title I Grants to Local Educational Agencies
Questioned Costs:	$79,979
Federal Project Nos./ Award Year	S010A160023-16B

Finding Number 2019-015 (20-06-01) *Noncompliance with Carryforward provisions.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

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

Condition:

For the six local educational agencies cited in prior finding 2018-007, the Department of Education did not reduce carryforward amounts to 15 percent of Title 1 funds allocated for federal fiscal year 2016 or grant waivers for the excess. In addition, the Department of Education did not design effective internal controls to ensure compliance with the carryforward provisions.

Questioned Costs:

$79,979

Context:

Of the six local educational agencies identified, three were eligible for a waiver at the time of the prior finding. As of March 2020, only one of the three local educational agencies are still eligible for a waiver. The other two are no longer eligible for a waiver because the department granted them a waiver for federal fiscal year 2017. The total carryforward amount above the 15 percent limitation for that local educational agency eligible for a waiver was $403. The total carryforward amount above the 15 percent for the five local educational agencies not eligible for a waiver was $79,576.

Cause:

The person designated as responsible for the prior finding corrective action subsequently took another position within the department. In addition, the person responsible for monitoring the compliance with this requirement left the department. These staff changes contributed to the department losing track of this issue.

The department designed and implemented internal controls to identify local educational agencies that did not meet the 15 percent carryforward limitation and tracked waivers granted. However, the department did not: 1) use the correct amount of Title 1 funds allocated for a federal fiscal year; and 2) monitor the performance of the internal controls over the reduction of funds for local educational agencies not eligible for a waiver.

Since the department designed and implemented internal controls, it initially reported the prior finding resolved on the summary schedule of prior audit findings. This materially misrepresented the status of the finding. We corrected the status on the summary schedule for finding 2018-007 to "Findings are not corrected or are only partially corrected."

Effect:

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

Repeat Finding:

Yes, see prior audit finding 2018-007.

Auditor's Recommendation:

For the five local educational agencies cited that were not eligible for a waiver, the Department of Education should reduce the carryforward amounts to 15 percent of the Title 1 funds allocated.

For the one local educational agency that is eligible for a waiver, the Department of Education should either reduce the carry forward amounts to 15 percent of Title I funds allocated or grant a waiver for the excess.

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

Views of Responsible Officials and Planned Corrective Action:

The Department of Education agrees with this finding.

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Report 20-07

State Agency	Minnesota Department of Health
Federal Agency(ies)	U.S. Department of Agriculture U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) 93.889 – National Bioterrorism Hospital Preparedness Program
Questioned Costs:	None
Federal Project Nos./ Award Year	10.557 - 16162MN004W5003, 17172MN004W5003, 18182MN004W1003, and 18182MN004W1006 93.889 - 5U90TP000529-05 and NU90TP921911-01-00

Finding Number 2019-016 (20-07-01) *Noncompliance with federal schedule of expenditures of federal awards requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 510(b) (Schedule of Expenditures of Federal Awards) states, "The auditee must also prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal awards expended..."

Statewide Operating Procedure 0402-02.1, states that agencies are to run the SEFA report in the statewide accounting system and verify that all direct award expenditures are included on the report under the correct CFDA number and that expenditures are reported accurately on the modified accrual basis of accounting. The procedure also requires that agencies provide adjusting entries to ensure accurate reporting of expenditures on the SEFA report.

Condition:

The Department of Health lacked controls to identify proper adjustments of expenditures for its Schedule of Expenditures of Federal Awards (SEFA).

For Special Supplemental Nutrition Program for Women, Infants, and Children, the department erred in making accounting adjustments for accruals of food rebates that would have overstated expenditures by $132,709 had it not been detected as part of the audit procedures.

For the National Bioterrorism Hospital Preparedness Program, the department did not identify and adjust for certain payroll transactions that would have understated expenditures by $32,058 had it not been detected as part of the audit procedures.

Questioned Costs:

None.

Context:

OLA proposed audit adjustments to correct the Schedule of Expenditures of Federal Awards (SEFA), and the Department of Management and Budget posted the adjustments.

The adjustment to correct an overstatement of expenditures for the Special Supplemental Nutrition Program for Women, Infants, and Children was about 0.15 percent of the program's total federal expenditures.

The adjustment to correct an understatement of expenditures for the National Bioterrorism Hospital Preparedness Program was about 0.84 percent of the program's total federal expenditures.

Cause:

The Department of Health misunderstood state policies and procedures for reporting federal expenditures on the Schedule of Expenditures of Federal Awards. For Special Supplemental Nutrition Program for Women, Infants, and Children, the department erred in making an accounting adjustment for food rebates. For the National Bioterrorism Hospital Preparedness Program, the department did not identify and adjust for certain payroll transactions that were not included, due to missing attributes, within the system generated Schedule of Expenditures of Federal Awards report.

Effect:

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

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Health should ensure that they have an understanding of what is required for SEFA compared with what is required for the state's financial statements.

To avoid the need for some adjusting entries, the Department of Health should ensure that expenditure transactions entered into the statewide accounting system are coded to include all attributes necessary to be included in automated federal expenditure reports.

Views of Responsible Officials and Planned Corrective Action:

The Department of Health did not explicitly agree with this finding; however, the department stated in its response that it would implement changes to its procedures.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019

Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Agriculture
CFDA Number(s)/ Program Name(s):	10.551 – Supplemental Nutrition Assistance Program (SNAP) 10.561 – State Admin Matching Grant Supplemental Nutrition Assistance Program (SNAP)
Questioned Costs:	None
Federal Project Nos./ Award Year	10.551 – 201818S601842, 201818S802642, 201818S806942, 201919S601842, 008014279S6008 10.561 – 201616Q390342, 201717Q390342, 201717S251442, 201817Q750342, 201818Q390342, 201818Q750342, 201818S251442, 201818S251942, 201818S252042, 201818S803642, 201919Q390342, 201919Q750342, 201919S251442, 201919S251942, 201919S252042, 201919S803642

Finding Number 2019-017 (20-08-1) *Noncompliance with EBT card security requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Condition:

The Department of Human Services did not maintain adequate security over EBT cards on hand and did not destroy returned EBT cards.

Questioned Costs:

None.

Context:

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

Cause:

The department did not design or implement internal controls to ensure EBT cards on hand were secured and returned EBT cards were destroyed. The department did not establish any policies or procedures for securing EBT cards on hand at the department, counties, tribes or resettlement agencies. In addition, the department did not establish any policies or procedures for destroying returned EBT cards. The department staff responsible for the destruction of returned cards was not aware that the cards had to be destroyed or returned to inventory; instead, staff simply held onto the cards. The department did establish guidelines for the Prisoner Release Program, counties, tribes, and resettlement agencies. These guidelines required the counties to secure EBT cards on hand and send any returned EBT cards to the department. However, the department did not monitor these entities to ensure they complied with these requirements.

Effect:

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

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should maintain adequate security over EBT cards on hand and destroy returned EBT cards.

The Department of Human Services should design and implement internal controls to ensure EBT cards on hand were secured and returned EBT cards were destroyed.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
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Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Agriculture
CFDA Number(s)/ Program Name(s):	10.551 – Supplemental Nutrition Assistance Program (SNAP) 10.561 – State Admin Matching Grant Supplemental Nutrition Assistance Program (SNAP)
Questioned Costs:	None
Federal Project Nos./ Award Year	10.551 – 201818S601842, 201818S802642, 201818S806942, 201919S601842, 008014279S6008 10.561 – 201616Q390342, 201717Q390342, 201717S251442, 201817Q750342, 201818Q390342, 201818Q750342, 201818S251442, 201818S251942, 201818S252042, 201818S803642, 201919Q390342, 201919Q750342, 201919S251442, 201919S251942, 201919S252042, 201919S803642

Finding Number 2019-018 (20-08-2) *Noncompliance with independence requirements for quality control unit.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 7, Part 275, Section 2(b) states: "The State agency shall employ sufficient State level staff to perform all aspects of the Performance Reporting System as required in this part of the regulations. The staff used to conduct quality control reviews shall not have prior knowledge of either the household or the decision under review. Where there is prior knowledge, the reviewer must disqualify her/himself. Prior knowledge is defined as having: (1) Taken any part in the decision that has been made in the case; (2) any discussion of the case with staff who participated in the decision; or (3) any personal knowledge of or acquaintance with persons in the case itself. To ensure no prior knowledge on the part of QC [quality control] or ME [management evaluation] reviewers, local project area staff shall not be used to conduct QC or ME reviews; exceptions to this requirement concerning local level staff may be granted with prior approval from FNS. However, local personnel shall not, under any circumstances, participate in ME reviews of their own project areas."

Condition:

The Department of Human Services did not design or implement internal controls to ensure that staff used to conduct quality control reviews did not have prior knowledge of either the household or decision under review and, if staff had prior knowledge, staff disqualified themselves.

Questioned Costs:

None.

Context:

This is a systemic issue. The department has an expectation of independence and communicates that expectation but does not verify that all staff are aware of this expectation or that staff disqualify themselves if they have an independence impairment. Some of the staff are former county employees and, as such, could have prior knowledge of the household or decision under review.

Cause:

The department did not design or implement internal controls to ensure its quality control and management evaluation staff were aware of the requirements and disqualified themselves if they had prior knowledge of either the household or the decision under review. The department stated that all quality control staff were provided a SNAP Quality Control Handbook that contained a section on 'Avoid Bias.' The department relied on its staff to self-report any independence impairments.

Effect:

The department's quality control and management evaluation staff may have prior knowledge of the household or the decision under review and that could impact their ability to perform all aspects of the Performance Reporting System, as required.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should design and implement internal controls to ensure all staff used to conduct quality control reviews do not have prior knowledge of either the household or the decision under review.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019

Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.558 – Temporary Assistance for Needy Families (TANF)
Questioned Costs:	$3,512
Federal Project Nos./ Award Year	1502MNTANF, 1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF

Finding Number 2019-019 (20-08-3) *Benefits not always reduced.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

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

Condition:

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

Questioned Costs:

$3,512. This is the amount of overpaid benefits identified from our sample testing. We estimated that the likely amount of overpaid benefits for the entire testing population was $93,595.

Context:

We tested 60 samples from a population of 1,599 cases in noncooperation status for child support requirements. We found that the department did not properly reduce TANF benefits for three of those samples.

Cause:

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

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

Effect:

Individuals received TANF benefits they were not entitled to receive.

Repeat Finding:

Yes, see prior audit finding 2018-010.

Auditor's Recommendation:

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

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

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019

Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.558 – Temporary Assistance for Needy Families (TANF)
Questioned Costs:	$34,281
Federal Project Nos./ Award Year	1502MNTANF, 1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF

Finding Number 2019-020 (20-08-4) *Noncompliance with federal eligibility requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Material Weakness in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Condition:

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

Questioned Costs:

$34,281

Context:

The department delegates the responsibility for determining eligibility for TANF benefits and calculating TANF benefit amounts to county employees. To monitor the performance of county employees, the department randomly selected a sample of TANF recipients each month and reviewed the case files to determine if the recipients met eligibility requirements and if the benefit amounts were accurate. Of the 312 case files reviewed by the department, 118 included benefits paid to ineligible recipients or inaccurate benefit amounts. We randomly selected 60 of the 312 case files reviewed by the department, independently determined if the recipients met eligibility requirements and if benefit amounts were accurate and verified that our results matched the department's results.

Cause:

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

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

The department requests corrective action plans from counties for all TANF eligibility determination and benefit amount errors found during the case file reviews; however, counties are not required to respond. Of the 60 case files that we reviewed, 43 contained eligibility determination or benefit amount errors. For those 43 case files, the department did not receive corrective action plans for five cases.

Effect:

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

Repeat Finding:

Yes, see prior audit finding 2018-011.

Auditor's Recommendation:

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

The Department of Human Services should collect the overpaid TANF benefits for the 118 cases cited.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.558 – Temporary Assistance for Needy Families (TANF)
Questioned Costs:	$208,056
Federal Project Nos./ Award Year	1502MNTANF, 1601MNTANF, 1801MNTANF, 1901MNTANF

Finding Number 2019-021 (20-08-5) *Costs charged to a federal award that were incurred before the start date of that award.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 309, limits the costs that states can charge to a federal award to those costs incurred during the award's period of performance.

Condition:

The Department of Human Services charged costs to awards that incurred prior to the start date of that award.

In addition, the department did not resolve prior audit finding 2018-009 and reallocate costs incurred before the start date of the 2018 TANF award to the applicable award. Instead, DHS reflected a negative charge to the applicable awards in the state's accounting system with expenditures still being applied to the 2018 TANF award.

Questioned Costs:

$208,056

Context:

We identified six transactions for costs incurred during the 2016 TANF grant award's period of performance; however, the grant award amount was already spent. Instead, the department charged the costs to the 2018 TANF award.

Cause:

The department's internal controls were not sufficient to ensure 1) it did not spend more than the TANF award amount; and 2) that costs charged to TANF awards were not incurred before the start date of those awards.

Effect:

The department could spend more federal funds from TANF awards than it was entitled to spend.

Repeat Finding:

Yes, see prior audit finding 2018-009.

Auditor's Recommendation:

The Department of Human Services should enhance internal controls to ensure that it did not spend more than the TANF award amount and that costs charged to TANF awards were not incurred prior to the start of those awards.

The Department of Human Services should return the $208,056 of questioned costs.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding but believes the amount of the questioned costs should be $53,528 instead of $208,056. In November 2019, the department provided us with their contact at the federal government. We spoke to that individual and, based on the response received, identified questioned costs of $208,056. In response to our audit finding, in March 2020, the department reached out to another contact at the federal government. The department stated that this individual provided different information that supports the department's belief that questioned costs are $53,528. We have requested that the department include us in on further correspondence with the federal government to determine the questioned costs.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
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Report 20-08

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

Finding Number 2019-022 (20-08-6) *Noncompliance with reporting requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

According to the ACF-196R reporting instructions, "Effective FY 2015, a state will report actual Transfers, actual Expenditures, and actual Unliquidated Obligations (henceforth referred to as expenditures) made with each open grant year award during a fiscal year."

Condition:

For the TANF ACF - 196R Financial Report, the Department of Human Services did not accurately report transfers to the Child Care and Development Block Grant.

Questioned Costs:

None.

Context:

For two of the three reports tested, the department overstated transfers. The department estimated that it would transfer approximately $48 million of the 2019 TANF award to the Child Care and Development Block Grant. However, the department did not transfer the money until the end of the state fiscal year.

Cause:

The department did not have effective internal controls to ensure it reported actual transfers. The department did not verify the transfers occurred and were recorded in the state's accounting system before it reported the transfers on the reports. The department intended to transfer $12 million quarterly but did not.

Effect:

For the quarters ending December 31, 2018, and March 31, 2019, the department overstated Child Care and Development Block Grant transfers by $12 million and $24 million, respectively.

Repeat Finding:

No.

Auditor's Recommendation:

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

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

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

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Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	CFDA 93.558 – Temporary Assistance for Needy Families (TANF)
Questioned Costs:	None
Federal Project Nos./ Award Year	93.558 - 1502MNTANF, 1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF

Finding Number 2019-023 (20-08-7) *Noncompliance with federal subrecipient monitoring requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 331(d), requires the state to, "Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved."

Condition:

The Department of Human Services did not always monitor MFIP Consolidated Fund subrecipients.

Questioned Costs:

None.

Context:

For two of the three samples tested, the grant agreement required that the subrecipient must meet with the state within 90 days of the execution of the contract. Instead, the department informally required the subrecipient to submit quarterly progress reports, which did occur, and monthly phone meetings, which were not always supported by documentation. For the remaining sample, the grant agreement required that the subrecipient must submit quarterly progress reports to the state, which did not occur.

Cause:

The department did not design policies or procedures to monitor whether subrecipients are complying with applicable legal criteria or meeting performance goals. The department's grant agreements require monitoring, but the requirements are inconsistent among subrecipients. In addition, the department assigned one individual to monitor subrecipients and did not ensure that individual performed the required monitoring.

Effect:

The department risks paying subrecipients that were not compliant with applicable legal criteria or have not met performance goals.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should monitor MFIP Consolidated Fund subrecipients.

The Department of Human Services should design and implement internal controls to ensure it monitors MFIP Consolidated Fund subrecipients.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

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Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.575 – Child Care and Development Block Grant 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Questioned Costs:	$24,169
Federal Project Nos./ Award Year	1701MNCCDF, 1801MNCCDF, and 1901MNCCDF

Finding Number 2019-024 (20-08-8) *Noncompliance with eligibility requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Condition:

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

Questioned Costs:

$24,169.

Context:

The department delegates the responsibility for determining eligibility for CCDF benefits and calculating CCDF benefit amounts to county employees. To monitor the performance of county employees, the department randomly selected a sample of CCDF recipients each month and reviewed the case file to determine if the recipient met eligibility requirements and if the benefit amounts were accurate. Of the 276 case files reviewed by the department, 123 included errors in eligibility determinations or administrative errors with 69 cases resulting in improper payments. We randomly selected 25 of 276 case files reviewed by the department and independently determined if the recipients met eligibility requirements. Nine of 25 samples we tested resulted in an improper payment. Counties incorrectly miscalculated income in three cases, did not include a required asset attestation question on the application for two cases, and overstated childcare hours in two cases. For the remaining two cases, employment status was erroneously reported for one case, and assets were not reported in the other case.

Cause:

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

Effect:

The department made $24,169 in improper payments.

Repeat Finding:

Yes, see prior audit finding 2018-012.

Auditor's Recommendation:

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

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

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
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Report 20-08

State Agency	Department of Human Services
Federal Agency	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.575 – Child Care and Development Block Grant 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Questioned Costs:	$3,378,718
Federal Project Nos./ Award Year	1701MNCCDF

Finding Number 2019-025 (20-08-9) *Noncompliance with period of performance.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 309, states "a non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance.…"

Condition:

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

Questioned Costs:

$3,378,718

Context:

We reviewed all payroll costs charged to the 2017 grant award after the period of performance, which was September 30, 2018.

Cause:

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

Effect:

The department charged $3,090,541 and $297,178 in fiscal years 2019 and 2020 to the 2017 grant award after period of performance.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should reallocate $3,378,718 of payroll costs to the 2018 grant award.

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

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services did not agree with this finding. In its response, the department states that the payroll costs were liquidated within the period of performance but does not mention when the payroll costs were incurred. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

Report 20-08

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

Finding Number 2019-026 (20-08-10) *Noncompliance with monitoring health and safety requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

The *Code of Federal Regulations*, Title 45, Part 98.42, requires the following health and safety inspections for licensed child care centers: "(2)(i) For licensed child care providers and facilities, (A) Not less than one pre-licensure inspection for compliance with health, safety, and fire standards, and (B) Not less than annually, an unannounced inspection for compliance with all child care licensing standards, which shall include an inspection for compliance with health and safety, (including, but not limited to, those requirements described in §98.41) and fire standards (inspectors may inspect for compliance with all three standards at the same time);" B) (ii) For license-exempt child care providers and facilities that are eligible to provide services for which assistance is made available in accordance with this part, an annual inspection for compliance with health and safety (including, but not limited to, those requirements described in §98.41), and fire standards."

Condition:

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

Questioned Costs:

None.

Context:

The department did not complete the required annual health and safety inspection on 487 of 644 (75 percent) of the licensed exempt childcare providers, and 280 of 1,060 (26 percent) of licensed childcare providers.

Cause:

Despite hiring additional employees, the department did not have sufficient resources to complete the licensing reviews timely.

Effect:

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

Repeat Finding:

Yes, see prior audit finding 2018-013.

Auditor's Recommendation:

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

The Department of Human Services should ensure it has enough qualified employees to perform the required inspections.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

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Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.658 – Foster Care – Title IV-E
Questioned Costs:	None
Federal Project Nos./ Award Year	1801MNFOST and 1901MNFOST

Finding Number 2019-027 (20-08-11) *Noncompliance with reporting requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Condition:

The Department of Human Services did not accurately report expenditures and the count of children.

