

State of Minnesota

Financial and Compliance Report on Federally Assisted Programs

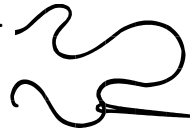


For the Year Ended June 30, 2012

Minnesota is represented by its many symbols. Every Minnesota school child knows the Common Loon and the Lady's Slipper are symbols of the state. But Minnesota, like all states, has named a number of official symbols to represent the cultural and natural treasures of the state, among them the Norway Pine (tree), the Monarch (butterfly), Honeycrisp™ Apple (fruit), Wild Rice (grain), Lake Superior Agate (gemstone), the Morel (mushroom) and the Blueberry Muffin (muffin).

It may sound a little silly but there is definite reasoning behind the careful consideration and selection of state symbols. State symbols represent things that are special to a particular state. They are generally used to identify a characteristic of the state's heritage or natural resources which represents "uniqueness" and conveys a message of interest to the rest of the country and world.

Minnesota's symbols are the fabric of who and what we are.





Financial and Compliance Report on Federally Assisted Programs

For the Year Ended June 30, 2012

**2012
Minnesota Financial
and Compliance
Report on Federally
Assisted Programs**

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

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

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

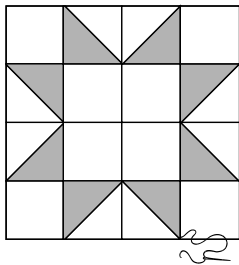
The State of Minnesota Financial and Compliance Report on Federally Assisted Programs is available at the following website:

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

State of Minnesota
Financial and Compliance Report on Federally Assisted Programs
Fiscal Year Ended June 30, 2012

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State of Minnesota

2012 Financial and Compliance Report on Federally Assisted Programs Transmittal Letter from the Commissioner of Minnesota Management and Budget

July 26, 2013

The Honorable Mark Dayton, 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, 2012. This report meets the requirements of the Federal Single Audit Act of 1984 as amended in 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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

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

Management Responsibilities

Minnesota Management and Budget is responsible for the accuracy, fairness and completeness of the Schedule of Expenditures of Federal Awards, including all disclosures, presented in this report. The department is also responsible for the Statewide Integrated Financial Tools System (SWIFT), which was used in preparing this report. As this was the state's first reporting cycle under SWIFT, it required a substantial commitment of time to design, develop, and test the new reports needed to produce the financial reports and related disclosures contained in the attached report. This caused a delay in completing this report as we maintained our commitment to high standards for accuracy and completeness.

I believe the schedule provides a fair representation of expenditures for federal programs for the year ended June 30, 2012.

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

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

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

Federal Financial Assistance to the State of Minnesota

In fiscal year 2012, the state of Minnesota received approximately \$11 billion in federal assistance for its many programs.

Audits

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

The Office of the Legislative Auditor has audited the state's major federal programs identified in this single audit report. The auditor's report on compliance with requirements applicable to each major federal program and on internal control over compliance is included as part of this report. The Office of the Legislative Auditor has also issued a report on internal control over financial reporting in conjunction with the audit of the state's Comprehensive Annual Financial Report for the year ended June 30, 2012.

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

Report

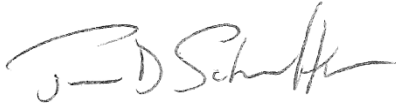
This single audit report supplements the state's Comprehensive Annual Financial Report for the year ended June 30, 2012, and includes financial information on federal programs which was compiled by Minnesota Management and Budget.

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

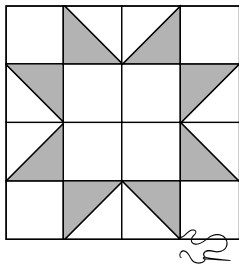
Acknowledgments

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

Sincerely,

A handwritten signature in black ink, appearing to read "J. D. Schowalter", written in a cursive style.

James Schowalter
Commissioner





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

Members of the Minnesota Legislature

The Honorable Mark Dayton, Governor

Mr. James Schowalter, Commissioner of Minnesota Management and Budget

Compliance

We have audited the compliance of the State of Minnesota with the requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement*, that are applicable to the state's major federal programs for the year ended June 30, 2012. The state's major federal programs are identified in Section I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the federal requirements for these programs is the responsibility of the state's management. Our responsibility is to express an opinion on the State of Minnesota's compliance based on our audit.

The State of Minnesota's basic financial statements include the operations of its discretely presented component units, which received approximately \$1.7 billion in federal awards. Those expenditures of federal awards are not included in the State of Minnesota's schedule of expenditures of federal awards for the year ended June 30, 2012. Our audit, described below, did not include the state's discretely presented component units because they are not included as part of the state's primary government; accordingly, those units have engaged other auditors to perform their federal compliance audits in accordance with OMB Circular A-133.

We conducted our audit in accordance with the American Institute of Certified Public Accountants *Statements on Auditing Standards*; 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 the circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred that could have a direct and material effect on the compliance requirements referred to above for a major federal program. An audit includes examining, on a test basis, evidence about the state'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 findings in Section III of the accompanying Schedule of Findings and Questioned Costs and identified below, the State of Minnesota did not comply with certain federal requirements that are applicable to its major federal programs. These federal requirements include eligibility, activities allowed or unallowed, allowable costs/cost principals, and monitoring of grant recipients. Compliance with such requirements is necessary, in our opinion, for the State of Minnesota to comply with the requirements applicable to the following major federal programs:

- Medical Assistance – (CFDA¹ 93.778)
 - Findings 13-05-1, 13-05-2, and 13-15-1.
- Temporary Assistance for Needy Families – (CFDA 93.558, 93.714)
 - Findings 12-24-1, 12-24-2, 13-05-2, and 13-15-1.

In addition, as described in Finding 13-18-1, in Section III of the accompanying Schedule of Findings and Questioned Costs, the State of Minnesota did not comply with federal requirements to submit its Federal Single Audit report for fiscal year 2012 to the federal government by March 31, 2013. Compliance with this requirement is necessary, in our opinion, for the State of Minnesota to comply with the overall Single Audit requirements of the Office of Management and Budget Circular A-133.

In our opinion, except for the material noncompliance described in the preceding paragraphs, the State of Minnesota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which we are required to report in accordance with OMB Circular A-133 and that we describe in Section III of the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of the State of Minnesota is responsible for establishing and maintaining effective internal control over compliance with the requirements applicable to federal programs. In planning and performing our audit, we considered the state's internal control over compliance with requirements that could have a direct and material effect on a major federal program. The purpose of our consideration of internal control was to determine the auditing procedures necessary for us to express our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our consideration of internal control was not for the purpose of expressing an opinion on its effectiveness over compliance; accordingly, we do not express an opinion on the effectiveness of the State of Minnesota's internal control over compliance.

¹ The Catalog of Federal Domestic Assistance (CFDA) is a unique number assigned by the federal government to identify its programs.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies² in the State of Minnesota's internal control over compliance that might be significant deficiencies³ or material weaknesses⁴ and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we consider the deficiencies in internal control over compliance, identified as Finding 12-24-1, 12-24-2, 13-05-1, 13-05-2, 13-15-1, 13-15-2, and 13-18-1 in Section III of the accompanying Schedule of Findings and Questioned Costs, to be material weaknesses. We consider all of the other deficiencies in internal control over compliance described in Section III of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We did not audit the Schedule of Expenditures of Federal Awards for the year ended June 30, 2012, and do not express an opinion on it. We did not audit this schedule because the significant change in the process used by the Department of Management and Budget to develop the schedule, and the delay in providing the schedule to our office for audit, significantly increased the risk of material misstatement. We were unable to perform sufficient and appropriate procedures necessary to reduce that risk to an acceptable level to provide an opinion, as explained in Finding 13-18-1.

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2012, and have issued our report thereon dated March 20, 2013. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Minnesota's basic financial statements. The accompanying unaudited Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements.

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

This report is intended solely for the information and use of the management of the State of Minnesota, the Governor of the State of Minnesota, the Minnesota Legislature, and federal

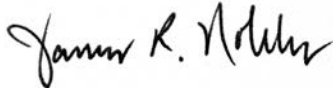
² A *deficiency* in internal control exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

³ A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

⁴ A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Members of the Minnesota Legislature
The Honorable Mark Dayton, Governor
Mr. James Schowalter, Commissioner of Minnesota Management and Budget
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awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a public document.



James R. Nobles
Legislative Auditor



Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

July 26, 2013

**STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES - Unaudited
YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Supplemental Nutrition Assistance Program (SNAP) Cluster			
10.551	SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (7)	HUMAN SERVICES	\$ 740,901,998
10.561	STATE ADMIN MATCHING GRANTS FOR SUPP NUTR	HUMAN SERVICES	\$ 59,520,712
Supplemental Nutrition Assistance Program (SNAP) Cluster Total:			\$ 800,422,710
Child Nutrition Cluster			
10.553	SCHOOL BREAKFAST PROGRAM	EDUCATION	\$ 38,585,316
10.555	NATIONAL SCHOOL LUNCH PROGRAM	EDUCATION	\$ 162,050,963
10.556	SPECIAL MILK PROGRAM FOR CHILDREN	EDUCATION	\$ 868,588
10.559	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	EDUCATION	\$ 7,115,046
10.559	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	STATE COLLEGES & UNIVERSITIES	\$ 2,125
Child Nutrition Cluster Total:			\$ 208,622,038
10.557	SPECIAL SUPP. NUTRITION PROGRAM FOR WOMEN, INFANTS (4)	HEALTH	\$ 97,844,198
10.558	CHILD AND ADULT CARE FOOD PROGRAM	EDUCATION	\$ 67,321,325
U.S. DEPARTMENT OF DEFENSE			
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINT	MILITARY AFFAIRS	\$ 34,032,846
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINT	NATURAL RESOURCES	\$ 156,062
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINT	WATER & SOIL RESOURCES BOARD	\$ 2,101,897
Program 12.401 Total:			\$ 36,290,805
U.S. DEPARTMENT OF LABOR			
Workforce Investment Act (WIA) Cluster			
17.258	WIA ADULT PROGRAM	EMPLOYMENT & ECONOMIC	\$ 10,024,363
17.259	WIA YOUTH ACTIVITIES	EMPLOYMENT & ECONOMIC	\$ 12,634,810
17.259	ARRA-WIA YOUTH ACTIVITIES	STATE COLLEGES & UNIVERSITIES	\$ 1,621
17.260	WIA DISLOCATED WORKERS	EMPLOYMENT & ECONOMIC	\$ 515,392
17.260	ARRA-WIA DISLOCATED WORKERS	EMPLOYMENT & ECONOMIC	\$ 854,886
17.260	ARRA-WIA DISLOCATED WORKERS	STATE COLLEGES & UNIVERSITIES	\$ 16,247

