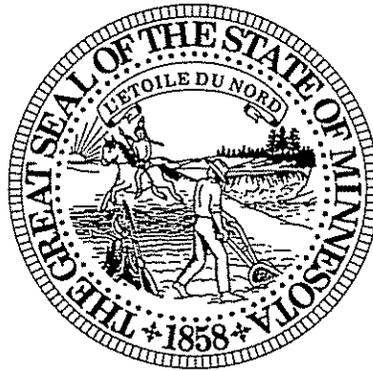


State of Minnesota



Financial and Compliance Report

on

Federally Assisted Programs

for the Year Ended

June 30, 2003

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

Minnesota Department of Finance
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
651/297-1326

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

The Minnesota Financial and Compliance Report on Federally Assisted Programs is available at the following web site:

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

State of Minnesota

Financial and Compliance Report On Federally Assisted Programs Fiscal Year Ended June 30, 2003

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State of Minnesota
Department of Finance

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658 Cedar Street
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March 19, 2004

The Honorable Tim Pawlenty, Governor

Members of the Legislature

I am submitting the State of Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 2003. This report meets the requirements of the Federal Single Audit Act of 1984 as amended in 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

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

Management Responsibilities

The Department of Finance is responsible for the accuracy, fairness and completeness of the financial schedules, including all disclosures, presented in this report. The department is also responsible for the Minnesota Accounting and Procurement System (MAPS), which was used in preparing this report. I believe these schedules provide a fair representation of financial activity for federal programs for the year ended June 30, 2003.

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

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

Federal Financial Assistance to the State of Minnesota

In fiscal year 2003, the state of Minnesota received approximately \$6.9 billion in federal assistance for its many programs.

Audits

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

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

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

Report

This Single Audit Report supplements the state's Comprehensive Annual Financial Report for the year ended June 30, 2003, and includes financial information for federal programs compiled by the Department of Finance. It is divided into four sections: Transmittal Letter; Financial Statement Section, which includes the auditor's report on internal control and compliance over financial reporting; Federal Programs Section, which includes the auditor's report on internal control and compliance for major federal programs, schedule of expenditures and notes to the schedules; and the Corrective Action Plans Section, which includes the status of prior audit findings and schedule of corrective action plans.

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

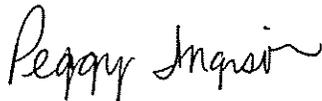
The financial schedules presented are meant to provide a consistent basis for reporting on the expenditures of federal assistance received by state agencies. They are not meant to replace recipient financial reporting currently required for each individual program of federal assistance.

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

Acknowledgments

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

Sincerely,



Peggy Ingison
Commissioner

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**Minnesota Office of the Legislative Auditor
Statewide Audit
Summary of Auditor's Results
Year Ended June 30, 2003**

Financial Statements

Type of independent auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses? X yes _____ no

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses? X yes _____ no

Type of auditor's report issued on compliance
for major programs: Qualified

Any audit findings disclosed that are required to be reported
in accordance with Circular A-133, Section .510(a)? X yes _____ no

Identification of Major Programs (See listing on next page)

Dollar threshold used to distinguish between
Type A and Type B programs: \$19.8 Million

Auditee qualified as low-risk auditee? _____ yes X no

Listing of Major Programs Audited

<u>Federal Agency and Major Program Name</u>	<u>CFDA#</u>
Agriculture	
Child & Adult Care Food Program	10.558
Special Nutrition for Women, Infants & Children	10.557
<i>Child Nutrition Cluster</i>	
School Breakfast	10.553
National School Lunch	10.555
Special Milk for Children	10.556
Summer Food Service for Children	10.559
<i>Food Stamp Cluster</i>	
Food Stamps	10.551
State Admin. Match Grant - Food Stamps	10.561
Education	
Title 1 – Grants to Local Educational Agencies	84.010
Vocational Rehabilitation Grants	84.126
Charter Schools	84.282
Improving Teacher Quality State Grants	84.367
<i>Special Education Cluster</i>	
Special Education – State Grants	84.027
Special Education – Preschool Grants	84.173
<i>Student Financial Assistance Cluster</i>	
Supplemental Education Opportunity Grant	84.007
Federal Family Education Loans	84.032
Federal Work-Study	84.033
Federal Perkins Loan	84.038
Federal Pell Grant	84.063
Federal Direct Student Loans	84.268
Nursing Student Loans	93.364
Federal Emergency Management Agency	
Public Assistance Grants	83.544

Health & Human Services	
Center For Disease Control & Prevention	93.283
Temp Aid for Needy Families	93.558
Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
Foster Care	93.658
Social Services Block Grant	93.667
Substance Abuse Preventive Treatment	93.959
<i>Child Care Cluster</i>	
Child Care & Development Block Grant	93.575
Child Care Mandatory & Matching Funds	93.596
<i>Medicaid Cluster</i>	
State Medicaid Fraud Control Units	93.775
State Health Care Providers Survey	93.777
Medical Assistance	93.778
Justice	
Juvenile Accountability Incentive Block Grant	16.523
Labor	
Unemployment Insurance	17.225
<i>Employment Services Cluster</i>	
Employment Service	17.207
Disabled Veterans Outreach Program	17.801
Local Veterans' Employment Representative	17.804
<i>Workforce Investment Act (WIA) Cluster</i>	
WIA – Adult and Youth	17.255
WIA – Adult Program	17.258
WIA – Youth Activities	17.259
WIA – Dislocated Workers	17.260
Social Security Administration	
<i>Disability Insurance/SSI Cluster</i>	
Social Security – Disability Insurance	96.001
Transportation	
Airport Improvement	20.106
<i>Highway Planning and Construction Cluster</i>	
Highway Planning & Construction	20.205

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FINANCIAL STATEMENT SECTION

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OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Legislature

The Honorable Tim Pawlenty, Governor

Mr. Dan McElroy, Commissioner of Finance

We have audited the basic financial statements of the State of Minnesota as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. We did not audit the financial statements of the Minnesota State Colleges and Universities (MnSCU), a business-type activity. The MnSCU financial statements represent 80 percent of the assets and 36 percent of the operating revenues of the primary government's total business-type activities. We also did not audit the financial statements of the University of Minnesota, Metropolitan Council, Housing Finance Agency, Public Facilities Authority, Minnesota Workers Compensation Assigned Risk Plan, National Sports Center Foundation, Higher Education Services Office, and Minnesota Partnership for Action Against Tobacco, which cumulatively represent 99 percent of the assets and 99 percent of the revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned proprietary fund and discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Minnesota Workers Compensation Assigned Risk Plan, National Sports Center Foundation, and Minnesota Partnership for Action Against Tobacco, which are discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

Compliance

As part of obtaining reasonable assurance about whether the State of Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying *Minnesota Office of the Legislative Auditor Statewide Audit Schedule of Financial Statement Audit Findings*. Also, in Note 2 to the State of Minnesota's Comprehensive Annual Financial Report, it was disclosed that, on June 30, 2003, the state's collateral was approximately \$59 million under the amount required by law.

Members of the Legislature
The Honorable Tim Pawlenty, Governor
Mr. Dan McElroy, Commissioner of Finance
Page 2

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Minnesota's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions and other internal control matters are included in the accompanying *Minnesota Office of the Legislative Auditor Statewide Audit Schedule of Financial Statement Audit Findings*. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Minnesota's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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



James R. Nobles
Legislative Auditor



Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

December 5, 2003

Minnesota Office of the Legislative Auditor
Schedule of Financial Statement Audit Findings
Fiscal Year Ended June 30, 2003

PURPOSE

The *Minnesota Office of the Legislative Auditor Statewide Audit Schedule of Financial Statement Audit Findings* lists matters relating to internal control and compliance over financial reporting that were noted as a result of the audit of the State of Minnesota's Comprehensive Annual Financial Report for the year ended June 30, 2003. The following schedule should be used in conjunction with the *Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* dated December 5, 2003. The schedule is intended primarily to be a reference to separately issued individual reports. Details concerning findings listed on the schedule, including agency responses, are included in the individual agency audit reports.

The organization and terminology used in the schedule are discussed after the schedule of financial statement audit findings.

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE AUDIT
SCHEDULE OF FINANCIAL STATEMENT AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2003

STATE AGENCY		AREA	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM
PRIMARY GOVERNMENT							
Administration	Information Technology		04-14	1	X		Inadequate security over electronic libraries that house critical programs
Education	Maximum Effort School Loan Fund		04-12	3	X		Inaccurate financial statements for non major fund-required adjustment
Education	Grant Payment Processing		04-12	4	X		Duplicate payment of federal grants
Education	Financial Statement Preparation		04-12	5	X		Accounting system understated liabilities for financial reporting
Employment & Econ Development	Unemployment Insurance Fund		04-13	2	X		Inaccurate financial statements required adjustment
Finance	State Agency Spending Authority Controls		04-01	1	X		Inadequate controls to prevent unauthorized appropriation transfers
Finance	State Agency Spending Authority Controls		04-01	2	X		Unnecessary clearance to selected appropriation accounts
Finance	Financial Statement Preparation		04-18	1	X		Erroneous information submitted by state agencies for financial reporting
Finance	Financial Statement Preparation		04-18	2	X		Lack of assurance that agency fund financial statements are accurate
Finance	Financial Statement Preparation		04-18	3	X		Accounting system understated liabilities in the financial statements
Health	Financial Statement Preparation		04-19	2	X		Incorrect recording of contract payments into the accounting system
Health	Financial Statement Preparation		04-19	4	X		Improper recognition of certain grant expenditures for financial reporting
Human Services	Health Care Programs		04-11	1		X	Medical Assistance funds used for services not allowed
Human Services	Information Technology		04-11	8	X		Inadequate protection of one account with clearance to production data
Mn State Colleges & Universities	Financial Management		D&T	3		X	Insufficient depository insurance and collateral at some institutions
Public Safety	Financial Statement Preparation		04-10	1	X		Erroneous determination of accrued liabilities
Revenue	Individual Income Tax Processing Controls		04-16	1	X		Inadequate overall security program
Revenue	Individual Income Tax Processing Controls		04-16	2	X		Inadequate access request procedures
Revenue	Individual Income Tax Processing Controls		04-16	3	X		Ineffective procedures for modifying and revoking security clearances
Revenue	Individual Income Tax Processing Controls		04-16	4	X		Weak controls to confirm the identity of system users
Revenue	Individual Income Tax Processing Controls		04-16	5	X		Excessive clearance to individual income tax systems and data
Revenue	Individual Income Tax Processing Controls		04-16	6	X		Excessive points of access into the department's private network
Revenue	Individual Income Tax Processing Controls		04-16	7	X		Unnecessary and insecure services being run
Revenue	Individual Income Tax Processing Controls		04-16	8	X		Untimely performance of important system maintenance procedures
Revenue	Individual Income Tax Processing Controls		04-16	9	X		Inadequate monitoring of systems
Transportation	Financial Statement Preparation		04-17	1	X		Inadequate controls to ensure accurate reporting of capital outlay
DISCRETELY PRESENTED COMPONENT UNITS							
Metropolitan Council	Financial Statement Preparation		OSA	01-3	X		Need to improve timeliness and accuracy of financial reporting process
MN Part. Against Tobacco	Financial Management		EB		X		Inadequate internal accounting controls and separation of duties

THE ATTACHED EXPLANATION IS AN INTEGRAL PART OF THIS SCHEDULE.

Minnesota Office of the Legislative Auditor

Explanation of the Schedule of Financial Statement Audit Findings Fiscal Year Ended June 30, 2003

This schedule shows significant internal control findings identified during our audit of the basic financial statements of the State of Minnesota as of and for the year ended June 30, 2003. These statements are included in the State of Minnesota's Comprehensive Annual Financial Report for the year ended June 30, 2003. The schedule also includes instances of noncompliance at the financial statement level. The findings are sorted by agency and area, for both the state's primary government and its discretely presented component units. The schedule refers to audit reports that contain a more detailed discussion of the respective audit findings and include agency responses.

- The report numbers in the format 0X-XX refer to reports issued by the Minnesota Office of the Legislative Auditor, which can be accessed electronically through the office website at www.auditor.leg.state.mn.us.
- The financial statements of the Minnesota State Colleges and Universities, a part of the state's primary government, were audited by Deloitte & Touche LLP (D&T).
- The financial statements of the Metropolitan Council, a discretely presented component unit, were audited by the Minnesota Office of the State Auditor (OSA).
- The financial statements of the Minnesota Partnership for Action Against Tobacco, a discretely presented component unit, were audited by Eide Bailly, LLP (EB).

Complete financial statements and the related reports for the audits referenced above can be obtained from their respective administrative offices, as follows:

Metropolitan Council
Mears Park Centre
230 East Fifth Street
Saint Paul, Minnesota 55101

Minnesota Partnership for Action Against Tobacco
590 Park Street, Suite 400
Saint Paul, Minnesota 55103

Minnesota State Colleges & Universities
Financial Reporting Unit
500 Wells Fargo Place, 30 East Seventh Street
Saint Paul, Minnesota 55101

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FEDERAL PROGRAM SECTION

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

Members of the Legislature

The Honorable Tim Pawlenty, Governor

Ms. Peggy Ingison, Commissioner of Finance

Compliance

We have audited the compliance of the State of Minnesota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2003. The State of Minnesota's major federal programs are identified in the *Minnesota Office of the Legislative Auditor Summary of Auditor's Results*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Minnesota's management. Our responsibility is to express an opinion on the State of Minnesota's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Minnesota's compliance with those requirements.

As described in the accompanying *Minnesota Office of the Legislative Auditor Statewide Single Audit Schedule of Federal Program Audit Findings*, the State of Minnesota did not comply with certain compliance requirements that are applicable to specific major federal programs. Compliance with such requirements is necessary, in our opinion, for the State of Minnesota to comply with requirements applicable to those programs.

Members of the Legislature
The Honorable Tim Pawlenty, Governor
Ms. Peggy Ingison, Commissioner of Finance
Page 2

In our opinion, except for the noncompliance described in the preceding paragraph, and except for the errors and questioned costs reported separately to the U.S. Department of Agriculture by the Minnesota Department of Human Services concerning the department's food support quality control activities for the Food Stamp (CFDA #10.551) and Temporary Aid for Needy Families (CFDA #93.558) Programs, the State of Minnesota complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

We noted reportable conditions and other matters involving the internal control over compliance and its operation that are described in the accompanying *Minnesota Office of the Legislative Auditor Statewide Single Audit Schedule of Federal Program Audit Findings*. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State of Minnesota's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants.

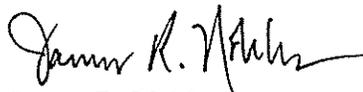
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to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

Members of the Legislature
The Honorable Tim Pawlenty, Governor
Ms. Peggy Ingison, Commissioner of Finance
Page 3

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the State of Minnesota as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. We did not audit the financial statements of the Minnesota State Colleges and Universities (MnSCU), a business-type activity. The MnSCU financial statements represent 80 percent of the assets and 36 percent of the operating revenues of the primary government's total business-type activities. We also did not audit the financial statements of the University of Minnesota, Metropolitan Council, Housing Finance Agency, Public Facilities Authority, Minnesota Workers Compensation Assigned Risk Plan, National Sports Center Foundation, Higher Education Services Office, and Minnesota Partnership for Action Against Tobacco, which cumulatively represent 99 percent of the assets and 99 percent of the revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned proprietary fund and discretely presented component units, is based solely on the reports of other auditors. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying *State of Minnesota Major Federal Programs Schedule of Expenditures* is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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


James R. Nobles
Legislative Auditor


Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

March 10, 2004, except for Schedule of Expenditures of Federal Awards as to which the date is December 5, 2003

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**Minnesota Office of the Legislative Auditor
Statewide Audit**

**Schedule of Federal Program Audit Findings
Fiscal Year Ended June 30, 2003**

PURPOSE

The schedule of audit findings for federal programs is presented to accommodate the federal inspector general, program staff, and other federal officials in resolving audit findings associated with federal programs. This schedule is intended primarily to be a reference to the individual management letters (reports) which we have issued to each affected state agency. All audit report findings associated with major and nonmajor federal programs are included in this schedule. We classified findings separately related to internal control and compliance.

This schedule is not intended to replace the individual audit reports and the respective state agency responses. The audit reports contain a detailed discussion of each finding, as well as the state agency's formal response to the findings. Therefore, users of this report are encouraged to utilize the schedule in conjunction with those documents. All audit reports issued by the Minnesota Office of the Legislative Auditor can be accessed electronically through the office website at www.auditor.leg.state.mn.us.

The organization and terminology used in the schedule are discussed after the schedule of federal program audit findings.

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2003

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT. NO.	FIND NO.	INT. CONT.	COMP. REQ.	PROBLEM	FIN. IMPACT
U.S. Department of Agriculture								
10.551	Food Stamps	Human Services	04-11	3	X	E	Inadequate controls over certain high-risk eligibility transactions	NQ
10.551	Food Stamps	Human Services	04-11	8	X	N	Inadequate protection of one account with clearance to production data	P
10.553	School Breakfast Program	Education	04-12	7	X	E	Used wrong meal counts and/or rates (resulted in under-reimbursement)	P
10.555	National School Lunch Program	Education	04-12	7	X	E	Used wrong meal counts and/or rates	\$155,892
10.555	National School Lunch Program	Education	04-12	9	X	L	Lack of support for reported state match figures	\$673,000
10.556	Special Milk Program for Children	Education	04-12	7	X	E	Used wrong meal counts and/or rates (resulted in under-reimbursement)	P
10.557	Special Nutrition for Women, Infants & Children	Health	04-19	1	X	E	Information on retroactive eligibility changes not requested	NQ
10.558	Child and Adult Care Food Program	Education	04-12	7	X	E	Used wrong meal counts and/or rates (resulted in under-reimbursement)	P
10.559	Summer Food Service Program for Children	Education	04-12	7	X	E	Used wrong meal counts and/or rates (resulted in under-reimbursement)	P
10.573	School Lunch Provisions 2 & 3	Education	03-58	1	X	E	Unrelated costs charged to the grant	\$317,240
10.574	Team Nutrition Grants	Education	03-58	2	X	B	Unrelated costs charged to the grant	\$32,034
U.S. Department of Education								
84.007	Federal Supplemental Education Opportunity Grant	MN State Colleges & Universities	DT-03	1	X	E	Satisfactory academic policies missing requirements	P
84.007	Federal Supplemental Education Opportunity Grant	MN State Colleges & Universities	DT-03	3	X	N	Return of Title IV funds not calculated or data omitted	\$763
84.007	Federal Supplemental Education Opportunity Grant	MN State Colleges & Universities	DT-03	4	X	E	Not monitoring satisfactory academic progress or return of Title IV funds	\$22,750
84.010	Title 1 - Grants to Local Educational Agencies	Education	04-12	2	X	E	Improper allocation of funds to subrecipients	\$48,000
84.010	Title 1 - Grants to Local Educational Agencies	Education	04-12	2	X	E	Overpayment to subrecipients	P
84.027	Special Education Grants to States	Education	04-12	8	X	E	Improper allocation of funds to subrecipients	NQ
84.032	Federal Family Education Loans	MN State Colleges & Universities	DT-03	1	X	E	Satisfactory academic policies missing requirements	P
84.032	Federal Family Education Loans	MN State Colleges & Universities	DT-03	2	X	N	Changes in student information not reported in a timely manner	P
84.032	Federal Family Education Loans	MN State Colleges & Universities	DT-03	3	X	N	Return of Title IV funds not calculated or data omitted	\$344,184
84.032	Federal Family Education Loans	MN State Colleges & Universities	DT-03	4	X	E	Not monitoring satisfactory academic progress or return of Title IV funds	\$1,121,722
84.032	Federal Family Education Loans	MN State Colleges & Universities	DT-03	5	X	E	Loans in excess of permitted amounts	\$7,055
84.033	Federal Work Study	MN State Colleges & Universities	DT-03	1	X	E	Satisfactory academic policies missing requirements	P
84.038	Federal Perkins Loans	MN State Colleges & Universities	DT-03	1	X	E	Satisfactory academic policies missing requirements	P
84.038	Federal Perkins Loans	MN State Colleges & Universities	DT-03	2	X	N	Changes in student information not reported in a timely manner	P
84.038	Federal Perkins Loans	MN State Colleges & Universities	DT-03	3	X	N	Return of Title IV funds not calculated or data omitted	\$6,074
84.038	Federal Perkins Loans	MN State Colleges & Universities	DT-03	4	X	E	Not monitoring satisfactory academic progress or return of Title IV funds	\$42,981
84.063	Federal Pell Grant	MN State Colleges & Universities	DT-03	1	X	E	Satisfactory academic policies missing requirements	P
84.063	Federal Pell Grant	MN State Colleges & Universities	DT-03	2	X	N	Changes in student information not reported in a timely manner	P
84.063	Federal Pell Grant	MN State Colleges & Universities	DT-03	3	X	N	Return of Title IV funds not calculated or data omitted	\$74,826
84.063	Federal Pell Grant	MN State Colleges & Universities	DT-03	4	X	E	Not monitoring satisfactory academic progress or return of Title IV funds	\$377,621
84.186	Safe and Drug-Free Schools and Communities	Education	04-12	2	X	E	Overpayment to subrecipients	P
84.268	Federal Direct Student Loans	MN State Colleges & Universities	DT-03	1	X	E	Satisfactory academic policies missing requirements	P
84.268	Federal Direct Student Loans	MN State Colleges & Universities	DT-03	2	X	E	Changes in student information not reported in a timely manner	P
84.268	Federal Direct Student Loans	MN State Colleges & Universities	DT-03	5	X	E	Loans in excess of permitted amounts	NQ
84.281	Eisenhower Professional Development Grants	Education	04-12	2	X	E	Overpayment to subrecipients	P
84.282	Charter Schools	Education	04-12	1	X	G	Failure to provide state match	P
84.282	Charter Schools	Education	04-12	4	X	B	Administrative contracts not executed before work begun	NQ
84.298	Innovative Education Program Strategies	Education	04-12	2	X	E	Overpayment to subrecipients	P
84.318	Education Technology State Grants	Education	04-12	2	X	E	Overpayment to subrecipients	P
84.365	English Language Acquisition Grants	Education	04-12	2	X	E	Overpayment to subrecipients	P
93.364	Nursing Student Loans	MN State Colleges & Universities	DT-03	1	X	E	Satisfactory academic policies missing requirements	P

THE ATTACHED EXPLANATION IS AN INTEGRAL PART OF THIS SCHEDULE.