Questioned Costs:

None.

Context:

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

Cause:

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

Effect:

On the report for the quarter ending June 30, 2018, the department understated maintenance payments by $183,665 and $91,832 for the state and federal share, respectively. For the same quarter, the department underreported the child count by four. On the report for the quarter ending December 31, 2018, the department understated training costs by $68.

Repeat Finding:

No.

Auditor's Recommendation:

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

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

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

Minnesota Office of the Legislative Auditor
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Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.658 - Foster Care Title IV-E
Questioned Costs:	None
Federal Project Nos./ Award Year	1901MNFOST & 1801MNFOST

Finding Number 2019-028 (20-08-12) *Noncompliance with federal subrecipient monitoring requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Specifically, the Department of Human Services' contract states that the department must conduct annual visits with the subrecipient, and the subrecipient must submit fiscal reports on a quarterly basis to the state representative.

Condition:

The Department of Human Services did not conduct annual monitoring visits nor receive quarterly fiscal reports to ensure that the subrecipient was meeting the terms and conditions of the federal award.

Questioned Costs:

None

Context:

We tested two of seven universities that received grants from a federal award. However, in our testing, we found that the department did not conduct site visits for any of the universities during fiscal year 2019. In addition, the department did not receive quarterly fiscal reports from the universities.

Cause:

The department did not have adequate internal controls to ensure staff performed annual site visits and subrecipients submitted quarterly fiscal reports to the department.

Effect:

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

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should monitor the activities of the subrecipient.

The Department of Human services should implement adequate internal controls to ensure staff conduct annual site visits, and subrecipients submit quarterly fiscal reports.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

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Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.659 – Adoption Assistance
Questioned Costs:	$174,750
Federal Project Nos./ Award Year	1701MNADPT, 1801MNADPT, 1901MNADPT

Finding Number 2019-029 (20-08-13) *Noncompliance with cash management requirements and reimbursement for unallowable costs.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 53, states that improper payments "includes...any duplicate payment."

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

Condition:

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

Questioned Costs:

$174,750.

Context:

Due to similar errors in the prior year audit, all Public Private Adoption Incentive (PPAI)-related expenditures for the Adoption Assistance program were tested to determine if the payment requests were accurate. The errors that we identified represented a systemic internal control issue as well as compliance issue. The department had written policies and procedures for processing payments, but they did not adequately describe how to identify prior reimbursements.

Cause:

The department did not have effective internal controls to identify previously reimbursed expenditures and prevent duplicate payments.

Effect:

The department incorrectly requested and received $174,750 in federal funds for expenditures for which it had already received payment, resulting in duplicate payments. The department's weakness in internal controls could allow for additional errors.

Repeat Finding:

Yes, prior year finding 2018-014.

Auditor's Recommendation:

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

The Department of Human Services should return the $174,750 in excess funds requested, plus any interest owed to the federal government, or reduce future claims by that amount as directed by federal guidance.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.659 – Adoption Assistance
Questioned Costs:	$93,206
Federal Project Nos./ Award Year	1701MNADPT, 1801MNADPT, 1901MNADPT

Finding Number 2019-030 (20-08-14) *Unallowable costs and activities.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Condition:

For 7 of our 20 samples tested, the Department of Human Services overpaid county requests for reimbursement of Minnesota Post Demonstration (MnPD) subsidies…to parents…by exceeding limits imposed by federal law. In addition, the department did not design effective internal controls to ensure counties detected and prevented overpayments and complied with requirements in federal law.

Questioned Costs:

$93,206.

Context:

We randomly selected 20 of 188 reimbursement requests submitted by the county on behalf of an adoptee and found that 7 samples did not meet the requirements of allowability and limits in federal law. The rate of errors varied among the counties we tested (that is, errors were systemic to Dakota

County and more isolated for Ramsey County and Carlton County) so we projected the errors at the county level.

Cause:

The department's internal controls were not sufficient to ensure it prevented and detected overpayments by counties for Post Demonstration subsidies.

Effect:

The total projected overpayments were $93,206. Therefore, there is an increased risk that the Minnesota Post Demonstration subsidies may be overpaid.

Repeat Finding:

No.

Auditor's Recommendation:

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

The Department of Human Services should enhance its internal controls to ensure counties effectively review and approve the appropriateness of county payments to adoptees.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

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Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.659 – Adoption Assistance
Questioned Costs:	$100,000
Federal Project Nos./ Award Year	1701MNADPT, 1801MNADPT, 1901MNADPT

Finding Number 2019-031 (20-08-15) *Noncompliance with supplement not supplant requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

United States Code Title 42 Section 673(a)(8)(D)(ii) states "any State spending required under clause (i) shall be used to supplement, and not supplant, any Federal or non-Federal funds used to provide any service under part B or this part."

Condition:

The Department of Human Services incorrectly expended a cash advance for a Private Public Adoption Initiative (PPAI) grant contract out of the Adoption Savings account. PPAI services are typically funded by Federal Title IV-E funds. In addition, the Department of Human Services did not design and implement effective controls to prevent the inappropriate use of federal funds.

Questioned Costs:

$100,000.

Context:

The department made a $100,000 payment out of Adoption Savings funds as a workaround because they were unable to issue the payment out of the correct IV-E Privatized Adoption Grants account. The department was unable to provide any further information as to why this occurred as the payment was executed by an employee who is no longer at the department.

Cause:

The department did not have adequate controls in place to prevent staff from inappropriately using Adoption Savings funds for PPAI services.

Effect:

The department inappropriately used $100,000 of Adoption Savings funds to supplant funding for services provided under Title IV-E.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should make an expenditure correction in SWIFT to apply Title IV-E funds for Private Public Adoption Initiatives.

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

The Department of Human Services should improve their internal controls to ensure staff do not use Adoption Savings to supplant Title IV-E funds.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

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Report 20-08

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

Finding Number 2019-032 (20-08-16) *Noncompliance with Federal reporting requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

The report CB-496, *Title IV-E Programs Quarterly Financial Report provides* instructions for "Line 10. Expenditures of Adoption Savings On Post-Adoption or Post-Guardianship Services" and "Line 12. Reporting Period - Expenditures of Adoption Savings on Other Title IV-B or Title IV-E Allowable Services."

Condition:

For the CB-496 reports *Title IV-E Programs Quarterly Financial Report and Annual Adoption Savings Calculation and Accounting Report* we tested, the Department of Human Services did not accurately report expenditures. In addition, the Department of Human services did not design and implement effective internal controls to ensure compliance with these reporting requirements. Specifically, the second level reviewer and the authorized personnel signing the report were not able to identify the errors made by the preparer.

Questioned Costs:

None.

Context:

We tested a sample of two CB-496 quarterly reports (quarters ending September 30, 2018 and June 30, 2019) and one CB-496 annual report for Adoption Savings (year-end September 30, 2018), and found errors in report line items that are identified by the federal government as key line items. The department's designee signed the reports tested. The department stated that it reviewed the reports before it signed and submitted the report to the federal government.

Cause:

The department did not have effective internal controls to identify miscalculations and errors and accurately report expenditures, per federal requirements.

Effect:

The information in the CB-496 report is reviewed by various components of the federal Administration for Children and Families (ACF) to award future funds, determine the allowability of reported expenditures, and provide reports to Congress. Department of Human Services' errors on 9 of 10 key line items for these reports resulted in the department overstating the claims by a net $452,339. Specifically:

- On the report quarter ending September 30, 2018, DHS over-reported the federal share of current quarter claims (administrative costs) by $349,858 and under-reported current quarter claims (training costs) by $570.

- On the report quarter ending June 30, 2019, DHS under-reported the federal share of current quarter claims (administrative costs) by $2,000 and over-reported prior quarter adjustments (adoption assistance payments) by $28,435. For the same quarter, the department overreported the child count by 173.

- On the annual Adoption Savings report ending September 30, 2018, DHS (1) under-reported the federal share of current federal fiscal year claims (administrative costs) by $23,384, and (2) miscategorized Adoption Savings expenditures, in which current federal fiscal year expenditures for Post-Adoption or Post-Guardianship Services were overstated $303,514 and expenditures for Other Title IV-B or IV-E Allowable Services were understated $203,514.

Repeat Finding:

Yes, see prior audit finding 2018-015.

Auditor's Recommendation:

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

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

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

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Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.667 – Social Services Block Grant (SSBG)
Questioned Costs:	None
Federal Project Nos./ Award Year	93.667 - 1701MNSOSR; 1801MNSOSR

Finding Number 2019-033 (20-08-17) *Inaccurate financial reports.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 327, requires states to submit a Federal Financial Report (FFR) for each federal award at least annually.

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

Condition:

The Department of Human Services did not report the correct indirect cost rate and indirect cost base amounts on the FFR for each SSBG award in 2017 and 2019 and did not correct these errors following the fiscal year 2018 Single Audit report. In addition, the Department of Human Services did not design effective internal controls to ensure compliance with reporting requirements.

Questioned Costs:

None.

Context:

We tested the annual FFR for the period ending September 30, 2018, for both SSBG awards open during that period to determine whether these errors still existed. The indirect cost charges reported on the FFR is calculated using the reported indirect cost rate and indirect cost base amount.

Cause:

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

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

Effect:

The indirect cost charges reported for the 2017 and 2018 SSBG awards were understated by $4,350 and $133,253, respectively.

Repeat Finding:

Yes, see prior audit finding 2018-016.

Auditor's Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

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Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.778 – Medical Assistance
Questioned Costs:	$1,624
Federal Project Nos./ Award Year	93.778 - 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1805MNINCT, 1905MN5MAP, 1905MN5ADM, 1905MNIMPL, 1905MNINCT

Finding Number 2019-034 (20-08-18) *Noncompliance with eligibility requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations,* Title 42, Part 435, Section 910, requires, as a condition of eligibility, that each individual (including children) seeking Medicaid furnish each of his or her social security numbers.

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

The *Code of Federal Regulations,* Title 42, Part 435, Section 948(b), requires the state Medicaid agency to obtain information relating to financial eligibility, including information related to wages, to the extent that the information is available through an electronic service.

Condition:

The Department of Human Services paid capitation payments to managed care organizations and payments to providers for some enrollees who were not eligible for Medical Assistance.

Questioned Costs:

$1,624. There are likely additional questioned costs that exceeded $25,000 that were not identified in our testing.

Context:

The Department of Human Services uses an eligibility IT system to obtain electronically available eligibility information and determine eligibility for applicants and enrollees of Medical Assistance. For 3 of the 60 Medical Assistance enrollees we tested, the Department of Human Services did not adequately verify income and accurately determine eligibility. Specifically, for two of these enrollees, the department did not obtain relevant wage data that appeared available through an electronic service identified in the state's Medical Assistance plan for verification of eligibility. We found that if all relevant wage data were included in the determination, the two enrollees would not have been eligible for Medical Assistance. For one of these enrollees, the department did not correctly update the eligibility IT system to reflect the enrollee's documentation. We found that if the department correctly updated the eligibility system, the enrollee would not have been eligible for Medical Assistance.

For 1 of 60 Medical Assistance enrollees we tested, the Department of Human Services did not request and verify the enrollee's social security number. The enrollee was originally exempt from social security number requirements as an eligible newborn child; however, the department did not request or obtain the enrollee's social security number after the child's first birthday.

Cause:

The Department of Human Services did not have effective internal controls to obtain all available income data from electronic sources as described in the state Medical Assistance plan.

The Department of Human Services did not have adequate internal controls in its eligibility IT system to prompt caseworkers to obtain and verify the child's social security number after the first year of automatic newborn enrollment.

Effect:

The Department of Human Services paid managed care organizations $1,624 in capitation payments from the date of determination through June 30, 2019, for enrollees who were not eligible for Medical Assistance.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should improve its internal controls to obtain available income data from electronic sources and accurately verify enrollee eligibility for Medical Assistance.

The Department of Human Services should ensure caseworkers verify a child's social security number after the first year of automatic newborn enrollment.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services did not explicitly agree with this finding; however, in the department's response, it stated that it would review system requirements to utilize all available data to verify income and to ensure verification of social security numbers. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.778 – Medical Assistance
Questioned Costs:	$11,061,624
Federal Project Nos./ Award Year	93.778—1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MNINCT, 1905MN5MAP, 1905MN5ADM, 1905MNIMPL, 1905MNINCT

Finding Number 2019-035 (20-08-19) *Noncompliance with payment and program integrity requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 42, Part 440, section 90, requires generally that clinic services "must be furnished at the clinic by or under the direction of a physician or dentist."

Minnesota's *Medicaid State Plan*, 4.19-B, Attachment Supplement 2, states "An encounter for a [tribal] or [Indian Health Service] facility means a face-to-face encounter visit between a recipient eligible for Medical Assistance and any health professional at or through an [Indian Health Service] or [tribal] location."

The *Code of Federal Regulations*, Title 42, Part 456, section 3, requires state Medicaid agencies to implement a statewide surveillance and utilization control program that safeguards against excess payments.

Condition:

The Department of Human Services incorrectly reimbursed tribal providers who submitted claims for payments when their clients self-administered a treatment drug at home and not at a clinic, as required in federal law. DHS reimbursed the tribes using the federal Indian Health Services (IHS) "clinic" encounter rate rather than the "at home" rate of $0. In addition, the Department of Human Services did not have effective internal controls in place to ensure compliance with federal IHS payment requirements.

Questioned Costs:

$11,061,624.

Context:

The department overpayments to IHS tribal providers was a systemic issue that occurred over several years for two tribal bands. In addition, the department did not have claims processing procedures and information system edits to identify and stop the department from making the unauthorized payments.

Cause:

The department program staff advised certain tribal providers in error that they would be reimbursed the federal IHS rate when clients self-administered opioid treatment at home, and these providers submitted claims for payment to the department. For fiscal year 2019, the IHS reimbursement rate was $427 or $455 per claim, and the overpayments totaled $11,061,624. Meanwhile, the department did not have effective program integrity controls in place to identify and stop possible excess payments that were not allowed under the state plan and federal regulations.

Effect:

The department overpaid Indian Health Services providers for two tribal bands $11,061,624 in fiscal year 2019.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should implement controls to identify and prevent suspected error or fraud in the Medical Assistance program.

The Department of Human Services should reconcile the $11,061,624 in overpayments with the federal government.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services did not explicitly agree with this finding; however, in the department's response it stated that it continues efforts to evaluate all payment processes and payment types. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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State Agency	Minnesota Department of Human Services
Federal Agency	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.778 – Medical Assistance 93.767 – Children's Health Insurance Program (CHIP)
Questioned Costs:	None
Federal Project Nos./ Award Year	93.778 – 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1805MNINCT, 1905MN5MAP, 1905MN5ADM, 1905MNIMPL, 1905MNINCT 93.767 – 1805MN5021, 1905MN5021

Finding Number 2019-036 (20-08-20) *Noncompliance with revalidation of provider requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Condition:

The Department of Human Services did not revalidate the enrollment within the required five-year period for 10 of the 60 providers we tested. For 7 of 10 sample providers, the department did not obtain the required disclosure within the required five-year period. In addition, the Department of Human Services did not have effective internal controls to ensure compliance with federal revalidation requirements.

Questioned Costs:

None.

Context:

The Department of Human Services implemented a new provider portal in calendar year 2019 to assist in provider revalidation. Department staff said in previous years it did not have sufficient resources to complete the revalidation for the large volume of participating providers and that the implementation of the new provider portal led to some delay in the revalidation processes.

Cause:

The Department of Human Services did not have adequate controls over the review of expired provider license reports and the verification and update of license information.

Effect:

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

Repeat Finding:

Yes, prior year finding 2018-017.

Auditor's Recommendation:

The Department of Human Services should implement internal control procedures to ensure that it conducts the provider revalidations that are required under federal law.

The Department of Human Services should revalidate the enrollment for the ten providers tested.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services did not explicitly agree with this finding; however, in the department's response it stated that it would implement internal control procedures and enhance the revalidation process. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agencies	U.S. Department of Agriculture U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	10.561 – State Admin Matching Grant Supplemental Nutrition Assistance Program (SNAP) 93.558 – Temporary Assistance for Needy Families (TANF) 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund 93.658 – Foster Care Title IV-E 93.778 – Medical Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	10.561 - 201616Q390342, 201717Q390342, 201818S251442, 201818S251942, 201818S252042, 201818Q390342, 201818Q750342, 201919S251442, 201919S251942, 201919S252042, 201919Q390342, 201919Q750342 93.558 - 1502MNTANF, 1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF 93.596 - 1501MNCCDF, 1601MNCCDF, 1701MNCCDF,1801MNCCDF 93.658 - 1701MNFOST, 1801MNFOST, 1901MNFOST 93.778 - 1505MN5ADM, 1705MN5ADM, 1705MN5MAP, 1805MN5ADM, 1905MN5ADM

Finding Number 2019-037 (20-08-21) *Noncompliance with subrecipient monitoring requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

The *Code of Federal Regulations*, Title 2, Part 200, Section 521(a), states, "The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action."

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

Condition:

The Department of Human Services did not include all the required components in management decisions issued on audit findings for eleven subrecipients. In addition, the department did not issue the management decisions for seven of those subrecipients within the required timeframe.

Questioned Costs:

None.

Context:

We reviewed a random sample of 22 of 113 subrecipient audits, including 11 with audit findings that required a management decision. For the seven management decisions not issued within six months of acceptance of the audit report, the Department of Human Services issued the management decisions between two and twenty-six days late.

Cause:

The Department of Human Services had written policies and procedures for monitoring subrecipient audits that included references to various uniform guidance sections, but those references did not include the section for management decisions. In addition, the department in its policies and procedures did not specify the components required to be included in management decisions.

The Department of Human Services utilized a worksheet to track subrecipient audits but did not always record accurate due dates and actual dates for the issuance of management decisions on the worksheet. In addition, an individual employee tracked and reviewed all subrecipient audits and issued all management decisions without any secondary review.

Effect:

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

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should revise its policies and procedures to specify the components required to be included in management decisions.

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The Department of Human Services should improve its internal controls, including the implementation of a secondary review, to ensure it properly issues management decisions within the required timeframe.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

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State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Agriculture U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	10.561 – State Admin Matching Grants for Supplemental Nutrition Assistance Program (SNAP) 93.558 – Temporary Assistance for Needy Families (TANF) 93.563 – Child Support Enforcement – States Program 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund 93.658 – Foster Care Title IV-E 93.659 – Adoption Assistance 93.667 – Social Services Block Grant (SSBG) 93.778 – Medical Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	10.561 – 201616Q390342, 201717Q390342, 201717S251442, 201817Q750342, 201818Q390342, 201818Q750342, 201818S251442, 201818S251942, 201818S252042, 201818S803642, 201919Q390342, 201919Q750342, 201919S251442, 201919S251942, 201919S252042, 201919S803642 93.558 – 1502MNTANF, 1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF 93.563 - 1704MNCEST, 1804MNCEST and 1904MNCEST 93.596 – 1701MNCCDF, 1801MNCCDF, 1901MNCCDF 93.658 – 1701MNFOST, 1801MNFOST, 1901MNFOST 93.659 – 1701MNADPT, 1801MNADPT, 1901MNADPT 93.667 – 1601MNSOSR, 1701MNSOSR, 1801MNSOSR, 1901MNSOSR 93.778 – 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1805MNINCT, 1905MN5MAP, 1905MN5ADM, 1905MNIMPL, 1905MNINCT

Finding Number 2019-038 (20-08-22) *Noncompliance with federal subrecipient monitoring requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Condition:

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

Specifically, the department did not always communicate the following information: 1) subrecipient's unique entity identifier; 2) federal award identification number; 3) amount of federal funds obligated to the subrecipient by this action; 4) total amount of federal funds obligated to the subrecipient (for all federal programs) by the department, including the current and other open subawards; 5) total amount awarded to the subrecipient from the federal program; 6) name of the federal awarding agency, pass-through entity, and contact information of awarding official; 7) indirect cost rate for the federal award; 8) any requirements imposed by the department to ensure the subawards were used in accordance with federal regulations; 9) either the indirect cost rate agreed upon by the subrecipient and the federal government, the indirect cost rate agreed upon by the department and the subrecipient, or a de minimis rate of 10 percent; 10) the right of the department and other auditors to have access to the subrecipient's records; 11) closeout terms and conditions.