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

**STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES - Unaudited
YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF LABOR (Continued)			
17.278	WIA DISLOCATED WORKER FORMULA GRANTS	EMPLOYMENT & ECONOMIC	\$ 13,126,850
Workforce Investment Act (WIA) Cluster Total:			\$ 37,174,169
17.225	UNEMPLOYMENT INSURANCE (5)	EMPLOYMENT & ECONOMIC	\$ 1,530,919,626
17.225	ARRA-UNEMPLOYMENT INSURANCE (5)	EMPLOYMENT & ECONOMIC	\$ 41,630
Program 17.225 Total:			\$ 1,530,961,256
U.S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Cluster			
20.205	HIGHWAY PLANNING AND CONSTRUCTION	NATURAL RESOURCES	\$ 76,092
20.205	ARRA-HIGHWAY PLANNING AND CONSTRUCTION	TRANSPORTATION	\$ 18,920,000
20.205	HIGHWAY PLANNING AND CONSTRUCTION	TRANSPORTATION	\$ 604,303,044
20.205	R&D-HIGHWAY PLANNING AND CONSTRUCTION	TRANSPORTATION	\$ 13,906,429
20.219	RECREATIONAL TRAILS PROGRAM	NATURAL RESOURCES	\$ 1,112,217
Highway Planning and Construction Cluster Total:			\$ 638,317,782
20.106	ARRA-AIRPORT IMPROVEMENT PROGRAM (10)	TRANSPORTATION	\$ 373,000
20.106	AIRPORT IMPROVEMENT PROGRAM (10)	TRANSPORTATION	\$ 49,058,000
Program 20.106 Total:			\$ 49,431,000
U.S. DEPARTMENT OF EDUCATION			
Vocational Rehabilitation Cluster			
84.126	REHAB SERVICES_VOCATIONAL REHAB GRANTS	EMPLOYMENT & ECONOMIC	\$ 45,308,447
84.390	ARRA-REHAB SERVICES_VOCATIONAL REHAB GRANTS	EMPLOYMENT & ECONOMIC	\$ 915,345
Vocational Rehabilitation Cluster Total:			\$ 46,223,792
Title I, Part A Cluster			
84.010	TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	EDUCATION	\$ 126,619,005
Title I, Part A Cluster Total:			\$ 126,619,005
Student Financial Assistance Cluster			
84.007	FEDERAL SUPP. EDUCATIONAL OPPORTUNITY GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 6,089,367
84.033	FEDERAL WORK-STUDY PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 7,179,090

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

**STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES - Unaudited
YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
84.038	FEDERAL PERKINS LOAN (2)	STATE COLLEGES & UNIVERSITIES	\$ 29,792,830
84.063	FEDERAL PELL GRANT PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 297,167,750
84.268	FEDERAL DIRECT STUDENT LOANS (3)	STATE COLLEGES & UNIVERSITIES	\$ 771,876,888
84.375	ACADEMIC COMPETITIVENESS GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 69,646
84.376	NATIONAL SCIENCE AND MATHEMATICS ACCESS TO RETAIN	STATE COLLEGES & UNIVERSITIES	\$ 45,150
84.379	TEACHER ED. ASSIST. FOR COLLEGE AND HIGHER ED. GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 454,803
93.364	NURSING STUDENT LOANS (2)	STATE COLLEGES & UNIVERSITIES	\$ 2,204
Student Financial Assistance Cluster Total:			\$ 1,112,677,728
Special Education Cluster (IDEA)			
84.027	SPECIAL EDUCATION_GRANTS TO STATES	EDUCATION	\$ 147,981,288
84.027	SPECIAL EDUCATION_GRANTS TO STATES	STATE COLLEGES & UNIVERSITIES	\$ 15,797
84.173	SPECIAL EDUCATION_PRESCHOOL GRANTS	EDUCATION	\$ 5,056,109
Special Education Cluster (IDEA) Total:			\$ 153,053,194
84.410	ARRA-EDUCATION JOBS FUND (9)	GOVERNOR'S OFFICE	\$ 17,825,934
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Temporary Assistance for Needy Families (TANF) Cluster			
93.558	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	HUMAN SERVICES	\$ 179,180,200
93.714	ARRA-EMERGENCY CONTINGENCY FUND FOR TANF	HUMAN SERVICES	\$ 33,404,951
Temporary Assistance for Needy Families (TANF) Cluster Total:			\$ 212,585,151
Medicaid Cluster			
93.720	ARRA-SURVEY AND CERTIFICATION ASC-HAI	HEALTH	\$ 40,078
93.775	STATE MEDICAID FRAUD CONTROL UNITS	ATTORNEY GENERAL	\$ 1,004,518
93.777	STATE SURVEY AND CERT. OF HEALTH CARE PROVIDERS	HEALTH	\$ 8,431,491
93.777	STATE SURVEY AND CERT. OF HEALTH CARE PROVIDERS	HUMAN SERVICES	\$ 4,909,459
93.778	MEDICAL ASSISTANCE PROGRAM (4)	HUMAN SERVICES	\$ 4,523,943,492
Medicaid Cluster Total:			\$ 4,538,329,038

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

**STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES - Unaudited
YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
Immunization Cluster			
93.268	IMMUNIZATION GRANTS	HEALTH	\$ 40,935,883
93.712	ARRA-IMMUNIZATION	HEALTH	\$ 365,791
Immunization Cluster Total:			\$ 41,301,674
Child Care and Development Fund (CCDF) Cluster			
93.575	CHILD CARE AND DEVELOPMENT BLOCK GRANT	HUMAN SERVICES	\$ 102,675,638
93.596	CHILD CARE MANDATORY AND MATCHING FUNDS	HUMAN SERVICES	\$ 35,884,103
Child Care and Development Fund (CCDF) Cluster Total:			\$ 138,559,741
93.563	CHILD SUPPORT ENFORCEMENT	HUMAN SERVICES	\$ 117,798,051
93.568	LOW-INCOME HOME ENERGY ASSISTANCE	COMMERCE	\$ 107,233,971
93.658	FOSTER CARE_TITLE IV-E	HUMAN SERVICES	\$ 40,513,150
93.658	ARRA-FOSTER CARE_TITLE IV-E	STATE COLLEGES & UNIVERSITIES	\$ 224,340
Program 93.658 Total:			\$ 40,737,490
93.667	SOCIAL SERVICES BLOCK GRANT	HUMAN SERVICES	\$ 33,831,922
93.767	CHILDREN'S HEALTH INSURANCE PROGRAM	HUMAN SERVICES	\$ 37,475,368
U.S. DEPARTMENT OF HOMELAND SECURITY			
97.036	DISASTER GRANTS - PUBLIC ASSISTANCE	PUBLIC SAFETY	\$ 36,764,151
Major Program Total:			\$ 10,227,401,493

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

**STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES - Unaudited
YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Forest Service Schools and Roads Cluster			
10.665	SCHOOLS AND ROADS - GRANTS TO STATES	MN MANAGEMENT & BUDGET	\$ 2,625,741
Forest Service Schools and Roads Cluster Total:			\$ 2,625,741
Emergency Food Assistance Cluster			
10.568	EMERGENCY FOOD ASSISTANCE (ADMINISTRATIVE COSTS)	HUMAN SERVICES	\$ 1,239,522
Emergency Food Assistance Cluster Total:			\$ 1,239,522
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	AGRICULTURE	\$ 1,431,425
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	ANIMAL HEALTH BOARD	\$ 798,000
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	NATURAL RESOURCES	\$ 229,668
Program 10.025 Total:			\$ 2,459,093
10.072	WETLANDS RESERVE PROGRAM	WATER & SOIL RESOURCES	\$ 155,298
10.093	VOLUNTARY PUBLIC ACCESS & HABITAT INCENTIVE PROGRAM	NATURAL RESOURCES	\$ 801,712
10.156	FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM	AGRICULTURE	\$ 27,635
10.162	INSPECTION GRADING AND STANDARDIZATION	AGRICULTURE	\$ 106,235
10.163	MARKET PROTECTION AND PROMOTION	AGRICULTURE	\$ 1,009,395
10.170	SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	AGRICULTURE	\$ 601,236
10.171	ORGANIC CERTIFICATION COST SHARE	AGRICULTURE	\$ 826
10.307	ORGANIC AG RESEARCH AND EXT INITIATIVE	AGRICULTURE	\$ 57,703
10.311	BEGINNING FARMER AND RANCHER DEVELOPMENT	STATE COLLEGES & UNIVERSITIES	\$ 3,230
10.443	OUTREACH AND ASSIST. FOR DISADVANTAGED FARMERS	STATE COLLEGES & UNIVERSITIES	\$ 60,655
10.456	PARTNERSHIP AGREEMENTS TO DEV NON-INS RISK MGMT TOOLS	AGRICULTURE	\$ 29,464
10.475	COOP AGMNTS WITH STATES FOR INTRASTATE MEAT, POULTRY	AGRICULTURE	\$ 1,221,940
10.479	FOOD SAFETY COOPERATIVE AGREEMENTS	AGRICULTURE	\$ 383,203