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2003

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Health & Human Services								
93.283	CDC Investigations and Technical Assistance	Health	04-19	3		C	Advances to community health boards greater than board expenditures	P
93.283	CDC Investigations and Technical Assistance	Health	04-19	5	X	F	Inadequate management of fixed assets	P
93.558	Temporary Assistance for Needy Families	Human Services	04-11	3	X	E	Inadequate controls over certain high-risk eligibility transactions	NQ
93.558	Temporary Assistance for Needy Families	Human Services	04-11	4	X	E,N	Unimely resolution of income discrepancies identified by IEVS	NQ
93.558	Temporary Assistance for Needy Families	Human Services	04-11	8	X	N	Unimely resolution of income discrepancies identified by IEVS	P
93.658	Foster Care	Human Services	04-11	2	X	B	Salary allocations not sufficiently documented	NQ
93.667	Social Services Block	Human Services	04-11	2	X	B	Salary allocations not sufficiently documented	NQ
93.778	Medical Assistance	Human Services	04-11	1	X	B	MA funds used for services not allowed	\$6,900,000
93.778	Medical Assistance	Human Services	04-11	3	X	E	Inadequate controls over certain high-risk eligibility transactions	NQ
93.778	Medical Assistance	Human Services	04-11	4	X	E	Unimely resolution of income discrepancies identified by IEVS	NQ
93.778	Medical Assistance	Human Services	04-11	6	X	J	Inadequate separation of duties over receipt collections	P
93.940	HIV Prevention Activities - Health Departments	Health	04-11	7	X	N	Required number of nursing home audits not performed	P
93.940	HIV Prevention Activities - Health Departments	Health	03-57	2	X	B	Subgrantee reimbursements for undocumented costs	\$10,463
93.940	HIV Prevention Activities - Health Departments	Health	03-57	3	X	B	Subgrantee noncompliance with grant contract requirements	P
U.S. Department of Justice								
16.523	Juvenile Accountability Incentive Block Grant	Employment & Econ Development	04-13	1	X	L	Inaccurate determination of federal expenditures and reporting of match	P
U.S. Department of Labor								
17.258	Workforce Investment Act-Adult	Employment & Econ Development	04-13	1	X	L	Inaccurate reporting of expenditures on federal financial status report	P
17.259	Workforce Investment Act-Youth	Employment & Econ Development	04-13	1	X	L	Inaccurate reporting of expenditures on federal financial status report	P
Social Security Administration								
96.001	Social Security-Disability Insurance	Employment & Econ Development	04-13	3	X		Contract retainage not withheld as called for in contracts	P
Transportation								
20.106	Airport Improvement	Transportation	04-17	3	X	C	Federal funds were over obligated	\$166,000
20.205	Highway Planning & Construction	Transportation	04-17	2	X	A	Project oversight procedures need improvement	NQ

THE ATTACHED EXPLANATION IS AN INTEGRAL PART OF THIS SCHEDULE.

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Minnesota Office of the Legislative Auditor Statewide Audit

Explanation of the Schedule of Federal Program Audit Findings Fiscal Year Ended June 30, 2003

Introduction

This schedule shows the federal program audit findings for entities included in the state's primary government. The internal control and compliance findings are summarized in the schedule of federal program audit findings by federal grantor agency and program. The federal program is identified by its Catalog of Federal Domestic Assistance (CFDA) number. The federal programs are listed in numerical sequence for each federal agency. The schedule shows the reference to our audit reports, which contain discussion of the respective audit finding. The name of the state agency, the audit report number, and the finding number are also identified. All audit reports issued by the Minnesota Office of the Legislative Auditor can be accessed electronically through the office website at www.auditor.leg.state.mn.us. Deloitte & Touche LLP issued the management letter for the Minnesota State Colleges and Universities. The schedule shows references to their report as DT-03.

Internal Control

Internal control findings are referenced in the schedule. The schedule includes reportable conditions and other internal control matters identified in our audit of the federal programs. We noted no matters involving the internal control over the state's administration of federal financial assistance programs that we consider to be material weaknesses.

Compliance Requirements

Compliance findings referenced in the schedule relate to the requirements specified in federal laws and regulations. Most of these requirements are described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*. Compliance findings are categorized by the type of compliance requirement specified in the compliance supplement (Categories A through N).

Summary of Problem and Financial Impact

The schedule contains a brief discussion of the specific problem cited in the respective state agency audit report. This discussion should be interpreted cautiously because of its brevity. We encourage users of this report to refer to the audit report comments for any items which may interest them.

The schedule indicates the financial impact of the finding. We have utilized three standard references in this column:

- P Indicates a procedural finding which normally relates to a weakness in internal control or a nonfinancial instance of noncompliance. The area is generally not subject to quantification, and it is unlikely that a measurable financial impact accrues to the finding. However, leaving the finding unresolved subjects the state agency to a higher than normal risk of errors, irregularities, or inefficiencies.
- NQ Indicates that there is the likelihood of some financial benefits or losses, but the amount was not readily quantifiable. We either did not believe that quantifying the problem would enhance the finding, or records were not available to determine the financial impact.
- Amount Signifies that a finding results in a quantifiable amount, which indicates the potential dollar impact resulting from noncompliance or inconsistency with the requirements set forth in contracts, awards, loan agreements, statutes, or regulations governing the allocation, allowance, or reasonableness of costs charged to federal programs. Amounts are shown for specific dollars questioned in identified audit reports and do not include amounts, if any, separately reported to the respective federal agencies by state agencies.

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
AGRICULTURE				
	SPECIAL NUTRITION/WOMEN/INFANTS & CHILDREN (6)	10.557	HEALTH	\$ 60,034,238
			Program	Total: \$ 60,034,238
	CHILD & ADULT CARE FOOD PROGRAM	10.558	EDUCATION	59,855,345
		10.558	STATE COLLEGES & UNIVERSITIES	26,374
			Program	Total: \$ 59,881,719
	Child Nutrition Cluster			
	SCHOOL BREAKFAST PROGRAM	10.553	EDUCATION	17,527,508
	NATIONAL SCHOOL LUNCH PROGRAM	10.555	EDUCATION	78,976,208
		10.555	HUMAN SERVICES	11,410
	SPECIAL MILK PROGRAM FOR CHILDREN	10.556	EDUCATION	730,221
	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	EDUCATION	3,104,612
			Child Nutrition Cluster Total:	\$ 100,349,959
	Food Stamp Cluster			
	FOOD STAMPS (4)	10.551	HUMAN SERVICES	219,021,315
	STATE ADMIN MATCH GRANT-FOOD STAMPS	10.561	HUMAN SERVICES	39,611,008
			Food Stamp Cluster Total:	\$ 258,632,323
EDUCATION				
	TITLE 1 GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	EDUCATION	110,883,080
			Program	Total: \$ 110,883,080
	VOCATIONAL REHABILITATION GRANTS	84.126	ECONOMIC SECURITY	41,545,139
			Program	Total: \$ 41,545,139
	CHARTER SCHOOLS	84.282	EDUCATION	3,726,842
			Program	Total: \$ 3,726,842
	IMPROVING TEACHER QUALITY STATE GRANTS	84.367	EDUCATION	29,746,198
		84.367	STATE COLLEGES & UNIVERSITIES	42,618
			Program	Total: \$ 29,788,816
	Special Education Cluster			
	SPECIAL EDUCATION-STATE GRANTS	84.027	EDUCATION	121,799,620

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

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
EDUCATION (Continued)				
	SPECIAL EDUCATION-PRESCHOOL GRANTS	84.173	EDUCATION	\$ 7,439,586
		84.173	STATE COLLEGES & UNIVERSITIES	92,743
			Special Education Cluster Total:	\$ 129,331,949
Student Financial Assistance Cluster				
	SUPPLEMENTAL EDUCATION OPPORTUNITY	84.007	STATE COLLEGES & UNIVERSITIES	4,993,659
	FEDERAL WORK-STUDY	84.033	STATE COLLEGES & UNIVERSITIES	7,155,681
	FEDERAL PELL GRANT	84.063	STATE COLLEGES & UNIVERSITIES	102,932,498
			Student Financial Assistance Cluster Total:	\$ 115,081,838
FEDERAL EMERGENCY MANAGEMENT AGENCY				
	PUBLIC ASSISTANCE GRANTS	83.544	PUBLIC SAFETY	25,885,869
			Program Total:	\$ 25,885,869
HEALTH & HUMAN SERVICES				
	CENTER FOR DISEASE CONTROL & PREVENTION	93.283	HEALTH	20,090,446
			Program Total:	\$ 20,090,446
	TEMPORARY AID FOR NEEDY FAMILIES	93.558	HUMAN SERVICES	322,701,676
		93.558	STATE COLLEGES & UNIVERSITIES	69,277
			Program Total:	\$ 322,770,953
	CHILD SUPPORT ENFORCEMENT	93.563	HUMAN SERVICES	103,358,199
			Program Total:	\$ 103,358,199
	LOW INCOME HOME ENERGY ASSISTANCE	93.568	COMMERCE	79,912,274
			Program Total:	\$ 79,912,274
	FOSTER CARE	93.658	HUMAN SERVICES	80,250,752
			Program Total:	\$ 80,250,752
	SOCIAL SERVICES BLOCK GRANT	93.667	HUMAN SERVICES	49,104,574
			Program Total:	\$ 49,104,574
	SUBSTANCE ABUSE PREVENTIVE TREATMENT	93.959	HUMAN SERVICES	21,198,811
			Program Total:	\$ 21,198,811
Child Care Cluster				
	CHILD CARE & DEVELOPMENT BLOCK	93.575	HUMAN SERVICES	14,821,843
		93.575	STATE COLLEGES & UNIVERSITIES	66,690

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

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
HEALTH & HUMAN SERVICES (Continued)				
	CHILD CARE MANDATORY & MATCHING FUNDS	93.596	HUMAN SERVICES	\$ 105,831,200
			Child Care Cluster Total:	\$ 120,719,733
Medicaid Cluster				
	STATE MEDICAID FRAUD CONTROL UNITS	93.775	ATTORNEY GENERAL	921,475
	STATE HEALTH CARE PROVIDERS SURVEY	93.777	HEALTH	6,432,994
		93.777	HUMAN SERVICES	3,643,800
	MEDICAL ASSISTANCE	93.778	HUMAN SERVICES	2,724,768,674
			Medicaid Cluster Total:	\$ 2,735,766,943
JUSTICE				
	JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT	16.523	ECONOMIC SECURITY	4,299,156
		16.523	PUBLIC SAFETY	7,592
		16.523	SUPREME COURT	45,894
			Program Total:	\$ 4,352,642
LABOR				
	UNEMPLOYMENT INSURANCE (7)	17.225	ECONOMIC SECURITY	1,092,909,694
			Program Total:	\$ 1,092,909,694
Employment Services Cluster				
	EMPLOYMENT SERVICE	17.207	ECONOMIC SECURITY	22,067,333
		17.207	STATE COLLEGES & UNIVERSITIES	275,596
	DISABLED VETERANS OUTREACH PROGRAM	17.801	ECONOMIC SECURITY	1,615,503
	LOCAL VETERANS' EMPLOYMENT REPRESENTATIVE	17.804	ECONOMIC SECURITY	2,016,269
			Employment Services Cluster Total:	\$ 25,974,701
Workforce Investment Act Cluster				
	WIA - ADULT AND YOUTH (10)	17.255	ECONOMIC SECURITY	1,211,286
	WIA ADULT PROGRAM (10)	17.258	ECONOMIC SECURITY	9,034,382
		17.258	STATE COLLEGES & UNIVERSITIES	29,147
	WIA YOUTH ACTIVITIES (10)	17.259	ECONOMIC SECURITY	10,236,406

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

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
LABOR (Continued)				
	WIA DISLOCATED WORKERS (10)	17.260	ECONOMIC SECURITY	\$ 2,736,497
		17.260	STATE COLLEGES & UNIVERSITIES	7,871
		17.260	TRADE & ECONOMIC DEVELOPMENT	16,857,469
			Workforce Investment Act Cluster Total:	\$ 40,113,058
 SOCIAL SECURITY ADMINISTRATION				
	Disability Insurance/SSI Cluster			
	SOCIAL SECURITY-DISABILITY INSURANCE	96.001	ECONOMIC SECURITY	19,493,057
			Disability Insurance/SSI Cluster Total:	\$ 19,493,057
 TRANSPORTATION				
	AIRPORT IMPROVEMENT	20.106	TRANSPORTATION	51,676,684
			Program Total:	\$ 51,676,684
	Highway Planning and Construction Cluster			
	HIGHWAY PLANNING & CONSTRUCTION	20.205	STATE COLLEGES & UNIVERSITIES	8,003
		20.205	TRADE & ECONOMIC DEVELOPMENT	96,000
		20.205	TRANSPORTATION	374,131,239
			Highway Planning and Construction	\$ 374,235,242
			Major Program Total:	\$6,077,069,535

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
AGRICULTURE				
	PLANT/ANIMAL DISEASE/CARE/PEST CONTROLS	10.025	AGRICULTURE	209,898
		10.025	ANIMAL HEALTH	314,756
	CONSERVATION RESERVE PROGRAM	10.069	NATURAL RESOURCES	12,191
	FEDERAL-STATE MARKETING IMPROVEMENT	10.156	AGRICULTURE	86,493
	INSPECTION GRADING & STANDARDIZATION	10.162	AGRICULTURE	336,103
	MARKET PROTECTION AND PROMOTION	10.163	AGRICULTURE	14,308
	AGRICULTURAL COMPETITIVE RESEARCH	10.206	STATE COLLEGES & UNIVERSITIES	11,833
	HIGHER EDUCATION CHALLENGE GRANTS	10.217	STATE COLLEGES & UNIVERSITIES	9,688
	AGRICULTURAL & RURAL ECONOMIC RESEARCH	10.250	TRADE & ECONOMIC DEVELOPMENT	14,717
	MEAT & POULTRY INSPECTION STATE PROGRAMS	10.475	AGRICULTURE	504,615
	COOPERATIVE EXTENSION SERVICE	10.500	AGRICULTURE	17,480
	STATE ADMIN EXPENSES FOR CHILD NUTRITION	10.560	EDUCATION	3,296,714
	COMMODITY SUPPLEMENTAL FOOD PROGRAM	10.565	HEALTH	798,784
	NUTRITION PROGRAM FOR THE ELDERLY	10.570	HUMAN SERVICES	979,147
	WIC FARMERS' MARKET NUTRITION	10.572	AGRICULTURE	274,583
	TEAM NUTRITION GRANTS	10.574	EDUCATION	68,411
	SENIOR FARMERS MARKET NUTRITION PROGRAM	10.576	AGRICULTURE	77,280
	FORESTRY RESEARCH	10.652	NATURAL RESOURCES	52,059
		10.652	STATE COLLEGES & UNIVERSITIES	42,421
	COOPERATIVE FORESTRY ASSISTANCE	10.664	AGRICULTURE	30,709
		10.664	NATURAL RESOURCES	3,272,468
	ADDITIONAL LANDS-GRANTS TO MINNESOTA	10.668	FINANCE	2,101,500
	WATERSHED PROTECTION & FLOOD PREVENTION	10.904	NATURAL RESOURCES	353
	TECHNICAL AGRICULTURAL ASSISTANCE	10.960	STATE COLLEGES & UNIVERSITIES	10,043
	INTERNATIONAL AGRICULTURAL RESEARCH	10.961	STATE COLLEGES & UNIVERSITIES	48,783
	Emergency Food Assistance Cluster			
	EMERGENCY FOOD ASSISTANCE-ADMIN COSTS	10.568	EDUCATION	739,957
		Emergency Food Assistance Cluster Total:		\$ 739,957
	Schools and Roads Cluster			
	SCHOOLS AND ROADS-GRANTS TO STATES	10.665	FINANCE	1,750,671
		Schools and Roads Cluster Total:		\$ 1,750,671