Questioned Costs:

None.

Context:

This is a systemic issue. For Adoption Assistance, Child Care Development Block Grant, Foster Care, Social Services Block Grant, TANF, and SNAP subawards to counties, we tested all 87 counties. We also conducted a sample test, selecting a sample of other subrecipients that received payments during state fiscal year 2019, for Adoption Assistance, Child Care Development Block Grant, Foster Care, Medical Assistance, and TANF subawards. The sample size out of the total population for each federal program and type of subrecipient is listed below.

- Adoption Assistance – Tested 2 of 8 nongovernmental organizations.
- Child Care Development Block Grant – Tested 4 of 12 nongovernmental organizations.
- Foster Care – Tested 2 of 5 university contracts.
- Medical Assistance – Tested 5 of 51 counties. Tested 3 of 8 nongovernmental organizations.
- TANF – Tested 3 of 10 nongovernmental organizations.

Cause:

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

Effect:

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

Repeat Finding:

Yes, see prior audit finding 2018-019.

Auditor's Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services partially agrees with this finding. The department disagrees that its contracts did not communicate the right of the department and other auditors to have access to the subrecipient's records. We found that the department did not execute grant agreements for subawards to counties for the cost of determining eligibility. Instead, the department told us it communicates the federal award information for these subawards through an excel spreadsheet and corresponding bulletins. We reviewed both the excel spreadsheet and the corresponding bulletins and found that the department did not, among other items, communicate the right of the department and other auditors to have access to the subrecipient's records.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019

Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Agriculture U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	10.551 – Supplemental Nutrition Assistance Program (SNAP) 10.561 – State Admin Matching Grant Supplemental Nutrition Assistance Program (SNAP) 93.558 – Temporary Assistance for Needy Families (TANF) 93.575 – Child Care and Development Block Grant 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund 93.658 – Foster Care Title IV-E 93.659 – Adoption Assistance 93.767 – Children's Health Insurance Program (CHIP) 93.778 – Medical Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	10.551 – 201818S601842, 201818S802642, 201818S806942, 201919S601842, 008014279S6008 10.561 – 201616Q390342, 201717Q390342, 201717S251442, 201817Q750342, 201818Q390342, 201818Q750342, 201818S251442, 201818S251942, 201818S252042, 201818S803642, 201919Q390342, 201919Q750342, 201919S251442, 201919S251942, 201919S252042, 201919S803642 93.558 – 1502MNTANF, 1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF 93.575 & 93.596 – 1501MNCCDF, 1601MNCCDF, 1701MNCCDF, 1801CCDF, 1901CCDF 93.658 – 1501MNFOST, 1701MNFOST, 1801MNFOST, 1901MNFOST 93.659 – 1701MNADPT, 1801MNADPT, 190MNADPT 93.767 – 1805MN5021, 1905MN5021 93.778 – 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1805MNINCT, 1905MN5MAP, 1905MN5ADM, 1905MNIMPL, 1905MNINCT

Finding Number 2019-039 (20-08-23) *Inadequate internal controls regarding logical access to Automated Data Processing (ADP) systems which could impact Activities Allowed or Unallowed; Allowable Costs/Cost Principles; or Eligibility.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The Department of Human Services administers a variety of federal programs that are highly dependent on extensive and complex computer systems that include controls for ensuring the proper payment and accounting for federal awards. Numerous state and federal regulations mandate that the department safeguard these computer systems, and the information within these systems, with proper information security controls.[1] In response, the State of Minnesota has one set of statewide information security policies and standards, published by Minnesota IT Services. In particular, Enterprise Identity and Access Management Standards, Control Number 5, requires regular review of logical access accounts to ensure access is appropriate.[2]

Condition:

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

Questioned Costs:

None.

Context:

We reviewed access controls for a variety of computerized systems that support major federal programs at the Department of Human Services. However, for three of its computer systems – the Minnesota Eligibility Technology System (METS), MAXIS, and its IWP Processing system – the departments did not have evidence, or only partial evidence, to support a review of logical access permissions.

For METS, the agencies indicated that they performed the annual recertification of users in fall 2018, but that they were unable to locate and provide auditors with documentation for any authorized METS user for 2018 and 2019.

For MAXIS, the agencies provided evidence of a review of authorized external user at the counties but did not recertify permissions of state users. Auditor testing identified ten individual accounts belonging to separated or retired employees that remained active.

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[1] *Minnesota Statutes* 2019, 16E.03, subd. 7; 42 *CFR* section 433.112(b)(9); 45 *CFR* section 164.306(a); 5 *U.S Code*, 552a(e)(10); 26 *U.S Code*, 6103.

[2] MNIT, Identity and Access Management Standard Control 5, Account Review, states, "All accounts must be reviewed upon changes in user role and at least annually for user accounts and every 6 months for privileged accounts and service accounts. The review must validate and recertify that all access privileges are still needed and authorized. The results of the review must be documented, and unnecessary access privileges must be communicated to account administrators for removal. Review documentation must be maintained by the account administrator for at least 2 years and made available to central access control team upon request."

For IWP Processing, auditor testing identified five individual accounts belonging to separated or retired employees that remained active.

Cause:

The Department of Human Services and Minnesota IT Services noted that limited resources have hindered full compliance with the requirements. The Department of Human Services owns, and MNIT maintains, more than 300 computerized systems. Many of these systems have diverse and separate repositories to control logical access. The agencies, however, do not utilize a centralized tool to help manage the wide array of systems and user accounts. Absent of robust automated tools, the agencies must rely solely on manual processes to regularly review and validate logical access permissions, which can cause missed or inconsistent implementations of the control.

Effect:

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

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

Repeat Finding:

No.

Auditor's Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019

Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Agriculture U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	10.561 – State Admin Matching Grant Supplemental Nutrition Assistance Program (SNAP) 93.558 – Temporary Assistance for Needy Families (TANF) 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund 93.658 – Foster Care Title IV-E 93.659 – Adoption Assistance 93.767 – Children's Health Insurance Program (CHIP) 93.778 – Medical Assistance
Questioned Costs:	None
Federal Project Nos./ Award Year	10.561 – 201818Q390342, 201818Q750342, 201818S251442, 201919Q390342, 201919Q750342, 201919S251442 93.558 – 1801MNTANF 93.596 – 1701MNCCDF, 1801MNCCDF 93.658 – 1701MNFOST, 1801MNFOST, 1901MNFOST 93.659 – 1701MNADPT, 1801MNADPT, 1901MNADPT 93.767 – 1805MN5021, 1905MN5021 93.778 – 1805MN5ADM, 1905MN5ADM, 1905MNIMPL

Finding Number 2019-040 (20-08-24) *Indirect Costs inappropriately allocated.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 405, states that a cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if (b) all activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

Condition:

The Department of Human Services did not appropriately allocate expenditures through multiple cost centers to programs that benefitted from the expense.

Questioned Costs:

$172,893.

Context:

The Department of Human Services is required to have controls in place for cost centers to allocate in accordance to its Cost Allocation Plan. We randomly selected 40 sample expenditure items and found that the department's allocation to certain cost centers was not supported by the documentation for 4 samples, resulting in a potential overpayment of federal reimbursement. For two samples, the department did not update the allocation metric in its allocation system in accordance with federal requirements. The estimated over claim in federal reimbursements for these six sample items is $172,893. The errors identified represented a systemic problem.

Cause:

The department did not have adequate internal controls to ensure that cost center assignments and allocations were appropriate and followed federal requirements.

The department has controls in place for knowledgeable staff to review the expenditures, assign costs to cost centers, and update the allocation model. However, the department did not always have sufficient documentation of the expenditures to justify its allocation of costs. Of the 40 expenditures tested, we found 4 expenditures did not have sufficient documentation to support that it used the appropriate cost center.

Effect:

The Department of Human Services did not allocate indirect costs to all benefitting programs and over claimed federal reimbursement by $172,893.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should implement effective internal controls to ensure that it allocates expenditures appropriately for purposes of federal reimbursement.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services did not explicitly agree with this finding; however, the department stated in its response that it would add another level of review. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

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State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Agriculture U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	10.561 – State Admin matching Grant Supplemental Nutrition Assistance Program (SNAP) 93.558 – Temporary Assistance for Needy Families (TANF) 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund 93.658 – Foster Care Title IV-E 93.659 – Adoption Assistance 93.778 – Medical Assistance
Questioned Costs:	None – Procedural Finding Only
Federal Project Nos./ Award Year	10.561 – 201616Q390342, 201717Q390342, 201717S251442, 201817Q750342, 201818Q390342, 201818Q750342, 201818S251442, 201818S251942, 201818S252042, 201818S803642, 201919Q390342, 201919Q750342, 201919S251442, 201919S251942, 201919S252042, 201919S803642 93.558 – 1502MNTANF, 1601MNTANF, 1701MNTANF, 1801MNTANF, 1901MNTANF 93.596 – 1701MNCCDF, 1801MNCCDF and 1901MNCCDF 93.658 – 1701MNFOST, 1801MNFOST and 1901MNFOST 93.659 – 1701MNADPT, 1801MNADPT, 1901MNADPT 93.778 – 1605MN5MAP, 1705MN5MAP, 1805MN5MAP, 1805MN5ADM, 1805MNINCT, 1905MN5MAP, 1905MN5ADM, 1905MNIMPL, 1905MNINCT

Finding Number 2019-041 (20-08-25) *Noncompliance with federal schedule of expenditures of federal awards requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Part 200, Section 510(b) (Schedule of Expenditures of Federal Awards) states, "The auditee must also prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements which must include the total Federal awards expended...."

Condition:

For all major federal programs, except CFDA 93.767, the Department of Human Services understated total expenditures reported on the Schedule of Expenditures of Federal Awards by a net of $14,139,193.

Questioned Costs:

None

Context:

This is a systemic issue for all federal programs the department administers. The department made the following errors when it reported on the Schedule of Expenditures of Federal Awards:

- TANF – Understated total expenditures by $8,101,848 or 4 percent and subrecipient expenditures by $3,106,472 or 4 percent.
- Foster Care – Understated total expenditures by $5,251,849 or 8 percent and subrecipient expenditures by $5,200,237 or 9 percent.
- MA – Understated total expenditures by $1,237,000 or 0.016 percent.
- SNAP – Overstated total expenditures by $567,727 or 0.7 percent and subrecipient expenditures by $558,198 or 0.8 percent.
- CCDF – Understated total expenditures by $58,286 or 0.04 percent and subrecipient expenditures by $18,014 or 0.06 percent.
- AA – Understated total expenditures by $57,937 or 0.14 percent and subrecipient expenditures by $57,937 or 1.7 percent.

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

Cause:

For all major federal programs, including CFDA 93.767, the department did not design effective internal controls. The department's procedures did not ensure that all federal expenditures reported in the financial statements were included on the schedule.

Effect:

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

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should design and implement internal controls to ensure that all federal expenditures reported in the financial statements were included on the schedule.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services agrees with this finding.

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Report 20-08

State Agency	Minnesota Department of Human Services
Federal Agency(ies)	U.S. Department of Health and Human Services
CFDA Number(s)/ Program Name(s):	93.767 – Children's Health Insurance Program (CHIP)
Questioned Costs:	$36,145
Federal Project Nos./ Award Year	93.767 – 1801MN5021, 1901MN5021

Finding Number 2019-042 (20-08-26) *Noncompliance with eligibility requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Condition:

The Department of Human Services paid capitation payments to managed care organizations and payments to providers for some enrollees who were not eligible for the Children's Health Insurance Program.

Questioned Costs:

$36,145. There are likely additional questioned costs that exceeded $25,000 that were not identified in our testing.

Context:

The Department of Human Services uses an eligibility IT system to obtain electronically available information and determine eligibility for applicants and enrollees of CHIP. For 13 of 60 sample CHIP enrollees we tested, the Department of Human Services did not adequately verify income and accurately determine eligibility. Specifically, for three of these enrollees, the department did not obtain requested verifications. For six of these enrollees, the department did not correctly update the eligibility IT system to reflect enrollees' documentation. For four of these enrollees, the department did not obtain relevant wage data that appeared available through an electronic service identified in the state's verification plan.

For 5 of 60 sample CHIP enrollees, the Department of Human Services enrolled the individuals in the incorrect program (CHIP) due to a technical error in the state's eligibility IT system. For 4 of these 5 samples, the enrollees were originally enrolled as auto newborns in Medical Assistance and should have remained eligible under that program for one year.

Cause:

The Department of Human Services did not have effective internal controls to properly verify income of enrollees in the Children's Health Insurance Program.

The Department of Human Services did not have an effective internal control to ensure individuals are enrolled in the correct public health care program through the state's eligibility IT system.

Effect:

The Department of Human Services overpaid providers and managed care organizations a total of $36,145, from the date of determination through June 30, 2019, for enrollees who were not eligible for the Children's Health Insurance Program.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Human Services should improve its internal controls to ensure it properly verifies the income of enrollees in the Children's Health Insurance Program.

The Department of Human Services should improve its internal controls to ensure that it accurately enrolls eligible individuals in the Children's Health Insurance Program.

Views of Responsible Officials and Planned Corrective Action:

The Department of Human Services did not explicitly agree with this finding; however, the department stated in its response that it would implement new procedures and amend existing procedures. We considered all of the information presented by the department in its response, and we believe that the evidence we obtained from the department and results of our audit work support our conclusions.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019

Report 20-09

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency(ies)	U.S. Department of Labor
CFDA Number(s)/ Program Name(s):	CFDA: 17.225 - Unemployment Insurance
Questioned Costs:	$3,900
Federal Project Nos./ Award Year	UI-31384-18-55-A-27

Finding Number 2019-043 (20-09-1) *Noncompliance with allowable activities and costs*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

State Payroll Policy PAY0017 states, "Employees are responsible for completing and modifying their timesheets. If errors are found on a timesheet, the employee (not the supervisor/manager) should make the necessary changes. When backup approvers and payroll staff modify or approve timesheets, they should document the reason…."

Condition:

The Department of Employment and Economic Development allowed a timesheet to be completed by a supervisor, instead of the employee, without a documented reason.

Questioned Costs:

$3,900

Context:

We reviewed a random sample of 40 employee timesheets. One timesheet, completed by a supervisor without a documented explanation included $3,900 in payroll costs, which represented about 3.2 percent of the total payroll costs on the 40 timesheets reviewed. Based on that exception rate, we estimated potential questioned payroll costs of $774,980.

Cause:

The department generated a payroll system exception report each pay period that identified instances of a supervisor completing an employee's timesheet. However, the department did not take further action when the report showed no documentation explaining why the supervisor completed the timesheet.

Effect:

Employees have the most knowledge about the work they perform. Supervisors completing timesheets for employees increases the risk of inaccurate timesheets that could result in unallowable costs charged to the federal program.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Employment and Economic Development should implement internal controls to ensure it properly documents reasons for timesheet completion by supervisors in compliance with state policy.

Views of Responsible Officials and Planned Corrective Action:

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

Report 20-09

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency(ies)	U.S. Department of Labor
CFDA Number(s)/ Program Name(s):	17.225 - Unemployment Insurance
Questioned Costs:	$554
Federal Project Nos./ Award Year	Not applicable

Finding Number 2019-044 (20-09-2) *Noncompliance with eligibility*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:

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

Minnesota Statutes, 268.095, subd. 4 states, "An applicant who was discharged from employment by an employer is ineligible for all unemployment benefits if ... the applicant was discharged because of aggravated employment misconduct."

Condition:

The Department of Employment and Economic Development did not identify an overpayment of unemployment compensation.

Questioned Costs:

$554

Context:

We tested a random sample of 40 applicants who received unemployment compensation from a population of 135,991 receiving $775,652,802. Based on an exception rate of 0.21 percent, we estimated potential overpayments of $1,598,072.

Cause:

The department did not implement internal controls to ensure it updated its unemployment system when an employer provided support for an applicant redetermination.

Effect:

The department did not identify an overpayment of $554 for one applicant.

Repeat Finding:

No.

Auditor's Recommendations:

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

The Department of Employment and Economic Development should implement internal controls to ensure it updates the unemployment system when it receives redetermination support.

Views of Responsible Officials and Planned Corrective Action:

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

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
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Report 20-09

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency(ies)	U.S. Department of Labor
CFDA Number(s)/ Program Name(s):	CFDA 17.225 – Unemployment Insurance
Questioned Costs:	$18,357
Federal Project Nos./ Award Year	UI-31384-18-55-A-27 and UI-32607-19-55-A-27

Finding Number 2019-045 (20-09-3) *Noncompliance with period of performance*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The Code of Federal Regulations, Title 2, Part 200, Section 309, states, "A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance…"

The Code of Federal Regulations, Title 2, Part 200, Section 333 states, "Financial records, supporting documents …must be retained for a period of three years from the date of submission of the final expenditure report...."

Condition:

The Department of Employment and Economic Development charged costs to an incorrect award. In addition, the department did not retain documentation for all transactions.

Questioned Costs:

$18,357

Context:

Of the 18 randomly selected expenditure corrections tested, we identified two errors. One error for $2,986 was charged to the 2018 award. However, the obligation occurred during the 2017 award period of performance. In addition, the department did not retain documentation for one transaction totaling $15,371. Based on an exception rate of 7.9 percent, we estimated potential questioned costs of $43,072.

Cause:

The department did not consistently apply its control to charge expenditures to the correct award. In addition, the department did not retain documentation to support one expenditure.

Effect:

The department could spend more federal funds from unemployment insurance awards than it is entitled to spend. Furthermore, without supporting documentation, the department could not substantiate that the costs were allowable.

Repeat Finding:

No.

Auditor's Recommendations:

The Department of Employment and Economic Development should reallocate the cost to correct award or reimburse the federal government for identified errors.

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

The Department of Employment and Economic Development should consistently apply its internal control to identify the correct award for expenditures.

Views of Responsible Officials and Planned Corrective Action:

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

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
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Report 20-09

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency(ies)	U.S. Department of Labor
CFDA Number(s)/ Program Name(s):	17.225 - Unemployment Insurance
Questioned Costs:	None
Federal Project Nos./ Award Year	UI-21107-11-55-A-27, UI-27984-16-55-A-27, UI-29849-17-55-A-27, UI-31519-18-60-A-27, UI-32847-19-60-A-27, UI-31384-18-55-A-27, UI-32607-19-55-A-27

Finding Number 2019-046 (20-09-4) *Noncompliance with reporting requirements*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

The *Code of Federal Regulations*, Title 2, Chapter 2, Part 200.333 states, "… supporting documents… must be retained for a period of three years from the date of submission of the final expenditure report…."

Condition:

The Department of Employment and Economic Development did not always retain supporting documentation for the ETA 581 Contribution Operations report. For quarter ending December 2018, the department did not retain any supporting documentation. For quarter ending June 2019, the department did not retain supporting documentation for two line items.

Questioned Costs:

None.

Context:

We randomly selected two of four quarterly reports and could not complete testing on either.

The department utilizes a database, which pulls from the state's unemployment system. The data in the system is continuously updated. Therefore, static copy of the database is necessary to validate the point in time data is used in the report.

Cause:

The department did not retain a static copy of the data.

Effect:

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

Repeat Finding:

No.