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

**STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES - Unaudited
YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE (Continued)			
10.500	COOPERATIVE EXTENSION SERVICE	STATE COLLEGES & UNIVERSITIES	\$ 149,526
10.560	STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	EDUCATION	\$ 3,098,783
10.565	COMMODITY SUPPLEMENTAL FOOD PROGRAM	HEALTH	\$ 1,118,585
10.572	WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	AGRICULTURE	\$ 366,544
10.574	TEAM NUTRITION GRANTS	EDUCATION	\$ 89,540
10.576	SENIOR FARMERS' MARKET NUTRITION PROGRAM	AGRICULTURE	\$ 115,356
10.578	ARRA-WIC GRANTS TO STATES (WGS)	HEALTH	\$ 128,240
10.582	FRESH FRUIT AND VEGETABLE PROGRAM	EDUCATION	\$ 2,225,858
10.603	EMERGING MARKETS PROGRAM	AGRICULTURE	\$ 33,986
10.652	FORESTRY RESEARCH	NATURAL RESOURCES	\$ 11,172
10.652	FORESTRY RESEARCH	STATE COLLEGES & UNIVERSITIES	\$ 2,342
	Program 10.652 Total:		\$ 13,514
10.664	COOPERATIVE FORESTRY ASSISTANCE	AGRICULTURE	\$ 349,242
10.664	COOPERATIVE FORESTRY ASSISTANCE	NATURAL RESOURCES	\$ 1,444,218
	Program 10.664 Total:		\$ 1,793,460
10.668	ADDITIONAL LANDS-GRANTS	MN MANAGEMENT & BUDGET	\$ 6,150,000
10.675	URBAN AND COMMUNITY FORESTRY PROGRAM	NATURAL RESOURCES	\$ 204,852
10.676	FOREST LEGACY PROGRAM	NATURAL RESOURCES	\$ 27,878
10.678	FOREST STEWARDSHIP PROGRAM	NATURAL RESOURCES	\$ 544,673
10.680	FOREST HEALTH PROTECTION	AGRICULTURE	\$ 218,967
10.680	FOREST HEALTH PROTECTION	NATURAL RESOURCES	\$ 340,355
	Program 10.680 Total:		\$ 559,322
10.683	NATIONAL FISH & WILDLIFE FOUNDATION	NATURAL RESOURCES	\$ 10,920
10.861	PUBLIC TELEVISION STATION DIGITAL TRANSITION GRANT	STATE COLLEGES & UNIVERSITIES	\$ 110,196

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

**STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES - Unaudited
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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE (Continued)			
10.902	SOIL AND WATER CONSERVATION	AGRICULTURE	\$ 65,942
10.902	SOIL AND WATER CONSERVATION	WATER & SOIL RESOURCES	\$ 353,000
		Program 10.902 Total:	\$ 418,942
10.903	SOIL SURVEY	NATURAL RESOURCES	\$ 170,568
10.912	ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	WATER & SOIL RESOURCES	\$ 148,750
10.950	AGRICULTURAL STATISTICS REPORTS	AGRICULTURE	\$ 13,191
U.S. DEPARTMENT OF COMMERCE			
Economic Development Cluster			
11.300	INVESTMENTS FOR PUBLIC WORKS AND ECONOMIC DEV FACILITIES	STATE COLLEGES & UNIVERSITIES	\$ 55,438
		Economic Development Cluster Total:	\$ 55,438
11.413	FISHERY PRODUCTS INSPECTION AND CERTIFICATION	AGRICULTURE	\$ 22,000
11.419	COASTAL ZONE MANAGEMENT ADMINISTRATION AWARDS	NATURAL RESOURCES	\$ 798,071
11.463	HABITAT CONSERVATION	NATURAL RESOURCES	\$ 196,238
11.468	APPLIED METEOROLOGICAL RESEARCH	PUBLIC SAFETY	\$ 137,892
11.555	PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT	PUBLIC SAFETY	\$ 4,102,057
11.557	BROADBAND TECHNOLOGY OPPORTUNITIES	EMPLOYMENT & ECONOMIC	\$ 253,306
11.557	ARRA-BROADBAND TECHNOLOGY OPPORTUNITIES	STATE COLLEGES & UNIVERSITIES	\$ 105,975
		Program 11.557 Total:	\$ 359,281
U.S. DEPARTMENT OF DEFENSE			
12.113	REIMBURSEMENT OF TECHNICAL SERVICES	POLLUTION CONTROL AGENCY	\$ 201,259
12.217	ELECTRONIC ABSENTEE SYSTEMS FOR ELECTIONS	SECRETARY OF STATE	\$ 128,640
12.300	BASIC AND APPLIED SCIENTIFIC RESEARCH	STATE COLLEGES & UNIVERSITIES	\$ 15,876
12.400	MILITARY CONSTRUCTION, NATIONAL GUARD	MILITARY AFFAIRS	\$ 15,852,270
12.404	NATIONAL GUARD CHALLENGE PROGRAM	MILITARY AFFAIRS	\$ 865,000

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**STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES - Unaudited
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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE (Continued)			
12.630	R&D-BASIC, APPLIED, AND ADV RES IN SCIENCE, ENGINEER	STATE COLLEGES & UNIVERSITIES	\$ 10,901
12.902	INFORMATION SECURITY GRANT	STATE COLLEGES & UNIVERSITIES	\$ 33,557
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
CDBG - State-Administered CDBG Cluster			
14.228	CDBG/STATE'S PROGRAM AND NON-ENTITLEMT GRANTS	EMPLOYMENT & ECONOMIC	\$ 20,208,797
14.255	ARRA-CDBG/STATE'S PROGRAM AND NON-ENTITLEMT GRANTS	EMPLOYMENT & ECONOMIC	\$ 996,298
CDBG - State-Administered CDBG Cluster Total:			\$ 21,205,095
CDBG - Entitlement Grants Cluster			
14.218	COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT	STATE COLLEGES & UNIVERSITIES	\$ 3,623
CDBG - Entitlement Grants Cluster Total:			\$ 3,623
14.227	COMMUNITY DEV BLOCK GRANT/TECHNICAL ASSIST	STATE COLLEGES & UNIVERSITIES	\$ 19,687
14.231	EMERGENCY SHELTER GRANTS PROGRAM	HUMAN SERVICES	\$ 1,223,878
14.257	ARRA-HOMELESSNESS PREVENT AND RAPID REHOUSING	HUMAN SERVICES	\$ 1,102,044
14.900	LEAD-BASED PAINT HAZARD CNTRL PRIVATELY-OWNED HOUSING	HEALTH	\$ 355,012
14.914	ASTHMA INTERVENTIONS IN PUBLIC HOUSING	HEALTH	\$ 62,814
U.S. DEPARTMENT OF INTERIOR			
Fish and Wildlife Cluster			
15.605	SPORT FISH RESTORATION PROGRAM	NATURAL RESOURCES	\$ 12,641,531
15.611	WILDLIFE RESTORATION AND BASIC HUNTER EDUCATION	NATURAL RESOURCES	\$ 10,661,161
Fish and Wildlife Cluster Total:			\$ 23,302,692
15.231	ARRA-FISH, WILDLIFE, PLANT CONSERV RESOURCE MGMT	STATE COLLEGES & UNIVERSITIES	\$ 19,531
15.608	FISH AND WILDLIFE MANAGEMENT ASSISTANCE	NATURAL RESOURCES	\$ 45,588
15.615	COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	NATURAL RESOURCES	\$ 88,400

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**STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
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YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF INTERIOR (Continued)			
15.616	CLEAN VESSEL ACT	NATURAL RESOURCES	\$ 49,002
15.622	SPORTFISHING AND BOATING SAFETY ACT	NATURAL RESOURCES	\$ 123,713
15.623	NORTH AMERICAN WETLANDS CONSERVATION FUND	NATURAL RESOURCES	\$ 27,803
15.626	ENHANCED HUNTER EDUCATION AND SAFETY PROGRAM	NATURAL RESOURCES	\$ 207,448
15.633	LANDOWNER INCENTIVE	NATURAL RESOURCES	\$ 124,832
15.634	STATE WILDLIFE GRANTS	NATURAL RESOURCES	\$ 1,289,989
15.647	MIGRATORY BIRD CONSERVATION	NATURAL RESOURCES	\$ 46,778
15.657	ENDANGERED SPECIES CONSERVATION - REC IMPLEMENT	NATURAL RESOURCES	\$ 33,329
15.662	GREAT LAKES RESTORATION	NATURAL RESOURCES	\$ 441,847
15.808	US GEOLOGICAL SURVEY_RESEARCH AND DATA COLLECTION	ADMINISTRATION	\$ 35,000
15.808	US GEOLOGICAL SURVEY_RESEARCH AND DATA COLLECTION	NATURAL RESOURCES	\$ 71,288
	Program 15.808 Total:		\$ 106,288
15.809	NATIONAL SPATIAL DATA INFRASTRUCTURE COOP AGREEMENTS	ADMINISTRATION	\$ 19,910
15.916	OUTDOOR RECREATION ACQUISITION, DEVELOPMT, PLANNING	NATURAL RESOURCES	\$ 605,999
15.922	NATIVE AMERICAN GRAVES PROTECTION, REPATRIATION	INDIAN AFFAIRS COUNCIL	\$ 85,665
15.978	UPPER MISSISSIPPI RIVER SYSTEM LT RESOURCE MONITORING	NATURAL RESOURCES	\$ 515,768
U.S. DEPARTMENT OF JUSTICE			
JAG Program Cluster			
16.738	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT	PUBLIC SAFETY	\$ 4,762,204
16.803	ARRA-EDWARD BYRNE MEMORIAL JUSTICE	PUBLIC SAFETY	\$ 4,373,458
	JAG Program Cluster Total:		\$ 9,135,662
16.004	LAW ENFORCEMENT ASSIST. NARCOTICS, DANGEROUS DRUGS	PUBLIC SAFETY	\$ 71,528
16.017	SEXUAL ASSAULT SERVICES FORMULA PROGRAM	PUBLIC SAFETY	\$ 158,241
16.523	JUVENILE ACCOUNTABILITY BLOCK GRANTS	PUBLIC SAFETY	\$ 630,137