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
COMMERCE				
	ECONOMIC DEVELOPMENT-TECHNICAL ASSIST	11.303	STATE COLLEGES & UNIVERSITIES	95,846
	FISHERY PRODUCTS INSPECTION/CERTIFICATION	11.413	AGRICULTURE	29,084
	COASTAL ZONE MANAGEMENT ADMIN AWARDS	11.419	NATURAL RESOURCES	585,104
	Public Works and Economic Development Cluster			
	PUBLIC WORKS & ECONOMIC DEVELOPMENT FACILITIES	11.300	STATE COLLEGES & UNIVERSITIES	1,197,712
			Public Works and Economic Development	\$ 1,197,712
DEFENSE				
	FLOOD PLAIN MANAGEMENT SERVICES	12.104	FINANCE	8,346
	REIMBURSEMENT OF TECHNICAL SERVICES	12.113	POLLUTION CONTROL	365,915
	BASIC & APPLIED SCIENTIFIC RESEARCH	12.300	STATE COLLEGES & UNIVERSITIES	58,613
	NATIONAL GUARD BUREAU (10)	12.40X	MILITARY AFFAIRS	22,794,019
EDUCATION				
	ADULT EDUCATION-STATE GRANT	84.002	EDUCATION	8,050,218
		84.002	STATE COLLEGES & UNIVERSITIES	8,397
	MIGRANT EDUCATION-BASIC STATE GRANT	84.011	EDUCATION	1,947,984
	TITLE I-NEGLECTED & DELINQUENT CHILDREN	84.013	EDUCATION	140,542
	HIGHER EDUCATION-INSTITUTIONAL AID	84.031	STATE COLLEGES & UNIVERSITIES	567,917
	VOCATIONAL EDUCATION-BASIC STATE GRANTS	84.048	STATE COLLEGES & UNIVERSITIES	17,646,032
	LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	84.069	STATE COLLEGES & UNIVERSITIES	67,370
	DISABLED PERSONS POSTSECONDARY ED	84.078	STATE COLLEGES & UNIVERSITIES	4,441
	IMPROVEMENT OF POSTSECONDARY EDUCATION	84.116	STATE COLLEGES & UNIVERSITIES	1,814,535
	CENTERS FOR INDEPENDENT LIVING	84.132	ECONOMIC SECURITY	1,034,371
	IMMIGRANT EDUCATION	84.162	EDUCATION	99,167
	INDEPENDENT LIVING	84.169	ECONOMIC SECURITY	743,349
	OLDER BLIND INDIVIDUALS INDEPEND LIVING	84.177	ECONOMIC SECURITY	640,536
	INFANTS & FAMILIES WITH DISABILITIES	84.181	EDUCATION	5,516,702

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
EDUCATION (Continued)				
	SAFE & DRUG FREE SCHOOLS & COMMUNITIES	84.184	EDUCATION	\$ 248,957
	BYRD HONORS SCHOLARSHIPS	84.185	EDUCATION	743,999
	SAFE & DRUG-FREE SCHOOLS-STATE GRANTS	84.186	EDUCATION	11,260,618
	SUPPORTED EMPLOYMENT SERVICES-DISABLED	84.187	ECONOMIC SECURITY	545,917
	BILINGUAL EDUCATION SUPPORT SERVICES	84.194	EDUCATION	1,828,243
	BILINGUAL EDUCATION-PROFESSIONAL DEVELOPMENT	84.195	STATE COLLEGES & UNIVERSITIES	10,990
	EDUCATION FOR HOMELESS CHILDREN & YOUTH	84.196	EDUCATION	425,529
	EVEN START-STATE EDUCATION AGENCIES	84.213	EDUCATION	2,090,675
	FUND FOR IMPROVEMENT OF EDUCATION	84.215	EDUCATION	150,715
	ASSISTIVE TECHNOLOGY STATE GRANTS	84.224	ADMINISTRATION	451,182
	PROJECTS WITH INDUSTRY	84.234	ECONOMIC SECURITY	240,796
	TECH-PREP EDUCATION	84.243	STATE COLLEGES & UNIVERSITIES	1,800,444
	STATE VOC REHAB UNIT IN-SERVICE TRAINING	84.265	ECONOMIC SECURITY	137,005
	GOALS 2000-STATE & LOCAL ED IMPROVEMENT	84.276	EDUCATION	4,217,324
	JOB TRAINING-PILOT & DEMO PROGRAMS	84.278	EDUCATION	1,617,347
		84.278	STATE COLLEGES & UNIVERSITIES	202,378
	EISENHOWER PROF DEVELOPMENT- STATE	84.281	EDUCATION	5,560,996
		84.281	STATE COLLEGES & UNIVERSITIES	403,194
	TWENTY-FIRST CENTURY COMMUNITY LEARNING	84.287	EDUCATION	642,111
	BILINGUAL EDUCATION RESEARCH PROGRAMS	84.292	EDUCATION	36,327
	INNOVATIVE EDUCATION STRATEGIES	84.298	EDUCATION	9,074,415
	FEDERAL PERKINS LOAN - CAPITAL CONTRIBUTIONS	84.308	STATE COLLEGES & UNIVERSITIES	1,692
	EVEN START-STATEWIDE LITERACY PROGRAM	84.314	EDUCATION	93,170
	TECHNOLOGY LITERACY CHALLENGE FUND GRANTS	84.318	EDUCATION	5,397,278
	SPECIAL EDUCATION-STATE PROGRAM IMPROVEMENT	84.323	EDUCATION	970,022
		84.323	STATE COLLEGES & UNIVERSITIES	23,005
	SPECIAL EDUCATION-RESEARCH & INNOVATION	84.324	EDUCATION	118,275
		84.324	STATE COLLEGES & UNIVERSITIES	1,043,944
	SPECIAL ED - PERSONNEL PREP FOR DISABLED CHILDREN	84.325	STATE COLLEGES & UNIVERSITIES	188,664
	SPECIAL EDUCATION-TECHNICAL ASSISTANCE	84.326	EDUCATION	495,186
	ADVANCED PLACEMENT INCENTIVE PROGRAM	84.330	EDUCATION	361,202
	COMPREHENSIVE SCHOOL REFORM DEMONSTRATION	84.332	EDUCATION	4,352,383

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
EDUCATION (Continued)				
	CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	84.335	STATE COLLEGES & UNIVERSITIES	\$ 52,675
	READING EXCELLENCE	84.338	EDUCATION	14,404,980
	CLASS SIZE REDUCTION	84.340	EDUCATION	7,321,691
	PREPARING TOMORROW'S TEACHERS USING TECHNOLOGY	84.342	STATE COLLEGES & UNIVERSITIES	94,600
	TRIO DISSEMINATION PARTNERSHIP	84.344	STATE COLLEGES & UNIVERSITIES	26,412
	OCCUPATIONAL & EMPLOYMENT INFORMATION GRANT	84.346	STATE COLLEGES & UNIVERSITIES	104,793
	TITLE 1 ACCOUNTABILITY GRANTS	84.348	EDUCATION	3,197,669
	SCHOOL RENOVATION GRANTS	84.352	EDUCATION	5,246,241
	VOLUNTARY PUBLIC SCHOOL CHOICE	84.361	EDUCATION	871,958
	ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	EDUCATION	3,965,958
	GRANTS FOR ENHANCED ASSESSMENT INSTRUMENTS	84.368	EDUCATION	46,632
	GRANTS FOR STATE ASSESSMENTS & RELATED ACTIVITIES	84.369	EDUCATION	2,118,455
TRIO Cluster				
	STUDENT SUPPORT SERVICES	84.042	STATE COLLEGES & UNIVERSITIES	5,560,475
	TALENT SEARCH	84.044	STATE COLLEGES & UNIVERSITIES	1,121,998
	UPWARD BOUND	84.047	STATE COLLEGES & UNIVERSITIES	3,431,372
	EDUCATIONAL OPPORTUNITY CENTERS	84.066	STATE COLLEGES & UNIVERSITIES	675,896
TRIO Cluster Total:				\$ 10,789,741
ENERGY				
	NATIONAL ENERGY INFORMATION CENTER	81.039	COMMERCE	2,963
	STATE ENERGY CONSERVATION	81.041	COMMERCE	1,424,208
	WEATHERIZATION ASSISTANCE-LOW INCOME (5)	81.042	COMMERCE	9,693,508
	OFFICE OF SCIENTIFIC AND TECHNICAL INFORMATION	81.064	STATE COLLEGES & UNIVERSITIES	19,399
	REGIONAL BIOMASS ENERGY	81.079	COMMERCE	69,418
	RENEWABLE ENERGY RESEARCH AND DEVELOPMENT	81.087	STATE COLLEGES & UNIVERSITIES	28
	ENERGY EFFICIENCY	81.117	COMMERCE	53,677
	STATE ENERGY PROGRAM SPECIAL PROJECTS	81.119	COMMERCE	278,099

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
ENVIRONMENTAL PROTECTION AGENCY				
	STATE INDOOR RADON GRANTS	66.032	HEALTH	500,430
	WATER POLLUTION CONTROL-STATE/INTERSTATE	66.419	HEALTH	57,715
	STATE PUBLIC WATER SYSTEM SUPERVISION	66.432	HEALTH	1,334,492
	WATER QUALITY MANAGEMENT PLANNING	66.454	POLLUTION CONTROL	263,041
	NONPOINT SOURCE IMPLEMENTATION	66.460	AGRICULTURE	213,382
		66.460	POLLUTION CONTROL	6,378,549
		66.460	STATE COLLEGES & UNIVERSITIES	23,144
	WETLANDS PROTECTION	66.461	NATURAL RESOURCES	38,010
		66.461	POLLUTION CONTROL	200,938
		66.461	WATER & SOIL RESOURCES	32,662
	NATIONAL POLLUTANT DISCHARGE ELIMINATION	66.463	POLLUTION CONTROL	153,295
	WASTEWATER OPERATOR TRAINING	66.467	POLLUTION CONTROL	40,249
	DRINKING WATER STATE REVOLVING FUND	66.468	HEALTH	1,850,040
	GREAT LAKES PROGRAM	66.469	POLLUTION CONTROL	18,850
	STATE GRANTS TO OPERATORS OF SMALL WATER SYSTEMS	66.471	HEALTH	81,003
	BEACH MONITORING AND NOTIFICATION PROGRAM	66.472	POLLUTION CONTROL	138,231
	WATER PROTECTION GRANTS TO THE STATES	66.474	HEALTH	1,561
	ENVIRONMENTAL PROTECTION-CONSOLIDATED RESEARCH	66.500	POLLUTION CONTROL	36,734
	AIR POLLUTION CONTROL RESEARCH	66.501	POLLUTION CONTROL	40,219
	PERFORMANCE PARTNERSHIP GRANT	66.605	POLLUTION CONTROL	8,882,555
	SURVEYS, STUDIES, & INVESTIGATIONS	66.606	HEALTH	86,968
		66.606	NATURAL RESOURCES	74,500
		66.606	POLLUTION CONTROL	892,332
	TRAINING AND FELLOWSHIP GRANT	66.607	POLLUTION CONTROL	15,292
	ONE STOP REPORTING	66.608	POLLUTION CONTROL	101,295
	CONSOLIDATED PESTICIDE ENFORCEMENT	66.700	AGRICULTURE	708,024
	CERTIFICATION OF LEAD-BASED PAINT PROFS	66.707	HEALTH	358,617
	POLLUTION PREVENTION GRANTS	66.708	POLLUTION CONTROL	56,631
	STATE & TRIBAL ENVIRONMENTAL JUSTICE	66.713	POLLUTION CONTROL	24,867
	SUPERFUND STATE SITE-COOP AGREEMENTS	66.802	POLLUTION CONTROL	2,333,623

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
ENVIRONMENTAL PROTECTION AGENCY (Continued)				
	UNDERGROUND STORAGE TANK TRUST FUND	66.805	POLLUTION CONTROL	\$ 1,379,968
	SOLID WASTE MANAGEMENT ASSISTANCE	66.808	ENVIRONMENTAL ASSISTANCE	140,807
 EQUAL EMPLOYMENT OPPORTUNITY COMMISSION				
	FAIR EMPLOYMENT PRACTICES CONTRACTS	30.002	HUMAN RIGHTS	359,500
 FEDERAL EMERGENCY MANAGEMENT AGENCY				
	HAZARDOUS MATERIALS TRAINING SUPERFUND	83.011	STATE COLLEGES & UNIVERSITIES	7,429
	HAZARDOUS MATERIALS ASSISTANCE	83.012	PUBLIC SAFETY	4,478
		83.012	STATE COLLEGES & UNIVERSITIES	1,500
	COMMUNITY ASSISTANCE	83.105	NATURAL RESOURCES	183,507
	EMERGENCY FOOD & SHELTER NATIONAL BOARD	83.523	EDUCATION	108
	FLOOD MITIGATION ASSISTANCE	83.536	NATURAL RESOURCES	2,015,514
		83.536	PUBLIC SAFETY	26,660
	CRISIS COUNSELING	83.539	PUBLIC SAFETY	292,715
	DISASTER UNEMPLOYMENT ASSISTANCE	83.541	ECONOMIC SECURITY	1,742,324
	INDIVIDUAL & FAMILY GRANTS	83.543	PUBLIC SAFETY	923,048
	ANTI-TERRORISM TRAINING	83.547	STATE COLLEGES & UNIVERSITIES	383,915
	HAZARD MITIGATION GRANT	83.548	NATURAL RESOURCES	11,283
		83.548	PUBLIC SAFETY	5,663,200
	NATIONAL DAM SAFETY PROGRAM	83.550	NATURAL RESOURCES	105,312
	PROJECT IMPACT GRANTS	83.551	PUBLIC SAFETY	249,560
	EMERGENCY MANAGEMENT PERFORMANCE	83.552	PUBLIC SAFETY	987,005
 HEALTH & HUMAN SERVICES				
	PUBLIC HEALTH & SOCIAL SERVICES EMER FUND	93.003	HEALTH	390,103
	STATE RESPONSE HIV/AIDS IN MINORITY COMMUNITIES	93.006	HEALTH	23,828
	PREVENT ELDER ABUSE/NEGLECT/EXPLOITATION	93.041	HUMAN SERVICES	1,463
	OLDER INDIVIDUALS LONG-TERM CARE	93.042	HUMAN SERVICES	231,033

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
HEALTH & HUMAN SERVICES (Continued)				
	AGING-DISEASE PREVENTION & HEALTH PROMOTION	93.043	HUMAN SERVICES	\$ 384,357
	SPECIAL AGING PROGRAMS	93.048	HUMAN SERVICES	558,474
	NATIONAL FAMILY CAREGIVER SUPPORT	93.052	HUMAN SERVICES	2,640,145
	NUTRITION SERVICES INCENTIVE PROGRAM	93.053	HUMAN SERVICES	2,114,444
	FOOD & DRUG ADMINISTRATION RESEARCH	93.103	AGRICULTURE	152,921
	MATERNAL & CHILD HEALTH-FEDERAL	93.110	EDUCATION	113,628
		93.110	HEALTH	341,084
	TUBERCULOSIS CONTROL PROGRAMS	93.116	HEALTH	1,135,552
	PRIMARY CARE SERVICES	93.130	HEALTH	195,079
	INJURY PREVENTION & CONTROL RESEARCH	93.136	HEALTH	1,738,767
	ASSIST IN TRANSITION FROM HOMELESSNESS	93.150	HUMAN SERVICES	507,000
	TOXIC SUBSTANCES & DISEASE REGISTRY	93.161	HEALTH	862,564
	GRANTS FOR STATE LOAN REPAYMENTS	93.165	HEALTH	102,500
	HEALTH EDUCATION AND TRAINING CENTERS	93.189	STATE COLLEGES & UNIVERSITIES	153,724
	ALLIED HEALTH SPECIAL PROJECTS	93.191	STATE COLLEGES & UNIVERSITIES	72,498
	CHILDHOOD LEAD POISONING PREVENTION	93.197	HEALTH	802,074
	FAMILY PLANNING SERVICES	93.217	HEALTH	192,677
	CONSOLIDATED KNOWLEDGE DEVELOPMENT&APPLICATION	93.230	EDUCATION	2,184,874
		93.230	HUMAN SERVICES	95,385
	TRAUMATIC BRAIN INJURY	93.234	HUMAN SERVICES	93,999
	ABSTINENCE EDUCATION	93.235	HEALTH	384,522
	STATE RURAL HOSPITAL FLEXIBILITY PROGRAM	93.241	HEALTH	750,490
	ADVANCED EDUCATION NURSING GRANT PROGRAM	93.247	STATE COLLEGES & UNIVERSITIES	207,186
	UNIVERSAL NEWBORN HEARING SCREENING	93.251	HEALTH	233,009
	STATE PLANNING - HEALTH CARE ACCESS FOR UNINSURED	93.256	HEALTH	161,263
	OCCUPATIONAL SAFETY & HEALTH GRANTS	93.262	HEALTH	588,779
	CHILDHOOD IMMUNIZATION GRANTS	93.268	HEALTH	5,141,138
	ADVANCED NURSE EDUCATION	93.299	STATE COLLEGES & UNIVERSITIES	107,642
	SMALL RURAL HOSPITAL IMPROVEMENT GRANTS	93.301	HEALTH	343,186
	PROFESSIONAL NURSE TRAINEESHIPS	93.358	STATE COLLEGES & UNIVERSITIES	100,437
	NURSING-SPECIAL PROJECTS	93.359	HEALTH	206,282
		93.359	STATE COLLEGES & UNIVERSITIES	229,706

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
HEALTH & HUMAN SERVICES (Continued)				
	CANCER CAUSE & PREVENTION RESEARCH	93.393	HEALTH	\$ 197,205
	CANCER CONTROL	93.399	HEALTH	478,766
	PROMOTING SAFE & STABLE FAMILIES	93.556	HUMAN SERVICES	4,497,449
	JOB OPPORTUNITIES & BASIC SKILLS TRAINING	93.561	ECONOMIC SECURITY	144,922
	REFUGEE & ENTRANT ASSISTANCE-STATE ADMIN	93.566	HUMAN SERVICES	6,013,105
	COMMUNITY SERVICES BLOCK GRANT	93.569	EDUCATION	7,474,979
	COMMUNITY SERVICES GRANT	93.570	EDUCATION	35,276
	COMMUNITY FOOD & NUTRITION	93.571	EDUCATION	53,089
	REFUGEE & ENTRANT ASSISTANCE	93.576	EDUCATION	1,250,125
		93.576	HEALTH	263,061
		93.576	HUMAN SERVICES	932,249
	REFUGEE & ENTRANT TARGETED ASSISTANCE	93.584	HUMAN SERVICES	1,113,945
	EMPOWERMENT ZONES	93.585	HUMAN SERVICES	27,972
	STATE COURT IMPROVEMENT PROGRAM	93.586	SUPREME COURT	233,803
	COMMUNITY BASED FAMILY RESOURCE & SUPPORT	93.590	EDUCATION	2,706,212
	WELFARE REFORM RESEARCH	93.595	HUMAN SERVICES	189,177
		93.595	STATE COLLEGES & UNIVERSITIES	38,618
		93.595	TRADE & ECONOMIC DEVELOPMENT	1,297,991
	ACCESS & VISITATION GRANT	93.597	HUMAN SERVICES	180,430
	HEAD START	93.600	EDUCATION	215,005
		93.600	STATE COLLEGES & UNIVERSITIES	40,843
	CHILD SUPPORT ENFORCEMENT	93.601	HUMAN SERVICES	70,184
	DEVELOPMENTAL DISABILITIES-BASIC SUPPORT	93.630	ADMINISTRATION	1,084,590
	DEVELOPMENTAL DISABILITIES-NATIONAL SIGNIFICANCE	93.631	ADMINISTRATION	44,312
	CHILDREN'S JUSTICE-GRANTS TO STATES	93.643	HUMAN SERVICES	290,104
	CHILD WELFARE SERVICES-STATE GRANTS	93.645	HUMAN SERVICES	4,482,317
		93.645	STATE COLLEGES & UNIVERSITIES	16,970
	SOCIAL SERVICES RESEARCH & DEMONSTRATION	93.647	EDUCATION	273,425
		93.647	HUMAN SERVICES	109,269
	ADOPTION ASSISTANCE	93.659	HUMAN SERVICES	17,387,541
	CHILD ABUSE & NEGLECT GRANT	93.669	HUMAN SERVICES	381,052
	FAMILY VIOLENCE PREVENTION & SERVICES	93.671	PUBLIC SAFETY	1,603,143