Auditor's Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

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

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Report 20-09

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency(ies)	U.S. Department of Education
CFDA Number(s)/ Program Name(s):	CFDA 84.126 – Rehabilitation Services – Vocational Rehabilitation Grants to States
Questioned Costs:	None
Federal Project Nos./ Award Year	H126A170032-17C, H126A180032-18E, & H126A190032-19B

Finding Number 2019-047 (20-09-5) *Noncompliance with federal Schedule of Expenditures of Federal Awards requirements.*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

Condition:

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

Questioned Costs:

None

Context:

The department incorrectly reported subrecipient expenditures of $1,312,624. We proposed an audit adjustment to correct the schedules, and the Department of Management and Budget posted the adjustments.

Cause:

The department classified Vocational Rehabilitation contracted services as subrecipient expenditures. The federal government identified this error and advised the department to reclassify all subrecipient expenditures. The department opted to make the change in the state's accounting system when the current contracts expired. Because of that, the department continued to report the expenditures as subrecipient expenditures on the Schedule of Expenditures of Federal Awards to ensure consistency with the state's accounting system.

Effect:

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

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Employment and Economic Development should record these expenditures as contracts in the state's accounting system.

The department should enter into professional/technical services contracts with the vendors providing the services and should not continue to report subrecipient expenditures on the Schedule of Expenditures of Federal Awards or record them as subgrants in the state's accounting system.

Views of Responsible Officials and Planned Corrective Action:

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

Minnesota Office of the Legislative Auditor
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Report 20-09

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency(ies)	U.S. Department of Education
CFDA Number(s)/ Program Name(s):	CFDA 84.126 – Rehabilitation Services – Vocational Rehabilitation Grants to States
Questioned Costs:	$215,474
Federal Project Nos./ Award Year	H126A190032-19B and H126A190033-19B

Finding Number 2019-048 (20-09-6) *Noncompliance with cash management*

Award Period:

July 1, 2018, through June 30, 2019.

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

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

Condition:

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

Questioned Costs:

$215,474

Context:

For 2 of 21 draws tested, the department miscalculated the federal reimbursement. For one sample, the department requested and received $556,069 in federal funds resulting in an overdraw of $17,222 due to a miscalculation of the state match. For the other sample, the department requested and received $2,775,260 in federal funds resulting in an overdraw of $198,253 due to incorrectly including program income. In both cases, the overdraws were resolved with equivalent expenditures in one to three days.

Cause:

The department did not implement internal controls to ensure that cash draw calculations were accurate. One individual calculated and requested the funds from the federal government; there was no secondary review of the calculation.

Effect:

For two draws, the department requested $215,474 more in federal funds than it spent on allowable program costs. However, the interest incurred is de minimis and the overall federal award was not overspent.

Repeat Finding:

No.

Auditor's Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

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

Report 20-09

State Agency	Minnesota Department of Employment and Economic Development
Federal Agency(ies)	U.S. Social Security Administration
CFDA Number(s)/ Program Name(s):	CFDA: 96.001 - Social Security-Disability Insurance
Questioned Costs:	$8,248
Federal Project Nos./ Award Year	1804MNDI00 & 1904MNDI00

Finding Number 2019-049 (20-09-7) *Noncompliance with allowable activities and costs*

Award Period:

July 1, 2018, through June 30, 2019

Type of Finding:

Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:

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

State Payroll Policy PAY0017 states, "When backup approvers...approve timesheets, they should document the reason...and notify the primary supervisor/manager to ensure that the timesheet...approval was appropriate."

Condition:

The Department of Employment of Economic Development did not properly approve three employee timesheets in compliance with state policy. Specifically, backup approvers approved the timesheets without documenting the reason for their approval.

Questioned Costs:

$8,248

Context:

We reviewed a random sample of 40 employee timesheets. The three timesheets approved by backup approvers without a documented explanation included $8,248 in payroll costs, which represented about 7.3 percent of the total payroll costs on the 40 timesheets reviewed. Based on that exception rate, we estimated potential questioned payroll costs of $752,615.

Cause:

The department generated a payroll system exception report each pay period that identified instances of timesheet approval by backup approvers. However, the department did not take further action when the report showed no documentation explaining the backup approval.

Effect:

The assigned primary approvers of timesheets are the most knowledgeable about the work schedule of the employee. Backup approvers are not as knowledgeable, which increases the risk of inaccurate timesheets that could result in unallowable costs charged to the federal program.

Repeat Finding:

No.

Auditor's Recommendation:

The Department of Employment and Economic Development should implement internal controls to ensure it properly documents reasons for timesheet approval by backup approvers in compliance with state policy.

Views of Responsible Officials and Planned Corrective Action:

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

Index of Prior Federal Program Audit Findings

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2019

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO.	FIND. NO.	SF-SAC FIND REF	AUDIT REPORT FISCAL YR.
	U.S. Department of Agriculture							
10.551	Supplemental Nutrition Assistance Program	Human Services	Reimbursement for unallowable costs	1	19-06	1	2018-008	2018
10.551	Supplemental Nutrition Assistance Program	Human Services	Reimbursed for unallowable costs.	1	18-05	1	2017-001	2017
10.557	Women, Infants and Children	Health	Requested and received excess federal funds	1	19-02	1	2018-001	2018
10.561	State Admin Matching Grant Supplemental Nutrition Assistance Program	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	19-06	12	2018-019	2018
	U.S. Department of Labor							
17.207	Employment Service/Wagner-Peyser Funded Activities	Employment and Economic Development	Noncompliance with period of performance	1	19-04	1	2018-003	2018
17.801	Disabled Veterans' Outreach Program	Employment and Economic Development	Noncompliance with period of performance	1	19-04	1	2018-003	2018
	U.S. Department of Transportation							
20.205	Highway Planning and Construction	Transportation	Noncompliance with federal subrecipient monitoring requirements	1	19-03	1	2018-002	2018
	U.S. Department of Education							
84.007	Federal Supplemental Education Opportunity Grants	MnSCU	Inaccurate R2T4 calculations	1	CLA-18	2	2018-021	2018
84.007	Federal Supplemental Education Opportunity Grants	MnSCU	There was no reading tutor listed on the FISAP.	1	CLA-17	1	2017-008	2017
84.010	Title I Grants to Local Educational Agencies	Education	Noncompliance with carryforward provisions	2	19-05	1	2018-007	2018
84.033	Federal Work Study Program	MnSCU	There was no reading tutor listed on the FISAP	1	CLA-18	1	2018-020	2018
84.033	Federal Work Study Program	MnSCU	Inaccurate R2T4 calculations	1	CLA-18	2	2018-021	2018
84.033	Federal Work Study Program	MnSCU	There was no reading tutor listed on the FISAP.	1	CLA-17	1	2017-008	2017
84.038	Federal Perkins Loans	MnSCU	Inaccurate R2T4 calculations	1	CLA-18	2	2018-021	2018
84.038	Federal Perkins Loans	MnSCU	There was no reading tutor listed on the FISAP.	1	CLA-17	1	2017-008	2017
84.063	Federal Pell Grant Program	MnSCU	Inaccurate R2T4 calculations	1	CLA-18	2	2018-021	2018
84.063	Federal Pell Grant Program	MnSCU	There was no reading tutor listed on the FISAP.	1	CLA-17	1	2017-008	2017
84.126	Vocational Rehabilitation	Employment and Economic Development	Noncompliance with reporting requirements	1	19-04	2	2018-004	2018
84.268	Federal Direct Student Loans	MnSCU	Inaccurate R2T4 calculations	1	CLA-18	2	2018-021	2018
84.268	Federal Direct Student Loans	MnSCU	There was no reading tutor listed on the FISAP.	1	CLA-17	1	2017-008	2017
84.379	Teacher Edu Asst for College and Higher Ed.	MnSCU	Inaccurate R2T4 calculations	1	CLA-18	2	2018-021	2018
84.379	Teacher Edu Asst for College and Higher Ed.	MnSCU	There was no reading tutor listed on the FISAP.	1	CLA-17	1	2017-008	2017
	U.S. Department of Health and Human Services							
93.558	Temporary Assistance for Needy Families	Human Services	Costs charged to a federal award that were incurred before the start date of that award	2	19-06	2	2018-009	2018
93.558	Temporary Assistance for Needy Families	Human Services	Benefits not always reduced	2	19-06	3	2018-010	2018
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal eligibility requirements	2	19-06	4	2018-011	2018
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	19-06	12	2018-019	2018
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal eligibility requirements	2	18-05	2	2017-002	2017
93.558	Temporary Assistance for Needy Families	Human Services	Did not consistently reduce cash assistance benefits	2	18-05	3	2017-003	2017
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal eligibility requirements	2	17-11	1	2016-006	2016
93.558	Temporary Assistance for Needy Families	Human Services	Did not consistently reduce cash assistance benefits	2	17-11	3	2016-008	2016
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal eligibility requirements	2	16-06	1	2015-011	2015
93.558	Temporary Assistance for Needy Families	Human Services	Did not consistently reduce cash assistance benefits	2	16-06	3	2015-013	2015
93.558	Temporary Assistance for Needy Families	Human Services	Noncompliance with federal eligibility requirements	2	15-07	1	2014-023	2014
93.563	Child Support Enforcement - States Program	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	19-06	12	2018-019	2018
93.575	Child Care and Development Block Grant	Human Services	Noncompliance with eligibility requirements	2	19-06	5	2018-012	2018
93.575	Child Care and Development Block Grant	Human Services	Not adequately monitoring program activities	2	19-06	6	2018-013	2018
93.575	Child Care and Development Block Grant	Human Services	Not adequately monitoring program activities	2	18-05	4	2017-004	2017
93.575	Child Care and Development Block Grant	Human Services	Not adequately monitoring program activities	2	17-11	4	2016-009	2016
93.575	Child Care and Development Block Grant	Human Services	Not adequately monitoring program activities	2	16-06	4	2015-014	2015
93.575	Child Care and Development Block Grant	Human Services	Not adequately monitoring program activities	2	15-07	5	2014-027	2014
93.575	Child Care and Development Block Grant	Human Services	Not adequately monitoring program activities	2	14-11	4	2013-013	2013
93.596	Child Care Mandatory and Matching Fund	Human Services	Noncompliance with eligibility requirements	2	19-06	5	2018-012	2018
93.596	Child Care Mandatory and Matching Fund	Human Services	Not adequately monitoring program activities	2	19-06	6	2018-013	2018
93.596	Child Care Mandatory and Matching Fund	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	19-06	12	2018-019	2018
93.596	Child Care Mandatory and Matching Fund	Human Services	Not adequately monitoring program activities	2	18-05	4	2017-004	2017
93.596	Child Care Mandatory and Matching Fund	Human Services	Not adequately monitoring program activities	2	17-11	4	2016-009	2016
93.596	Child Care Mandatory and Matching Fund	Human Services	Not adequately monitoring program activities	2	16-06	4	2015-014	2015
93.596	Child Care Mandatory and Matching Fund	Human Services	Not adequately monitoring program activities	2	15-07	5	2014-027	2014
93.596	Child Care Mandatory and Matching Fund	Human Services	Not adequately monitoring program activities	2	14-11	4	2013-013	2013
93.659	Adoption Assistance	Human Services	Noncompliance with cash management requirements	2	19-06	7	2018-014	2018
93.659	Adoption Assistance	Human Services	Noncompliance with reporting requirements	2	19-06	8	2018-015	2018
93.659	Adoption Assistance	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	19-06	12	2018-019	2018
93.667	Social Services Block Grant	Human Services	Inaccurate financial reports	2	19-06	9	2018-016	2018
93.667	Social Services Block Grant	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	19-06	12	2018-019	2018
93.778	Medical Assistance	Human Services	Noncompliance with revalidation of providers	2	19-06	10	2018-017	2018
93.778	Medical Assistance	Human Services	Noncompliance with eligibility requirements	1	19-06	11	2018-018	2018
93.778	Medical Assistance	Human Services	Noncompliance with federal subrecipient monitoring requirements	2	19-06	12	2018-019	2018
93.778	Medical Assistance	Human Services	Did not ensure completion of training prior to approving eligibility	1	18-05	5	2017-005	2017
	U.S. Social Security Administration							
96.001	Social Security-Disability Insurance	Employment and Economic Development	Noncompliance with reporting requirements	1	19-04	3	2018-005	2018

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2019

96.001	Social Security-Disability Insurance	Employment and Economic Development	Noncompliance with procurement requirements	4	19-04	4	2018-006	2018

Note 1: Beginning in Fiscal Year 2010, the regularly appropriated and Recovery Act funded benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA 10.551) are no longer separately reported per federal requirements. Therefore, prior audit findings for this program, regardless of funding source, are being reported under CFDA 10.551, Supplemental Nutrition Assistance Program.

*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.

Supplemental Information
Status of Prior Federal Program Audit Findings

Please see the Index of Corrective Action Plans for planned corrective action plans submitted by the agencies for any current year repeat findings.

Report 14-11

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds

Finding 2013-013 (14-11-4) *Not adequately monitoring program activities.*

4. **The Department of Human Services did not adequately monitor some aspects of the Child Care Assistance Program.**

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 10 (2019-026). See agency provided corrective action plan number 2019-026.

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

Report 15-07

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.558 Temporary Assistance for Needy Families (TANF)

Finding 2014-023 (15-07-1) *Noncompliance with federal eligibility requirements.*

1. The Department of Human Services did not adequately ensure that recipients receiving benefits met the eligibility requirements for Temporary Assistance for Needy Families.

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 4 (2019-020). See agency provided corrective action plan number 2019-020.

Report 15-07

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds

Finding 2014-027 (15-07-5) *Not adequately monitoring program activities.*

5. The Department of Human Services did not always perform licensing visits to childcare facilities in timely manner.

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 10 (2019-026). See agency provided corrective action plan number 2019-026.

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

Report 16-06

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.558 Temporary Assistance for Needy Families (TANF)

Finding 2015-011 (16-06-1) *Noncompliance with federal eligibility requirements.*

1. The Department of Human Services did not ensure the effectiveness of controls over eligibility determinations for Temporary Assistance for Needy Families.

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 4 (2019-020). See agency provided corrective action plan number 2019-020.

Report 16-06

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.558 Temporary Assistance for Needy Families (TANF)

Finding 2015-013 (16-06-3) *Did not consistently reduce cash assistance benefits.*

3. The Department of Human Services did not consistently reduce recipients' cash assistance benefits when the recipients refused to cooperate with child support enforcement requirements.

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 3 (2019-019). See agency provided corrective action plan number 2019-019.

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

Report 16-06

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds

Finding 2015-014 (16-06-4) *Not adequately monitoring program activities.*

4. The Department of Human Services did not always perform on-site licensing reviews of child care centers within the required timeframe. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 10 (2019-026). See agency provided corrective action plan number 2019-026.

Report 17-11

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.558	Temporary Assistance for Needy Families (TANF)

Finding 2016-006 (17-11-1) *Noncompliance with federal eligibility requirements.*

1. The Department of Human Services did not adequately ensure eligibility requirements were met for families receiving Temporary Assistance for Needy Families benefits. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 4 (2019-020). See agency provided corrective action plan number 2019-020.

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

Report 17-11

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.558 Temporary Assistance for Needy Families (TANF)

Finding 2016-008 (17-11-3) *Did not consistently reduce cash assistance benefits.*

3. The Department of Human Services did not consistently reduce enrollees' cash assistance benefits when the enrollees refused to cooperate with child support enforcement requirements. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 3 (2019-019). See agency provided corrective action plan number 2019-019.

Report 17-11

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds

Finding 2016-009 (17-11-4) *Not adequately monitoring program activities.*

4. The Department of Human Services did not always perform on-site licensing reviews of childcare centers within the required timeframe. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 10 (2019-026). See agency provided corrective action plan number 2019-026.

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

Report 18-05

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.558 Temporary Assistance for Needy Families (TANF)

Finding 2017-002 (18-05-2) *Noncompliance with federal eligibility requirements.*

2. **The Department of Human Services did not adequately ensure eligibility requirements were met for families receiving Temporary Assistance for Needy Families benefits. This is a repeat finding.**

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 4 (2019-020). See agency provided corrective action plan number 2019-020.

Report 18-05

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.558 Temporary Assistance for Needy Families (TANF)

Finding 2017-003 (18-05-3) *Did not consistently reduce cash assistance benefits.*

3. **The Department of Human Services did not consistently reduce enrollees' cash assistance benefits when the enrollees refused to cooperate with child support enforcement requirements. This is a repeat finding.**

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 3 (2019-019). See agency provided corrective action plan number 2019-019.

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

Report 18-05

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds

Finding 2017-004 (18-05-4) *Not adequately monitoring program activities.*

4. The Department of Human Services did not always perform on-site licensing reviews of child care centers within the required timeframe. This is a repeat finding.

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 10 (2019-026). See agency provided corrective action plan number 2019-026.

Report 19-05

State Agency: Minnesota Department of Education

Federal Agency(ies): U.S. Department of Education

CFDA Number(s)/Program Name(s):

84.010 Title I Grants to Local Educational Agencies

Finding 2018-007 (19-05-1) *Noncompliance with carryforward provisions.*

1. The Department of Education allowed six local educational agencies to carryforward more than 15 percent of their Title I funds allocated for the federal fiscal year 2016 without granting a waiver.

This finding is repeated in the current audit report. See Section III, Report 20-06, Finding 1 (2019-015). See agency provided corrective action plan number 2019-015.

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

Report 19-06

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.558 Temporary Assistance for Needy Families (TANF)

Finding 2018-009 (19-06-2) *Costs charged to a federal award that were incurred before the start date of that award.*

2. **The Department of Human Services charged costs to the 2018 TANF award that it incurred prior to the start date of that award.**

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 5 (2019-021). See agency provided corrective action plan number 2019-021.

Report 19-06

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.558 Temporary Assistance for Needy Families (TANF)

Finding 2018-010 (19-06-3) *Benefits not always reduced.*

3. **The Department of Human Services did not consistently reduce enrollees' cash assistance benefits when the enrollees refused to cooperate with child support enforcement requirements. This is a repeat finding.**

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 3 (2019-019). See agency provided corrective action plan number 2019-019.

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

Report 19-06

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.558 Temporary Assistance for Needy Families (TANF)

Finding 2018-011 (19-06-4) *Noncompliance with federal eligibility requirements.*

4. **The Department of Human Services did not adequately ensure eligibility requirements were met for families receiving Temporary Assistance for Needy Families benefits. This is a repeat finding.**

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 4 (2019-020). See agency provided corrective action plan number 2019-020.

Report 19-06

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.575 Child Care Development Block Grant
93.596 Child Care Mandatory and Matching Funds

Finding 2018-012 (19-06-5) *Noncompliance with eligibility requirements.*

5. **The Department of Human Services did not correctly calculate income when determining eligibility for three of the 25 cases we tested.**

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 8 (2019-024). See agency provided corrective action plan number 2019-024.

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

Report 19-06

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.575 Child Care Development Block Grant
93.596 Child Care Mandatory and Matching Funds

Finding 2018-013 (19-06-6) *Not adequately monitoring program activities.*

6. **The Department of Human Services did not always perform on-site licensing reviews of child care centers within the required timeframe. This is a repeat finding.**

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 10 (2019-026). See agency provided corrective action plan number 2019-026.

Report 19-06

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.659 Adoption Assistance

Finding 2018-014 (19-06-7) *Noncompliance with cash management requirements.*

7. **The Department of Human Services requested reimbursement from the federal government for expenditures for which it had already received payment.**

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 13 (2019-029). See agency provided corrective action plan number 2019-029.

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

Report 19-06

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.659 Adoption Assistance

Finding 2018-015 (19-06-8) *Noncompliance with reporting requirements.*

8. **The Department of Human Services did not accurately report expenditures for two of the CB-496, *Title IV-E Programs Quarterly Financial Report* tested.**

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 16 (2019-032). See agency provided corrective action plan number 2019-032.

Report 19-06

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.667 Social Services Block Grant (SSBG)

Finding 2018-016 (19-06-9) *Inaccurate financial reports.*

9. **The Department of Human Services did not report the correct indirect cost rate and indirect cost base amount on the FFR for each SSBG award.**

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 17 (2019-033). See agency provided corrective action plan number 2019-033.