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**STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
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YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (Continued)			
16.540	JUVENILE JUSTICE AND DELINQUENCY PREVENTION	PUBLIC SAFETY	\$ 939,159
16.541	PART E - DEVELOPING, TESTING, DEMO PROMISING NEW PROG	STATE COLLEGES & UNIVERSITIES	\$ 518,495
16.543	MISSING CHILDREN'S ASSISTANCE	PUBLIC SAFETY	\$ 275,477
16.548	TITLE V_DELINQUENCY PREVENTION PROGRAM	PUBLIC SAFETY	\$ 70,416
16.550	STATE JUSTICE STATISTICS PROGRAM FOR STATISTICAL ANALYSIS	PUBLIC SAFETY	\$ 49,229
16.554	NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	PUBLIC SAFETY	\$ 259,064
16.560	NAT'L INSTITUTE OF JUSTICE RESEARCH, EVALUATION, AND DEV	PUBLIC SAFETY	\$ 220,273
16.575	CRIME VICTIM ASSISTANCE	PUBLIC SAFETY	\$ 8,290,566
16.576	CRIME VICTIM COMPENSATION	PUBLIC SAFETY	\$ 623,052
16.585	DRUG COURT DISCRETIONARY GRANT PROGRAM	TRIAL COURTS	\$ 647,417
16.588	ARRA-VIOLENCE AGAINST WOMEN	PUBLIC SAFETY	\$ 263,091
16.588	VIOLENCE AGAINST WOMEN FORMULA GRANTS	PUBLIC SAFETY	\$ 2,054,978
	Program 16.588	Total:	\$ 2,318,069
16.590	ARREST POLICIES AND ENFORCEMT OF PROTECTION ORDERS	PUBLIC SAFETY	\$ 49,952
16.593	RESIDENTIAL SUBSTANCE ABUSE TREATMENT STATE PRISONERS	PUBLIC SAFETY	\$ 151,151
16.606	STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	CORRECTIONS	\$ 2,202,085
16.607	BULLETPROOF VEST PARTNERSHIP	CORRECTIONS	\$ 18,776
16.607	BULLETPROOF VEST PARTNERSHIP	PUBLIC SAFETY	\$ 80,036
	Program 16.607	Total:	\$ 98,812
16.609	PROJECT SAFE NEIGHBORHOODS	PUBLIC SAFETY	\$ 162,108
16.710	PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS	PUBLIC SAFETY	\$ 203,972
16.727	ENFORCING UNDERAGE DRINKING LAWS PROGRAM	PUBLIC SAFETY	\$ 293,488
16.740	STATEWIDE AUTOMATED VICTIM INFORMATION NOTIFICATION	PUBLIC SAFETY	\$ 69,739
16.741	FORENSIC DNA BACKLOG REDUCTION PROGRAM	PUBLIC SAFETY	\$ 605,420

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**STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES - Unaudited
YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (Continued)			
16.742	PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT	PUBLIC SAFETY	\$ 263,922
16.745	CRIMINAL AND JUVENILE JUSTICE AND MENTAL HEALTH	CORRECTIONS	\$ 86,952
16.750	SUPPORT FOR ADAM WALSH ACT	PUBLIC SAFETY	\$ 290,545
16.753	CONGRESSIONALLY RECOMMENDED AWARDS	PUBLIC SAFETY	\$ 38,552
16.753	CONGRESSIONALLY RECOMMENDED AWARDS	TRIAL COURTS	\$ 50,096
	Program 16.753 Total:		\$ 88,648
16.754	HAROLD ROGERS PRESCRIPTION DRUG MONITORING	PHARMACY BOARD	\$ 4,864
16.801	ARRA-STATE VICTIM ASSISTANCE	PUBLIC SAFETY	\$ 8,194
16.812	SECOND CHANCE ACT PRISONER REENTRY INITIATIVE	CORRECTIONS	\$ 605,201
U.S. DEPARTMENT OF LABOR			
Employment Service Cluster			
17.207	EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	EMPLOYMENT & ECONOMIC	\$ 16,593,459
17.801	DISABLED VETERANS' OUTREACH PROGRAM (DVOP)	EMPLOYMENT & ECONOMIC	\$ 1,687,844
17.804	LOCAL VETERANS' EMPLOYMENT REPRESENTATIVE PROGRAM	EMPLOYMENT & ECONOMIC	\$ 1,025,891
	Employment Service Cluster Total:		\$ 19,307,194
17.002	LABOR FORCE STATISTICS	EMPLOYMENT & ECONOMIC	\$ 1,664,443
17.002	LABOR FORCE STATISTICS	STATE COLLEGES & UNIVERSITIES	\$ 1,301,836
	Program 17.002 Total:		\$ 2,966,279
17.005	COMPENSATION AND WORKING CONDITIONS	LABOR AND INDUSTRY	\$ 95,103
17.235	SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	EMPLOYMENT & ECONOMIC	\$ 2,488,068
17.245	TRADE ADJUSTMENT ASSISTANCE	EMPLOYMENT & ECONOMIC	\$ 15,392,283
17.261	WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	EMPLOYMENT & ECONOMIC	\$ 394,250
17.267	INCENTIVE GRANTS - WIA SECTION 503	EMPLOYMENT & ECONOMIC	\$ 1,214,943

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**STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
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YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF LABOR (Continued)			
17.268	H-1B JOB TRAINING GRANTS	EMPLOYMENT & ECONOMIC	\$ 19,266
17.268	H-1B JOB TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 119,175
		Program 17.268 Total:	\$ 138,441
17.269	R&D-COMMUNITY BASED JOB TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 392,104
17.269	COMMUNITY BASED JOB TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 2,178,210
		Program 17.269 Total:	\$ 2,570,314
17.271	WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	EMPLOYMENT & ECONOMIC	\$ 247,794
17.273	TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	EMPLOYMENT & ECONOMIC	\$ 91,913
17.275	ARRA-WORKER TRAINING IN EMERGING INDUSTRY SECTORS	EMPLOYMENT & ECONOMIC	\$ 1,536,149
17.275	WORKER TRAINING IN EMERGING INDUSTRY SECTORS	EMPLOYMENT & ECONOMIC	\$ 196,666
17.275	ARRA-WORKER TRAINING IN EMERGING INDUSTRY SECTORS	STATE COLLEGES & UNIVERSITIES	\$ 2,722,545
		Program 17.275 Total:	\$ 4,455,360
17.277	WORKFORCE INVESTMENT ACT (WIA) NAT'L EMERGENCY GRANTS	EMPLOYMENT & ECONOMIC	\$ 1,196,707
17.282	TRADE ADJ ASSIST COMM CLG AND CAREER TRAINING	STATE COLLEGES & UNIVERSITIES	\$ 466,142
17.502	OCCUPATIONAL SAFETY AND HEALTH_SUSAN HARWOOD TRNG	STATE COLLEGES & UNIVERSITIES	\$ 29,160
17.503	OCCUPATIONAL SAFETY AND HEALTH_STATE PROGRAM	LABOR AND INDUSTRY	\$ 4,002,471
17.504	CONSULTATION AGREEMENTS	LABOR AND INDUSTRY	\$ 986,277
17.505	OSHA DATA INITIATIVE	LABOR AND INDUSTRY	\$ 34,280
17.600	MINE HEALTH AND SAFETY GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 365,571
U.S. DEPARTMENT OF STATE			
19.009	ACADEMIC EXCHANGE PROGRAMS	STATE COLLEGES & UNIVERSITIES	\$ 126,636
19.300	R&D-STUDY OF EASTERN EUROPE & FORMER SOVIET UNION	STATE COLLEGES & UNIVERSITIES	\$ 6,868
U.S. DEPARTMENT OF TRANSPORTATION			
Transit Services Programs Cluster			
20.513	CAPITAL ASSISTANCE PROGRAM FOR ELDERLY PERSONS	TRANSPORTATION	\$ 1,847,000

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**STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
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YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION (Continued)			
20.516	JOB ACCESS_REVERSE COMMUTE	TRANSPORTATION	\$ 738,493
20.521	NEW FREEDOM PROGRAM	TRANSPORTATION	\$ 539,354
Transit Services Programs Cluster Total:			\$ 3,124,847
Highway Safety Cluster			
20.600	STATE AND COMMUNITY HIGHWAY SAFETY	PUBLIC SAFETY	\$ 5,236,352
20.600	STATE AND COMMUNITY HIGHWAY SAFETY	TRANSPORTATION	\$ 1,855,825
20.601	ALCOHOL IMPAIRED DRIVING COUNTERMEASURES INCENTIVE	PUBLIC SAFETY	\$ 2,366,037
20.602	OCCUPANT PROTECTION INCENTIVE GRANTS	PUBLIC SAFETY	\$ 920,415
20.609	SAFETY BELT PERFORMANCE GRANTS	PUBLIC SAFETY	\$ 2,041,009
20.609	R&D-SAFETY BELT PERFORMANCE GRANTS	TRANSPORTATION	\$ 676,000
20.610	STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT	PUBLIC SAFETY	\$ 377,859
20.610	STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT	TRANSPORTATION	\$ 9,000
20.611	PROGRAM TO PROHIBIT RACIAL PROFILING	PUBLIC SAFETY	\$ 212,717
20.612	INCENTIVE GRANT PROGRAM TO INCREASE MOTORCYCLIST SAFETY	PUBLIC SAFETY	\$ 151,045
20.613	CHILD SAFETY AND CHILD BOOSTER SEATS INCENTIVE	PUBLIC SAFETY	\$ 39,080
Highway Safety Cluster Total:			\$ 13,885,339
Federal Transit Cluster			
20.500	FEDERAL TRANSIT_CAPITAL INVESTMENT GRANTS	TRANSPORTATION	\$ 6,493,000
Federal Transit Cluster Total:			\$ 6,493,000
20.200	R&D-HIGHWAY RESEARCH AND DEVELOPMENT PROGRAM	TRANSPORTATION	\$ 709,000
20.218	NATIONAL MOTOR CARRIER SAFETY	PUBLIC SAFETY	\$ 3,238,688
20.218	NATIONAL MOTOR CARRIER SAFETY	TRANSPORTATION	\$ 927,000
Program 20.218 Total:			\$ 4,165,688
20.232	COMMERCIAL DRIVER'S LICENSE PROG IMPROVEMT	PUBLIC SAFETY	\$ 785,809
20.233	BORDER ENFORCEMENT GRANTS	PUBLIC SAFETY	\$ 175,137