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
HEALTH & HUMAN SERVICES (Continued)				
	INDEPENDENT LIVING	93.674	HUMAN SERVICES	\$ 2,665,412
	TICKET-TO-WORK INFRASTRUCTURE GRANTS	93.768	HUMAN SERVICES	765,105
	HEALTH CARE FINANCING RESEARCH	93.779	HUMAN SERVICES	920,081
	HEALTH CAREERS OPPORTUNITY PROGRAM	93.822	STATE COLLEGES & UNIVERSITIES	14,519
	DIGESTIVE DISEASES & NUTRITION RESEARCH	93.848	HEALTH	80,571
	RESIDENCY TRAINING IN INTERNAL MEDICINE/PEDIATRICS	93.884	STATE COLLEGES & UNIVERSITIES	14,437
	RURAL HEALTH OPERATION OFFICES	93.913	HEALTH	130,855
	HIV CARE FORMULA GRANTS	93.917	HEALTH	101,883
		93.917	HUMAN SERVICES	5,078,920
	BREAST & CERVICAL CANCER EARLY DETECTION	93.919	HEALTH	3,740,968
	PREVENTION OF HIV & OTHER HEALTH PROBLEMS	93.938	EDUCATION	700,923
	HIV PREVENTION ACTIVITIES-HEALTH DEPT	93.940	HEALTH	3,569,309
	HIV/AIDS SURVEILLANCE	93.944	HEALTH	310,155
	CHRONIC DISEASE PREVENTION AND CONTROL	93.945	HEALTH	635,810
	IMPROVING EMS/TRAUMA CARE IN RURAL AREAS	93.952	HEALTH	8,555
	COMMUNITY MENTAL HEALTH SERVICES BLOCK	93.958	HUMAN SERVICES	5,075,435
	SPECIAL MINORITY INITIATIVES	93.960	STATE COLLEGES & UNIVERSITIES	102,295
	GERIATRIC EDUCATION CENTERS	93.969	STATE COLLEGES & UNIVERSITIES	22,018
	SEXUALLY TRANSMITTED DISEASES CONTROL	93.977	HEALTH	947,002
	PREVENTIVE MENTAL HEALTH DISASTER ASSISTANCE	93.982	HUMAN SERVICES	604,433
	STATE DIABETES CONTROL & SURVEILLANCE	93.988	HEALTH	747,450
	PREVENTIVE HEALTH & SERVICES BLOCK GRANT	93.991	HEALTH	3,290,550
		93.991	PUBLIC SAFETY	120,609
	MATERNAL & CHILD HEALTH SERVICES BLOCK	93.994	HEALTH	9,498,681
	PUBLIC HEALTH & SOCIAL SERVICES (10)	93.XXX	ECONOMIC SECURITY	33,417
Aging Cluster				
	AGING SUPPORT SERVICES & SENIOR CENTERS	93.044	HUMAN SERVICES	8,107,679
	AGING-NUTRITION SERVICES	93.045	HUMAN SERVICES	8,381,830
Aging Cluster Total:				\$ 16,489,509

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
HOMELAND SECURITY				
	STATE AND LOCAL DOMESTIC PREPAREDNESS SUPPORT	97.006	PUBLIC SAFETY	10,453
	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	PUBLIC SAFETY	794,123
	FIRE MANAGEMENT ASSISTANCE GRANT	97.046	PUBLIC SAFETY	266,910
	PRE-DISASTER MITIGATION	97.047	PUBLIC SAFETY	79,037
	STATE AND LOCAL ALL HAZARDS EMERGENCY PLANNING	97.051	PUBLIC SAFETY	170,894
	EMERGENCY OPERATIONS CENTERS	97.052	PUBLIC SAFETY	38,538
	CITIZEN CORPS	97.053	PUBLIC SAFETY	154,702
HOUSING & URBAN DEVELOPMENT				
	COMMUNITY DEVELOPMENT BLOCK-STATES	14.228	TRADE & ECONOMIC DEVELOPMENT	29,078,264
	EMERGENCY SHELTER GRANTS PROGRAM	14.231	EDUCATION	1,424,345
	SUPPORTIVE HOUSING PROGRAM	14.235	EDUCATION	3,324,045
		14.235	VETERANS HOMES	256,781
	COMMUNITY OUTREACH PARTNERSHIP CENTER PROGRAM	14.511	STATE COLLEGES & UNIVERSITIES	11,285
	COMMUNITY DEVELOPMENT WORK-STUDY	14.512	STATE COLLEGES & UNIVERSITIES	77,341
	Community Development Block Grants/Entitlement			
	COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT	14.218	STATE COLLEGES & UNIVERSITIES	20,504
			Community Development Block	\$ 20,504
INTERIOR				
	INDIAN CHILD WELFARE ACT TITLE II GRANTS	15.144	STATE COLLEGES & UNIVERSITIES	1,484
	RECREATION RESOURCE MANAGEMENT	15.225	STATE COLLEGES & UNIVERSITIES	9,040
	COOP ENDANGERED SPECIES CONSERVATION	15.615	NATURAL RESOURCES	123,899
	FED AID IN SPORT FISH/WILDLIFE RESTORE	15.618	NATURAL RESOURCES	6,252
	NORTH AMERICAN WETLANDS CONSERVATION FUND	15.623	NATURAL RESOURCES	245,880
	STATE WILDLIFE GRANTS	15.634	NATURAL RESOURCES	8,004
	NATIONAL COOPERATIVE GEOLOGIC MAPPING	15.810	NATURAL RESOURCES	24,106
	NATIONAL HISTORIC LANDMARK	15.912	NATURAL RESOURCES	9,960
	OUTDOOR RECREATION-ACQ, DEVP & PLANNING	15.916	NATURAL RESOURCES	811

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
INTERIOR (Continued)				
	UPPER MISSISSIPPI RIVER SYSTEM LTRMP	15.978	NATURAL RESOURCES	\$ 312,153
	INTERIOR OF FISH & WILDLIFE SERVICE (10)	15.FFA	NATURAL RESOURCES	18,896
	ENDANGERED SPECIES PLANTS (NON-TITLE 6) (10)	15.FFB	NATURAL RESOURCES	5,512
	SCIENTIFIC & NATURAL AREAS (10)	15.FFC	NATURAL RESOURCES	51,085
Fish & Wildlife Cluster				
	SPORT FISH RESTORATION	15.605	NATURAL RESOURCES	10,706,512
	WILDLIFE RESTORATION	15.611	NATURAL RESOURCES	6,237,019
		15.611	STATE COLLEGES & UNIVERSITIES	76,156
			Fish & Wildlife Cluster Total:	\$ 17,019,687
JUSTICE				
	NARCOTICS & DANGEROUS DRUGS TRAINING	16.004	PUBLIC SAFETY	139,300
	STATE DOMESTIC PREPAREDNESS EQUIPMENT SUPPORT	16.007	PUBLIC SAFETY	2,777,494
	JUVENILE JUSTICE & DELINQUENCY PREVENTION	16.540	ECONOMIC SECURITY	1,158,665
	JUVENILE JUSTICE & DELINQUENCY PREVENTION	16.541	PUBLIC SAFETY	274,382
	VICTIMS OF CHILD ABUSE	16.547	HUMAN SERVICES	4,603
	CRIME VICTIM ASSISTANCE	16.575	PUBLIC SAFETY	5,441,152
	CRIME VICTIM COMPENSATION	16.576	PUBLIC SAFETY	726,534
	BYRNE FORMULA GRANT	16.579	PUBLIC SAFETY	7,999,541
	BYRNE STATE/LOCAL LAW ENFORCEMENT	16.580	PUBLIC SAFETY	444,345
	VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	PUBLIC SAFETY	3,378,735
	RURAL DOMESTIC VIOLENCE & CHILD VICTIMIZATION	16.589	PUBLIC SAFETY	331,973
	LOCAL LAW ENFORCEMENT BLOCK	16.592	PUBLIC SAFETY	665,207
	SUBSTANCE ABUSE TREAT-STATE PRISONERS	16.593	PUBLIC SAFETY	509,295
	EXECUTIVE OFFICE FOR WEED & SEED	16.595	PUBLIC SAFETY	1,711,979
	MOTOR VEHICLE THEFT PROTECTION ACT	16.597	PUBLIC SAFETY	111,900
	STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606	CORRECTIONS	456,418
	PUBLIC SAFETY PARTNERSHIP & COMMUNITY POLICING	16.710	NATURAL RESOURCES	18,073
		16.710	PUBLIC SAFETY	1,642,170
	POLICE CORPS	16.712	PUBLIC SAFETY	493,161
	ENFORCE UNDERAGE DRINKING LAWS	16.727	PUBLIC SAFETY	230,483

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
JUSTICE (Continued)				
	NATIONAL INCIDENT BASED REPORTING SYSTEM	16.733	PUBLIC SAFETY	\$ 69,092
LABOR				
	MN OCCUPATIONAL INFO COORDINATING COMM.	17.000	ECONOMIC SECURITY	138,905
	LABOR FORCE STATISTICS	17.002	ECONOMIC SECURITY	1,828,196
	COMPENSATION & WORKING CONDITIONS	17.005	LABOR & INDUSTRY	125,426
	SENIOR COMMUNITY SERVICE EMPLOYMENT	17.235	ECONOMIC SECURITY	1,721,442
	TRADE ADJUSTMENT ASSISTANCE-WORKERS	17.245	ECONOMIC SECURITY	9,103,673
	JOB TRAINING-PILOT & DEMO PROGRAMS	17.249	EDUCATION	111,428
	WELFARE TO WORK	17.253	ECONOMIC SECURITY	1,252,323
		17.253	STATE COLLEGES & UNIVERSITIES	929,920
	TRAINING FULFILLMENT CENTERS	17.261	STATE COLLEGES & UNIVERSITIES	79,183
	WORK INCENTIVES GRANT	17.266	ECONOMIC SECURITY	591,130
	OCCUPATIONAL SAFETY & HEALTH-STATE PROGRAM	17.503	LABOR & INDUSTRY	3,845,721
	CONSULTATION AGREEMENTS	17.504	LABOR & INDUSTRY	937,920
	MINE HEALTH & SAFETY GRANTS	17.600	STATE COLLEGES & UNIVERSITIES	275,316
NATIONAL & COMMUNITY SERVICE COMMISSION				
	RETIRED SENIOR VOLUNTEER PROGRAM	94.000	HUMAN SERVICES	13,780
	DEVELOPMENT SERVICE LEARNING	94.004	EDUCATION	454,702
		94.004	STATE COLLEGES & UNIVERSITIES	40
	LEARN & SERVE AMERICA-HIGHER EDUCATION	94.005	STATE COLLEGES & UNIVERSITIES	142,971
	AMERICORPS	94.006	EDUCATION	147,434
		94.006	NATURAL RESOURCES	30,399
		94.006	STATE COLLEGES & UNIVERSITIES	683,044
	PLANNING & PROGRAM DEVELOPMENT	94.007	EDUCATION	1,509
NATIONAL AERONAUTICS & SPACE ADMINISTRATION				
	AEROSPACE EDUCATION SERVICES	43.001	STATE COLLEGES & UNIVERSITIES	86,342

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
NATIONAL AERONAUTICS & SPACE ADMINISTRATION (Continued)				
	TECHNOLOGY TRANSFER	43.002	STATE COLLEGES & UNIVERSITIES	\$ 39,600
 NATIONAL FOUNDATION ARTS & HUMANITIES				
	PROMOTION OF THE ARTS-STATE/REGIONAL	45.025	STATE ARTS BOARD	802,932
	PROMOTION OF HUMANITIES-FEDERAL/STATE PRTRNSHP	45.129	STATE COLLEGES & UNIVERSITIES	3,866
	PROMOTION OF HUMANITIES-PRESERVE/ACCESS	45.149	STATE COLLEGES & UNIVERSITIES	4,111
	PROMOTION OF THE HUMANITIES	45.164	STATE COLLEGES & UNIVERSITIES	147
	MUSEUM SERVICES INSTITUTE	45.301	ZOOLOGICAL BOARD	56,250
	STATE LIBRARY PROGRAM	45.310	EDUCATION	2,251,620
		45.310	STATE COLLEGES & UNIVERSITIES	36,213
 NATIONAL SCIENCE FOUNDATION				
	MATHEMATICAL & PHYSICAL SCIENCES	47.049	STATE COLLEGES & UNIVERSITIES	400,686
	GEOSCIENCES	47.050	STATE COLLEGES & UNIVERSITIES	32,969
	SOCIAL, BEHAVIORAL & ECONOMIC SCIENCES	47.075	STATE COLLEGES & UNIVERSITIES	62,041
	EDUCATION & HUMAN RESOURCES	47.076	STATE COLLEGES & UNIVERSITIES	706,475
 SMALL BUSINESS ADMINISTRATION				
	SMALL BUSINESS DEVELOPMENT ASSISTANCE	59.005	STATE COLLEGES & UNIVERSITIES	1,502
	SMALL BUSINESS DEVELOPMENT CENTER	59.037	STATE COLLEGES & UNIVERSITIES	788,094
		59.037	TRADE & ECONOMIC DEVELOPMENT	1,230,753
 SOCIAL SECURITY ADMINISTRATION				
	SOCIAL SECURITY RESEARCH & DEMONSTRATION	96.007	ECONOMIC SECURITY	593,494
		96.007	HUMAN SERVICES	21,596
	SOCIAL SECURITY-BENEFITS PLANNING, ASSIST, OUTREACH	96.008	ECONOMIC SECURITY	190,643

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
STATE				
	COLLEGE AND UNIVERSITY PARTNERSHIPS PROGRAM	19.405	STATE COLLEGES & UNIVERSITIES	82,001
	COOPERATIVE GRANTS	19.420	STATE COLLEGES & UNIVERSITIES	1,187
TRANSPORTATION				
	BOATING SAFETY FINANCIAL ASSISTANCE	20.005	NATURAL RESOURCES	1,694,596
	AVIATION EDUCATION	20.100	STATE COLLEGES & UNIVERSITIES	1,554,788
		20.100	TRANSPORTATION	1,820,422
	HIGHWAYS - EMERGENCY RELIEF	20.200	PUBLIC SAFETY	57,653
	MOTOR CARRIER SAFETY	20.217	PUBLIC SAFETY	47,566
	MOTOR CARRIER SAFETY ASSISTANCE PROGRAM	20.218	PUBLIC SAFETY	4,118,726
	RECREATIONAL TRAILS PROGRAM	20.219	NATURAL RESOURCES	1,223,640
	FEDERAL TRANSIT TECHNICAL STUDIES GRANTS	20.505	TRANSPORTATION	3,737,045
	PUBLIC TRANSPORTATION-NONURBANIZED AREA	20.509	TRANSPORTATION	5,257,777
	CAP ASSIST FOR ELDERLY AND DISABLED	20.513	TRANSPORTATION	929,677
	PIPELINE SAFETY	20.700	PUBLIC SAFETY	1,018,544
	INTERAGENCY HAZARD MATERIALS TRAINING	20.703	PUBLIC SAFETY	246,014
		20.703	STATE COLLEGES & UNIVERSITIES	57,968
Federal Transit Cluster				
	FEDERAL TRANSIT CAPITAL IMPROVEMENT	20.500	TRANSPORTATION	62,387
	FEDERAL TRANSIT FORMULA GRANT	20.507	PUBLIC SAFETY	11,591
		20.507	TRANSPORTATION	6,601,998
Federal Transit Cluster Total:				\$ 6,675,976
Highway Safety Cluster				
	STATE & COMMUNITY HIGHWAY SAFETY	20.600	PUBLIC SAFETY	5,869,551
	ALCOHOL TRAFFIC SAFETY/DRUNK DRIVING PREVENTION	20.601	PUBLIC SAFETY	1,110,562
	OCCUPANT PROTECTION	20.602	PUBLIC SAFETY	40,796
	FEDERAL HIGHWAY SAFETY DATA IMPROVEMENT	20.603	PUBLIC SAFETY	285,332
	SAFETY INCENTIVE GRANTS FOR USE OF SEATBELTS	20.604	PUBLIC SAFETY	852,322
Highway Safety Cluster Total:				\$ 8,158,563

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures
VETERANS AFFAIRS				
	VETERANS STATE DOMICILIARY CARE	64.014	VETERANS HOMES	2,090,514
	VETERANS STATE NURSING HOME CARE	64.015	VETERANS HOMES	10,583,004
	ALL-VOLUNTEER FORCE EDUCATION ASSISTANCE	64.124	LABOR & INDUSTRY	36,245
	STATE CEMETERY GRANTS	64.203	VETERANS AFFAIRS	2,333,787

Total Nonmajor Programs: \$528,340,161

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

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STATE OF MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

These notes provide disclosures relevant to the schedules of expenditures of federal awards presented on the preceding pages.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The reporting policies for fiscal year 2003 conform to the Federal Single Audit Act of 1984 as amended in 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The required Schedule of Expenditures of Federal Awards is presented for the state's fiscal year ended June 30, 2003. The Schedule of Expenditures of Federal Awards is divided into two sections: major and nonmajor federal programs.

The auditor uses a risk-based approach as defined in the U.S. Office of Management and Budget (OMB) Circular A-133 to determine which federal programs are major programs. Programs expending \$19.8 million or more in federal awards are Type A programs and are considered major programs. Type B programs are programs expending less than \$19.8 million in federal awards. If the auditors assess Type A programs as low-risk, they may replace Type A programs by higher risk Type B programs as major programs.

For purposes of financial reporting, the Catalog of Federal Domestic Assistance (CFDA) number from the June 2003 basic edition catalog identifies federal programs. The schedules are presented in numeric CFDA order within each federal agency.

Financial Reporting Entity of the State of Minnesota

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

The federal programs included in this report are part of the state's primary government. Separate single audit reports issued by individual entities report on the federal programs administered by discretely presented component units.

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

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

Basis of Accounting

The state's Comprehensive Annual Financial Report and these supplemental schedules are presented in accordance with generally accepted accounting principles (GAAP), following the accrual or modified accrual basis of accounting, as appropriate for the fund structure. Most federal activity is accounted for in the Federal Fund (a major governmental fund), but several other nonmajor special revenue funds (Trunk Highway, Municipal State-Aid Street, County State-Aid Highway, Minnesota Resources, Game and Fish, and Miscellaneous Special Revenue funds) and major proprietary funds (State Colleges & Universities and Unemployment Insurance funds) include federal activity. The Minnesota Accounting and Procurement System is the primary source of financial information. Some state agencies maintain additional manual records or separate cost accounting systems to provide additional information.

Classification of Statement Information

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

Effective August 1, 2003, the Department of Children, Families, and Learning was renamed to the Department of Education and the Department of Economic Security and the Department of Trade and Economic Development merged to become the Department of Employment and Economic Development.

2. PERKINS AND NURSING STUDENT LOAN PROGRAMS

The amount reported on the financial statements for the Perkins Loans (CFDA 84.038) for the Minnesota State College and University System is the administrative and collection costs. Below is a summary of the loan activity for the Perkins Loans and Nursing Loans (NSL) program (CFDA 93.364) during fiscal year 2003.

	<u>Perkins</u>	<u>NSL</u>
Loans Receivable, Beginning	\$ 35,674,298	\$ 150,525
Loan Repayments	(7,124,037)	(45,068)
Loan Cancellations	(813,331)	(3,101)
New Loans Issued	7,876,209	18,690
Loans Receivable, Ending	<u>\$ 35,613,139</u>	<u>\$ 121,046</u>

3. FEDERAL FAMILY EDUCATION LOAN PROGRAMS

The Minnesota State College and University System (MnSCU) financial records provide information on various federal higher education student loan programs for which the state does not manage the federal funds.

Under the Federal Family Education Loans (FFEL) program (CFDA 84.032), financial institutions make loans to students attending institutions of higher education. The Federal Direct Student Loan (FDSL) program (CFDA 84.268) operates similarly to the FFEL program except that the federal government, rather than a private lender, provides the loan principal to the student. MnSCU distributed the following FFEL and FDSL loans to students attending state colleges or universities during fiscal year 2003.

Federal Family Education Loans Issued:	
Federal Subsidized Stafford	\$ 109,853,450
Federal Unsubsidized Stafford	97,806,753
Federal Parent Loans for Undergraduate Students	1,122,731
Total Federal Family Education Loans	<u>\$ 208,782,934</u>
Federal Direct Student Loans	<u>\$ 43,301,778</u>

4. FOOD STAMPS PROGRAM

The amounts reported on the schedule for the Food Stamps program (CFDA 10.551) primarily consist of electronic benefits and emergency cash payments to individuals. During fiscal year 2003, the state also issued food coupons to recipients totaling \$2,584. Inventory of food stamps on hand at June 30, 2003 is valued at \$204,023.