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

Report 19-06

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

93.778 Medical Assistance

Finding 2018-017 (19-06-10) *Noncompliance with revalidation of providers.*

10. The Department of Human Services did not revalidate the enrollment for 2 of the 40 providers we tested within the allotted five-year period.

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 20 (2019-036). See agency provided corrective action plan number 2019-036.

Report 19-06

State Agency: Minnesota Department of Human Services

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

CFDA Number(s)/Program Name(s):

10.561	Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement – States Program
93.596	Child Care Mandatory and Matching Funds
93.659	Adoption Assistance
93.667	Social Services Block Grant (SSBG)
93.778	Medical Assistance

Finding 2018-019 (19-06-12) *Noncompliance with federal subrecipient monitoring requirements.*

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

This finding is repeated in the current audit report. See Section III, Report 20-08, Finding 22 (2019-038). See agency provided corrective action plan number 2019-038.

State of Minnesota
Financial and Compliance Report on Federally Assisted Programs
Agency Provided Corrective Action Plans
Fiscal Year Ended June 30, 2019

Index of Corrective Action Plans (CAP)

Index of Corrective Action Plans (CAP) (continued)

MINNESOTA STATE

MINNESOTA STATE COLLEGES AND UNIVERSITIES
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019

United States Department of Education

Minnesota State Colleges and Universities respectfully submits the following corrective action plan for the year ended June 30, 2019.

Audit period: July 01, 2018 to June 30, 2019

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the current year.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

United States Department of Education

2019-001 Student Financial Aid Cluster

Recommendation: We recommend that Minnesota State implement a thorough review process of all third-party servicer contracts to make sure they comply with all Department of Education Rules and Regulations.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The system accepts the recommendation and will review their third-party servicer contracts to ensure compliance. In particular we will work with Educational Computer Services, Inc. (ECSI) to add an addendum regarding Federal Regulation 34 CFR, Part 668.25 for our current contract, which expires October 31, 2020. Going forward the system will review and ensure all related rules and regulation language is included.

Names of the contact persons responsible for corrective action: Denise Kirkeby

Planned completion date for corrective action plan: June 2020

If the United States Department of Education has questions regarding this plan, please call Denise Kirkeby at 651-201-1736.

March 17, 2020

James R. Nobles
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Centennial Office Building, Room 400
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles and Commissioner Frans,

I would like to thank the Office of Legislative Auditor and your financial audit team for reviewing the 1332 State Innovation Waiver Program for fiscal year 2019. Your team provided a professional review of the Department's compliance requirements related to this grant and provided valuable recommendations based on the review. I welcome the opportunity to take positive action on your recommendations.

As Commerce Commissioner, I take internal controls and continuous improvement very seriously. This audit will assist the Department's efforts to further strengthen controls around the 1332 State Innovation Waiver Program and financial management.

Following are specific responses to the audit findings.

Finding 2019-002 (20-01-1):
The Department of Commerce did not require its subrecipient to have an active System for Award Management (SAM) registration prior to making the subaward.

Response:
Commerce agrees with the finding. The Department will require the Minnesota Comprehensive Health Association (MCHA) to register in the SAM system and provide documentation to the Department verifying their SAM registration. MCHA has submitted an application for SAM registration and Tim Jahnke will verify that an active registration is in place prior to the next payment in August 2020.

Finding 2019-003 (20-01-2):
The Department of Commerce did not communicate all of the required information to its subrecipient at the time of the subaward.

Response:
Commerce agrees with the finding. The Department will amend its grant agreement with MCHA to include the nine items that were not previously included. Grace Arnold will verify that an amended grant agreement is in place prior to the next payment in August 2020.

Thank you again for the work of you and your staff to identify opportunities for improvement within Commerce. The Department has a strong history of correcting audit findings and implementing a strong internal control framework. We are committed to taking appropriate action to further strengthen our programs and internal controls.

Sincerely,

Steve Kelley

Steve Kelley
Commissioner

CC: Tracy Gebhard, Audit Director
Erick Olsen, Auditor
Grace Arnold, Deputy Commissioner
Anne O'Connor, Deputy Commissioner

DEPARTMENTS OF THE ARMY AND THE AIR FORCE
JOINT FORCE HEADQUARTERS MINNESOTA
OFFICE OF THE ADJUTANT GENERAL
20 12TH STREET WEST
SAINT PAUL, MN 55155-2004

March 12, 2020

The Adjutant General

Mr. James Nobles, Legislative Auditor
140 Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155-1603

Mr. Myron Frans, Commissioner
Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155-1489

Dear Mr. Nobles and Commissioner Frans:

Thank you for the opportunity to review and respond to the finding and recommendation in the Office of the Legislative Auditor's Federal Single Audit Act draft audit report for the year ending June 30, 2019. We value the thorough examination of our program and appreciate the opportunity we had to work with your dedicated and professional staff. This is our written response to the audit finding and recommendation outlined in the draft audit report.

Audit Finding 2019-004 (20-02-1)
The Department of Military Affairs did not obtain documentation from its employees or the State Design Selection Board to determine whether any actual or potential conflicts of interest existed and to respond to any of those identified conflicts of interest.

Audit Recommendation 2019-004 (20-02-1)
The Department of Military Affairs should obtain documentation from its employees and the State Design Selection Board to determine whether any actual or a potential conflict of interest existed.

The Department of Military Affairs should develop a policy for employees' use in identifying an actual or a potential conflict of interest and for monitoring the State Design Selection Board's identification of and response to an actual or a potential conflict of interest.

Agency Response to Recommendation 2019-004 (20-02-1)
The department concurs with the recommendation. The agency will update its business process to ensure that the agency obtains the required documentation from its employees and the State Design Selection Board to determine whether any actual or a potential conflict of interest existed. Also, the agency will develop a policy for employees' use in identifying an actual or a potential conflict of interest and for monitoring the State Design Selection Board's identification of and response to an actual or a potential conflict of interest.

Person Responsible: Laurie Hanrahan, Contracts Officer/Supervisor
Estimated Completion Date: May 15, 2020

Again, thank you for the opportunity to review and respond to the agency's audit finding. If you have any further questions or concerns, please do not hesitate to contact me.

Sincerely,

Jon A. Jensen
Major General, MNARNG
Adjutant General

Cc: Donald Kerr, Executive Director
CW4 Ben LaBelle, Comptroller
COL Sol Sukut, Construction & Facilities Management Officer

DEPARTMENT OF TRANSPORTATION

March 19, 2020

James R. Nobles
Legislative Auditor
Office of the Legislative Auditor
658 Cedar Street
St. Paul, Minnesota 55155-1603

Myron Frans
Commissioner
Office of Management & Budget
400 Centennial Office Building, 658 Cedar Street
St. Paul, Minnesota 55155-1603

Dear Mr. Nobles and Mr. Frans:

Thank you for the opportunity to respond to the draft audit report regarding the Federal Single Audit Act as part of the audit of the Highway Safety Cluster (CFDA # 20.600; 20.601; 20.602; 20.609; 20.610; 20.611; 20.612; 20.613; and 20.616) at the Department of Public Safety for the period from July 1, 2018, through June 30, 2019, and the audit of the Schedule of Federal Expenditures reported for that program by the Minnesota Department of Transportation. The Office of the Legislative Auditor's (OLA's) time and effort in conducting this audit is very much appreciated, and the staff who conducted the audit were diligent, professional, and are a credit to your office. This letter is the Minnesota Department of Transportation's (MnDOT's) response to the draft report issued by the OLA.

<u>Finding Number 2019-005 (20-03-1)</u> – The Department of Transportation's Noncompliance with federal schedule of expenditures of federal awards requirements.

<u>Auditor's Recommendation</u> – The Department of Transportation should implement effective internal controls to ensure it does not report federal expenditures on the schedule of expenditures of Federal awards for federal funds received as sub-grants from other state agencies.

<u>Response</u> – MnDOT believes strongly in financial integrity and continues to refine and improve its business processes. MnDOT agrees with the auditor's finding and recommendation, and will address the finding in the following manner:

- MnDOT will implement effective internal controls to ensure it does not report federal expenditures on the schedule of expenditures of federal awards for federal funds received as sub-grants from other state agencies.

<u>Responsible Staff</u> – Robin Sylvester, Controller, Director Office of Financial Management.

<u>Implementation Date</u> – Immediately.

Thank you for the opportunity to respond to your finding and recommendations. MnDOT will monitor the implementation to assure successful resolution of this finding. Please contact Kara Taylor, Accounting Director, at 651-366-4878 with questions.

Sincerely,

Margaret Anderson Kelliher

Margaret Anderson Kelliher
Commissioner of Transportation

cc: Nancy Daubenberger, Deputy Commissioner and Chief Engineer
Kristi Schroedl, Chief Financial Officer
Janet Cherney, Assistant Commissioner Workforce and Agency Services
Robin Sylvester, Financial Controller/Director
Dan Kahnke, MnDOT Audit Director
Josh Knatterud-Hubinger, Budget Director
Kara Taylor, Accounting Director
Holly Folkers, Grant Director
Amy Jorgenson, MMB Director of Internal Controls
Kim Kildal, MMB Financial Reporting Supervisor, Accounting Services Division
Mary Moser, Office of the Legislative Auditor, Financial Audit Division

Equal Opportunity Employer

DEPARTMENT OF NATURAL RESOURCES

March 24, 2020

Jim Nobles, Legislative Auditor

Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155-1603

Commissioner Myron Frans, Commissioner
Minnesota Management and Budget
Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155-1603

Dear Mr. Nobles and Commissioner Frans:

Thank you for the opportunity to respond to the draft report of your audit of the Fish and Wildlife Cluster Program (CFDA 15.605, 15.611, and 15.626), in accordance with the Federal Single Audit Act and for the period of July 1, 2018, through June 30, 2019. Enclosed please find our detailed responses to the recommendations in the draft report, including the person responsible for completing each corrective action and the timeline for completion.

If you need anything further from the Department of Natural Resources, please let us know. You may contact Mary Robison, Chief Financial Officer, by phone at (651) 259-5561 or by e-mail at mary.robison@state.mn.us.

Sincerely,

Sarah Strommen
Commissioner

Enclosure

CC: Dave Olfelt, Director, Fish and Wildlife Division
Laurie Martinson, Director, Operations Services Division
Erika Rivers, Director, Parks and Trails Division
Mary Robison, Chief Financial Officer, Operations Services Division
Kathleen Shea, Internal Audit Manager, Operations Services Division
Denise Legato, Director of Human Resources, Operation Services Division
Linda Kelly, Administrative Services Section Chief, Fish and Wildlife Division

Minnesota Department of Natural Resources | Commissioner's Office
500 Lafayette Road North, St. Paul, Minnesota 55155
www.dnr.state.mn.us

Linda Erickson-Eastwood, Administrative Services Manager, Parks and Trails Division
Heather Kieweg, Federal Assistance Coordinator, Fish and Wildlife Division
Amy Jorgenson, Director, Minnesota Internal Control and Accountability Unit, Minnesota Management and Budget
Lori Leysen, Audit Director, Office of the Legislative Auditor
Mary Moser, Financial Audit Division, Office of the Legislative Auditor
Kim Kildal, Financial Reporting Supervisor, Minnesota Management and Budget

Finding Reference Number: 2019-006 (20-04-01)

Recommendations:

The Department of Natural Resources should develop policies and procedures to ensure it complies with the state's payroll requirements.

Response:

This recommendation pertains to a finding that in some cases where timesheets were not initially completed by employees or approved by primary supervisors, the employee or the primary supervisor did not circle back to validate the accuracy of the timesheet in accordance with State Payroll Policy PAY0017. The DNR agrees that State Payroll Policy PAY0017 should always be followed.

Person Responsible for Corrective Action: Jennifer Rivera

Corrective Actions Planned: Additional internal controls have been developed to ensure that employees or immediate supervisors validate timesheets in cases where they did not complete the initial timesheet validation. In September of 2019, DNR implemented Adjusted Timesheet documents that require employees or immediate supervisors to sign timesheets in cases where those timesheets had to be adjusted or corrected by human resources staff while they were being loaded. These Adjusted Timesheet documents must be signed and returned to human resources under current procedures.

In March of 2020, DNR implemented a change in how comments are noted when timesheets are approved by payroll staff. Should the employee, supervisor, or back-up approver not approve an employee's timesheet, payroll clerks enter a comment noting that they had to approve the timesheet and who they contacted, and document the resolution. Additionally, human resources staff conduct bi-weekly payroll audits of supervisor approval. Since these audits are conducted after employees have been paid, any corrections are retroactively applied.

There is not a mechanism to flag issues related to supervisor approval in real time within SEMA4, the state payroll system. Working within this limitation, human resources will continue to work with managers and supervisors across the agency to improve procedures regarding payroll validation outside of regular employee or supervisor approval.

Status: Partially resolved

Completion Date: December 1, 2020

Finding Reference Number: 2019-007 (20-04-02)

Recommendations:

The DNR should record only allowable activities and costs to federal awards. The DNR should enhance internal controls to ensure only allowable activities and costs are recorded to federal awards.

Response:

The DNR agrees that it should only record allowable activities and costs to federal awards, and should enhance its internal controls to ensure only allowable costs and activities are recorded. The DNR partially agrees with finding 2019-007 (20-04-02) that unallowable expenses were included in recorded expenditures, in that the finding does not recognize the DNR had more than sufficient unclaimed allowable expenses to offset the unallowable expenses recorded. The DNR has controls in place to ensure that the agency does not request federal dollars in excess of total eligible expenses. To that end, the DNR intentionally codes in excess of grant allowances to compensate for coding errors. In this case, the DNR had $3.4 million in additional eligible recorded costs for the grants with identified unallowable expenditures. This excess of eligible costs coded far exceeds the $29,772 incorrectly requested.

Person Responsible for Corrective Action: Heather Kieweg

Corrective Action Planned: Additional internal controls have been implemented since November of 2019. An additional data field has been added to our monthly review of expenditures recorded for each grant. This field is the Asset # field that is assigned for each capital expenditure and sensitive item acquired by the Department. Review of this field will allow for accurate identification of ineligible equipment expenditures recorded to grants, and subsequent data correction.

Status: Resolved

Completion Date: November 2019

Finding Reference Number: 2019-008 (02-04-03)

Recommendations:

The Department of Natural Resources (DNR) should develop written procedures for preparing the schedule of expenditures of federal awards. The DNR should establish procedures to perform an effective secondary review of the schedule of expenditures of federal awards to ensure accuracy.

Response:

The DNR agrees with the finding 2019-008 (20-04-03) that accrued expenditures were omitted from the schedule equating to about 0.9 percent of federal expenditures for the Fish and Wildlife Cluster, and about 2.5 percent of expenditures for Catalog of Federal Domestic Assistance (CFDA) 15.605. The DNR further agrees that a portion of Research and Development costs were incorrectly categorized for CFDA 15.605 and 15.611. The DNR agrees with the recommendations that it should develop written procedures for preparing the schedule of expenditures of federal awards, and should establish written procedures to perform an effective secondary review of the schedule of expenditures of federal awards.

Person Responsible for Corrective Action: David Brown

Corrective Action Planned: DNR's Office of Management and Budget (OMBS) staff will develop written procedures for the preparation of the schedule, including requirements for the timeliness of federal draws. OMBS will work with fiscal staff across the DNR to build a common understanding of these processes and timelines. Furthermore, the OMBS staff will develop written procedures for the allocation of research and development costs. The process for reporting Research and Development grants was new to DNR this year, and a misunderstanding about how these expenditures would be categorized resulted in a portion of these expenses being allocated to the wrong cluster. Now that the process is understood, there are systems in place to capture the expenses under the correct group and DNR will ensure that these processes and systems are documented in writing.

As part of developing written procedures for preparing the schedule of expenditures, the DNR will establish clear procedures for effective secondary review. These procedures will involve detailed review by division fiscal staff and Office of Management and Budget (OMBS) staff to ensure accuracy of expenditure reporting and allocation.

Status: Underway

Completion Date: December 1, 2020

Office of the Commissioner

445 Minnesota Street • Suite 1000 • Saint Paul, Minnesota 55101
Phone: 651.201.7160 • Fax: 651.297.5728 • TTY: 651.282.6555
Website: dps.mn.gov

March 20, 2020

James R. Nobles
Legislative Auditor
1st Floor South, Centennial Office Building
St. Paul, MN 55155

Mr. Myron Frans
Commissioner
Minnesota Management and Budget
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles and Commissioner Frans,

We have been provided with a draft of the audit report for the Highway Safety Cluster Program that was recently completed. Our response to the findings and recommendations are the following:

Finding 2019-009 (20-05-1)
The Department of Public Safety (DPS) did not communicate the federal award date, and did not always identify the subrecipient's unique entity identifier, in the information provided to subrecipients.

Recommendations
DPS should include federal award dates in its subaward agreement template. DPS should require subrecipients to provide unique entity identifiers with subawards applications.

DPS Response
DPS agrees with this finding. The federal award dates have been included in award documents for the past couple of years. The Office of Justice Programs (OJP) requested applicants to provide their unique identifying number in their documents. OJP will now incorporate a field in the applicant cover sheet that will not allow an application to be submitted without that field being filled.

Tricia Hummel, OJP Justice and Community Grants Director, is the responsible party. Completion date is July 1, 2020.

Finding 2019-010 (20-05-2)

DPS did not always conduct subrecipient monitoring activities required by its monitoring plan.

Recommendations

DPS should develop procedures, including a thorough supervisory review, to ensure staff conduct all required monitoring activities. DPS should revise its monitoring plan to eliminate the inconsistencies in the frequency of required monitoring activities.

DPS Response

DPS agrees with this finding. OJP continues to improve grant monitoring processes and is currently undergoing a review of the grant monitoring process and updating our monitoring plan that will incorporate additional supervisory review. Tricia Hummel and Cecilia Miller, OJP Crime Victim Grants Director, are the responsible parties. Completion date is July 1, 2020.

Finding 2019-011 (20-05-3)

DPS did not issue a management decision for one subrecipient audit finding.

Recommendation

DPS should issue a management decision on the subrecipient audit finding cited, and ensure necessary corrective action occurs.

DPS Response

DPS will review its current processes to track sub-recipient audit findings to ensure compliance with the Code of Federal Regulations, Title 2, Part 200, Section 521(a). Kate Weeks, Director of OJP, Larry Freund, Director of Fiscal and Administrative Services, Paul Mathe, Management Analyst, and Tricia Hummel are the responsible parties. Anticipated completion date is December 31, 2020.

Finding 2019-012 (20-05-4)

DPS did not properly approve three employee timesheets in compliance with state policy. Specifically, backup approvers approved timesheets without documenting the reason for their approval instead of the primary approver.

Recommendation

DPS should implement internal controls to ensure it properly documents reasons for timesheet approvers in compliance with state policy.

DPS Response

DPS will conduct training for managers and supervisors related to the proper procedures for primary and backup timesheet approvals in compliance with state Payroll Policy PAY0017 in order to fully comply with Code of Federal Regulations, Title 2, Part 200, Section 430a.

Finding 2019-013 (20-05-5)

DPS overstated expenditure reported on the schedule of expenditures of Federal awards for the Highway Safety Cluster by $622,438.

Recommendations

DPS should strengthen its internal controls to endure it does not double-count expenditures related to subgrants made to other divisions within the department on the schedule of expenditures of Federal awards. DPS should establish procedures to perform an effective secondary review of the schedule of expenditures of Federal awards to ensure accuracy.

DPS Response

DPS will create new procedures for the completion of the Schedule of Expenditures Federal Awards (SEFA) report. The error occurred due to new accounting officers not fully understanding the process. The procedure will include training of Fiscal & Administrative Services accounting officer staff to ensure expenditures reported are in compliance with MMB policies and that the Accounting Officer Supervisor conducts a secondary review of the schedule of expenditures of Federal awards to ensure accuracy. Public Safety did correct the missing expenditures.

Finding 2019-014 (20-05-6)

DPS's internal controls over Federal awards did not include secondary reviews of several tasks performed by individual employees.