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**STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
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YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION (Continued)			
20.314	RAILROAD DEVELOPMENT	TRANSPORTATION	\$ 217,000
20.317	INTERCITY PASSENGER RAIL SERVICE	TRANSPORTATION	\$ 367,000
20.319	ARRA-RAIL CORRIDORS AND SERVICE CAP ASSISTANCE	TRANSPORTATION	\$ 28,282,000
20.320	RAIL LINE RELOCATION AND IMPROVEMENT	TRANSPORTATION	\$ 21,000
20.505	METROPOLITAN TRANSPORTATION PLANNING	TRANSPORTATION	\$ 4,751,376
20.509	ARRA-OTHER THAN URBANIZED AREAS	TRANSPORTATION	\$ 837,208
20.509	FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS	TRANSPORTATION	\$ 10,534,564
		Program 20.509 Total:	\$ 11,371,772
20.608	MINIMUM PENALTIES FOR REPEAT OFFENDERS	PUBLIC SAFETY	\$ 5,861,098
20.614	NHTSA DISCRETIONARY SAFETY GRANTS	HEALTH	\$ 42,426
20.614	NHTSA DISCRETIONARY SAFETY GRANTS	PUBLIC SAFETY	\$ 60,018
		Program 20.614 Total:	\$ 102,444
20.700	PIPELINE SAFETY PROGRAM BASE GRANTS	PUBLIC SAFETY	\$ 1,119,754
20.703	INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING	PUBLIC SAFETY	\$ 411,237
20.720	STATE DAMAGE PREVENTION PROGRAM GRANTS	PUBLIC SAFETY	\$ 86,465
20.721	PHMSA PIPELINE SAFETY PROGRAM	PUBLIC SAFETY	\$ 44,480
U.S. OFFICE OF PERSONNEL MANAGEMENT			
27.011	INTERGOVERNMENTAL PERSONNEL ACT MOBILITY	STATE COLLEGES & UNIVERSITIES	\$ 145,960
U.S. GENERAL SERVICES ADMINISTRATION			
39.011	ELECTION REFORM PAYMENTS	SECRETARY OF STATE	\$ 908,199
U.S. NATIONAL AERONAUTICS & SPACE ADMINISTRATION			
43.001	SCIENCE	STATE COLLEGES & UNIVERSITIES	\$ 53,646
43.008	EDUCATION GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 82,313

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**STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
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YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. NATIONAL FOUNDATION ARTS & HUMANITIES			
45.025	PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	ARTS BOARD	\$ 647,235
45.160	PROMOTION OF THE HUMANITIES	STATE COLLEGES & UNIVERSITIES	\$ 46,052
45.310	GRANTS TO STATES	EDUCATION	\$ 2,748,833
45.310	GRANTS TO STATES	STATE COLLEGES & UNIVERSITIES	\$ 35,082
	Program 45.310	Total:	\$ 2,783,915
U.S. NATIONAL SCIENCE FOUNDATION			
47.041	ENGINEERING GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 2,715
47.049	MATHEMATICAL AND PHYSICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	\$ 130,499
47.050	GEOSCIENCES	STATE COLLEGES & UNIVERSITIES	\$ 172,061
47.050	R&D-GEOSCIENCES	STATE COLLEGES & UNIVERSITIES	\$ 9,142
	Program 47.050	Total:	\$ 181,203
47.074	R&D-BIOLOGICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	\$ 97,664
47.074	BIOLOGICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	\$ 2,358
	Program 47.074	Total:	\$ 100,022
47.076	R&D-EDUCATION AND HUMAN RESOURCES	STATE COLLEGES & UNIVERSITIES	\$ 184,000
47.076	EDUCATION AND HUMAN RESOURCES	STATE COLLEGES & UNIVERSITIES	\$ 2,602,067
	Program 47.076	Total:	\$ 2,786,067
47.082	ARRA R&D-TRANS-NSF RECOVERY ACT RESEARCH SUPPORT	STATE COLLEGES & UNIVERSITIES	\$ 47,262
U.S. SMALL BUSINESS ADMINISTRATION			
59.037	SMALL BUSINESS DEVELOPMENT CENTERS	EMPLOYMENT & ECONOMIC	\$ 1,700,363
59.059	CONGRESSIONAL GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 12,921
59.061	STATE TRADE AND EXPORT PROMOTION PILOT GRANT	EMPLOYMENT & ECONOMIC	\$ 145,677

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

**STATE OF MINNESOTA
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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF VETERANS AFFAIRS			
64.005	STATE HOME FACILITIES CONSTRUCTION	VETERANS AFFAIRS	\$ 17,816,608
64.005	ARRA-CONSTRUCTION OF STATE HOME FACILITIES	VETERANS AFFAIRS	\$ 322,021
		Program 64.005 Total:	\$ 18,138,629
64.116	VOCATIONAL REHABILITATION FOR DISABLED VETERANS	STATE COLLEGES & UNIVERSITIES	\$ 400,717
U.S. ENVIRONMENTAL PROTECTION AGENCY			
66.032	STATE INDOOR RADON GRANTS	HEALTH	\$ 528,397
66.034	SURVEYS, STUDIES, RESEARCH, INVESTIGATIONS CLEAN AIR ACT	COMMERCE	\$ 2,780
66.034	SURVEYS, STUDIES, RESEARCH, INVESTIGATIONS CLEAN AIR ACT	POLLUTION CONTROL AGENCY	\$ 341,942
		Program 66.034 Total:	\$ 344,722
66.040	STATE CLEAN DIESEL GRANT PROGRAM	POLLUTION CONTROL AGENCY	\$ 231,555
66.419	WATER POLLUTION CONTROL STATE, INTERSTATE, AND TRIBAL	HEALTH	\$ 47,155
66.419	WATER POLLUTION CONTROL STATE, INTERSTATE, AND TRIBAL	POLLUTION CONTROL AGENCY	\$ 174,733
		Program 66.419 Total:	\$ 221,888
66.432	STATE PUBLIC WATER SYSTEM SUPERVISION	HEALTH	\$ 2,339,037
66.454	WATER QUALITY MANAGEMENT PLANNING	POLLUTION CONTROL AGENCY	\$ 308,577
66.454	ARRA-WATER QUALITY MANAGEMENT PLANNING	POLLUTION CONTROL AGENCY	\$ 117,174
		Program 66.454 Total:	\$ 425,751
66.460	NONPOINT SOURCE IMPLEMENTATION GRANTS	POLLUTION CONTROL AGENCY	\$ 3,569,902
66.468	CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLV	HEALTH	\$ 2,099,417
66.469	GREAT LAKES PROGRAM	HEALTH	\$ 469,702
66.469	GREAT LAKES PROGRAM	NATURAL RESOURCES	\$ 1,040,077
66.469	GREAT LAKES PROGRAM	POLLUTION CONTROL AGENCY	\$ 942,014
66.469	GREAT LAKES PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 1,385
		Program 66.469 Total:	\$ 2,453,178

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

**STATE OF MINNESOTA
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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY (Continued)			
66.472	BEACH MONITORING AND NOTIFICATION PROGRAM GRANTS	HEALTH	\$ 109,028
66.472	BEACH MONITORING AND NOTIFICATION PROGRAM GRANTS	POLLUTION CONTROL AGENCY	\$ 65,498
		Program 66.472 Total:	\$ 174,526
66.474	WATER PROTECTION GRANTS TO THE STATES	HEALTH	\$ 29,502
66.509	SCIENCE TO ACHIEVE RESULTS (STAR) RESEARCH PROGRAM	HEALTH	\$ 171,023
66.605	PERFORMANCE PARTNERSHIP GRANTS	AGRICULTURE	\$ 626,682
66.605	PERFORMANCE PARTNERSHIP GRANTS	POLLUTION CONTROL AGENCY	\$ 13,762,357
		Program 66.605 Total:	\$ 14,389,039
66.608	ENVIRONMENTAL INFORMATION EXCHANGE NETWORK GRANT	ADMINISTRATION	\$ 79,579
66.700	CONSOLIDATED PESTICIDE ENFORCEMENT COOP AGREEMENTS	AGRICULTURE	\$ 58,296
66.700	CONSOLIDATED PESTICIDE ENFORCEMENT COOP AGREEMENTS	NATURAL RESOURCES	\$ 2,316
		Program 66.700 Total:	\$ 60,612
66.707	TSCA TITLE IV STATE LEAD GRANTS CERTIFICATION	HEALTH	\$ 239,599
66.802	SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE	POLLUTION CONTROL AGENCY	\$ 337,257
66.804	UNDERGROUND STORAGE TANK PREVENTION, DETECTION	POLLUTION CONTROL AGENCY	\$ 803,229
66.805	LEAKING UNDERGROUND STORAGE TANK TRUST FUND	POLLUTION CONTROL AGENCY	\$ 2,317,309
66.805	ARRA-LEAKING UNDERGROUND STORAGE TANK TRUST FUND	POLLUTION CONTROL AGENCY	\$ 78,641
		Program 66.805 Total:	\$ 2,395,950
66.808	SOLID WASTE MANAGEMENT ASSISTANCE	POLLUTION CONTROL AGENCY	\$ 1,418
66.817	STATE AND TRIBAL RESPONSE PROGRAM GRANTS	POLLUTION CONTROL AGENCY	\$ 740,382
66.818	BROWNFIELDS ASSESSMENT AND CLEANUP COOP AGREEMENTS	EMPLOYMENT & ECONOMIC	\$ 29,610
U.S. NUCLEAR REGULATORY COMMISSION			
77.008	NUCLEAR EDUCATION GRANT PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 82,880