5. OIL OVERCHARGE FUNDING

Grants made from oil overcharge funds are included in this report as federal expenditures for the Weatherization Assistance (CFDA 81.042) program. Loans are also administered from these funds by the departments of Finance and Commerce. A summary of the loan activity for fiscal year 2003 is shown below.

	<u>Finance</u>	<u>Commerce</u>
Loans Receivable, Beginning	\$ 754,016	\$ 414,438
Loan Repayments	(442,449)	(180,234)
New Loans Issued	<u>47,231</u>	<u>500,000</u>
Loans Receivable Ending, Federal	<u>\$ 358,798</u>	<u>\$ 734,204</u>

6. 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 2003, the state of Minnesota received a total rebate of \$20,709,801 on sales of formula to participants in the WIC program.

The Medical Assistance program (CFDA 93.778), administered through the Minnesota Department of Human Services, receives cash rebates from drug labelers. The rebates are used to offset program costs and are reported as expenditure reductions. During fiscal year 2003, the state of Minnesota received a total rebate of \$73,089,984 on sales of drugs to participants in the Medical Assistance program.

7. UNEMPLOYMENT INSURANCE PROGRAM

For fiscal year 2003, expenditures for the Unemployment Insurance program (CFDA 17.225) include federal and state unemployment insurance grant expenditures as well as federal administrative expenditures. The federal unemployment insurance grant expenditures were \$180,593,380 and the state unemployment insurance grant expenditures were \$864,092,803. The federal administrative expenditures were \$48,223,512, which includes REED Act expenditures of \$13,728,441. The Unemployment Insurance Program serves workers who are unemployed through no fault of their own and are seeking reemployment. To receive benefits, claimants must be able to work, available for work, and actively seeking work. For audits and reporting under OMB Circular A-133, the U.S.

Department of Labor requires that both federal and state unemployment insurance funds be considered federal awards for determining Type A (major) federal programs and for reporting expenditures of federal awards.

8. FOOD COMMODITIES

The Food Distribution program (CFDA 10.550) for the Department of Education receives food commodities from the U.S. Department of Agriculture. The expenditures consist of non-cash contributions in the form of food commodities provided for distribution to school districts and other organizations. During fiscal year 2003, the state of Minnesota received food commodities of \$16.1 million.

9. WATER QUALITY CAPITALIZATION GRANTS

Water quality capitalization grants (CFDA 66.458) are used by states to create revolving funds that will provide financing for construction of wastewater treatment facilities and implementation of other water quality management activities. Loans are administered from these funds by the departments of Trade and Economic Development, Agriculture, and Pollution Control. The state's loan programs are Tourism Septic Loan (TLP), Small Cities (SCDP), Agriculture Best Management Practices (AG BMP) and Clean Water Partnership (CWP). A summary of the loan activity for fiscal year 2003 is shown below.

	TLP	SCDP	AG BMP	CWP
Loans Receivable, Beginning	\$ 393,950	\$ 798,865	\$ 34,739,622	\$ 10,450,669
Loan Repayments	(89,644)	(112,998)	(446,759)	-
New Loans Issued	82,865	-	3,543,923	1,735,202
Loans Receivable, Ending	<u>\$ 387,171</u>	<u>\$ 685,867</u>	<u>\$ 37,836,786</u>	<u>\$ 12,185,871</u>

10. CFDA NUMBERS

The U.S. Department of Labor required that expenditures for program year 2000 funds awarded in fiscal year 2001 be reported in CFDA 17.255 (WIA-Adult and Youth). CFDA 17.255 was used in the federal expenditure schedule for all program year 2000 Adult, Youth and Dislocated Worker awards expended through June 30, 2003. Program year 2001 WIA formula awards, which started on April 1, 2001 and July 1, 2001, are now separately reported in WIA-Adult (CFDA 17.258), WIA-Youth (CFDA 17.259) and WIA-Dislocated Workers (CFDA 17.260).

For certain programs, the correct CFDA number could not be determined. At times, state agencies receive federal grant funds from a federal agency with a program number instead of a CFDA number. When possible, a CFDA number was obtained for the program. Certain CFDA numbers presented are no longer operating programs. These programs resulted in funds being carried over from previous years. In other cases, the Department of Finance assigned a number. State agencies using the number assigned by the Department of Finance in fiscal year 2003 were asked to work with the federal granting agency to obtain a valid CFDA number for the grant program.

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CORRECTIVE ACTION PLANS SECTION

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**State of Minnesota
Department of Finance**

**Schedule of Corrective Action Plans
for Financial Statement and Federal Program Audit Findings
Fiscal Year Ended June 30, 2003**

PURPOSE

This schedule is presented to comply with the reporting requirements under the U.S. Office of Management and Budget (OMB) Circular A-133. Those audit findings required to be reported under this Circular associated with the fiscal year 2003 financial audit and single audit are included in this schedule.

This schedule is intended to identify corrective action plans by a state agency to resolve current year audit findings. The schedule includes the Office of the Legislative Auditor report number and finding number⁽¹⁾; the individual responsible for implementation of the corrective action plan; estimated completion dates of the corrective action; and a description of the corrective action to be taken. The schedule is sorted by audit report number and finding number. If a state agency does not agree with the audit findings or believes corrective action is not required, the corrective action plan includes an explanation and specific reasons why the state agency disagrees.

SOURCE OF INFORMATION

The narrative for the corrective action plans was extracted from agency responses to the Legislative Audit findings in the referenced reports. The agency response is included as part of the published audit report, and can be found by reviewing the referenced audit report. If the state agency response did not include an individual responsible for implementation of corrective action plans and/or estimated completion dates, the state agency was contacted in an attempt to obtain this information.

⁽¹⁾Audit reports and findings by other auditors are also included in the schedule.

State of Minnesota
Schedule of Corrective Action Plans for
Financial Statement and Federal Program Audit Findings
Fiscal Year Ended June 30, 2003

Report 03-57: Department of Health (Grants to Minnesota Men of Color)

Finding 2: The Minnesota Men of Color was over reimbursed during the grant periods.

Response: The Department of Health is beginning a process that will identify standard programmatic and business practice trigger points that indicate a need for increased levels of technical assistance and documentation. If this increased level of technical assistance is not effective, a progressive process will be put in place to evaluate the effectiveness of the services provided by the grantee and may result in modifications to or termination of the agreement. This process will include input from the grant manager and review by the Section and Division management.

Estimated Completion Date: Ongoing

Individual Responsible: Agnes Leitheiser, Assistant Commissioner

Report 03-57: Department of Health (Grants to Minnesota Men of Color)

Finding 3: The Minnesota Men of Color did not comply with several financial-related and programmatic requirements of the grant contracts.

Response: Section restructuring will allow the grantee technical assistance staff to become more focused in providing on-site technical assistance and monitoring of intervention implementation. This will allow the department to more closely monitor and document the actual implementation of grant deliverables.

Estimated Completion Date: Ongoing

Individual Responsible: Agnes Leitheiser, Assistant Commissioner

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report 03-58: Department of Education

Finding 1: The Minnesota Department of Education's Food and Nutrition Services Section did not properly charge costs to the Implement Provisions 2 and 3 Grant and did not comply with grant requirements.

Response: The Deputy Commissioner is responsible to lead efforts to assure procedures are implemented. Staff in administrative services will work to implement new procedures.

Estimated Completion Date: Ongoing

Individual Responsible: Chas Anderson, Deputy Commissioner

Report 03-58: Department of Education

Finding 2: The Minnesota Department of Education's Food and Nutrition Services Section did not properly charge payroll to the Team Nutrition 2001 grant. In addition, the department did not comply with specific grant requirements.

Response: The Deputy Commissioner is responsible to lead efforts to assure procedures are implemented. Staff in administrative services will work to implement new procedures.

Estimated Completion Date: Ongoing

Individual Responsible: Chas Anderson, Deputy Commissioner

Report 04-01: Department of Finance

Finding 1: The department does not have effective controls to prevent or detect unauthorized appropriation transfers.

Response: Department of Finance staff will improve instructions regarding appropriation transfer authority, modify transfer approval authority, expand the reconciliation of anticipated and actual transfers monthly, and determine if an automated method can be implemented for preventing agency input of transfers not approved by an executive budget officer.

Estimated Completion Date: June 30, 2004

Individual Responsible: Lori Mo, Assistant Commissioner

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report 04-01: Department of Finance

Finding 2: Some state agencies had unnecessary clearance to selected appropriation accounts.

Response: An initial evaluation indicates that changing the agency code on these accounts, or using journal vouchers rather than appropriation transfers, is not the best solution for increasing control on these accounts. Changing the agency codes has reporting implications and journal vouchers have several drawbacks. Journal vouchers would result in more difficulty tracking transactions due to a diminished audit trail. JVs are only visible at the fund level complicating some budgetary reporting. JVs would increase the manual effort for loading data into the biennial budget system. Finance also considered inactivating appropriation accounts without spending authority, but this approach requires frequent manual intervention and could create business process delays. Another option for increasing control on these accounts is to cancel balances to the fund level on a more frequent basis. Upon initial review, this may be the best solution.

Estimated Completion Date: June 30, 2004

Individual Responsible: Ron Mavetz, Agency Support Director

Report 04-10: Department of Public Safety

Finding 1: The Department of Public Safety did not have an appropriate process to determine year-end accrued liabilities for inclusion in the state's financial statements.

Response: The Department of Public Safety agrees with the finding that errors were made in calculating the June 30, 2003 accrued liabilities from the open encumbrance balances. The Department of Public Safety, Office of Fiscal and Administrative Services, will be establishing a series of meetings with its fiscal staff, grant managers from HSEM, and with staff from the Department of Finance to discuss ways to best identify, capture and report these year-end liabilities accurately and timely in future years.

Estimated Completion Date: June 30, 2004

Individual Responsible: Frank Ahrens, Fiscal and Administrative Services Director

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report 04-11: Department of Human Services (DHS)

Finding 1: The Department of Human Services used Medical Assistance funds for unallowable services.

Response: DHS will use the recently implemented MMIS edit that ensures that federal Medical Assistance funds are only used for individuals in eligible facilities. DHS will also continue the process of reimbursing the federal government for funds used for unallowable program services. They anticipate that the majority of this work will be completed by June 30, 2004, but this is ultimately dependent on county actions to change eligibility for identified individuals.

DHS will implement an annual process to identify chemical dependency claims with retroactive Medical Assistance eligibility. A report will be sent to counties requesting that individuals for whom those claims were made, be moved off of Medical Assistance for the time period that they were in IMDs.

Estimated Completion Date: June 30, 2004

Individual Responsible: Donald R. Eubanks, Director, Chemical Health Division

Report 04-11: Department of Human Services (DHS)

Finding 2: The Department of Human Services did not comply with federal regulations when allocating salaries to some federal programs.

Response: Most department central office staff salaries are allocated to benefiting programs according to federally approved cost allocation plan methodology. Less than 5% of department central office staff are direct charged to more than one federal grant or federal/state combination of grants.

The department will institute semi-annual direct charge certification procedures for employees who are direct charged to only one federal grant. The department will develop and implement appropriate charging procedures for those employees whose work benefits more than one federal grant or federal/state combination of grants.

Estimated Completion Date: June 30, 2004

Individual Responsible: Jon Darling, Director, Financial Management Division

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report 04-11: Department of Human Services (DHS)

Finding 3: The Department of Human Services did not provide adequate tools to monitor certain high-risk eligibility transactions.

Response: DHS is redesigning a report to run from the DHS data warehouse. The counties will have the redesigned report by the end of June.

Estimated Completion Date: June 30, 2004

Individual Responsible: Kate Wulf, Director, TSS Division

Report 04-11: Department of Human Services (DHS)

Finding 4: The Department of Human Services did not ensure that counties timely resolved income discrepancies identified as part of the benefit eligibility process.

Response: The department is committed to working with counties to ensure the timely resolution of IEVS matches. Therefore, the department will implement the following corrective actions with the goal of meeting the federal 80% timeframe by December 31, 2004.

- The department will continue to work with individual counties not meeting the federal timeliness requirement to improve their performance.
- The department will continue to emphasize to counties the importance of resolving IEVS matches timely. As part of the Food Support Management Evaluation plan for FFY 2004, each county being reviewed will receive information on how they as a county are doing with IEVS match resolution. This will not only identify counties with problems but will recognize those that are doing well.
- The department will provide training to staff involved with resolving IEVS matches to ensure they understand the process for resolving matches and the importance of timely resolution.

Estimated Completion Date: December 31, 2004

Individual Responsible: Ramona Scarpace, Program Assessment and Integrity Division Director

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report 04-11: Department of Human Services (DHS)

Finding 6: The Department of Human Services did not adequately control receipts collected by the Special Recovery Unit.

Response: Current procedure calls for the Issuance Operations Center to send SIRS a copy of the Daily Register Report whenever a check is posted under the SIRS deposit codes. The Daily Register Report lists the remitter's name and the amount of the check. A copy of the Daily Register is then given to the investigator to review and then place in the case file, thereby verifying the check that was sent to the Special Recovery Unit was deposited. In addition SIRS will keep a separate file, for review, of all Daily Registers received for a period of one year.

Estimated Completion Date: March 31, 2004

Individuals Responsible: Vicki Kunerth, Director, Performance Measurement and Quality Improvement Division
Larry Woods, Director, Healthcare Operations Division

Report 04-11: Department of Human Services (DHS)

Finding 7: The Department of Human Services did not comply with federal regulations by performing the required number of nursing home audits.

Response: The following corrective actions will be implemented to ensure that the required field audits are completed each year.

- Business redesign - DHS has not adjusted their field audit operations to account for the reduction in field audit staff. DHS will establish new procedures that will eliminate down time between audits thus raising the number of audits completed each year. The audit staff will be expected to begin their next audit, by making contact and arranging for a start date, before they complete the write-up work for the one in progress.
- Management tools - DHS plans to reinstate a report of field audits completed that shows the auditee name, reporting periods that were audited, length of the field work, the auditors involved, date of completion, etc. This tool will allow to review progress in meeting the 15% requirement and help schedule audits.
- Performance standards - Since the auditors' position descriptions contain performance standards for the quantity of audits completed, DHS will begin to review quantity and quality of audits completed as a part of an on-going performance management process.

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

- Supervision - DHS is also revising supervisors' responsibilities to provide more accountability from the audit staff to include activity sheets that show work completed and in progress, a weekly progress report for all audit activity, and closer monitoring of the scheduling of audits.

Estimated Completion Date: March 31, 2005

Individual Responsible: Robert Held, Director, Nursing Facility Rates and Policy Division

Report 04-11: Department of Human Services (DHS)

Finding 8: One account with clearance to some production data was not properly protected.

Response: DHS is already working with the Department of Administration to implement a solution. The department agrees to work with the Department of Administration to limit access to its computer program libraries to only those people who need such access to fulfill their job duties.

Estimated Completion Date: December 31, 2004

Individual Responsible: Kate Wulf, Director, TSS Division

Report 04-12: Department of Education (MDE)

Finding 1: The Department of Education did not provide the required state matching funds for the charter school federal grant (CFDA #84.282). It also improperly drew down funds before incurring program expenses.

Response: In December 2003, MDE determined it did not have funds to meet the match requirement as indicated in the grant application for charter school federal grant (CFDA#84.282) and so they notified the U.S. Department of Education (USDOE). A letter and updated grant application material was sent to the Office of Innovation and Improvement at USDOE. On March 10, 2004, the department was notified by USDOE that the amendment to the grant application to eliminate the state match reported in the application was approved.

All grant applications require approval by the Commissioner's office. Part of this review is to authorize the reported match requirements. In the event that match requirements are authorized, necessary budget accounts will be established to manage and report the grant match using the Minnesota Accounting and Procurement System (MAPS), the state's accounting system.

Schedule of Corrective Action Plans for Financial Statement and Federal Program Audit Findings – Continued

The department has revised the financial status report for FFY 2002 and submitted it to USDOE. The repayment of funds has also been entered. The department has also reviewed its reconciliation processes and will implement steps to prevent reoccurrence of this issue. Schedules for cash draws will be created and adhered to and expenditures will be documented for cash drawn from the federal system.

Estimated Completion Date: April 1, 2004

Individual Responsible: Julie Gallagher, Administrative Services

Report 04-12: Department of Education (MDE)

Finding 2: The Department of Education did not have adequate controls to prevent overpayments of certain federal programs and did not properly allocate some federal program funding to school districts.

Response: Several steps have been taken to prevent duplicate payments. An edit control has been implemented in the federal program database that will cause an error message to appear to the program person requesting the payment if a previously used batch number is accessed again. Federal program staff who create and attest to the accuracy and validity of the payment requests have developed a spreadsheet that carefully tracks payment amounts, dates and batch numbers. Duplicate payments or batch numbers should be readily apparent using this new spreadsheet. The person responsible for making the payments has now had further training regarding any error messages that occur during the loading of payment requests. While that person cannot independently assess the accuracy of specific payment amounts, further investigation will occur if error messages warrant.

The department will review the federal program allocations to school districts for fiscal year 2001 through 2003 to determine if allocation errors occurred. The department will review its reallocation policies with USDOE to determine compliance.

Estimated Completion Date: July 1, 2004

Individual Responsible: Jessie Montano, Director, NCLB Consolidated Program

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report 04-12: Department of Education (MDE)

Finding 3: The Department of Education did not prepare accurate financial statements for the Maximum Effort School Loan Fund.

Response: Department staff are working with the Department of Finance to develop procedures that will ensure accurate fund balance statements. Staff will receive training in preparation of financial statements that comply to standards. These statements will be reviewed prior to submission for use in the Comprehensive Annual Financial Report. Department staff in Administrative Services and Program Finance will maintain records and full documentation of loan payments made by the agency, interest payments received, accrued interest, and outstanding loan balances. Steps are being taken to develop assumptions regarding collectability to establish a reserve for those loans where collection is unlikely. A model will assist in forecasting and tracking required maximum effort levy and required debt service levy based on current district tax capacity growth to estimate district refunding and payoff. This reserve will be reviewed annually.

Estimated Completion Date: July 1, 2004

Individuals Responsible: Rita Schmidt, Supervisor, Administrative Services
Audrey Bomstad, Supervisor, Program Finance

Report 04-12: Department of Education (MDE)

Finding 4: The Department of Education sometimes allowed vendors to provide services before it fully executed the contract or encumbered funds.

Response: The department has a continued commitment to fully execute contracts and encumber funds prior to the start of any work. There are some unusual circumstances that do arise where work has begun prior to the contracts. The five special education contracts or vendor payments did follow the procedure required by M.S. 16A.15, subdivision 3 and the explanations were included with those contracts.

The five charter school items tested did not have the appropriate violation explanation letters attached to them. The department has not consistently required the violation letters for honorarium or purchase order transactions as has been the practice for professional technical services contracts.

The department will make every attempt to have funds fully encumbered prior to the receipt of goods or services and in the event that circumstances make it impossible to do so, will require M.S. 16A.15 explanations for every transaction out of compliance.

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Estimated Completion Date: March 17, 2004

Individual Responsible: Tammy McGlone, Director, Administrative Services

Report 04-12: Department of Education (MDE)

Finding 5: The Department of Education did not properly record some expenditure transactions on the state's accounting system.

Response: The department intends to fully comply with this finding. However, there are two issues, one is staff error in input of information for transaction dates when two fiscal years are open. This can be remedied through a training process and use of the Department of Finance document date material in that training to be sure there is complete understanding of the date issues for transactions.