Recommendation

DPS should implement internal controls over Federal awards that includes secondary reviews.

DPS Response

1. Federally required Local Benefit and Match (23 CFR Part 1300-appendix C & 2 CFR Part 200.306)

The Office of Traffic Safety (OTS) calculates federally required Local Benefit and Match funding requirements utilizing revised and improved process developed within the past year. Beginning in the current Federal Fiscal Year, the OTS State Program Coordinator, Shannon Ryder, has developed and implemented changes to the reconciliation process which is now is done quarterly rather than annually utilizing our E-grants system with a voucher review as a secondary check. This process improvement has been formalized in the OTS Operations manual.

2. Maintenance of Effort Determination (23 CFR Part 1200 & part 1300)

For the federally required Maintenance of Effort for the Highway Safety Cluster Program determination DPS is the designated lead state agency. In 2019 the working spreadsheets were updated using previous years' information. During our review of the previous process we identified several errors in the calculation methods. These deficiencies were corrected prior to submitting our report to NHTSA. An additional error was discovered during the recent OLA audit. This error did not affect the ability to prove that maintenance of effort had been met. The OTS State Program Administrator has since implemented an internal control process to not only receive better documents but also includes a secondary reconciliation process. This process has been formalized in the OTS operations manual.

DPS will create new procedures to strengthen internal controls to ensure compliance with draws of Federal Cash, completion and submission of financial reports, validating calculations for Maintenance of Effort requirements, validating calculations of matching requirements and other areas that currently may lack secondary reviews. Dan Boytin, Divisional Grant Manager is the responsible party. Anticipated completion date is December 31, 2020.

Additionally, OJP will work with Fiscal and Administrative Services to clarify roles and responsibilities and implement additional internal controls.
Jennifer Leholm, OJP Grants Administration and Budget Director is the responsible party. Anticipated completion date December 31, 2020.

If you have follow up questions or need further information, please let me know. We remain committed to working with you both to meet the needs and expectations of our public safety partners and all Minnesotans.

Sincerely,

John M. Harrington
Commissioner- Department of Public Safety

DEPARTMENT OF EDUCATION

March 25, 2020

Myron Frans, Commissioner
Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

James R. Nobles, Legislative Auditor
Office of the Legislative Auditor
140 Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Frans and Mr. Nobles:

Thank you for the opportunity to respond to the finding and recommendations in the Office of the Legislative Auditor's (OLA) Federal Compliance Audit report. We appreciate the diligent and professional work of your staff on this important issue.

Finding Number 2019-015 (20-06-01) Noncompliance with Carryforward provisions
Significant Deficiency in Internal Control Over Compliance: For the six local educational agencies cited in prior finding 2018-007, the Minnesota Department of Education (MDE) did not reduce carryforward amounts to 15 percent of Title 1 funds allocated for federal fiscal year 2016 or grant waivers for the excess. In addition, the Department of Education did not design effective internal controls to ensure compliance with the carryforward provisions.

Recommendations:
For the five local educational agencies cited that were not eligible for a waiver, the Department of Education should reduce the carryforward amounts to 115 percent of the Title 1 funds allocated.

For the one local educational agency that is eligible for a waiver, the Department of Education should either reduce the carryforward amounts to 15 percent of Title 1 funds allocated or grant a waiver for the excess.

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

Response:

MDE takes the OLA audit findings, recommendations and corrective action reporting very seriously. MDE concurs with the finding. After the audit last year, MDE designed and implemented changes that we believed addressed the audit finding. We did not intentionally misrepresent the status of our actions. During the past year, MDE performed the following activities in an effort to address and resolve this finding. MDE implemented the following corrective actions to track carryforwards and waivers:

- MDE revised carryover waiver timeline and technical assistance materials and posted these materials to the website
- MDE revised the procedure to notify LEAs of carryover waiver eligibility
- MDE developed a procedure to review carryover dollar amounts and notify districts when limits have been exceeded
- MDE consulted with the U.S. Department of Education (DOE) on the resolution of the carryforward amounts exceeding 15 percent during the review period
- MDE received approval from the U.S. DOE to adjust carryforward balances for the 2020-2021 school year. This will enable MDE to communicate the adjustments in a timely manner enabling LEA's to build the adjustments into their budgets.
- MDE collected waivers from two of the three eligible districts identified in the original finding.

MDE will address the specific findings and related recommendations as follows:

- **For the five local educational agencies cited that were not eligible for a waiver, the Department of Education should reduce the carryforward amounts to 15 percent of the Title 1 funds allocated.** The department will reduce the carryforward amounts to 15 percent of the Title 1 funds allocated for the 2020-2021 school year.
- **For the one local educational agency that is eligible for a waiver, the Department of Education should either reduce the carryforward amount to 15 percent of the Title 1 funds allocated or grant a waiver for the excess.** The department will confirm eligibility for the waiver and grant it by June 30, 2020. In the event this district is no longer eligible, the department will reduce the carryforward amounts to 15 percent of the Title 1 funds allocated.
- **The Department of Education should strengthen internal controls to ensure compliance with the carryforward provisions.** MDE will review and strengthen their procedure for calculating carryover dollar amounts and ensure the website reports are accurate. We will also test the process to ensure it produces the desired results.

    - In addition, when coordinating the MDE response to any correction action plan status updates (CAPSU), program staff will be provided copies of the original finding, the agency response and the CAPSU template.

Person Responsible: Teresa Taylor, Equity and Opportunity Division Director
Estimated Completion Date: November 30, 2020

If you have further questions, please contact Denise Anderson, Chief Financial Officer, at (651) 582-8560.

Sincerely,

Mary Cathryn Ricker

Mary Cathryn Ricker, NBCT
Commissioner

Cc: Denise Anderson, CFO
Teresa Taylor, Equity and Opportunity Division Director

DEPARTMENT OF HEALTH

Protecting, Maintaining and Improving the Health of All Minnesotans

March 23, 2020

James R. Nobles
Legislative Auditor
Office of the Legislative Auditor
658 Cedar St. Room 140
Centennial Office Building
St. Paul, MN 55155-1603

Myron Frans
Commissioner
Minnesota Management and Budget
658 Cedar St. Suite 400
Centennial Office Building
St. Paul, MN 55155-1603

Dear Mr. Nobles and Commissioner Frans:

Thank you for the opportunity to respond to the finding and recommendation of the Office of the Legislative Auditor's Federal Compliance Audit for the Minnesota Department of Health for the year ending June 30, 2019.

Finding 2019-016 (20-07-01)

Recommendation

The Department of Health should ensure that they have an understanding of what is required for the SEFA Schedule compared with what is required for the state's financial statements.

To avoid the need for some adjusting entries, the Department of Health should ensure that expenditure transactions entered into the statewide accounting system are coded to include all attributes necessary to be included in automated federal expenditure reports.

Response

Although the dollar amounts in the finding are immaterial given the amount of expenditures the Department of Health (MDH) reports on the SEFA schedule, we have identified procedure changes we can implement to avoid or catch similar errors in the future.

For CFDA number 10.557, we updated our procedure documents to ensure the adjustment we request for the state's financial statements matches the adjustment we request for the SEFA schedule.

For CFDA number 93.889, we developed and documented additional detective controls to identify expenditure transactions that are not initially reflected in the SEFA schedule so we can request appropriate adjusting entries. We will continue to work on identifying appropriate preventive controls to ensure that all expenditure transactions entered into the statewide accounting system are coded to include all attributes necessary to be included in automated federal expenditure reports. Implementing preventive controls will decrease the need for some adjusting entries.

Given we have already implemented some changes, we consider this finding partially resolved. Carmen Patton-Minder, Finance Director, is response for the remaining corrective actions and anticipates this work will be completed October 2020.

Sincerely,

Jan Malcolm
Commissioner
PO Box 64975
St. Paul, MN 55164-0975

2

Minnesota Department of Human Services
Elmer L. Andersen Building
Commissioner Jodi Harpstead
Post Office Box 64998
St. Paul, Minnesota 55164-0998

March 20, 2020

James Nobles, Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155

Myron Frans, Commissioner
Minnesota Management & Budget
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles and Commissioner Frans:

Thank you for the opportunity to review and comment on findings from your office's evaluation of the Department's compliance with major federal programs for state fiscal year ending June 30, 2019. We value the thorough examination of our major federal programs and appreciate the opportunity to work with your dedicated and professional staff.

The number and types of findings in this year's report gives us direction on where to focus our efforts to improve our oversight of major federal programs. A number of the findings are technical in nature, related to errors in various federal reports. Those are the sort of issues that should not reoccur and we need to clean them up.

This year we have initiated a large project aimed at evaluating all payment processes and payment types. The goal is to find problems and fix them – but to not stop there. We need not only to fix the discrete problem, but also to fix the underlying processes that led to the problem and document the new process going forward to ensure problems do not reoccur. This will continue as an ongoing effort to maintain compliance with the ever changing and complex federal and state requirements over the programs we administer. This work has been productive and will result in improved overall compliance in our programs.

Eligibility continues to be an area for focused improvement. Our testing of MA eligibility continues to show that proper documentation for eligibility decisions needs improvement. We will keep working to better clarify and communicate to counties the documentation requirement regarding eligibility decisions. We also will work to better understand why the auditors' subsequent queries of the DEED quarterly earnings database don't always match the amounts that METS received from DEED 12 to 18 months earlier. Additionally, in our Child Care Program, a change in federal law implementing an asset cap on recipients has resulted in higher error rates this year due to case workers using outdated intake forms. Our work to quickly identify and communicate this issue has already positively impacted compliance, and testing shows that related error rates are starting to drop. We will focus considerable effort this year on improving eligibility error rates in all our major federal programs.

We noted this year's report included some new findings that in past years would not have been considered reportable. The process for this year's Single Audit also made it more challenging for us to understand and respond to some of the findings. For example, we are concerned about the delay in sharing preliminary findings with us; many of our key staff reported that they first heard about some preliminary findings at the field exit conference. This limits our ability to discuss and understand issues and to confirm the underlying data or basis for the finding.

While we have concerns about the cost and effort needed to address findings as small as $25,000 in our multi-billion dollar programs, we do take your findings seriously and will put corrective action plans in place to resolve each finding.

Audit Finding 2019-017 (20-08-1)

The Department of Human Services did not maintain adequate security over EBT cards on hand and did not destroy returned EBT cards.

Audit Recommendation 2019-017 (20-08-1)

- *The Department of Human Services should maintain adequate security over EBT cards on hand and destroy returned EBT cards.*
- *The Department of Human Services should design and implement internal controls to ensure EBT cards on hand were secured and returned EBT cards were destroyed.*

Response to Audit Recommendation 2019-017 (20-08-1)

DHS agrees with this finding. Economic Assistance and Employment Supports Division Issuance staff will require agencies to complete a security questionnaire certifying the agency is following EBT card security procedures. Completion of the questionnaire will follow the SNAP Management Evaluation schedule.

Cards returned to DHS are now kept in a locked file until EAESD Issuance staff have destroyed and canceled the card. A list of all cards returned and destroyed is maintained.

Responsible Person:	Tikki Brown, Director, Economic Opportunity and Nutrition Assistance
Estimated Completion Date:	October 2020, for Questionnaires March 2020, for Improved Physical Card Controls

Audit Finding 2019-018 (20-08-2)

The Department of Human Services did not design or implement internal controls to ensure that staff used to conduct quality control reviews did not have prior knowledge of either the household or decision under review and, if staff had prior knowledge, staff disqualified themselves.

Audit Recommendation 2019-018 (20-08-2)

The Department of Human Services should design and implement internal controls to ensure all staff used to conduct quality control reviews do not have prior knowledge of either the household or the decision under review.

Response to Audit Recommendation 2019-018 (20-08-2)

DHS agrees with this finding. The DHS Quality Control Supervisor will require staff to sign a document indicating no conflict of interest, or prior knowledge of the household members, after each monthly sample is distributed. The document will be maintained and reviewed by the supervisor. If a conflict arises, the applicable sample will be reassigned to a different staff member.

Responsible Person: Tikki Brown, Director, Economic Opportunity and Nutrition Assistance

Estimated Completion Date: Completed

Audit Finding 2019-019 (20-08-3)

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

Audit Recommendation 2019-019 (20-08-3)

- *The Department of Human Services should enhance its internal controls to ensure it properly reduces TANF benefits to the families of all individuals who are not cooperating with child support requirements.*
- *The Department of Human Services should collect the overpaid TANF benefits for the three cases cited.*

Response to Audit Recommendation 2019-019 (20-08-3)

The Department agrees with this finding. DHS has made significant gains in the last few years to ensure county workers were complying with federal regulations and appropriately reducing cash assistance benefits due to child support sanctions. Since 2015 the error rate has been reduced by 82 percent. This improvement was achieved due to the following actions.

- Issuing new and clearer guidance on deadlines for acting on child support sanctions;
- Conducting presentations and training sessions for county frontline and supervisory staff on sanctions.

Beginning in July 2018, the Economic Assistance and Employment Supports Division (EAESD) initiated collaboration with the Child Support Division to create and distribute monthly reports detailing child support sanctions that had not been addressed. The report also enables county and tribal management to review the sanction status of identified cases and work with frontline staff to address the sanction.

EAESD staff review the report monthly and track the sanction compliance of counties. EAESD staff also provide updates on county child support compliance data during Financial Assistance Supervisors Association Meetings.

Effective May 2020, DHS will work with individual counties that repeatedly appear on the monthly reports to address non-compliance with child support messages. By targeting high frequency counties, the agency believes sanction errors will further decrease.

Responsible Person: Jovon Perry, Director, Economic Assistance and Employment Supports

Estimated Completion Date: May 2020

<u>Audit Finding 2019-020 (20-08-4)</u>

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

<u>Audit Recommendations 2019-020 (20-08-4)</u>

- *The Department of Human Services should improve its internal controls to ensure it provides TANF benefits to eligible recipients only and provides accurate TANF benefit amounts.*
- *The Department of Human Services should collect the overpaid TANF benefits for the 118 cases cited.*

<u>Response to Audit Recommendation 2019-020 (20-08-4)</u>

The Department agrees with this finding. It is important to note that eligibility errors found primarily determined that the documentation in the case file does not support the eligibility decision made; it does not mean the individual was not eligible to receive these benefits. DHS is refining a process that measures the true error rate for recipients who were not eligible for the benefits received.

Recent steps taken to resolve the eligibility errors identified include:

- Creating a new process to meet quarterly with internal audits to review common errors. This has resulted in updates to the Combined Manual providing clear and simplified guidance to county and tribal staff.
- Continuing to work with MNIT staff and legislative liaisons to minimize extraneous information and verification requests in the eligibility system. Allowing front line staff time to focus on substantive program requirements and policy procedures will allow time to focus on obtaining required documentation and correctly determining eligibility.
- Continuing to work towards simplifying policy.

The Department has also engaged with frontline staff and county leadership to propose simplifying policies and procedures. These meetings allow us to share error data with agencies that are administering the program and discuss the barriers county staff encounter with current policies.

Other steps we have taken include:

- Drafting multiple legislative proposals to align state statutes 256J and 256P that currently conflict and may lead to incorrect eligibility.
- Updating and issuing agency overpayment guidance in November 2019 to clarify the process of recouping overpayments.

When eligibility determination at application, recertification, or with an open and ongoing case is due to agency error, the agency will not recover an overpayment. The policy team will need to review the 118 cases to determine if, based on the updated guidance, collection of the overpayments is appropriate.

Responsible Person: Jovon Perry, Director, Economic Assistance and Employment Supports

Estimated Completion Date: June 2020

<u>Audit Finding 2019-021 (20-08-5)</u>

The Department of Human Services charged costs to awards that incurred prior to the start date of that award.

In addition, the department did not resolve prior audit finding 2018-009 and reallocate costs incurred before the start date of the 2018 TANF award to the applicable award. Instead, DHS reflected a negative charge to the applicable awards in the state's accounting system with expenditures still being applied to the 2018 TANF award.

Audit Recommendations 2019-021 (20-08-5)

- *The Department of Human Services should enhance internal controls to ensure that it did not spend more than the TANF award amount and that costs charged to TANF awards were not incurred prior to the start of those awards.*
- *The Department of Human Services should return the $208,056 of questioned costs.*

Response to Audit Recommendation 2019-021 (20-08-5)

DHS agrees in part with this finding. In SFY 2019 $208,056 was charged to FFY18 in error. We did a second correction on April 22, 2019, reducing FFY18 and charging FFY17 that was not addressed in the finding. The determination for the period of performance was done based on the budget dates in SWIFT. When reviewing the OLA issue for SFY19 it was determined some of the transactions should have been coded to FFY16. We believe the amount of the error should be $53,528 instead of $208,056. Per discussions with our federal contacts at ACF we should make adjustments between federal grants to handle these issues and not send funds back to them. We have added instructions to complete a more detailed review of the source documents for project id corrections to ensure we are using the correct grant year to charge and to move those adjustments properly between grant awards.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations

Estimated Completion Date: March 2020

Audit Finding 2019-022 (20-08-6)

For the TANF ACF - 196R Financial Report, the Department of Human Services did not accurately report transfers to the Child Care and Development Block Grant.

Audit Recommendations 2019-022 (20-08-6)

- *The Department of Human Services should correct and resubmit the ACF-196 reports.*
- *The Department of Human Services should implement effective internal controls to ensure it accurately reports required information to the federal government.*

Response to Audit Recommendation 2019-022 (20-08-6)

DHS agrees with this finding. We will contact our federal ACF representatives to resolve any federal reporting issues. We will implement better instructions and follow up in our quarterly reporting processes and transactions needed to comply.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations

Estimated Completion Date: March 2020

Audit Finding 2019-023 (20-08-7)

The Department of Human Services did not always monitor MFIP Consolidated Fund sub recipients.

Audit Recommendations 2019-023 (20-08-7)

- *The Department of Human Services should monitor MFIP Consolidated Fund sub recipients.*
- *The Department of Human Services should design and implement internal controls to ensure it monitors MFIP Consolidated Fund sub recipients.*

<u>Response to Audit Recommendation 2019-023 (20-08-7)</u>

The Department agrees with this finding and recommendation. The Department has taken steps to include participation in contract monitoring trainings, shared contract monitoring practices, outreach to the Internal Audits department for guidance, and membership within the Department's Grants Council's Grant Monitoring workgroup. Additionally, the Department is seeking guidance on required monitoring activities of sub recipients included in the Minnesota Family Investment Program Biennial Service Agreement.

The agency will create and formalize consistent monitoring procedures for sub recipients. Those procedures will include:

- Confirming requirements established in Code of Federal Regulations, Title 2, Part 200, Section 331(d);
- Creating a grant monitoring process that includes administrative reviews and fiscal reconciliations;
- Creating a process to track grant monitoring activity.

Responsible Person: Jovon Perry, Director, Economic Assistance and Employment Division

Estimated Completion Date: September 2020

<u>Audit Finding 2019-024 (20-08-8)</u>

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

<u>Audit Recommendations 2019-024 (20-08-8)</u>

- *The Department of Human Services should strengthen internal controls to ensure counties accurately determine eligibility and benefits.*
- *The Department of Human Services should ensure counties correct all errors.*

<u>Response to Audit Recommendation 2019-024 (20-08-8)</u>

The Department agrees with this finding. Finding 2019-024 is a repeat finding from SFY18 [2018-012 (19-06-05)]. Since SFY18, the Department has revised policies and implemented significant new policies for the Child Care Assistance Program. When policy revisions occur or new policies are implemented there can be a learning curve and implementation problems for Child Care Assistant Program (CCAP) agency workers, such as use of old forms at the local level. The asset assessment policy, effective October 1, 2018, resulted in a lengthy learning curve and implementation problems with the effects being seen through higher case review errors than in the past couple of years.

For the nine specific cases reviewed by the OLA with improper payments:

- Three cases did not result in an over or underpayment being assessed;
- Three cases had an over or under payment assessed;
- Three cases continue to be worked on by the Department and the CCAP agency.