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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF ENERGY			
81.041	ARRA-STATE ENERGY PROGRAM	COMMERCE	\$ 12,600,449
81.041	STATE ENERGY PROGRAM	COMMERCE	\$ 124,520
81.041	STATE ENERGY PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 73,826
	Program 81.041 Total:		\$ 12,798,795
81.042	WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	COMMERCE	\$ 7,201,832
81.042	ARRA-WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	COMMERCE	\$ 14,295,313
	Program 81.042 Total:		\$ 21,497,145
81.049	OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 32,888
81.087	R&D-RENEWABLE ENERGY RESEARCH AND DEVELOPMENT	STATE COLLEGES & UNIVERSITIES	\$ 392,918
81.117	ENERGY EFFICIENCY AND RENEWABLE ENERGY	COMMERCE	\$ 11,023
81.122	ARRA-ELECTRICITY DELIVERY AND ENERGY RELIABILITY	COMMERCE	\$ 18,445
81.122	ARRA-ELECTRICITY DELIVERY AND ENERGY RELIABILITY	PUBLIC UTILITIES COMM	\$ 91,110
	Program 81.122 Total:		\$ 109,555
81.128	ARRA-ENERGY EFFICIENCY AND CONSERVATION	COMMERCE	\$ 2,229,398
U.S. DEPARTMENT OF EDUCATION			
TRIO Cluster			
84.042	TRIO_STUDENT SUPPORT SERVICES	STATE COLLEGES & UNIVERSITIES	\$ 7,007,680
84.044	TRIO_TALENT SEARCH	STATE COLLEGES & UNIVERSITIES	\$ 1,756,963
84.047	TRIO_UPWARD BOUND	STATE COLLEGES & UNIVERSITIES	\$ 5,858,124
84.066	TRIO_EDUCATIONAL OPPORTUNITY CENTERS	STATE COLLEGES & UNIVERSITIES	\$ 719,186
84.217	TRIO_MCNAIR POST-BACCALAUREATE ACHIEVEMENT	STATE COLLEGES & UNIVERSITIES	\$ 186,935
	TRIO Cluster Total:		\$ 15,528,888
Statewide Data Systems Cluster			
84.384	ARRA-STATEWIDE DATA SYSTEMS	EDUCATION	\$ 5,069,081
	Statewide Data Systems Cluster Total:		\$ 5,069,081

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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
State Fiscal Stabilization Fund Cluster			
84.394	ARRA-STATE FISCAL STABILIZATION FUND (SFSF) (8)	GOVERNOR'S OFFICE	\$ 4,259,787
State Fiscal Stabilization Fund Cluster Total:			\$ 4,259,787
School Improvement Grants Cluster			
84.377	SCHOOL IMPROVEMENT GRANTS	EDUCATION	\$ 1,344,097
84.388	ARRA-SCHOOL IMPROVEMENT GRANTS, RECOVERY ACT	EDUCATION	\$ 10,161,324
School Improvement Grants Cluster Total:			\$ 11,505,421
Independent Living State Grants Cluster			
84.169	INDEPENDENT LIVING_STATE GRANTS	EMPLOYMENT & ECONOMIC	\$ 1,779,012
84.398	ARRA-INDEPENDENT LIVING STATE GRANTS	EMPLOYMENT & ECONOMIC	\$ 99,638
Independent Living State Grants Cluster Total:			\$ 1,878,650
Indep Living Services for Older Indiv Who Are Blind Cluster			
84.177	REHABILITATION SERVICES_IND LIVING SVS OLDER INDIVIDUALS	EMPLOYMENT & ECONOMIC	\$ 583,757
Indep Living Services for Older Indiv Who Are Blind Cluster Total:			\$ 583,757
Educational Technology State Grants Cluster			
84.318	EDUCATION TECHNOLOGY STATE GRANTS	EDUCATION	\$ 416,768
Educational Technology State Grants Cluster Total:			\$ 416,768
Education of Homeless Children and Youth Cluster			
84.196	EDUCATION FOR HOMELESS CHILDREN AND YOUTH	EDUCATION	\$ 642,731
Education of Homeless Children and Youth Cluster Total:			\$ 642,731
Early Intervention Services (IDEA) Cluster			
84.181	SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	EDUCATION	\$ 4,808,268
Early Intervention Services (IDEA) Cluster Total:			\$ 4,808,268
Centers for Independent Living Cluster			
84.132	CENTERS FOR INDEPENDENT LIVING	EMPLOYMENT & ECONOMIC	\$ 1,023,965

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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
84.400	ARRA-CENTERS FOR INDEPENDENT LIVING	EMPLOYMENT & ECONOMIC	\$ 361,178
Centers for Independent Living Cluster Total:			\$ 1,385,143
84.002	ADULT EDUCATION - BASIC GRANTS TO STATES	EDUCATION	\$ 5,300,671
84.002	ADULT EDUCATION - BASIC GRANTS TO STATES	STATE COLLEGES & UNIVERSITIES	\$ 1,975
Program 84.002 Total:			\$ 5,302,646
84.011	MIGRANT EDUCATION_STATE GRANT PROGRAM	EDUCATION	\$ 1,741,245
84.013	TITLE I STATE AGENCY PROG FOR NEGLECTED, DELINQ CHILDREN	EDUCATION	\$ 114,258
84.031	HIGHER EDUCATION_INSTITUTIONAL AID	STATE COLLEGES & UNIVERSITIES	\$ 1,099,013
84.048	CAREER AND TECHNICAL EDUCATION -- BASIC GRANTS TO STATES	STATE COLLEGES & UNIVERSITIES	\$ 16,994,278
84.116	FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION	STATE COLLEGES & UNIVERSITIES	\$ 505,662
84.144	MIGRANT EDUCATION_COORDINATION PROGRAM	EDUCATION	\$ 59,655
84.184	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES-NAT'L	EDUCATION	\$ 82,668
84.184	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES-NAT'L	STATE COLLEGES & UNIVERSITIES	\$ 1,426
Program 84.184 Total:			\$ 84,094
84.185	BYRD HONORS SCHOLARSHIPS	EDUCATION	\$ 133,000
84.186	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES-STATE	EDUCATION	\$ 191,825
84.187	SUPPORTED EMPLOYMENT SERVICES	EMPLOYMENT & ECONOMIC	\$ 418,835
84.213	EVEN START_STATE EDUCATIONAL AGENCIES	EDUCATION	\$ 163,505
84.224	ASSISTIVE TECHNOLOGY	ADMINISTRATION	\$ 485,096
84.243	TECH-PREP EDUCATION	STATE COLLEGES & UNIVERSITIES	\$ 399
84.265	REHABILITATION TRAINING-STATE VOC REHAB	EMPLOYMENT & ECONOMIC	\$ 156,464
84.282	CHARTER SCHOOLS	EDUCATION	\$ 1,996,639
84.283	COMPREHENSIVE CENTERS	STATE COLLEGES & UNIVERSITIES	\$ 798
84.287	TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	EDUCATION	\$ 9,457,347

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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
84.323	SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT	EDUCATION	\$ 1,265,735
84.324	RESEARCH IN SPECIAL EDUCATION	STATE COLLEGES & UNIVERSITIES	\$ 509,364
84.326	SPEC EDUC_TO IMPROVE SERVICES FOR DISABLED CHILDREN	EDUCATION	\$ 177,998
84.326	SPEC EDUC_TO IMPROVE SERVICES FOR DISABLED CHILDREN	STATE COLLEGES & UNIVERSITIES	\$ 79,321
	Program 84.326 Total:		\$ 257,319
84.330	ADVANCED PLACEMENT INCENTIVE PROGRAM	EDUCATION	\$ 707,744
84.331	GRANTS TO STATES FOR WORKPLACE AND COMM TRANSITION	CORRECTIONS	\$ 142,972
84.334	GAIN EARLY AWARENESS AND READINESS FOR UNDERGRADUATE	STATE COLLEGES & UNIVERSITIES	\$ 1,406
84.335	CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	STATE COLLEGES & UNIVERSITIES	\$ 259,098
84.350	TRANSITION TO TEACHING	STATE COLLEGES & UNIVERSITIES	\$ 53,375
84.358	RURAL EDUCATION	EDUCATION	\$ 400,787
84.361	VOLUNTARY PUBLIC SCHOOL CHOICE	EDUCATION	\$ 1,149,767
84.365	ENGLISH LANGUAGE ACQUISITION GRANTS	EDUCATION	\$ 4,772,583
84.366	MATHEMATICS AND SCIENCE PARTNERSHIPS	EDUCATION	\$ 1,901,782
84.367	IMPROVING TEACHER QUALITY STATE GRANTS	EDUCATION	\$ 23,524,127
84.367	IMPROVING TEACHER QUALITY STATE GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 41,682
	Program 84.367 Total:		\$ 23,565,809
84.368	GRANTS FOR ENHANCED ASSESSMENT INSTRUMENTS	EDUCATION	\$ 1,164,014
84.369	GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	EDUCATION	\$ 4,514,735
84.371	STRIVING READERS	EDUCATION	\$ 47,524
84.407	TRANSITION PROG-STUDENTS WITH INTELLECTUAL DISABILITIES	STATE COLLEGES & UNIVERSITIES	\$ 302,474
84.412	RACE TO THE TOP-EARLY LEARNING CHALLENGE	EDUCATION	\$ 63,048
U.S. ELECTION ASSISTANCE COMMISSION			
90.401	HELP AMERICA VOTE ACT REQUIREMENTS PAYMENTS	SECRETARY OF STATE	\$ 156,000

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

**STATE OF MINNESOTA
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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Head Start Cluster			
93.600	HEAD START	EDUCATION	\$ 114,863
93.708	ARRA-HEAD START	EDUCATION	\$ 409,618
93.708	ARRA-HEAD START	STATE COLLEGES & UNIVERSITIES	\$ 13,599
Head Start Cluster Total:			\$ 538,080
Community Services Block Grant (CSBG) Cluster			
93.569	COMMUNITY SERVICES BLOCK GRANT	HUMAN SERVICES	\$ 7,220,770
Community Services Block Grant (CSBG) Cluster Total:			\$ 7,220,770
Aging Cluster			
93.044	SPEC PROG FOR THE AGING_TITLE III, PART B_GRANTS	HUMAN SERVICES	\$ 5,766,696
93.045	SPEC PROG FOR THE AGING_TITLE III, PART C_NUTRITION SERVICE	HUMAN SERVICES	\$ 8,088,023
93.053	NUTRITION SERVICES INCENTIVE PROGRAM	HUMAN SERVICES	\$ 1,564,112
Aging Cluster Total:			\$ 15,418,831
93.016	POSTAL MODEL FOR MEDICAL COUNTERMEASURES	HEALTH	\$ 166,535
93.041	SPEC PROG FOR THE AGING_TITLE VII, CHAP 3	HUMAN SERVICES	\$ 16,883
93.042	SPEC PROG FOR THE AGING_TITLE VII, CHAP 2_LONG TERM CARE	HUMAN SERVICES	\$ 253,939
93.043	SPEC PROG FOR THE AGING_TITLE III, PART D	HUMAN SERVICES	\$ 304,255
93.048	SPEC PROG FOR THE AGING_TITLE IV_AND TITLE II	HUMAN SERVICES	\$ 1,222,276
93.051	ALZHEIMER'S DISEASE DEMONSTRATION GRANTS TO STATES	HUMAN SERVICES	\$ 658,655
93.052	NATIONAL FAMILY CAREGIVER SUPPORT, TITLE III, PART E	HUMAN SERVICES	\$ 2,123,947
93.069	PUBLIC HEALTH EMERGENCY PREPAREDNESS	HEALTH	\$ 8,987,304
93.070	ENVIRON PUBLIC HEALTH & EMERG RESPONSE	HEALTH	\$ 1,569,317
93.072	LIFESPAN RESPITE CARE PROGRAM	HUMAN SERVICES	\$ 50,984