The larger issue is system related for payments that feed to the accounting system from the Contract Financial Management System or our payment interface system. MDE will work with the departments of Finance and Administration to identify the problem and/or come up with other possible solutions. This problem is a system wide problem and is not isolated to the department.

Estimated Completion Date: July 1, 2004

Individual Responsible: Rita Schmidt, Supervisor, Administrative Services

Report 04-12: Department of Education (MDE)

Finding 7: The Department of Education did not properly report child nutrition expenditures to the federal grantor agency and did not properly draw down federal funds.

Response: A schedule is in place to draw down federal school nutrition money on the 14th and 29th of each month. Federal nutrition administrative money is drawn down bi-weekly. Additionally, cross-training has taken place to ensure that no draws will be delayed due to staff absence.

Estimated Completion Date: March 17, 2004

Individual Responsible: Rita Schmidt, Supervisor, Administrative Services

Schedule of Corrective Action Plans for Financial Statement and Federal Program Audit Findings – Continued

Report 04-12: Department of Education (MDE)

Finding 8: The Department of Education did not allocate federal special education grant funding to school districts according to federal requirements.

Response: Responsibility for special education funding and data collection was transferred from the Special Education Division to the Program Finance Division in early 2003. With this reorganization, the allocation of federal special education money to school districts and charter schools has been placed under the direction of a manager and supervisor with greater experience in education finance and data management. Weekly meetings are held with program staff to discuss problems and issues arising in the administration of special education funding and data collection. Recommendations from program staff are reviewed by Program Finance and Special Education Policy managers, and final decisions are conveyed back to program staff. To maintain a record of current policies and practices that is available to school districts and charter schools as well as program staff, the *Special Education Funding and Data Manual* will be updated on a regular basis, with updates posted to the department's website. Annual allocations of federal special education money to school districts and charter schools will be reviewed and approved by the Program Finance Director, after consulting with the Special Education Policy Director.

After identifying the incorrect allocation of federal special education funding to school districts and charter schools, the department reported the errors to the Office of Special Education Policy (OSEP) of the U.S. Department of Education. Two conference calls were held with OSEP officials to explain the nature and impact of the errors and to receive direction from OSEP on corrective action plans. On February 13, 2004, MDE received a memorandum from the OSEP Director, outlining the timelines and parameters for corrective action to be taken by the department. Under the direction of the Program Finance Director, MDE will determine the Part B, Section 611 and 619 allocations that each school district and charter school should have received for the years in question, and the difference between those amounts and the amounts of the allocations that each school district and charter school actually received. By April 30, 2004, the department will prepare a plan, consistent with the OSEP memorandum, to make whole the school districts and charter schools that received less than the allocations to which they are entitled. After the plan is reviewed and approved by OSEP, the department will implement the plan and provide quarterly reports, beginning July 31, 2004, as required by OSEP.

Estimated Completion Date: April 30, 2004

Individual Responsible: Tom Melcher, Program Finance Director

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report 04-12: Department of Education (MDE)

Finding 9: The Food and Nutrition Section did not keep support for an amount in its report to the U.S. Department of Agriculture.

Response: The department agrees that documentation should be retained in order to substantiate reports produced by the Cyber-linked Interactive Child Nutrition System database. The department will also pursue the use of the state accounting system as an additional measure to track state match.

Estimated Completion Date: July 1, 2004

Individual Responsible: Karla Mouw, Supervisor, Special Education Policy/Nutrition
and Early Learning

Report 04-13: Department of Employment and Economic Development (DEED)

Finding 1: The department did not accurately identify and report federal program expenditures.

Response: DEED will work with the Department of Finance to revise their single audit format so that it does not include any match expenditure information. DEED is confident that the inaccurate single audit schedules and quarterly financial status report errors were isolated incidents. However, DEED will increase oversight review to prevent possible future errors. DEED will work with the federal government to identify CFDA numbers for all programs.

Estimated Completion Date: June 30, 2004

Individual Responsible: John Stavros, Chief Financial Officer

Report 04-13: Department of Employment and Economic Development (DEED)

Finding 2: The department's Unemployment Insurance Fund financial statements required adjustments to conform with generally accepted accounting principles.

Response: Current generally accepted accounting principles (GAAP) do not adequately disclose all fund activity. For example, in DEED's case the book balance of a negative \$11 million was shown as a result of a requirement of the Cash Management Improvement Act, which requires cash to be managed at the bank float level. On future reports, a footnote disclosure may be used to explain this unique situation wherein the negative cash balance is not actually a loan.

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

DEED will work with the Department of Finance to provide additional schedules in regards to the elimination of transfers to improve tracking of transfers for correct financial presentation.

DEED reported the Federal UI loan on the cash flows statement under “Loans Received, Operating Activities”. The loan should have been classified as “Non-Capital Financing Activities”.

The following changes will be made to improve future financial statement presentations: (1) initiate face-to-face meetings with the Department of Finance to discuss presentation and schedules, (2) start to construct the financial statements earlier so that the Department of Finance and DEED can have adequate time to discuss presentation, and (3) no longer rely on the Legislative Auditor as the last review for proper financial reporting.

Estimated Completion Date: June 30, 2004

Individual Responsible: John Stavros, Chief Financial Officer

Report 04-13: Department of Employment and Economic Development (DEED)

Finding 3: The department did not retain 10% of the payment amount as called for in the medical consultant service contracts for one federal program.

Response: In the case of medical consultant fees, all work is complete at the time the medical contractor submits the invoice to the department. As a result, retaining a portion of the payment serves no purpose. DEED will seek written approval from the Department of Administration to remove the clause from the contracts.

Estimated Completion Date: June 30, 2004

Individual Responsible: John Stavros, Chief Financial Officer

Report 04-14: Department of Administration

Finding 1: The department did not adequately secure some libraries that house critical state agency computer programs.

Response: The joint goal of the agency and Department of Administration is to correct the problem immediately and to ensure appropriate measures are taken to prevent similar occurrences in the future. This will be accomplished by:

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

- The audited state agency removing, via procedural changes, all instances of inappropriate information and implementing procedures to ensure that entry of similar inappropriate information does not occur in the future.
- The InterTechnologies Group security team limiting the read and/or write access to agencies' information in the libraries to only those individuals that work for these agencies and are in need of such access to perform their normal job duties.

Estimated Completion Date: March 31, 2004

Individuals Responsible: Greg Dzieweczynski, Interagency Services Division Director
Jim Steinwand, Security Services Manager

Report 04-16: Department of Revenue

Finding 1: The department's overall security program lacks important ingredients.

Response: Assessments of the information technology risks of the department's applications, hardware and systems are currently in progress and will result in detailed baselines for minimum security.

Estimated Completion Date: June 30, 2005

Individual Responsible: Bruce Showel, Information Security

Report 04-16: Department of Revenue

Finding 2: Access request procedures are weak in several respects.

Response: Internal authentication processes related to the definition, documentation and communication of access request procedures have regularly been identified as an area of concern and proposals have been developed to address it as soon as the availability of financial resources permit.

Estimated Completion Date: Ongoing

Individual Responsible: Bruce Showel, Information Security

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report 04-16: Department of Revenue

Finding 3: Procedures for modifying and revoking security clearances are not effective.

Response: Internal authentication processes related to the identification and modification of security clearances have regularly been identified as an area of concern. Proposals to address this concern have been developed and will be implemented as soon as the availability of financial resources permit.

Estimated Completion Date: Ongoing

Individual Responsible: Bruce Showel, Information Security

Report 04-16: Department of Revenue

Finding 4: Controls used to confirm the identity of system users were weak in several respects.

Response: Proposals addressing the authenticating the identity of individuals have been developed and will be implemented as soon as financial resources permit. The department has implemented controls to ensure that access to individual tax systems can be traced to specific individuals for all front line users. Appropriate controls will be added to assure that information technology professionals are held to the same level of accountability. The department has changed default passwords on purchases software. Procedures will be updated to minimize the risk of acquiring and implementing software without changing default passwords. The department has implemented and enforces comprehensive password management controls. The instances where this was not the case will be addressed.

Estimated Completion Dates: June 30, 2004 and ongoing

Individuals Responsible: Bruce Showel, Information Security
Jerry Hanson, Information Systems Division

Report 04-16: Department of Revenue

Finding 5: Many people had excessive clearance to individual income tax systems and data.

Response: A review of the appropriate employee security clearances will be verified with supervisors to check whether each employee has the appropriate level of access.

Estimated Completion Date: Ongoing

Individual Responsible: Bruce Showel, Information Security

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report 04-16: Department of Revenue

Finding 6: The department had too many points of access into its private network.

Response: The number of access points into the department's private network have continually been reduced. The department will be developing a detailed policy to further limit access points. The department is identifying methods and tools with which to manage, secure and monitor its network access points, pending the availability of financial resources. The department's remote access policy will be modified to address IT and occasional users who access the network.

Estimated Completion Date: Ongoing

Individuals Responsible: Jerry Hanson and Bruce Showel

Report 04-16: Department of Revenue

Finding 7: Some computers were running unnecessary and insecure services.

Response: Procedures will be updated to ensure that all unnecessary services are removed. Procedures will be updated to ensure that all services with known security weaknesses are replaced with more secure programs and the replacements can be performed without hampering department activities.

Estimated Completion Date: June 30, 2004 and ongoing

Individual Responsible: Jerry Hanson, Information Systems Division

Report 04-16: Department of Revenue

Finding 8: The department did not promptly perform important system maintenance procedures.

Response: Procedures will be updated to ensure that all security patches are installed, and that the patches are adequately tested to make sure they do not disrupt the current functionality of the systems. The department will also investigate automated solutions for streamlining the patch management tasks, subject to the availability of resources.

Estimated Completion Date: Ongoing

Individual Responsible: Jerry Hanson, Information Systems Division

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report 04-16: Department of Revenue

Finding 9: The department does not adequately monitor its systems.

Response: System monitoring procedures and processes will be updated and implemented, subject to the availability of financial resources.

Estimated Completion Date: Ongoing

Individuals Responsible: Jerry Hanson and Bruce Showel

Report 04-17: Department of Transportation (MnDOT)

Finding 1: The department did not ensure the accuracy of the infrastructure and right-of-way capital outlay expenditures on the state's financial statements.

Response: MnDOT's Office of Finance has begun to do quarterly review of the data input on projects for complete coding and accuracy. Any missing codes will be immediately brought to the attention of the operations personnel for resolution.

Estimated Completion Date: March 2004 and ongoing

Individual Responsible: Kevin Gray, Finance and Administration Division Director

Report 04-17: Department of Transportation (MnDOT)

Finding 2: The department should improve certain oversight procedures.

Response: The Director of the Engineering Services Division through its Office of Materials will work with District Operations staff to continue training, modifying specifications and strengthening project oversight to ensure compliance with federal and state requirements.

Estimated Completion Date: Immediately and ongoing

Individuals Responsible: Julie Skallman, State Aid for Local Transportation Director
Richard Stehr, Engineering Services Division Director
Robert Winter, District Operations Division Director

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report 04-17: Department of Transportation (MnDOT)

Finding 3: The department over obligated federal funds under the airport improvement program.

Response: MnDOT's Office of Aeronautics has initiated an extra step in the payment process to prevent further overpayments. Before payments are forwarded to the account clerk for payment, a summary of projects and the amount of payment is e-mailed to the Airports District Office of the Federal Aviation Administration (FAA) for verification of funds available. Upon verification by the FAA of funds availability, the grant payment summaries are given to the account clerk for processing. If funds are not available, the proposed payment is returned to the Regional Airport Engineer to inform the Municipality that federal funds have exceeded the amount identified in the Federal Grant Agreement.

Estimated Completion Date: Complete

Individual Responsible: Randy Halvorson, Program Management Division Director

Report 04-18: Department of Finance

Finding 1: Three state agencies submitted erroneous or incomplete accounting information to the Department of Finance; some of the exceptions could have resulted in material errors in the state's financial statements.

Response: The Department of Finance staff will continue to work with the departments of Transportation, Employment and Economic Development, and Public Safety to assure that the departments provide complete and accurate information for the state's financial statements. Department of Finance staff will continue to provide specific instructions and further clarification as necessary to ensure accurate information is included in the financial statements and single audit reporting.

The Department of Finance will expand the review procedures during the financial reporting process to help assure that information submitted by agencies is reasonable. Significant unusual variances will be investigated as part of this procedure.

Estimated Completion Date: October 1, 2004

Individual Responsible: Barb Ruckheim, Financial Reporting Director

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report 04-18: Department of Finance

Finding 2: The Department of Finance has not ensured that state departments properly account for financial activities recorded in agency funds.

Response: In January, the department began a project to review all agency fund accounts. The department will revise procedures governing proper use of the agency fund, including which activity must be accounted for in other funds. During the implementation of these procedures, the department will work with agencies to clear out transactions and balances that are not appropriate for the agency fund.

The Department of Finance will also develop a policy regarding the information agencies must submit to the department for proper elimination of internal clearing account activity from the ending balance in the agency fund. The department will include a procedure that assures the agency fund's ending balance solely represent assets held on behalf of third parties.

Estimated Completion Date: July 1, 2004

Individual Responsible: Barb Ruckheim, Financial Reporting Director

Report 04-18: Department of Finance

Finding 3: The Contract Financial Management Subsystem (CFMS), a component of the state's accounting system, understated financial statement liabilities in the accounting module in fiscal year 2003.

Response: As an immediate solution, the department will develop a query to identify the correct liability date for CFMS obligations. In the longer term, Finance will explore whether or not a system modification should be considered to address this issue.

Estimated Completion Date: September 30, 2004

Individual Responsible: Barb Ruckheim, Financial Reporting Director

Report 04-19: Department of Health

Finding 1: The Department of Health did not obtain certain information that could affect WIC eligibility.

Response: The Department of Health will talk with staff from the Department of Human Services to ascertain the feasibility and cost benefit of obtaining audit results.

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Estimated Completion Date: Ongoing

Individual Responsible: Darcy Miner, Deputy Commissioner

Report 04-19: Department of Health

Finding 2: The Department of Health incorrectly recorded some contract payments on the state's accounting system.

Response: The department concurs with the finding that some coding errors have been made. The majority of the payment transaction errors found resulted from miscoding advance payments on grants. Financial Management will begin processing advances using the current date for the date of record. This should eliminate future errors in the system.

Estimated Completion Date: Ongoing

Individual Responsible: Darcy Miner, Deputy Commissioner

Report 04-19: Department of Health

Finding 3: The Department of Health did not comply with federal cash management regulations.

Response: The department agrees with the recommendation to minimize elapsed time. The department and the Community Health Boards (CHBs) have agreed that processing monthly payments instead of quarterly payments does minimize the time elapsed from transfer of funds to payments to the extent of our current cash management systems. Program direction from the Centers for Disease Control and Prevention has also emphasized getting funds to subrecipients as quickly as possible to meet the goal of the grant to build infrastructure for public health preparedness for acts of bioterrorism. Furthermore, local government officials have been extremely conservative about authorizing local investment in new initiatives without a steady stream of funds. The design of the schedule of advances took these programmatic issues into consideration when adopting the payment process.

Estimated Completion Date: Ongoing

Individual Responsible: Darcy Miner, Deputy Commissioner

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report 04-19: Department of Health

Finding 4: The Department of Health did not properly recognize certain grant expenditures for financial reporting.

Response: The department does not agree with this recommendation and it would require additional and unnecessary reporting by the Community Health Boards (CHBs) and the department. The department monitored the cash flow of the CHBs over the past 17 months. By August 30, 2003 the CHBs had expended \$318,109.97 more than they had received from the health department. In five months the CHBs went from a positive \$382,000 to a negative \$318,000 cash position. If any advances remained, as of June 30, 2003, the department believes that they would be immaterial to the financial statements for the state.

The department may consider moving the reporting of expenditures to coincide with the state fiscal year in future grant cycles.

Estimated Completion Date: Ongoing

Individual Responsible: Darcy Miner, Deputy Commissioner

Report 04-19: Department of Health

Finding 5: The Department of Health did not adequately manage its fixed assets.

Response: The department is in the process of developing a new materials management system that will help the department identify a purchase as a fixed asset. The department is also revising its fixed asset policy and procedure as well as its purchasing policy and procedure to account for the changes adopted by the Department of Administration in the management of state assets. The department will also commit additional resources to this area and will work with program staff to correct deficiencies in our current inventory system.

Estimated Completion Date: Ongoing

Individual Responsible: Darcy Miner, Deputy Commissioner

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report D&T: Minnesota State Colleges and Universities (MnSCU)

Finding 3: Insufficient depository insurance and collateral at some institutions.

Response: Substantial progress was made in this area during fiscal 2003, and MnSCU believes the instances noted were generally isolated exceptions and not evidence of systemic non-compliance. They will continue to address this issue with all institutions, with special attention to those having problems during fiscal year 2003.

Estimated Completion Date: Ongoing

Individual Responsible: Margaret Jenniges

Report DT-03: Minnesota State Colleges and Universities (MnSCU)

Finding 1: Certain colleges and universities omitted items within their published satisfactory academic progress policy and as noted in the December 11, 2003 letter to the U.S. Department of Education.

Response: The Senior Vice Chancellor for Academic and Student Affairs is responsible for several initiatives now underway to address inadequate college and university statements of satisfactory academic progress. A regular, periodic review of all college and university academic progress policies to endure continuing compliance has been instituted.

Estimated Completion Date: Ongoing

Individuals Responsible: Linda Baer and John Asmussen

Report DT-03: Minnesota State Colleges and Universities (MnSCU)

Finding 2: Certain colleges and universities did not report changes in student information to the National Student Loan Data System (“NSLDS”) clearinghouse within the required deadlines through submission of student status confirmation reports.

Response: The colleges and universities are aware of the timelines and will institute practices to improve reporting performance.

Estimated Completion Date: Ongoing

Individual Responsible: Linda Baer

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report DT-03: Minnesota State Colleges and Universities (MnSCU)

Finding 3: Saint Cloud State University (SCSU) had not been performing the return of Title IV funds calculation. As a result, SCSU estimated that \$425,847, relating to fiscal years 2001 through 2003, could be subject to refund to the U.S. Department of Education, or to lenders.

Response: The colleges and universities agree with the recommendation and will institute steps to improve practices.

Estimated Completion Date: Ongoing

Individuals Responsible: Linda Baer and John Asmussen

Report DT-03: Minnesota State Colleges and Universities (MnSCU)

Finding 4: Multiple institutions were not monitoring satisfactory progress and return of Title IV funds and the refunding amounts to the U.S. Department of Education.

Response: The colleges and universities agree with the Auditor's recommendation and will institute steps to improve practices. The Academic and Student Affairs division, working with the Office of Internal Auditing, will coordinate the effort and undertake follow up efforts.

Estimated Completion Date: Ongoing

Individuals Responsible: Linda Baer and John Asmussen

Report DT-03: Minnesota State Colleges and Universities (MnSCU)

Finding 5: Certain students received subsidized FFEL and FDSL loans in excess of permitted amounts from certain colleges and universities.

Response: The colleges and universities agree with the recommendation and will institute steps to improve practices. The Academic and Student Affairs division, working with the Office of Internal Auditing, will coordinate the effort and undertake follow up efforts.

Estimated Completion Date: Ongoing

Individuals Responsible: Linda Baer and John Asmussen

**Schedule of Corrective Action Plans for Financial Statement
and Federal Program Audit Findings – Continued**

Report OSA-01: Metropolitan Council

Finding 3: Need to improve timeliness and accuracy of financial reporting process.

Response: The Metropolitan Council will utilize a financial team to prepare and review financial statement presentation with a team member from Metro Transit added. A team coordinator will be designated to ensure deadlines are met and to coordinate the research and responses to questions and issues resulting from the audit process. Realistic timelines will be set for account analysis with staff accountable for meeting those timelines. Finance staff will develop a detailed schedule to identify statement analyses to be prepared and assign specific staff responsibilities for completing the work. A comprehensive review of Council fund analyses and financial statement presentations will be completed before audit work commences.