The Department will continue to work on the three cases with the CCAP agency to ensure an overpayment or underpayment is assessed if needed or closing of the case if family is currently ineligible.

The Department will continue to review current tools available to CCAP agencies on determining eligibility factors, focusing on the areas of asset assessment, calculation of income, authorizing hours and activity verification. The Department will educate CCAP agencies on developing effective internal controls in order to ensure CCAP agency workers are accurately determining eligibility. The Department will ensure that education and training provided to CCAP agencies targets asset assessment, calculation of income, authorizing care and activity verification. The Department will continue to use case review follow up calls as opportunities to reinforce correct application of policy.

The Department is currently developing targeted case reviews which CCAP agencies will be required to complete on an ongoing basis. These will include review of eligibility factors such as assets assessment, calculation of income, authorizing hours and activity verification. The target date for implementation is fall of 2020.

DHS has focused resources on federal compliance and being below the federal threshold of a 10 percent improper payment error rate. The federal government requires that states report this rate every three years. DHS calculates and tracks it yearly. In FFY18, the federal error rate was 7.18 percent. In SFY19, the error rate was 12.85 percent, largely due to the implementation of the asset assessment policy effective October 1, 2018. The SFY19 error rate is approximately 7.37 percent when improper payments related to asset assessment are removed.

The Child Care Assistance Program has implemented a new process and timelines for tracking and following up with CCAP agencies to assure they are submitting all corrective action forms and correcting all errors.

The Department has completed ongoing education for CCAP Agency workers in all necessary areas of policy, including asset assessment and other eligibility determination factors. This includes the following:

- CCAP Agency worker refresher training in August and September of 2019 attended by 321 workers;
- Communication and training on asset assessment in July, September, November and December of 2019 and January and February of 2020;
- Contact with CCAP Agency staff regarding errors on individual cases on an ongoing basis;
- Continuous clarification and simplification of policy manual;
- Attendance or presentation at various conferences focusing on Child Care Assistance Program policy;
- Continuous communication through SIR informing CCAP Agency staff of tips, best practices, announcements and other targeted information;
- Continuous development of tips sheets and tools, making these available to CCAP Agency workers to assist them in completion of case processing.

In addition, as identified above, the department is currently in the process of developing a targeted case review process which will be required for all CCAP agencies.

Responsible Person: Cindi Yang, Director, Child Care Services

Estimated Completion Date: December 2020

<u>Audit Finding 2019-025 (20-08-9)</u>

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

<u>Audit Recommendations 2019-025 (20-08-9)</u>

- *The Department of Human Services should reallocate $3,378,718 of payroll costs to the 2018 grant award.*
- *The Department of Human Services should design and implement internal controls to ensure that costs are charged to the correct federal award.*

<u>Response to Audit Recommendation 2019-025 (20-08-9)</u>

DHS does not agree with this finding. Payroll was charged to the FFY17 grant after September 30, 2018. Per ACF instructions we have a certain number of years to liquidate awards for the Matching, Mandatory, and Discretionary categories. These transactions were reported as discretionary and the last date those can be charged is September 30, 2019, per the instructions and contact with ACF. We will make adjustments in SWIFT to any transactions after that date. We will update our instructions to update project id coding annually around October 1 each year for SWIFT speed charts, SEMA 4, and sub system interface files. This should ensure we are using the most current project id's available for the expenditures. We will also include monthly monitoring of project id activity in SWIFT to address issues timelier.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations

Estimated Completion Date: March 2020

<u>Audit Finding 2019-026 (20-08-10)</u>

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

<u>Audit Recommendations 2019-026 (20-08-10)</u>

- *The Department of Human Services should complete all required health and safety inspections.*
- *The Department of Human Services should ensure it has enough qualified employees to perform the required inspections.*

<u>Response to Audit Recommendation 2019-026 (20-08-10)</u>

The Department agrees with this finding. The Department received additional funding in July 2017 to hire additional licensors and reduce caseloads in order to complete timely inspections. The Department completed its hiring of additional staff in October 2019, which will help ensure that the Department has adequate staff to complete annual inspections, as required. The child care center staffing unit complement now stands at 43 staff. Over the last year and with the hiring of new staff completed, the Department had a 99 percent visit rate for Licensed Centers in calendar year 2019 and a 100 percent visit rate for certified centers.

Responsible Person: Reggie Wagner, Deputy Inspector General

Estimated Completion Date: Completed

<u>Audit Finding 2019-027 (20-08-11)</u>

The Department of Human Services did not accurately report expenditures and count of children.

<u>Audit Recommendations 2019-027 (20-08-11)</u>

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

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

Response to Audit Recommendation 2019-027 (20-08-11)

The Department agrees with this finding and will make prior quarter adjustments on the March 2020 CB-496 submission to correct inaccuracies in the amount identified in the audit report. The Department will develop robust procedural documentation for completion of the CB-496 which incorporates federal guidance and requirements for clarity. The Department is currently hiring new and additional staff to manage the Title IV-E funding and meet new grant requirements. In addition, the secondary staff will be trained in the completion of the CB-496 and will serve as a reviewer before the CB-496 is submitted to identify and correct inaccuracies and to address issues caused by employee turnover. Having multiple staff trained as well as detailed documentation, will ensure continuity of information and report completion.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations

Estimated Completion Date: September 2020

Audit Finding 2019-028 (20-08-12)

The Department of Human Services did not conduct annual monitoring visits, nor receive quarterly fiscal reports, to ensure that the sub recipient was meeting the terms and conditions of the federal award.

Audit Recommendations 2019-028 (20-08-12)

- *The Department of Human Services should monitor the activities of the sub recipient.*
- *The Department of Human services should implement adequate internal controls to ensure staff conducts annual site visits and sub recipients to submit quarterly fiscal reports.*

Response to Audit Recommendation 2019-028 (20-08-12)

The Department agrees with this finding and is committed to ongoing fiscal responsibility and during the period of review engaged in a blend of onsite and telephone reviews with the sub recipients. During the sub recipient quarterly meeting held in February 2020, the Department notified the sub recipients that the Department is in the process of developing a plan for annual onsite visits. The plan will include a contingency for social distancing and video conferencing. Completion of the plan is scheduled for June 30, 2020.

The Department will update its expenditure templates to provide specific reference to fiscal reporting included in the expenditure reports. Revised expenditure templates will be provided to the sub-recipients by August 30, 2020.

Responsible Person: Jamie Sorenson, Director, Child Safety and Permanency

Estimated Completion Date: August 2020

Audit Finding 2019-029 (20-08-13)

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

Audit Recommendations 2019-029 (20-08-13)

- *The Department of Human Services should revise its written policies and procedures to prevent duplicate requests for reimbursement from the federal government.*
- *The Department of Human Services should return the $174,750 in excess funds requested, plus any interest owed to the federal government, or reduce future claims by that amount as directed by federal guidance.*

Response to Audit Recommendation 2019-029 (20-08-13)

The Department agrees with this finding and will make a prior quarter adjustment on the CB-496 for the quarter ending March 2020 to correct inaccuracies. The Department will develop a detailed procedure pertaining to completing journal vouchers for reimbursing expenditures and prevent duplicate payments related the Public Private Adoption Incentives (PPAI) program. The Department will hold, at a minimum, internal quarterly meetings to ensure utilization of the appropriate accounts when issuing payments. Person(s)

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations
Mical Peterson, Supervisor, Adoption Programs
Estimated Completion Date: September 2020

Audit Finding 2019-030 (20-08-14)

For seven of our 20 samples tested, the Department of Human Services overpaid county requests for reimbursement of Minnesota Post Demonstration (MnPD) subsidies…to parents…by exceeding limits imposed by federal law. In addition, the Department did not design effective internal controls to ensure counties detected and prevented overpayments and complied with requirements in federal law.

Audit Recommendations 2019-030 (20-08-14)

- *The Department of Human Services should enhance its internal controls to ensure it effectively reviews and approves the reimbursement to counties for payments to adoptees.*
- *The Department of Human Services should enhance its internal controls to ensure counties effectively review and approve the appropriateness of county payments to adoptees.*

Response to Audit Recommendation 2019-030 (20-08-14)

The Department agrees with this finding. The Department will work collaboratively with Counties to address overpayment issues and establish procedures moving forward to prevent future overpayments. The Department will hold, at a minimum, quarterly internal meetings to monitor and sustain the procedures implemented as well as support Counties to ensure payments are appropriate and their requests do not exceed payment rules imposed by law.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations
Mical Peterson, Supervisor, Adoption Programs

Estimated Completion Date: September 2020

Audit Finding 2019-031 (20-08-15)

The Department of Human Services incorrectly expended a cash advance for a Private Public Adoption Initiative (PPAI) grant contract out of the Adoption Savings account. PPAI services are typically funded by

Federal Title IV-E funds. In addition, the Department of Human Services did not design and implement effective controls to prevent the inappropriate use of federal funds.

Audit Recommendations 2019-031 (20-08-15)

- *The Department of Human Services should make an expenditure correction in SWIFT to apply Title IV-E funds for Private Public Adoption Initiatives.*
- *The Department of Human Services should submit a corrected CB-496 report to the Federal government for Adoption Savings.*
- *The Department of Human Services should improve their internal controls to ensure staff do not use Adoption Savings to supplant Title IV-E funds.*

Response to Audit Recommendation 2019-031 (20-08-15)

The Department agrees with this finding and will make a prior quarter adjustment on the CB-496 for the quarter ending March 2020 to correct inaccuracies. The Department will develop a detailed internal procedure outlining internal controls to ensure proper use of Title IV-E funds. The Department will hold, at a minimum, quarterly internal meetings to ensure appropriate accounting string when issuing payments.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations

Estimated Completion Date: July 2020

Audit Finding 2019-032 (20-08-16)

For the CB-496 reports Title IV-E Programs Quarterly Financial Report and Annual Adoption Savings Calculation and Accounting Report we tested, the Department of Human Services did not accurately report expenditures. In addition, the Department of Human services did not design and implement effective internal controls to ensure compliance with these reporting requirements. Specifically, the second level reviewer and the authorized personnel signing the report were not able to identify the errors made by the preparer.

Audit Recommendations 2019-032 (20-08-16)

- *The Department of Human Services should make adjustments on their next quarterly CB-496 report to correct the errors noted. In addition, the Department of Human Services should implement effective internal controls to ensure it accurately reports required information to the Federal government.*
- *The Department of Human Services should submit a corrected CB-496 report to the Federal government for Adoption Savings.*

Response to Audit Recommendation 2019-032 (20-08-16)

The Department agrees with this finding and will make prior quarter adjustments to the upcoming March 2020 CB-469 submission to correct inaccuracies. The Department will develop robust procedural documentation for completion of the CB-496 which incorporates federal guidance and requirements for clarity. The Department is currently hiring new and additional staff to manage the Title IV-E funding and meet new grant requirements. In addition, a secondary staff will be trained in the completion of the CB-496 and will serve as a reviewer before the CB-496 is submitted to identify and correct inaccuracies and to address issues caused by employee turnover. Having multiple staff trained as well as detailed documentation, will ensure continuity of information and report completion.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations

Estimated Completion Date: January 2021

Audit Finding 2019-033 (20-08-17)

The Department of Human Services did not report the correct indirect cost rate and indirect cost base amount on the FFR for each SSBG award in 2017 and 2019, and did not correct these errors following the fiscal year 2018 Single Audit report. In addition, the Department of Human Services did not design effective internal controls to ensure compliance with reporting requirements.

Audit Recommendations 2019-033 (20-08-17)

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

Response to Audit Recommendation 2019-033 (20-08-17)

The Department agrees with this finding and will make prior quarter adjustments on the 425 submission to correct inaccuracies. The Department will develop a more robust procedural documentation for completion of the 425 which incorporates federal guidance and internal indirect cost requirements for clarity. The Department will further develop an internal control process by which a supervisor or additional staff within the unit is trained in the completion of the 425 and serves as a reviewer before the report is submitted to identify and correct inaccuracies.

Responsible Person: Chris Ricker, Program Operations Director, Financial Operations

Estimated Completion Date: July 2020

Audit Finding 2019-034 (20-08-18)

The Department of Human Services paid capitation payments to managed care organizations for some enrollees who were not eligible for Medical Assistance.

Audit Recommendations 2019-034 (20-08-18)

- *The Department of Human Services should improve its internal controls to obtain available income data from electronic sources and accurately verify enrollee eligibility for Medical Assistance..*
- *The Department of Human Services should ensure caseworkers verify a child's social security number after the first year of automatic newborn enrollment.*

Response to Audit Recommendation 2019-034 (20-08-18)

The Department of Human Services (DHS) will review Minnesota Eligibility Technology System (METS) functionality and Department of Employment and Economic Development (DEED) quarterly wage data exchange requirements to identify any malfunctions or gaps and implement systems changes as needed to ensure METS receives and utilizes all available DEED data to verify income within the initial application process.

DHS will also ensure METS system functionality is updated to require verification of Social Security numbers (SSN) for auto newborns turning age one.

Prior to the METS updates, DHS will develop and communicate a procedure for workers to identify newborns who do not have verified SSNs and follow up to ensure there is a verified SSN for all newborns turning age one. Estimated Completion Date: September 2020.

Responsible Person: Matt Anderson, Assistant Commissioner/State Medicaid Director

Estimated Completion Date: December 2021 for updated METS SSN verification functionality
September 2020 for SSN procedural verification revisions

Audit Finding 2019-035 (20-08-19)

The Department of Human Services incorrectly reimbursed tribal providers who submitted claims for a payment when their client self-administered a treatment drug at home and not at a clinic as required in federal law. DHS reimbursed the tribes using the federal Indian Health Services (IHS) "clinic" encounter rate rather than the "at home" rate of $0. In addition, the Department of Human Services did not have effective internal controls in place to ensure compliance with federal IHS payment requirements.

Audit Recommendations 2019-035 (20-08-19)

- *The Department of Human Services should implement controls to identify and prevent suspected error or fraud in the Medical Assistance program.*
- *The Department of Human Services should reconcile the $11,061,624 in overpayments with the federal government.*

Response to Audit Recommendation 2019-035 (20-08-19)

The Department continues its efforts to evaluate all payment processes and payment types. The goal is to find problems and fix the underlying processes that led to the problem and document the new process going forward to ensure problems do not reoccur. This will continue as an ongoing effort to maintain compliance with federal and state requirements over the programs we administer. DHS is in the process of reconciling the MAT overpayment with the federal Government.

Responsible Person: Gertrude Matemba-Mutasa, Assistant Commissioner, Community Supports

Estimated Completion Date: April 2021

Audit Finding 2019-036 (20-08-20)

The Department of Human Services did not revalidate the enrollment within the required five-year period for 10 of the 60 providers we tested. For eight of 10 sample providers, the Department did not obtain the required disclosure within the required five-year period. In addition, the Department of Human Services did not have effective internal controls to ensure compliance with federal revalidation requirements.

Audit Recommendations 2019-036 (20-08-20)

- *The Department of Human Services should implement internal control procedures to ensure that it conducts the provider revalidations that are required under federal law.*
- *The Department of Human Services should revalidate the enrollment for the ten providers tested.*

Response to Audit Recommendation 2019-036 (20-08-20)

Provider Eligibility and Compliance will implement internal control procedures to ensure that provider revalidations are complete under federal law. We continue to run reports to identify providers who need to be revalidated and initiate those revalidations.

Provider Eligibility and Compliance also plan to make enhancements to the revalidation process, including the automation of the revalidation management process, as part of the Minnesota Provider Screening and Enrollment (MPSE) portal project. MPSE enhancements for automating the revalidation process are scheduled for January of 2023. This will eliminate the manual process.

Additionally, Provider Eligibility and Compliance will initiate the revalidation for the 10 providers. We anticipate the revalidation process for the 10 providers to be complete by end of January 2021.

Responsible Person: Lori Shimon, Manager, Provider Eligibility, Compliance & Payments

Estimated Completion Date: See above

Audit Finding 2019-037 (20-08-21)

The Department of Human Services did not include all the required components in management decisions issued on audit findings for eleven subrecipients. In addition, the department did not issue the management decisions for seven of those subrecipients within the required timeframe.

Audit Recommendations 2019-037 (20-08-21)

- *The Department of Human Services should revise its policies and procedures to specify the components required to be included in management decisions.*
- *The Department of Human Services should improve its internal controls, including the implementation of a secondary review, to ensure it properly issues management decisions within the required timeframe.*

Response to Audit Recommendation 2019-037 (20-08-21)

The Department agrees with this finding. DHS will revise the template used to communicate the management decision on single audit findings. Additionally, DHS will revise the process to improve the secondary review function and ensure that the communication occurs within the required timeframe.

Responsible Person: Gary Johnson, Director, Internal Audits Office

Estimated Completion Date: Completed

Audit Finding 2019-038 (20-08-22)

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

Audit Recommendations 2019-038 (20-08-22)

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

<u>Response to Audit Recommendation 2019-038 (20-08-22)</u>

The Department partially agrees with this finding. We respectfully disagree that our contracts do not provide auditors with access to sub recipients' records and books related to the grant contract. All contracts contain a provision that provides this access.

DHS Contracts Division will work with the Assistant Commissioner's and division directors to verify that all federal award information is communicated in the appropriate contracts to sub recipients. Additionally, we will continue to work with the Legislative Audit staff to understand exactly which elements have not been adequately communicated to sub recipients and change our processes and templates accordingly.

Responsible Person: Sebastian Stewart, Director, Contracts, Procurement and Legal Compliance

Estimated Completion Date: June 2020

<u>Audit Finding 2019-039 (20-08-23)</u>

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

<u>Audit Recommendations 2019-039 (20-08-23)</u>

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

<u>Response to Audit Recommendation 2019-039 (20-08-23)</u>

MNIT accepts this deficiency and is working to correct the Access Re-certification process for users of the supported applications under review. The re-certification of METS users is currently underway and is scheduled to be completed by the end of April 2020. The re-certification of MAXIS users (State Employees and contractors) has begun and is scheduled to be completed by the end of May 2020. MNIT is working with the IWP application administrators to improve the access re-certification process for users of that application. Going forward, re-certification of users will be conducted annually and documented appropriately. To assist in this effort, a project to automate a portion of the process is currently underway and being piloted in several counties that access DHS systems.

Responsible Person: Gary Johnson, Director, Internal Audits Office
Chris Luhman, Information Security Director, MNIT

Estimated Completion Date: June 2020

<u>Audit Finding 2019-040 (20-08-24)</u>

The Department of Human Services did not appropriately allocate expenditures through multiple cost centers to programs that benefitted from the expense.

<u>Audit Recommendations 2019-040 (20-08-24)</u>

The Department of Human Services should implement effective internal controls to ensure that it allocates expenditures appropriately for purposes of federal reimbursement.

<u>Response to Audit Recommendation 2019-040 (20-08-24)</u>

This finding involves three distinct situations:

1. Four of the sampled items correspond to METS Development spending that occurred during the A-87 waiver period. These costs were allocated in accordance with the federal-approved budget and cost allocation procedures contained in the E&E IAPD. DHS updated these cost allocation procedures when the A-87 waiver expired. If these costs were allocated based on the updated cost allocation procedures, DHS would have claimed $124,459 less federal reimbursement.
2. One sample item corresponds to ISDS Development spending for the development of the Enterprise Service Bus (ESB). This spending occurred after the A-87 waiver period expired. These costs were incorrectly allocated based on the federal-approved cost allocation procedures for cost incurred during the waiver period. As a result of this error, DHS claimed an additional $5,073 in federal reimbursement.
3. One sample item corresponds to METS Operations spending. These costs were allocated in accordance with the federal-approved budget and cost allocation procedures contained in the E&E OAPD. For this sample item, the A-87 waiver is inconsequential, as the A-87 waiver only applied to development spending. If these operations costs were allocated consistent with the updated cost allocation procedures METS development, DHS would have claimed $40,361 less federal reimbursement.