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**STATE OF MINNESOTA
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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.090	GUARDIANSHIP ASSISTANCE	HUMAN SERVICES	\$ 289,123
93.092	ACA PERSONAL RESPONSIBILITY EDUCATION	HEALTH	\$ 98,859
93.103	FOOD AND DRUG ADMINISTRATION_RESEARCH	AGRICULTURE	\$ 711,127
93.110	MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROG	HEALTH	\$ 201,199
93.116	PROJECT GRANTS AND COOP AGREEMENTS FOR TUBERCULOSIS	HEALTH	\$ 982,553
93.127	EMERGENCY MEDICAL SERVICES FOR CHILDREN	EMERGENCY MEDICAL SERVICES	\$ 127,529
93.130	COOPERATIVE AGREEMENTS TO STATES/TERRITORIES	HEALTH	\$ 184,175
93.136	INJURY PREVENTION AND CONTROL RESEARCH	HEALTH	\$ 913,146
93.150	PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS	HUMAN SERVICES	\$ 820,000
93.161	HEALTH PROGRAM FOR TOXIC SUBSTANCES AND DISEASE	HEALTH	\$ 476,545
93.165	GRANTS TO STATES FOR LOAN REPAYMENT PROGRAM	HEALTH	\$ 117,000
93.197	CHILDHOOD LEAD POISONING PREVENTION	HEALTH	\$ 37,196
93.234	TRAUMATIC BRAIN INJURY STATE DEMO GRANT	HUMAN SERVICES	\$ 217,739
93.235	AFFORDABLE CARE ACT (ACA) ABSTINENCE EDUCATION	HEALTH	\$ 68,379
93.236	GRANTS FOR DENTAL PUBLIC HEALTH RESIDENCY TRAINING	HEALTH	\$ 861,243
93.240	STATE CAPACITY BUILDING	HEALTH	\$ 409,433
93.241	STATE RURAL HOSPITAL FLEXIBILITY PROGRAM	HEALTH	\$ 640,353
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	HUMAN SERVICES	\$ 979,694
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	STATE COLLEGES & UNIVERSITIES	\$ 69,928
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	TRIAL COURTS	\$ 97,820
Program 93.243 Total:			\$ 1,147,442
93.251	UNIVERSAL NEWBORN HEARING SCREENING	HEALTH	\$ 299,858
93.256	STATE HEALTH ACCESS PROGRAM	HUMAN SERVICES	\$ 2,669,171
93.262	OCCUPATIONAL SAFETY & HEALTH GRANTS	HEALTH	\$ 113,379

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**STATE OF MINNESOTA
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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.270	ADULT VIRAL HEPATITIS PREVENTION, CONTROL	HEALTH	\$ 84,826
93.283	CENTERS FOR DISEASE CONTROL AND PREVENTION_ASSISTANCE	HEALTH	\$ 17,646,595
93.296	STATE PARTNERSHIP TO IMPROVE MINORITY HEALTH	HEALTH	\$ 133,726
93.301	SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	HEALTH	\$ 745,396
93.358	ADVANCED NURSING EDUCATION TRAINEESHIPS	STATE COLLEGES & UNIVERSITIES	\$ 109,230
93.395	R&D-CANCER TREATMENT RESEARCH	STATE COLLEGES & UNIVERSITIES	\$ 2,787
93.414	ARRA-STATE PRIMARY CARE OFFICES	HEALTH	\$ 36,190
93.448	FOOD SAFETY AND SECURITY MONITORING PROJECT	AGRICULTURE	\$ 387,832
93.500	PREGNANCY ASSISTANCE FUND PROGRAM	HEALTH	\$ 608,164
93.500	PREGNANCY ASSISTANCE FUND PROGRAM	STATE COLLEGES & UNIVERSITIES	\$ 215,958
	Program 93.500 Total:		\$ 824,122
93.505	ACA MATERNAL, INFANT, EARLY CHILDHOOD HOME VISIT	HEALTH	\$ 562,644
93.507	STRENGTHENING PUBLIC HEALTH INFRASTRUCTURE	HEALTH	\$ 1,605,008
93.509	ACA STATE HEALTH CARE WORKFORCE DEVELOPMENT	EMPLOYMENT & ECONOMIC	\$ 67,544
93.511	ACA GRANTS FOR HEALTH INSURANCE PREMIUM REVIEW	COMMERCE	\$ 5,224
93.518	ACA: MEDICARE IMPROVMTS FOR PATIENTS, PROVIDERS	HUMAN SERVICES	\$ 192,225
93.520	CDC-ACA-COMM PUTTING PREVENTION TO WORK	HEALTH	\$ 52,561
93.521	ACA: BUILDING EPIDEMIOLOGY AND LAB CAPACITY	HEALTH	\$ 1,346,928
93.525	STATE PLANNING, ESTABLISHMT GRANTS FOR ACA EXCHANGES	COMMERCE	\$ 1,455,256
93.531	PPHF 2012: COMMUNITY TRANSFORMATION GRANTS	HEALTH	\$ 222,141
93.536	ACA MEDICAID INCENT FOR PREVENT OF CHRONIC DISEASE	HUMAN SERVICES	\$ 1,190
93.538	ACA-NAT'L ENVIRON HEALTH PUBLIC HEALTH TRACKING	HEALTH	\$ 745,446
93.539	PPHF 2012-CAPACITY BUILDING ASSISTANCE	HEALTH	\$ 356,367
93.544	ACA COORDINATED CHRONIC DISEASE PREVENTION	HEALTH	\$ 210,263

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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.550	TRANSITIONAL LIVING FOR HOMELESS YOUTH	HUMAN SERVICES	\$ 242,866
93.556	PROMOTING SAFE AND STABLE FAMILIES	HUMAN SERVICES	\$ 2,713,494
93.564	CHILD SUPPORT ENFORCEMENT RESEARCH	HUMAN SERVICES	\$ 215,222
93.566	REFUGEE AND ENTRANT ASSISTANCE_STATE PROGRAMS	HUMAN SERVICES	\$ 4,863,914
93.576	REFUGEE AND ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	HEALTH	\$ 128,809
93.576	REFUGEE AND ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	HUMAN SERVICES	\$ 798,463
		Program 93.576 Total:	\$ 927,272
93.584	REFUGEE AND ENTRANT ASSISTANCE_TARGETED ASSISTANCE	HUMAN SERVICES	\$ 1,322,036
93.586	STATE COURT IMPROVEMENT PROGRAM	SUPREME COURT	\$ 720,027
93.590	COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	HUMAN SERVICES	\$ 1,346,918
93.597	GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	HUMAN SERVICES	\$ 133,649
93.599	CHAFEE EDUCATION AND TRAINING VOUCHERS	HUMAN SERVICES	\$ 591,866
93.603	ADOPTION INCENTIVE PAYMENTS	HUMAN SERVICES	\$ 539,260
93.617	VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES	SECRETARY OF STATE	\$ 297,894
93.630	DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY	ADMINISTRATION	\$ 1,089,979
93.643	CHILDREN'S JUSTICE GRANTS TO STATES	HUMAN SERVICES	\$ 239,371
93.645	STEPHANIE TUBBS JONES CHILD WELFARE SERVICES	HUMAN SERVICES	\$ 4,028,409
93.659	ADOPTION ASSISTANCE	HUMAN SERVICES	\$ 26,280,042
93.669	CHILD ABUSE AND NEGLECT STATE GRANTS	HUMAN SERVICES	\$ 330,944
93.670	CHILD ABUSE AND NEGLECT DISCRETIONARY ACTIVITIES	HEALTH	\$ 122,316
93.671	FAMILY VIOLENCE PREVENTION AND SERVICES	PUBLIC SAFETY	\$ 1,547,657
93.674	CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	HUMAN SERVICES	\$ 1,779,790
93.717	ARRA-PREVENTING HEALTHCARE ASSOC INFECTIONS	HEALTH	\$ 378,003
93.719	ARRA-HEALTH INFORMATION TECHNOLOGY	HEALTH	\$ 475,109

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CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.721	ARRA-HEALTH INFO TECH PROF IN HEALTH CARE	STATE COLLEGES & UNIVERSITIES	\$ 193,827
93.723	ARRA-PREVENTION AND WELLNESS	HEALTH	\$ 1,967,926
93.724	ARRA-PREVENT AND WELLNESS FUNDING OPPORTUNITY	HEALTH	\$ 3,788,740
93.725	ARRA-COMMUNITIES PUTTING PREVENTION TO WORK	HUMAN SERVICES	\$ 348,037
93.729	ARRA-HEALTH INFO TECH AND PUBLIC HEALTH	HEALTH	\$ 840,550
93.768	MEDICAID INFRASTRUCTURE GRANTS	HUMAN SERVICES	\$ 2,395,276
93.779	CENTERS FOR MEDICARE AND MEDICAID SERV (CMS) RESEARCH	HUMAN SERVICES	\$ 974,102
93.791	MONEY FOLLOWS THE PERSON REBALANCING DEMO	HUMAN SERVICES	\$ 721,965
93.859	BIOMEDICAL RESEARCH AND RESEARCH TRAINING	STATE COLLEGES & UNIVERSITIES	\$ 29,454
93.865	CHILD HEALTH AND HUMAN DEVELOPMENT RESEARCH	STATE COLLEGES & UNIVERSITIES	\$ 42,667
93.888	SPECIALLY SELECTED HEALTH PROJECTS	STATE COLLEGES & UNIVERSITIES	\$ 124,537
93.889	NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	HEALTH	\$ 5,290,985
93.913	GRANTS TO STATES FOR OPERATION OF OFFICES RURAL HEALTH	HEALTH	\$ 184,636
93.917	HIV CARE FORMULA GRANTS	HUMAN SERVICES	\$ 7,578,576
93.938	COOPERATIVE AGREEMENTS TO PREVENT HIV SPREAD	EDUCATION	\$ 469,522
93.940	HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	HEALTH	\$ 2,666,733
93.944	HIV/AIDS SURVEILLANCE	HEALTH	\$ 473,763
93.946	COOP AGREEMTS TO SUPPORT SAFE MOTHERHOOD	HEALTH	\$ 204,637
93.958	BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	HUMAN SERVICES	\$ 8,476,512
93.959	BLOCK GRANTS - PREVENTION, TREATMENT OF SUBSTANCE ABUSE	HUMAN SERVICES	\$ 24,810,230
93.969	GERIATRIC EDUCATION CENTERS	STATE COLLEGES & UNIVERSITIES	\$ 25,084
93.970	HEALTH PROFESSIONS RECRUITMENT FOR INDIANS	STATE COLLEGES & UNIVERSITIES	\$ 55,814
93.977	PREVENTIVE HLTH SERVICES_SEXUALLY TRANSMITTED DISEASES	HEALTH	\$ 978,588