Estimated Completion Date: Ongoing

Individual Responsible: Edwin Petrie, Metro Transit Director of Finance

Report EB: Minnesota Partnership Against Tobacco (MPAAT)

Finding: Due to a limited number of officer personnel, adequate separation of duties may not be possible for adequate internal accounting controls.

Response: MPAAT is aware of this condition. Supervision and review of accounting policies, procedures, and financial information will be used to prevent and detect errors and irregularities.

Estimated Completion Date: Ongoing

Individual Responsible: Paul Orman, Director of Finance

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**State of Minnesota
Department of Finance**

**Status of Prior Statewide Financial Statement Audit Findings
As of December 1, 2003**

PURPOSE

This schedule is presented to comply with the reporting requirements under the U.S. Office of Management and Budget (OMB) Circular A-133. This schedule is intended to identify the status of prior year audit findings, and whether individual audit findings have been resolved or not. For those audit findings that are not fully resolved, a written narrative is included which identifies the agency's progress on the audit finding and plan for resolution of the audit finding.

SOURCE OF INFORMATION

For fiscal year 2003, the Department of Finance used the Office of the Legislative Auditor Findings for fiscal year 2002 as published in the State of Minnesota's 2002 Financial and Compliance Report on Federally Assisted Programs.

The Department of Finance worked with state agency staff and the Office of the Legislative Auditor to determine the status of prior year audit findings and requested written narrative from those state agencies that had audit findings that were not fully resolved.

The organization and terminology used in the schedule are discussed after the status of prior federal program audit findings schedule and narrative.

STATE OF MINNESOTA
STATUS OF PRIOR STATEWIDE FINANCIAL STATEMENT AUDIT FINDINGS
AS OF DECEMBER 1, 2003

STATE AGENCY	PROGRAM NAME	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO.	FIND NO.	AUDIT REPORT FISCAL YR.
PRIMARY GOVERNMENT						
Administration	Statewide Data Access	Inadequate control over ACF2 security rules and groups	1	02-26	1	02
Administration	Statewide Data Access	Inadequate control of powerful ACF2 privileges	2	02-26	2	02
Administration	Statewide Data Access	Inadequate documentation of ACF2 security infrastructure	1	02-05	4	02
Administration	Inter technologies Group	Costs not allocated to the proper fiscal year	2	02-05	1	01
Administration	Materials Management Coop Purchasing	Inadequate control over computer system security	2	02-05	2	01
Administration	Statewide Data Access	Inadequate control of data access	1	00-49	1	00
Administration	Statewide Data Access	Inadequate control of powerful ACF2 privileges	2	00-49	2	00
Administration	Statewide Data Access	Inadequate documentation of ACF2 security infrastructure	1	00-49	4	00
Commerce	Unclaimed Property	Omitted unclaimed property assets and accruals	1	03-18	1	02
Commerce	Unclaimed Property	Inadequate controls ensuring accuracy of database	1	03-18	2	02
Education	Subsystem Controls	Reliance on one employee to maintain critical information systems	1	03-15	1	02
Education	Accounts Payable	Improper recording of liability dates on MAPS	1	03-15	6	02
Education	Information Systems	Inadequate staffing	1	02-16	3	01
Education	Financial Statement Preparation	Incorrect recording of transactions on accounting system	1	02-16	8	01
Employee Relations	Financial Statement Disclosure	Inadequate reporting of required supplementary information on insurance plan	1	03-14	2	02
Finance	SEMA4 Information Technology	Excessive security clearances for technology professionals	1	02-57	1	02
Finance	SEMA4 Information Technology	Inadequate security of interface files during transmission	1	02-57	2	02
Finance	MAPS Interface Controls	Unnecessary clearance to subsystem interface data	1	02-68	1	02
Finance	MAPS Interface Controls	Inadequate control over one powerful MAPS account	1	02-68	2	02
Finance	Financial Statement Preparation	Financial statement databases and queries not secured	1	03-17	1	02
Finance	Budgetary Reporting	Inconsistent budgetary reports and error in budgetary statements	1	03-17	2	02
Finance	Financial Statement Preparation	Inaccurate financial information submitted by state agencies	1	03-17	3	02
Human Services	MAXIS Data Integrity	No periodic validation of effectiveness of MAXIS security controls	2	02-53	1	02
Human Services	MAXIS Data Integrity	Inappropriate security clearances to MAXIS	2	02-53	2	02
Human Services	MAXIS Data Integrity	Inadequate control and security over scheduled batch processing	2	02-53	3	02
Human Services	Accounts Receivable	Inadequate process for identifying AR for financial reporting	1	03-11	8	02
Iron Range Resources and Rehab	NE MN Economic Protection	Venture capital fund transactions may not comply with statutory use of funds	1	02-66	5	02
Iron Range Resources and Rehab	NE MN Economic Protection	Inadequate monitoring of venture capital financial activity	2	02-66	6	02
MN State Colleges & Universities	Cash	Insufficient depository insurance and collateral at some institutions	2	D&T	4	02
MN State Colleges & Universities	Financial Statement Preparation	Uncollateralized or under-collateralized cash deposits/investments	2	D&T	4	01
MN State Colleges & Universities	Financial Statement Preparation	Inadequate controls over financial reporting	1	D&T	8	01
MN State Colleges & Universities	Transaction Processing	Inadequate segregation of duties and control over access to assets	1	D&T	9	01
MN State Colleges & Universities	Information Systems	Inadequate implementation of effective security infrastructure	1	D&T	11	01
MN State Colleges & Universities	Revenue Fund Property and Equipment	Inconsistent application of asset capitalization policies	1	D&T	3	01

*CATEGORY OF CORRECTIVE ACTION TAKEN

- 1 - Findings have been fully corrected.
 - 2 - Findings not corrected or only partially corrected.
 - 3 - Corrective action taken is significantly different than previously reported.
 - 4 - Audit findings are no longer valid or do not warrant further action.
- For Categories 2-3, reference Rpt No and Find No on the Status of Statewide Audit Findings supplemental information for more detail.

STATE OF MINNESOTA
 STATUS OF PRIOR STATEWIDE FINANCIAL STATEMENT AUDIT FINDINGS
 AS OF DECEMBER 1, 2003

STATE AGENCY	PROGRAM NAME	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO.	FIND NO.	AUDIT REPORT FISCAL YR
PRIMARY GOVERNMENT - continued						
Natural Resources	License Revenue	No authority to issue refunds and inadequate control over refunds	2	02-65	2	02
Natural Resources	License Revenue	Inadequate safeguarding of license receipts	1	02-65	3	02
Natural Resources	License Revenue	No verification of overall license receipt reasonableness	2	02-65	4	02
Natural Resources	License Revenue	Excessive security clearances to the Electronic Licensing System	1	02-65	6	02
Public Employees Retirement	Computer System Security	Ineffective security program	2	02-62	1	02
Public Employees Retirement	Computer System Security	Ineffective controls against some Internet-based attacks	1	02-62	2	02
Public Employees Retirement	Computer System Security	Lack of software updates to remedy known security flaws	1	02-62	3	02
Public Employees Retirement	Computer System Security	Inadequate security of databases	2	02-62	4	02
Public Employees Retirement	Computer System Security	Lack of security over data and enforcement of password controls	1	02-62	5	02
Public Employees Retirement	Computer System Security	Excessive number of network access points	1	02-62	6	02
Revenue	Tax Revenue	Incorrect calculation of general tax levy to be assessed by counties	1	03-06	1	02
Trade & Economic Development	Loans Receivable	Inaccurate accounting for certain loans	1	02-11	1	01
Transportation	Right of Way	Inadequate separation of duties within right of way division	1	03-19	1	02
Transportation	Financial Statement Preparation	Inaccurate financial information compiled by agency	1	03-19	2	02
DISCRETELY PRESENTED COMPONENT UNITS						
Metropolitan Council	Transaction Processing - Metro Transit	Ineffective finance function and cash management	1	OSA 98-6		02
Metropolitan Council	Financial Statement Preparation	Insufficient documentation of journal entries	1	OSA 01-1		02
Metropolitan Council	Financial Statement Prep - Metro Transit	Inaccurate and untimely year-end closing and reporting	1	OSA 01-2		02
Metropolitan Council	Financial Statement Preparation	Inadequate year-end financial statement reporting process	2	OSA 01-3		02
Metropolitan Council	Metro Transit Transaction Processing	Ineffective finance function and cash management	1	(2) 98-6		01

***CATEGORY OF CORRECTIVE ACTION TAKEN**

- 1 - Findings have been fully corrected.
- 2 - Findings not corrected or only partially corrected.
- 3 - Corrective action taken is significantly different than previously reported.
- 4 - Audit findings are no longer valid or do not warrant further action.

For Categories 2-3, reference Rpt No and Find No on the Status of Statewide Audit Findings supplemental information for more detail.

**State of Minnesota
Department of Finance**

**Explanation of the Status of Prior Statewide Financial Statement
Audit Findings
As of December 1, 2003**

Reference to Audit Report – “State Agency”

The name of the state agency to which the audit report refers is listed in the first column.

Identification of Program Name – “Program Name”

The prior audit findings are summarized in the schedule by state agency. The program name is identified in the second column of the table.

Finding Summary – “Problem”

Column three contains a brief discussion of the specific problem cited in the respective state agency audit report from the prior year. Users of this report are encouraged to refer to the audit report comments for any items which may interest them, as this is only a brief summary of the problem.

Category of Corrective Action Taken

The fourth column indicates the category of corrective action taken on the audit finding to date. Four standard references in this column have been utilized:

- 1 Indicates that the audit finding has been fully corrected.
- 2 Indicates that the audit finding was not corrected or only partially corrected. The summary schedule shall describe the planned corrective action as well as any partial corrective action taken.
- 3 Indicates that corrective action taken is significantly different from corrective action previously reported in a corrective action plan.
- 4 Indicates that the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons shall be described in the summary schedule.

Report Number and Finding Number

The fifth and sixth columns identify the Office of the Legislative Auditor's audit report number and finding number of the prior audit findings.

Audit Report Fiscal Year

The last column refers to the fiscal year in which the finding was first reported.

Discretely Presented Component Unit Audits

The financial statements of the discretely presented component units listed on the schedule are audited by independent auditors whose reports thereon have been furnished to Minnesota Office of the Legislative Auditor. Complete financial statements of the discretely presented component units may be obtained from their respective administrative offices as follows:

Metropolitan Council
Mears Park Centre
230 East Fifth Street
Saint Paul, Minnesota 55101

Minnesota Partnership for Action Against Tobacco
590 Park Street, Suite 400
Saint Paul, Minnesota 55103

**State of Minnesota
Department of Finance**

**Status of Prior Federal Program Audit Findings
As of June 30, 2003**

PURPOSE

This schedule is presented to comply with the reporting requirements under the U.S. Office of Management and Budget (OMB) Circular A-133. All audit report findings associated with major and nonmajor federal programs for fiscal year 2002 are included in this schedule.

This schedule is intended to identify the status of prior audit findings, and whether individual audit findings have been resolved or not. For those audit findings that are not fully resolved, a written narrative is included which identifies the agency's progress on the audit finding and plan for resolution of the audit finding.

SOURCE OF INFORMATION

For fiscal year 2003, the Department of Finance used the Office of the Legislative Auditor Findings for fiscal year 2002 as published in the State of Minnesota's 2002 Financial and Compliance Report on Federally Assisted Programs.

The Department of Finance worked with state agency staff and the Office of the Legislative Auditor to determine the status of prior year audit findings and requested written narrative from those state agencies that had audit findings that were not fully resolved.

The organization and terminology used in the schedule are discussed after the status of prior federal program audit findings schedule and narrative.

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL PROGRAM AUDIT FINDINGS
AS OF JUNE 30, 2003

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO.	FIND NO.	AUDIT REPORT FISCAL YR.
U. S. Department of Agriculture							
10.551	Food Stamps	Human Services	Incorrect reporting of some expenditures on financial reports	1	03-11	6	02
10.551	Food Stamps	Human Services	Noncompliance with food stamp coupon inventory limitations	2	03-11	7	02
10.551	Food Stamps	Human Services	No periodic validation of effectiveness of MAXIS security controls	2	02-53	1	02
10.551	Food Stamps	Human Services	Inappropriate security clearances to MAXIS	2	02-53	2	02
10.551	Food Stamps	Human Services	Inadequate control and security over scheduled batch processing	2	02-53	3	02
10.553	School Breakfast Program	Education	Federal funds not returned and prior year expenditure reports not revised	1	02-16	2	01
10.553	School Breakfast Program	Education	Inadequate information technology staff for federal payment system	1	02-16	3	01
10.555	National School Lunch Program	Education	Federal funds not returned and prior year expenditure reports not revised	1	02-16	2	01
10.555	National School Lunch Program	Education	Inadequate information technology staff for federal payment system	1	02-16	3	01
10.556	Special Milk Program for Children	Education	Federal funds not returned and prior year expenditure reports not revised	1	02-16	2	01
10.556	Special Milk Program for Children	Education	Inadequate information technology staff for federal payment system	1	02-16	3	01
10.557	Special Nutrition/Women/Infants/Children	Health	WIC expenditures charged to the wrong federal fiscal year	4	03-08	1	02
10.557	Special Nutrition/Women/Infants/Children	Health	Overcharges on WIC vouchers were not reimbursed within 30 days	1	02-17	3	01
10.559	Summer Food Service Program for Children	Education	Federal funds not returned and prior year expenditure reports not revised	1	02-16	2	01
10.559	Summer Food Service Program for Children	Education	Inadequate information technology staff for federal payment system	1	02-16	3	01
U. S. Department of Interior							
15.605	Spent Fish Restoration	Natural Resources	Program reimbursement of land and equipment not adequately identified	1	03-20	1	02
15.611	Wildlife Restoration	Natural Resources	Program reimbursement of land and equipment not adequately identified	1	03-20	1	02
U. S. Department of Justice							
16.575	Victims of Crime Act Grants	Public Safety	Reimbursements made to grantees before grant agreement was signed or funds encumbered	1	01-42	1	01
16.575	Victims of Crime Act Grants	Public Safety	Federal funds disbursed to grantees were not properly managed	1	01-42	2	01
16.575	Victims of Crime Act Grants	Public Safety	Subgrantees did not comply with certain reporting and closeout requirements	1	01-42	3	01
16.588	Violence Against Women	Public Safety	Reimbursements made to grantees before grant agreement was signed or funds encumbered	1	01-42	1	01
16.588	Violence Against Women	Public Safety	Federal funds disbursed to grantees were not properly managed	1	01-42	2	01
16.588	Violence Against Women	Public Safety	Subgrantees did not comply with certain reporting and closeout requirements	1	01-42	3	01
U. S. Department of Labor							
17.207	Employment Services	Economic Security	Unclear relationship with subgrant vendor	1	03-16	3	02
17.225	Unemployment Insurance	Economic Security	Significant error compiling single audit schedule expenditures	1	03-16	2	02
17.258	Workforce Investment Act-Adult	Economic Security	Failure to allocate cost of consulting contract	1	03-16	1	02
17.259	Workforce Investment Act-Youth	Economic Security	Failure to allocate cost of consulting contract	1	03-16	1	02
17.260	Workforce Investment Act-Dislocated Worker	Economic Security	Failure to allocate cost of consulting contract	1	03-16	1	02
17.260	Workforce Investment Act-Dislocated Worker	Trade & Economic Development	Inadequate monitoring of subrecipient audit reports	1	03-10	1	02

CATEGORY OF CORRECTIVE ACTION TAKEN

- 1 - Findings have been fully corrected.
- 2 - Findings not corrected or only partially corrected.
- 3 - Corrective action taken is significantly different than previously reported.
- 4 - Audit findings are no longer valid or do not warrant further action.

For Categories 2-3, reference Rpt No and Find No on the Status of Statewide Audit Findings supplemental information for more detail.

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL PROGRAM AUDIT FINDINGS
AS OF JUNE 30, 2003

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN	RPT NO.	FIND NO.	AUDIT REPORT FISCAL YR
U. S. Department of Transportation							
20.205	Highway Planning and Construction	Transportation	Noncompliance with reporting requirements	1	03-19	3	02
20.205	Highway Planning and Construction	Transportation	Noncompliance with contract permit requirements	1	03-19	4	02
20.205	Highway Planning and Construction	Transportation	Project oversight procedures need improvement	1	03-19	5	02
20.205	Highway Planning and Construction	Transportation	Noncompliance with reporting requirements	1	02-19	1	01
20.205	Highway Planning and Construction	Transportation	Hazardous waste disposal controls need improvement	1	02-19	2	01
20.205	Highway Planning and Construction	Transportation	Lack of independent appraisals	1	02-19	3	01
20.205	Highway Planning and Construction	Transportation	Contracts not signed prior to work	1	02-19	4	01
20.205	Highway Planning and Construction	Transportation	Noncompliance with contract guidelines	1	02-19	5	01
20.205	Highway Planning and Construction	Transportation	Project oversight procedures need improvement	1	02-19	6	01
20.205	Highway Planning and Construction	Transportation	Noncompliance with state and federal guidelines	1	01-13	1	00
20.219	Recreational Trails	Natural Resources	Subgrantee costs incurred before grant agreement was signed	1	03-20	2	02
Federal Emergency Management Agency							
83.544	Public Assistance Grants	Public Safety	Did not obtain audit reports from some subrecipients	1	03-13	1	02
U. S. Department of Education							
84.007	Supplemental Education Opportunity Grant	Anoka TC	Inadequate restriction to computerized systems	2	01-50	1	01
84.007	Supplemental Education Opportunity Grant	Anoka Ramsey CC	Inadequate restriction to computerized systems	2	01-46	2	01
84.007	Supplemental Education Opportunity Grant	MN State C - SE Tech	Inadequate restriction to computerized systems	1	01-36	1	01
84.007	Supplemental Education Opportunity Grant	North Hennepin CC	Inadequate restriction to computerized systems	1	01-16	3	01
84.007	Supplemental Education Opportunity Grant	Riverland CC	Inadequate restriction to computerized systems	1	01-30	1	01
84.007	Supplemental Education Opportunity Grant	St. Cloud State U	Inadequate tracking between computerized systems	2	01-20	7	01
84.010	Title 1 Grants to Local Educational Agencies	Education	Reliance on one employee to maintain federal payment system	1	03-15	1	02
84.010	Title 1 Grants to Local Educational Agencies	Education	Lack of documentation to support administrative salaries	1	03-15	3	02
84.010	Title 1 Grants to Local Educational Agencies	Education	Lack of documentation to support data reported	1	03-15	4	02
84.010	Title 1 Grants to Local Educational Agencies	Education	Inadequate information technology staff for federal payment system	1	02-16	3	01
84.011	Migrant Education-Basic State Grant	Education	Reliance on one employee to maintain federal payment system	1	03-15	1	02
84.011	Migrant Education-Basic State Grant	Education	Lack of documentation to support administrative salaries	1	03-15	3	02
84.011	Migrant Education-Basic State Grant	Education	Lack of documentation to support data reported	1	03-15	4	02
84.011	Migrant Education-Basic State Grant	Education	Use of funds for ineligible costs	1	03-15	5	02
84.011	Migrant Education-Basic State Grant	Education	Improper recording of liability dates on MAPS	2	03-15	6	02
84.027	Special Education-State Grants	Education	Reliance on one employee to maintain federal payment system	1	03-15	1	02
84.027	Special Education-State Grants	Education	Improper recording of liability dates on MAPS	2	03-15	6	02
84.027	Special Education State Grants	Education	Inadequate information technology staff for federal payment system	1	02-16	3	01
84.032	Federal Family Education Loan Program	Hibbing CC	Aid exceeded program limit, and nonpayment of refund for failing grades	1	DT-02	4	02
84.032	Federal Family Education Loan Program	Lake Superior College	Aid exceeded program limit due to errors in recording transferred credits	1	DT-02	5	02
84.032	Federal Family Education Loan Program	Metropolitan State University	Aid exceeded program limit due to processing errors	1	DT-02	6	02
84.032	Federal Family Education Loan Program	Anoka TC	Inadequate restriction to computerized systems	2	01-50	1	01
84.032	Federal Family Education Loan Program	Anoka Ramsey CC	Inadequate restriction to computerized systems	2	01-46	2	01
84.032	Federal Family Education Loan Program	Metropolitan State University	Amount of aid exceeded program limit	1	DT-01	4	01
84.032	Federal Family Education Loan Program	MN State C - SE Tech	Inadequate restriction to computerized systems	1	01-36	1	01
84.032	Federal Family Education Loan Program	North Hennepin CC	Inadequate restriction to computerized systems	1	01-16	3	01
84.032	Federal Family Education Loan Program	Riverland CC	Inadequate restriction to computerized systems	1	01-30	1	01
84.032	Federal Family Education Loan Program	St. Cloud State U	Inadequate tracking between computerized systems	2	01-20	7	01

***CATEGORY OF CORRECTIVE ACTION TAKEN**

- 1 - Findings have been fully corrected.
 - 2 - Findings not corrected or only partially corrected.
 - 3 - Corrective action taken is significantly different than previously reported.
 - 4 - Audit findings are no longer valid or do not warrant further action.
- For Categories 2-3, reference Rpt No and Find No on the Status of Statewide Audit Findings supplemental information for more detail.