DHS will continue to work with its federal partners to ensure E&E IAPD and OAPD budgets and cost allocation procedures are appropriately proposed, approved and implemented. The $5,073 error described above will be corrected. Going forward, an additional level of staff review will occur prior to the finalization of quarterly cost allocation results.

Responsible Person: Martin Cammack, Director, Financial Operations

Estimated Completion Date: March 2020

Audit Finding 2019-041 (20-08-25)

For all major federal programs, except CFDA 93.767, the Department of Human Services understated total expenditures reported on the schedule of expenditures of Federal awards by a net of $14,139,193.

Audit Recommendations 2019-041 (20-08-25)

The Department of Human Services should design and implement internal controls to ensure that all federal expenditures reported in the financial statements were included on the schedule.

Response to Audit Recommendation 2019-041 (20-08-25)

Department of Human Services agrees with this audit finding. DHS will establish steps for additional review of federal expenditures to ensure that all federal expenditures are correctly reported in the Schedule of Expenditures of Federal Awards (SEFA schedules).

Responsible Person: Martin Cammack, Director of Financial Operations Division

Estimated Completion Date: June 2020

Audit Finding 2019-042 (20-08-26)

The Department of Human Services paid capitation payments to managed care organizations and payments to providers for some enrollees who were not eligible for the Children's Health Insurance Program.

<u>Audit Recommendations 2019-042 (20-08-26)</u>

- *The Department of Human Services should improve its internal controls to ensure it properly verifies the income of enrollees in the Children's Health Insurance Program.*
- *The Department of Human Services should improve its internal controls to ensure that it accurately enrolls eligible individuals in the Children's Health Insurance Program.*

<u>Response to Audit Recommendation 2019-042 (20-08-26)</u>

The Department of Human Services (DHS) will issue a 2020 program integrity announcement reminding workers to verify, accurately enter information in the Minnesota Eligibility Technology System (METS), and maintain income documentation prior to clearing income verification flags in METS. Estimated Completion Date: September 2020.

DHS will also develop and implement communications activities to stress the importance of submitting documentation as requested for audits. Estimated Completion Date: September 2020.

DHS will review METS functionality and Department of Employment and Economic Development (DEED) quarterly wage data exchange requirements to identify any malfunctions or gaps and implement system changes as needed to ensure METS receives and utilizes all available DEED data to verify income within the initial application process. Estimated Completion Date: December 2021.

DHS will review existing auto newborn procedures and simplify the instructions for workers where possible to improve the likelihood that workers successfully set out correct eligibility and coverage for auto newborns. Estimated Completion Date: September 2020.

DHS will review METS functionality related to eligibility for auto newborns and pregnant women, identify gaps and implement enhancements to eliminate complex workarounds and ensure correct eligibility for these populations. Estimated Completion Date: December 2021.

Finally, DHS will amend existing worker procedures to ensure that when a case must be closed and re-entered in METS:

- The worker identifies any auto newborn with active MA eligibility on the case; and
- The worker takes steps to ensure that auto newborn status is maintained through the end of the auto newborn's first birthday month. Estimated Completion Date: September 2020.

Responsible Person: Matt Anderson, Assistant Commissioner/State Medicaid Director

Estimated Completion Date: See above.

Thank you again for the professional and dedicated efforts of your staff during this audit. The Department of Human Services' policy is to periodically evaluate progress made on all audit findings until full resolution has occurred. If you have any further questions, please contact Gary L. Johnson, Internal Audit Director, at (651) 431-3623.

Sincerely,

Jodi Harpstead

Jodi Harpstead
Commissioner

March 25, 2020

Mr. James Nobles, Legislative Auditor
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155-1603

Mr. Myron Frans, Commissioner
Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Mr. Nobles and Mr. Frans:

Thank you for the opportunity to respond to the findings and recommendations in accordance with the Federal Single Audit Act for the period from July 1, 2018, through June 30, 2019. The federal programs audited include the Vocational Rehabilitation Program (CFDA 84.126), the Disability Insurance and Social Security Insurance Cluster (CFDA 96.001 and 96.006), the Unemployment Insurance Program (CFDA 17.225), and the Employment Services Cluster (CFDA 17.207 and 17.801).

This letter responds to the written findings and recommendations identified in the audit report.

Minnesota Department of Employment and Economic Development
Administrative and Financial Services
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Finding Number 2019-043 (20-09-1) *Noncompliance with allowable activities and costs*

Federal Agency: U.S. Department of Labor
CFDA Number: CFDA 17.225 – Unemployment Insurance
Award Period: July 1, 2018, through June 30, 2019

Type of Finding: Significant Deficiency in Internal Control Over Compliance.

Criteria or Specific Requirement:
The Code of Federal Regulations, Title 2 Part 200, Section 430(a) states, "…Costs of compensation are allowable to the extent that… the total compensation for individual employees…conforms to the established written policy of the non-federal entity."

State Payroll Policy PAY0017 states, "Employees are responsible for completing and modifying their timesheets. If errors are found on a timesheet, the employee (not the supervisor/manager) should make the necessary changes. When backup approvers and payroll staff modify or approve timesheets, they should document the reason…."

Condition:
The Department of Employment and Economic Development allowed a timesheet to be completed by a supervisor, instead of the employee, without a documented reason.

Questioned Costs: $3,900.

Context:
We reviewed a random sample of 40 employee timesheets. One timesheet, completed by a supervisor without a documented explanation included $3,900 in payroll costs, which represented about 3.2 percent of the total payroll costs on the 40 timesheets reviewed. Based on that exception rate, we estimated potential questioned payroll costs of $774,980.

Cause:
The department generated a payroll system exception report each pay period that identified instances of a supervisor completing an employee's timesheet. However, the department did not take further action when the report showed no documentation explaining why the supervisor completed the timesheet.

Effect:
Employees have the most knowledge about the work they perform. Supervisors completing timesheets for employees increases the risk of inaccurate timesheets that could result in unallowable costs charged to the federal program.

Repeat Finding: No

Auditor's Recommendation:
The Department of Employment and Economic Development should implement internal controls to ensure it properly documents reasons for timesheet completion by supervisors in compliance with state policy.

DEED's Response:
DEED agrees with this finding of questioned costs in the amount of $3,900. The Department of Employment and Economic Development has implemented internal controls to ensure it properly documents reasons for timesheet completion by supervisors in compliance with state policy. Changes were implemented to this process prior to the audit, but after the audit period. A review of the report analysis process following the retirement of a long-term payroll supervisor showed the procedures could be strengthened. To reinforce stronger internal controls, the process was documented step by step, with implementation of additional tracking requirements. A memorandum was sent to all agency managers and supervisors documenting the requirements for timesheet review and approval with examples. A Self Service Audit tracking worksheet was created to facilitate correct documentation follow-up if someone other than the employee or supervisor completed the timesheet.

Person responsible for corrective action:
Jim Hegman, UI Director
Julie Freeman, CFO

Anticipated completion date for corrective action:
This audit finding is resolved.

Finding Number 2019-044 (20-09-2) *Noncompliance with eligibility*

Federal Agency: U.S. Department of Labor
CFDA Number: CFDA 17.225 – Unemployment Insurance
Award Period: July 1, 2018, through June 30, 2019

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:
The Unemployment Insurance program is a federal-state partnership based upon federal law, but administered by state employees under state law.

Minnesota Statutes, 268.095, subd. 4 states, "An applicant who was discharged from employment by an employer is ineligible for all unemployment benefits if ... the applicant was discharged because of aggravated employment misconduct."

Condition:
The Department of Employment and Economic Development did not identify an overpayment of unemployment compensation.

Questioned Costs: $554

Context:
We tested a random sample of 40 applicants who received unemployment compensation from a population of 135,991 receiving $775,652,802. Based on an exception rate of 0.21 percent, we estimated potential overpayments of $1,598,072.

Cause:
The department did not implement internal controls to ensure it updated its unemployment system when an employer provided support for an applicant redetermination.

Effect:
The department did not identify an overpayment of $554 for one applicant.

Repeat Finding: No

Auditor's Recommendation:
The Department of Employment and Economic Development should recover the overpayment.

The Department of Employment and Economic Development should implement internal controls to ensure it updates the unemployment system when it receives redetermination support.

DEED's Response:
DEED agrees with this finding of questioned costs in the amount of $554. The Unemployment Insurance Program has robust internal controls in place based on the nature of the program but will strengthen its internal control processes to ensure the unemployment system is updated when an employer provides support for an applicant redetermination. DEED will recover the overpayment of unemployment compensation to the applicant who was discharged because of aggravated employment misconduct since the applicant was ineligible for unemployment benefits.

Person responsible for corrective action:
Jim Hegman, UI Director

Anticipated completion date for corrective action:
To be completed by June 30, 2020

Finding Number 2019-045 (20-09-3) *Noncompliance with period of performance*

Federal Agency: U.S. Department of Labor
CFDA Number: CFDA 17.225 – Unemployment Insurance
Award Period: July 1, 2018, through June 30, 2019

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:
The Code of Federal Regulations, Title 2, Part 200, Section 309, states, "A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance…"

The Code of Federal Regulations, Title 2, Part 200, Section 333 states, "Financial records, supporting documents …must be retained for a period of three years from the date of submission of the final expenditure report...."

Condition:
The Department of Employment and Economic Development charged costs to an incorrect award. In addition, the department did not retain documentation for all transactions.

Questioned Costs: $18,357

Context:
Of the 18 randomly selected expenditure corrections tested, we identified two errors. One error for $2,986 was charged to the 2018 award. However, the obligation occurred during the 2017 award period of performance. In addition, the department did not retain documentation for one transaction totaling $15,371. Based on an exception rate of 7.9 percent, we estimated potential questioned costs of $43,072.

Cause:
The department did not consistently apply its control to charge expenditures to the correct award. In addition, the department did not retain documentation to support one expenditure.

Effect:
The department could spend more federal funds from unemployment insurance awards than it is entitled to spend. Furthermore, without supporting documentation, the department could not substantiate that the costs were allowable.

Repeat Finding: No

Auditor's Recommendation:
The Department of Employment and Economic Development should reallocate the cost to correct award or reimburse the federal government for identified errors.

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

The Department of Employment and Economic Development should consistently apply its internal control to identify the correct award for expenditures.

DEED's Response:
DEED agrees with this finding of questioned costs in the amount of $18,357. Although the obligation occurred during the 2017 award, $2,986 was charged to 2018 award. This was a warehouse transaction that was a mismatch of accounting string / funding information, which was not identified until after the 2017 award was closed. DEED did not have any other choice, but to charge to the 2018 award based on the closure of the 2017 award and accounting period. Internal controls have been put in place to run a mismatch report on a monthly basis for review and correction to avoid this type of mismatch error occurring in the future.

The vendor paper file for the month in question for the one expenditure was unable to be located during the audit. All other monthly files for that vendor were intact. DEED has implemented an electronic document storage system (EDMS) in Laserfiche which will assist in the streamlined retrieval of financial records moving forward.

Person responsible for corrective action:
Julie Freeman, CFO

Anticipated completion date for corrective action:
Partially resolved audit finding through implementation of process strengthening internal controls
Remaining to be completed no later than December 31, 2020

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Finding Number 2019-046 (20-09-4) *Noncompliance with reporting requirements*

Federal Agency: U.S. Department of Labor
CFDA Number: CFDA 17.225 – Unemployment Insurance
Award Period: July 1, 2018, through June 30, 2019

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:
The *Code of Federal Regulations*, Title 2, Chapter 2, Part 200.333 states, "… supporting documents… must be retained for a period of three years from the date of submission of the final expenditure report…."

Condition:
The Department of Employment and Economic Development did not always retain supporting documentation for the ETA 581 Contribution Operations report. For quarter ending December 2018, the department did not retain any supporting documentation. For quarter ending June 2019, the department did not retain supporting documentation for two line items.

Questioned Costs: None

Context:
We randomly selected two of four quarterly reports and could not complete testing on either.
The department utilizes a database, which pulls from the state's unemployment system. The data in the system is continuously updated. Therefore, static copy of the database is necessary to validate the point in time data is used in the report.

Cause:
The department did not retain a static copy of data.

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

Repeat Finding: No

Auditor's Recommendation:
The Department of Employment and Economic Development should retain support for the ETA 581 report.

DEED's Response:
DEED agrees with this finding. There are no questioned costs. DEED will retain a static copy of the database from the state's unemployment system as the supporting documentation necessary to validate the point in time data used to support and substantiate the accuracy of the quarterly ETA 581 Contribution Operations reports.

Person responsible for corrective action:
Jim Hegman, UI Director

Anticipated completion date for corrective action:
To be completed by June 30, 2020

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Finding Number 2019-047 (20-09-5) *Noncompliance with federal Schedule of Expenditures of Federal Awards requirements.*

Federal Agency: U.S. Department of Education
CFDA Number: CFDA 84.126 – Rehabilitation Services – Vocational Rehabilitation Grants to States
Award Period: July 1, 2018, through June 30, 2019

Type of Finding: Significant Deficiency in Internal Control Over Compliance

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

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

Questioned Costs: None

Context:
The department incorrectly reported subrecipient expenditures of $1,312,624. We proposed an audit adjustment to correct the schedules, and the Department of Management and Budget posted the adjustments.

Cause:
The department classified Vocational Rehabilitation contracted services as subrecipient expenditures. The federal government identified this error and advised the department to reclassify all subrecipient expenditures. The department opted to make the change in the state's accounting system when the current contracts expired. Because of that, the department continued to report the expenditures as subrecipient expenditures on the Schedule of Expenditures of Federal Awards to ensure consistency with the state's accounting system.

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

Repeat Finding: No

Auditor's Recommendation:
The Department of Employment and Economic Development should record these expenditures as contracts in the state's accounting system.

The department should enter into professional/technical services contracts with the vendors providing the services and should not continue to report subrecipient expenditures on the Schedule of Expenditures of Federal Awards or record them as subgrants in the state's accounting system.

DEED's Response:
The department agrees with the finding but points out that not all payments for contracted services were reported as grant payments on the Schedule of Expenditures of Federal Awards. The contracts in question expired on September 30, 2019. Activity code 884 was used when issuing payments to those specific contractors. This resulted in classification of the expenditures as grant payments on the Schedule of Expenditures of Federal Awards. Payments under the new contracts will use activity code 882 which is tied to case services. With the ending of the contracts in question, the department is entering into professional/technical services contracts with the vendors providing the services and therefore is not continuing to report subrecipient expenditures on the Schedule of Expenditures of Federal Awards or record them as subgrants in the state's accounting system. In effect, this audit finding is resolved.

Person responsible for corrective action:
Dee Torgerson, VRS Director

Anticipated completion date for corrective action:
Since the contracts in question expired on September 30, 2019 and a different activity code will be used on new contracts, this resulted in resolution of the finding as of October 1, 2019. No further corrective action is needed. This audit finding is resolved.

Finding Number 2019-048 (20-09-6) *Noncompliance with cash management.*

Federal Agency: U.S. Department of Education
CFDA Number: CFDA 84.126 – Rehabilitation Services – Vocational Rehabilitation Grants to States
Award Period: July 1, 2018, through June 30, 2019

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement:
The Code of Federal Regulations, Title 31, Part 205, Section 11(b), states, "A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs."

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

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

Questioned Costs: $215,474

Context:
For 2 of 21 draws tested, the department miscalculated the federal reimbursement. For one sample, the department requested and received $556,069 in federal funds resulting in an overdraw of $17,222 due to a miscalculation of the state match. For the other sample, the department requested and received $2,775,260 in federal funds resulting in an overdraw of $198,253 due to incorrectly including program income. In both cases, the overdraws were resolved with equivalent expenditures in one to three days.

Cause:
The department did not implement internal controls to ensure that cash draw calculations were accurate. One individual calculated and requested the funds from the federal government; there was no secondary review of the calculation.

Effect:
For two draws, the department requested $215,474 more in federal funds than it spent on allowable program costs. However, the interest incurred is de minimis and the overall federal award was not overspent.

Repeat Finding: No

Auditor's Recommendation:
The Department of Employment and Economic Development should implement internal controls to properly account for program income and the state match when calculating cash draws.

DEED's Response:
DEED agrees with this finding of questioned costs in the amount of $215,474. For two draws, the Department of Employment and Economic Development requested $215,474 more in federal funds than it spent on allowable program costs. However, the interest incurred is de minimis, the overall federal award was not overspent, and in both cases, the overdraws were resolved with equivalent expenditures in one to three days. The department is strengthening internal control and compliance in the cash draw implementation guidance developed jointly by Vocational Rehabilitation Services, Services for the Blind and Administrative and Financial Services to ensure a secondary review. This process will include documented approval / sign-off for implementation guidance changes when there are any regulatory changes or modifications made to the cash draw form to ensure the continued accuracy of the cash draw process, particularly in relation to program income and state match. Moving forward, all cash draws created by Administrative and Financial Services staff will be reviewed for accuracy by program fiscal staff, with documented approval / signoff prior to the draw completion. This secondary and multi-tiered review and approval / sign off process is expected to strengthen the internal control and resolve this audit finding.

Person responsible for corrective action:
Julie Freeman, CFO
Dee Torgerson, VRS Director
Natasha Jerde, SSB Director

Anticipated completion date for corrective action:
To be completed by June 30, 2020

Finding Number 2019-049 (20-09-7) *Noncompliance with allowable activities and costs.*

Federal Agency: U.S. Social Security Administration
CFDA Number: CFDA 96.001 – Social Security – Disability Insurance (DI)
Award Period: July 1, 2018, through June 30, 2019

Type of Finding: Significant Deficiency in Internal Control Over Compliance

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

State Payroll Policy PAY0017 states, "When backup approvers...approve timesheets, they should document the reason...and notify the primary supervisor/manager to ensure that the timesheet...approval was appropriate."

Condition:
The Department of Employment of Economic Development did not properly approve three employee timesheets in compliance with state policy. Specifically, backup approvers approved the timesheets without documenting the reason for their approval.

Questioned Costs: $8,248

Context:
We reviewed a random sample of 40 employee timesheets. The three timesheets approved by backup approvers without a documented explanation included $8,248 in payroll costs, which represented about 7.3 percent of the total payroll costs on the 40 timesheets reviewed. Based on that exception rate, we estimated potential questioned payroll costs of $752,615.

Cause:
The department generated a payroll system exception report each pay period that identified instances of timesheet approval by backup approvers. However, the department did not take further action when the report showed no documentation explaining the backup approval.

Effect:
The assigned primary approvers of timesheets are the most knowledgeable about the work schedule of the employee. Backup approvers are not as knowledgeable, which increases the risk of inaccurate timesheets that could result in unallowable costs charged to the federal program.

Repeat Finding: No

Auditor's Recommendation:
The Department of Employment and Economic Development should implement internal controls to ensure it properly documents reasons for timesheet approval by backup approvers in compliance with state policy.

DEED's Response:
DEED agrees with this finding of questioned costs in the amount of $8,248. The Department of Employment and Economic Development has implemented internal controls to ensure it properly documents reasons for timesheet approval by backup approvers in compliance with state policy. Changes were implemented to this process prior to the audit, but after the audit period. A review of the report analysis process following the retirement of a long term payroll supervisor showed the procedures could be strengthened. To reinforce stronger internal controls the process was documented step by step, with implementation of additional tracking requirements. A memorandum was sent to all Agency managers and supervisors documenting the requirements for timesheet review and approval with examples. A Self Service Audit tracking worksheet was created to facilitate correct documentation follow-up if someone other than the employee or supervisor completed the timesheet.

Person responsible for corrective action:
Frank Gilbertson, DDS Director
Julie Freeman, CFO

Anticipated completion date for corrective action:
This audit finding has been resolved.

If you have any questions or need additional information, please contact Julie Freeman, CFO, at Julie.freeman@state.mn.us or 651-259-7085.

Regards,

Blake Chaffee
Deputy Commissioner