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL PROGRAM AUDIT FINDINGS
AS OF JUNE 30, 2003

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO.	FIND NO.	AUDIT REPORT FISCAL YR
U. S. Department of Education - continued							
84.033	Federal Work-Study	Anoka TC	Inadequate restriction to computerized systems	2	01-50	1	01
84.033	Federal Work-Study	Anoka Ramsey CC	Inadequate restriction to computerized systems	2	01-46	2	01
84.033	Federal Work-Study	MN State C - SE Tech	Inadequate restriction to computerized systems	1	01-36	1	01
84.033	Federal Work-Study	North Hennepin CC	Inadequate restriction to computerized systems	1	01-16	3	01
84.033	Federal Work-Study	Riverland CC	Inadequate restriction to computerized systems	1	01-30	1	01
84.033	Federal Work-Study	St. Cloud State U	Inadequate tracking between computerized systems	2	01-20	7	01
84.038	Federal Perkins Loan	Anoka Ramsey CC	Inadequate restriction to computerized systems	2	01-46	2	01
84.038	Federal Perkins Loan	North Hennepin CC	Inadequate restriction to computerized systems	1	01-16	3	01
84.038	Federal Perkins Loan	Riverland CC	Inadequate restriction to computerized systems	1	01-30	1	01
84.038	Federal Perkins Loan	St. Cloud State U	Inadequate tracking between computerized systems	2	01-20	7	01
84.048	Vocational Education-Basic State Grants	State Colleges and Universities	Equipment not inventoried every two years as required	1	DT-02	1	02
84.048	Vocational Education-Basic State Grants	North Hennepin CC	Inadequate documentation for printing expenditure	1	DT-02	3	02
84.048	Vocational Education Basic State Grants	Education	Inadequate information technology staff for federal payment system	1	02-16	3	01
84.063	Federal Pell Grant	North Hennepin CC	Program disbursements not reported within 30 days	1	DT-02	2	02
84.063	Federal Pell Grant	Anoka TC	Inadequate restriction to computerized systems	2	01-50	1	01
84.063	Federal Pell Grant	Anoka Ramsey CC	Inadequate restriction to computerized systems	2	01-46	2	01
84.063	Federal Pell Grant	MN State C - SE Tech	Inadequate restriction to computerized systems	1	01-36	1	01
84.063	Federal Pell Grant	North Hennepin CC	Inadequate restriction to computerized systems	1	01-16	3	01
84.063	Federal Pell Grant	Riverland CC	Inadequate restriction to computerized systems	1	01-30	1	01
84.063	Federal Pell Grant	St. Cloud State U	Inadequate tracking between computerized systems	2	01-20	7	01
84.173	Special Education - Preschool Grants	Education	Inadequate information technology staff for federal payment system	1	02-16	3	01
84.340	Class Size Reduction	Education	Inadequate information technology staff for federal payment system	1	02-16	3	01
U. S. Department of Health and Human Services							
93.558	Temporary Assistance for Needy Families	Human Services	No periodic validation of effectiveness of MAXIS security controls	2	02-53	1	02
93.558	Temporary Assistance for Needy Families	Human Services	Inappropriate security clearances to MAXIS	2	02-53	2	02
93.558	Temporary Assistance for Needy Families	Human Services	Inadequate control and security over scheduled batch processing	2	02-53	3	02
93.558	Temporary Assistance for Needy Families	Human Services	Untimely resolution of income discrepancies identified by IEVS	2	03-11	2	02
93.558	Temporary Assistance for Needy Families	Human Services	Untimely resolution of income discrepancies identified by IEVS	2	02-15	1	01
93.563	Child Support Enforcement	Human Services	State plan does not incorporate a federal requirement	1	03-11	4	02
93.575	Child Care & Development Block Funds	Education	Inadequate information technology staff for federal payment system	1	02-16	3	01
93.596	Child Care & Development Program	Education	Inadequate information technology staff for federal payment system	1	02-16	3	01
93.778	Medical Assistance	Human Services	Untimely resolution of income discrepancies identified by IEVS	2	03-11	2	02
93.778	Medical Assistance	Human Services	Inadequate reconciliation of eligibility status between systems	1	03-11	3	02
93.778	Medical Assistance	Human Services	Inadequate separation of duties over receipt collections	2	03-11	5	02
93.778	Medical Assistance	Human Services	Untimely resolution of income discrepancies identified by IEVS	2	02-15	1	01
93.778	Medical Assistance	Human Services	Inadequate reconciliation of eligibility status between systems	1	02-15	2	01

*CATEGORY OF CORRECTIVE ACTION TAKEN

- 1 - Findings have been fully corrected.
- 2 - Findings not corrected or only partially corrected.
- 3 - Corrective action taken is significantly different than previously reported.
- 4 - Audit findings are no longer valid or do not warrant further action.

For Categories 2-3, reference Rpt No and Find No on the Status of Statewide Audit Findings supplemental information for more detail.

**State of Minnesota
Department of Finance**

**Explanation of the Status of Prior Federal Program Audit Findings
As of June 30, 2003**

Identification of Federal Programs – “CFDA No. and Program Name”

The prior audit findings are summarized in the schedule by federal grantor agency and program. The federal agency responsible for administration of the program is identified on the schedule in the upper left corner of each page. The federal program is identified by its Catalog of Federal Domestic Assistance Number (CFDA No.) and program name in the first two columns. The federal programs are listed in numerical sequence for each federal agency.

Reference to Audit Report – “State Agency”

The name of the state agency to which the audit report refers is listed in the third column.

Finding Summary – “Problem”

Column four contains a brief discussion of the specific problem cited in the respective state agency audit report from the prior year. Users of this report are encouraged to refer to the audit report comments for any items which may interest them, as this is only a brief summary of the problem.

Category of Corrective Action Taken

The fifth column indicates the category of corrective action taken on the audit finding to date. Four standard references in this column have been utilized:

- 1 Indicates that the audit finding has been fully corrected.
- 2 Indicates that the audit finding was not corrected or only partially corrected. The summary schedule shall describe the planned corrective action as well as any partial corrective action taken.
- 3 Indicates that corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency’s or pass-through entity’s management decision.
- 4 Indicates that the auditee believes the audit findings are no longer valid or do not warrant further action. The summary schedule shall describe the reasons. A valid reason for considering an audit finding as not warranting further action is that all of the following have occurred:

- Two years have passed since the audit report in which the finding occurred was submitted to the federal clearinghouse.
- The federal agency or pass-through entity is not currently following up on with the auditee on the audit finding.
- A management decision was not issued.

Report Number and Finding Number

The sixth and seventh columns identify the Office of the Legislative Auditor's audit report number and finding number of the prior audit findings.

Audit Report Fiscal Year

The last column refers to the fiscal year in which the finding was first reported.

State of Minnesota
Status of Prior Financial Statement and Federal Program Audit Findings
Supplemental Information
Fiscal Year Ended June 30, 2003

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

Report 00-49: Department of Administration

Finding 2: InterTech did not adequately control some powerful ACF2 privileges.

Response: InterTechnologies Group's Mainframe Security Function and Technical Support staff put compensating controls on all but one started task with the RESTRICT privilege and are working with another state agency to complete. Staff also designed and implemented a new re-certification process and are developing written procedures. Estimated completion date of June 2004.

Individuals Responsible: Dick Ferderer, Information Technology Specialist
Greg Dzieweczynski, Interagency Services Division Director

Report 01-20: Minnesota State Colleges and Universities (MnSCU)
– St. Cloud State University

Finding 7: The university does not produce reports comparing ISRS financial aid system award payments and MnSCU accounting system disbursements.

Response: The finding concerning inadequate tracking between computerized systems has been partially completed except for the reconciliation of electronic funds transfer accounts. The Business Manager at St. Cloud State University will continue to work on this finding with a target implementation date of January 2005.

Individual Responsible: Jeff Wagner, Business Manager

**Status of Prior Financial Statement and Federal Program Audit Findings
Supplemental Information – Continued**

**Report 01-46: Minnesota State Colleges and Universities (MnSCU)
– Anoka Ramsey Community College**

Finding 2: The college did not adequately limit access to its computerized business systems.

Response: Access incompatibilities have been corrected for certain functions. The Anoka Ramsey Community College Chief Financial Officer is researching ISRS reports to provide adequate detective controls related to cashiering. Estimated completion date of June 30, 2004.

Individual Responsible: Tim Fisher, Director of Finance

**Report 01-50: Minnesota State Colleges and Universities (MnSCU)
– Anoka Technical College**

Finding 1: The college did not adequately restrict certain employee's access to its computerized business systems.

Response: Access incompatibilities have been corrected for certain job functions. The Anoka Technical College Accounting Manager is researching ISRS reports to provide adequate detective controls related to cashiering. Estimated completion date of June 30, 2004.

Individual Responsible: Wendy Meyer, Vice President of Finance

Report 02-05: Department of Administration

Finding 1: The department did not consistently allocate certain InterTechnologies Group costs to the correct fiscal year.

Response: InterTechnologies Group (ITG) is presently working with Financial Management and Reporting (FMR) division staff to ensure that financial transactions are coded to the correct fiscal year. Particular attention has been given to making improvements in tracking prepaid expenses, coding expenditures to the appropriate accounting period, and improving capital asset record-keeping measures. The recommendation is partially implemented.

Individual Responsible: Julie Talbott, Administrative Director

Status of Prior Financial Statement and Federal Program Audit Findings
Supplemental Information – Continued

Report 02-05: Department of Administration

Finding 2: The Materials Management Division (MMD) did not adequately restrict certain computer security clearances for its pharmacy cooperative purchasing program.

Response: MMD contracted with a third party to design and implement password-protected access controls for the pharmaceutical outreach program's Administration Check Tracking System (ACTS). Further testing and documentation of the configuration of the new security scheme is planned in early 2004. The recommendation is partially implemented.

Individuals Responsible: Rose Svitak, Technology Administrator
Judy Hunt, Internal Audit Director

Report 02-15: Department of Human Services

Finding 1: The Department of Human Services did not ensure that counties timely resolved income discrepancies identified as part of the benefit eligibility process.

Response: The department is still working with Hennepin County to resolve their overdue matches. They have reduced them by over half while at the same time keeping current on new matches. The department is also working with Ramsey County to reduce their overdue matches. The department plans include taking on additional individual counties that are struggling with a higher percentage of overdue matches and work with them to clean them up. Estimated completion date of April 30, 2004.

Individual Responsible: Ramona Scarpace, Program Assessment and Integrity Division Director

Report 02-26: Department of Administration

Finding 2: InterTech did not adequately control some powerful ACF2 privileges.

Response: InterTechnologies Group's Mainframe Security Function and Technical Support staff put compensating controls on all but one started task with the RESTRICT privilege and are working with another state agency to complete. Staff also designed and implemented a new re-certification process and are developing written procedures. Estimated completion date of June 2004.

Individuals Responsible: Dick Ferderer, Information Technology Specialist
Greg Dziweczynski, Interagency Services Division Director

**Status of Prior Financial Statement and Federal Program Audit Findings
Supplemental Information – Continued**

Report 02-53: Department of Human Services

Finding 1: The department has not performed important activities to validate the continued effectiveness of MAXIS security controls.

Response: Several security reviews have been conducted focusing on various parts of the operation. The Department of Human Services agrees with the recommendation that MAXIS should designate a single employee to coordinate security and oversee ongoing security risk assessment. The department will need to look into securing additional resources for a new position. The department hired a Chief Information Security Officer. This person will work with MAXIS to further refine MAXIS security. Estimated completion date of February 28, 2005.

Individual Responsible: Kate Wulf, Director MAXIS Division

Report 02-53: Department of Human Services

Finding 2: Many employees and contractors had inappropriate security clearances.

Response: The Department of Human Services has reassessed security clearances for users identified in the audit. Clearances have been removed or revised commensurate with the employees' job duties. Security groups have also been reexamined. As a result of this review, some members were either removed entirely from the system or moved to groups that were appropriate to their job responsibilities. Estimated completion date of February 28, 2005.

Individual Responsible: Kate Wulf, Director MAXIS Division

Report 02-53: Department of Human Services

Finding 3: Computer programs used for scheduled batch processing were not properly controlled or secured.

Response: MAXIS system security staff met with other Department of Human Services security staff about the exposure identified in the audit. JCL has already been revised to remove some exposure and more changes are planned. Estimated completion date of February 28, 2005.

Individual Responsible: Kate Wulf, Director MAXIS Division

**Status of Prior Financial Statement and Federal Program Audit Findings
Supplemental Information – Continued**

Report 02-62: Public Employees Retirement Association (PERA)

Finding 1: PERA did not design and implement an effective security program.

Response: PERA has completed most of the suggested changes, except for working on the documentation of policies, procedures, and standards. A security administrator was hired increasing the size of security staff. Changes were made to the infrastructure. Monitoring controls were placed to detect and respond to potential security breaches. Final documentation is expected to be in place by the Summer of 2004.

Individual Responsible: David DeJonge, Assistant Director

Report 02-62: Public Employees Retirement Association (PERA)

Finding 4: PERA did not properly secure its databases.

Response: All but one of the audit findings has been corrected. PERA password protects all accounts that can access databases. Any unnecessary software components from their database environments were removed. Staff are limited to the minimum security clearances necessary. Files were moved to limit the number of servers that need to have SQL installed. Employees can query a copy of the database rather than the production database. However, it is still possible for employees who know how to hit the production database. PERA is researching report writers that will allow the department to prohibit staff from querying the production database directly. Estimated completion date of Spring 2004.

Individual Responsible: David DeJonge, Assistant Director

Report 02-65: Department of Natural Resources (DNR)

Finding 2: The department issued refunds without statutory authority and did not have adequate controls in place to ensure that all refunds issued were appropriate.

Response: The DNR License Center has developed a policy for refunds of licensing fees and proposed legislation to the Governor's office that will provide statutory authority for giving refunds of license fees. Proposed legislation will be followed during the 2004 session.

Individual Responsible: Tom Keefe, Licensing Center Supervisor

Status of Prior Financial Statement and Federal Program Audit Findings
Supplemental Information – Continued

Report 02-65: Department of Natural Resources (DNR)

Finding 4: The department did not verify the overall reasonableness and accuracy of its license receipts.

Response: The department is in the process of developing a computer system to allow staff to verify the overall reasonableness and accuracy of license receipts by license type. Estimated completion date is June 2004.

Individual Responsible: Jerry Hampel, Business Services Manager

Report 02-66: Iron Range Resources and Rehabilitation Agency (IRRRA)

Finding 6: The agency did not adequately monitor the venture capital fund's use of Northeast Minnesota Economic Protection Trust Funds nor curtail certain financial activity that did not comply with the financing agreement or statutes.

Response: IRRRA has been and continues working with the venture capital fund Iron Range Ventures to craft amendments to the existing agreement. Terms have been agreed to on all issues other than the definition of equity investment. Estimated completion date of June 30, 2004.

Individual Responsible: Mathew Sjoberg, Loan Officer Supervisor

Report 03-11: Department of Human Services

Finding 2: The Department of Human Services did not ensure that counties timely resolved income discrepancies identified as part of the benefit eligibility process.

Response: The department is still working with Hennepin County to resolve their overdue matches. They have reduced them by over half while at the same time keeping current on new matches. The department is also working with Ramsey County to reduce their overdue matches. The department plans include taking on additional individual counties that are struggling with a higher percentage of overdue matches and work with them to clean them up. Estimated completion date of April 30, 2004.

Individual Responsible: Ramona Scarpace, Program Assessment and Integrity Division Director

Status of Prior Financial Statement and Federal Program Audit Findings
Supplemental Information – Continued

Report 03-11: Department of Human Services

Finding 5: The Department of Human Services did not adequately separate duties over receipts collected by the Special Recovery Unit.

Response: The department will be implementing a new control through the SIRS unit. They will receive a hard copy of all deposits to their recovery accounts. For deposits relating to time payment plans they will review the amount paid to the payment amount agreed upon in the settlement. The deposit slip will be filed with the appropriate case file. Estimated completion date of April 2004.

Individual Responsible: Vicki Kunerth, Performance Measurement and Quality Control Director

Report 03-15: Department of Education

Finding 6: The Department of Education did not properly record some expenditure transactions on the state's accounting system.

Response: Staff were informed they are to always use the date goods or services were received for the date of record when entering payments in the state's accounting system.

Individual Responsible: Chas Anderson, Assistant Commissioner

Deloitte & Touche Fiscal Year 2001: Minnesota State Colleges and Universities (MnSCU)

Finding 4: Several instances were noted during fiscal year 2001 where MnSCU's cash deposits and investments were not collateralized at levels required by Minnesota Statutes, or were uncollateralized.

Response: MnSCU has complied with this requirement except for some colleges which during peak times still have difficulties collateralizing cash and investments. Most colleges have made arrangements with their banks to automatically collateralize their cash and investment balances. The remaining colleges are making arrangements with their banks to ensure that cash and investment balances are collateralized at all times. Estimated completion date of February 2004.

Individual Responsible: Margaret Jenniges, Finance Director

**Status of Prior Financial Statement and Federal Program Audit Findings
Supplemental Information – Continued**

Deloitte & Touche Fiscal Year 2002: Minnesota State Colleges and Universities (MnSCU)

Finding 4: Several instances were noted during fiscal year 2002 where MnSCU's cash deposits and investments were not collateralized at levels required by Minnesota Statutes, or were uncollateralized.

Response: MnSCU has complied with this requirement except for some colleges which during peak times still have difficulties collateralizing cash and investments. Most colleges have made arrangements with their banks to automatically collateralize their cash and investment balances. The remaining colleges are making arrangements with their banks to ensure that cash and investment balances are collateralized at all times. Estimated completion date of February 2004.

Individual Responsible: Margaret Jenniges, Finance Director

Report OSA: Metropolitan Council

Finding 01-3: Inadequate year-end financial statement reporting process.

Response: The timeliness and accuracy of the year-end financials has been a major focus for the Metro Transit Finance Department. Efforts were concentrated to ensure account balances were complete, accurate and materially stated with the year-end financial report processing. These efforts included many detailed account reconciliations. In addition, two finance positions have been filled, whose additional efforts will continue to ensure the accuracy of the year-end financial reporting process. The maintenance of this process will allow Metro Transit staff to take a more active role in the preparation and review of the financial statement preparations for the Council in the upcoming year.

Individual Responsible: Ed Petrie, Senior Manager of Finance

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