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

**STATE OF MINNESOTA
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YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)			
93.991	PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	HEALTH	\$ 1,515,900
93.994	MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT	HEALTH	\$ 8,633,170
U.S. CORPORATION FOR NATIONAL & COMMUNITY SERVICE			
94.004	LEARN AND SERVE AMERICA_SCHOOL AND COMMUNITY BASED	EDUCATION	\$ 157,210
94.005	LEARN AND SERVE AMERICA-HIGHER EDUCATION	STATE COLLEGES & UNIVERSITIES	\$ 504
94.007	PROGRAM DEVELOPMENT AND INNOVATION GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 26,016
U.S. SOCIAL SECURITY ADMINISTRATION			
Disability Insurance/SSI Cluster			
96.001	SOCIAL SECURITY_DISABILITY INSURANCE	EMPLOYMENT & ECONOMIC	\$ 25,096,360
Disability Insurance/SSI Cluster Total:			\$ 25,096,360
U.S. DEPARTMENT OF HOMELAND SECURITY			
Homeland Security Cluster			
97.067	HOMELAND SECURITY GRANT PROGRAM	PUBLIC SAFETY	\$ 20,880,603
Homeland Security Cluster Total:			\$ 20,880,603
97.001	PILOT DEMO-INTEROPERABLE EMERGENCY COMMUNICATIONS	PUBLIC SAFETY	\$ 39,603
97.008	NON-PROFIT SECURITY PROGRAM	PUBLIC SAFETY	\$ 12,220
97.012	BOATING SAFETY FINANCIAL ASSISTANCE	NATURAL RESOURCES	\$ 2,448,595
97.023	COMMUNITY ASSISTANCE	NATURAL RESOURCES	\$ 140,912
97.039	HAZARD MITIGATION GRANT	PUBLIC SAFETY	\$ 3,757,267
97.041	NATIONAL DAM SAFETY PROGRAM	NATURAL RESOURCES	\$ 115,778
97.042	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	PUBLIC SAFETY	\$ 4,896,860
97.043	STATE FIRE TRAINING SYSTEMS GRANTS	STATE COLLEGES & UNIVERSITIES	\$ 12,000
97.045	COOPERATING TECHNICAL PARTNERS	NATURAL RESOURCES	\$ 505,282

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

**STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES - Unaudited
YEAR ENDED JUNE 30, 2012**

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY (Continued)			
97.047	PRE-DISASTER MITIGATION	PUBLIC SAFETY	\$ 897,695
97.052	EMERGENCY OPERATIONS CENTER	PUBLIC SAFETY	\$ 52,891
97.055	INTEROPERABLE EMERGENCY COMMUNICATIONS	PUBLIC SAFETY	\$ 1,360,492
97.056	PORT SECURITY GRANT PROGRAM	PUBLIC SAFETY	\$ 3,740,887
97.075	RAIL AND TRANSIT SECURITY GRANT PROGRAM	PUBLIC SAFETY	\$ 26,124
97.078	BUFFER ZONE PROTECTION PROGRAM (BZPP)	PUBLIC SAFETY	\$ 314,435
97.089	DRIVER'S LICENSE SECURITY GRANT	PUBLIC SAFETY	\$ 1,047,548
97.091	HOMELAND SECURITY BIOWATCH PROGRAM	POLLUTION CONTROL AGENCY	\$ 585,757

Non Major Program Total: \$ 759,258,518

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

State of Minnesota
Financial and Compliance Report on Federally Assisted Programs
Fiscal Year Ended June 30, 2012

Notes to the Schedule of Expenditures of Federal Awards (Unaudited)

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

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

The reporting policies for fiscal year 2012 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, 2012. The Schedule of Expenditures of Federal Awards is divided into two sections: major and non-major federal programs.

The auditor uses a risk-based approach as defined in OMB Circular A-133 to determine which federal programs are major programs. Programs expending \$30 million or more in federal awards are Type A programs and are considered major programs. Type B programs are programs expending less than \$30 million in federal awards. If the auditor assesses Type A programs as low-risk, the auditor may replace Type A programs by higher risk Type B programs as major programs.

For purposes of financial reporting, the Catalog of Federal Domestic Assistance (CFDA) number from the 2012 basic edition catalog identifies federal programs. The schedules are presented in numeric CFDA order within each federal agency, except for clusters of programs.

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

Financial Reporting Entity of the State of Minnesota

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

organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state.

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

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

Alexandria Technical & Community College	Minnesota State University, Moorhead
Anoka-Ramsey Community College	Minnesota West Community & Tech. College
Anoka Technical College	Normandale Community College
Bemidji State University	North Hennepin Community College
Central Lakes College	Northland Community & Technical College
Century College	Northwest Technical College
Dakota County Technical College	Pine Technical College
Fond du Lac Tribal & Community College	Rainy River Community College
Hennepin Technical College	Ridgewater College
Hibbing Community College	Riverland Community College
Inver Hills Community College	Rochester Community & Technical College
Itasca Community College	St. Cloud State University
Lake Superior College	St. Cloud Technical & Community College
Mesabi Range Community and Technical College	Saint Paul College
Metropolitan State University	South Central College
Minneapolis Community & Technical College	Southwest Minnesota State University
Minnesota State College – Southeast Technical	Vermilion Community College
Minnesota State Community & Technical College	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, following the accrual or modified accrual basis of accounting, as appropriate for the fund structure. Most federal activity is accounted for in the Federal Fund (a major governmental fund), but several other non-major special revenue funds (Trunk Highway, Municipal State-Aid Street, County State-Aid Highway, Natural Resources, Game and Fish, and Miscellaneous Special Revenue funds), major proprietary funds (Unemployment Insurance and State Colleges and Universities funds), and the General Fund (a major governmental fund), include federal activity. The Statewide Integrated Financial Tools (SWIFT) system is the primary source of financial information. Some state agencies maintain additional manual records or separate cost accounting systems to provide additional information.

Classification of Statement Information

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

Note 2 – Perkins and Nursing Student Loan Programs

Below is a summary of the loan activity for the Perkins Loans (CFDA 84.038) and Nursing Student Loans (NSL) (CFDA 93.364) programs during fiscal year 2012. These programs are administered by Minnesota State Colleges and Universities (MnSCU).

	Perkins	NSL
Loans Receivable, Beginning	\$ 33,049,788	\$ 9,846
Loan Repayments	(3,917,511)	(431)
Loan Cancellations	(450,179)	(2,910)
New Loans Issued	3,868,099	-
Loans Receivable, Ending	\$ 32,550,197	\$ 6,505
Allowance for doubtful accounts	(2,757,367)	(4,301)
Total Loans Receivable	\$ 29,792,830	\$ 2,204

Note 3 – Federal Direct Student Loan Program

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

Under the Federal Direct Student Loan (FDSL) program (CFDA 84.268), the federal government, rather than a private lender, provides the loan principal to the student. MnSCU distributed the following FDSL loans to students attending state colleges or universities during fiscal year 2012.

Federal Direct Student Loans Issued:		
Direct Federal Subsidized Stafford	\$	369,170,374
Direct Federal Unsubsidized Stafford		386,950,360
Direct Federal Graduate PLUS		117,978
Direct Federal Parent Loans for Undergraduate Students		15,638,176
Total Federal Direct Student Loans	\$	771,876,888

Note 4 – Rebates

The Supplemental Food Program for Women, Infants, and Children (WIC) Program (CFDA 10.557), administered through the Minnesota Department of Health, receives cash rebates from infant formula manufacturers. The rebates are used to offset program costs and are reported as expenditure reductions. During fiscal year 2012, the state of Minnesota recognized a total rebate of \$25,439,179 on sales of formula to participants in the WIC program.

The Medical Assistance Program (CFDA 93.778), administered through the Minnesota Department of Human Services, receives cash rebates from drug labelers on sales of drugs to participants in the Medical Assistance Program. The rebates are used to offset program costs and are reported as expenditure reductions. During fiscal year 2012, the state of Minnesota recognized \$92,897,551 as the federal share of the rebate.

Note 5 – Unemployment Insurance Program

For fiscal year 2012, expenditures for the Unemployment Insurance Program (CFDA 17.225) include federal and state unemployment insurance expenditures as well as federal administrative expenditures. As shown in the following table, some of these expenditures were funded by American Recovery and Reinvestment Act (ARRA) funds:

	<u>Non-ARRA Funds</u>	<u>ARRA Funds</u>	<u>Total</u>
State Unemployment Expenditures	\$ 817,978,456	\$ -	\$ 817,978,456
Federal Unemployment Expenditures	659,221,332	-	659,221,332
Federal Administrative Expenditures	<u>53,719,838</u>	<u>41,630</u>	<u>53,761,468</u>
Total Expenditures	<u>\$ 1,530,919,626</u>	<u>\$ 41,630</u>	<u>\$ 1,530,961,256</u>

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

Note 6 – Water Quality Capitalization Grants

Water quality capitalization grants (CFDA 66.458) are used by states to create revolving funds to provide financing for construction of wastewater treatment facilities and implementation of other water quality management activities. Loans are administered from these funds by the State departments of Employment and Economic Development, Agriculture, and Pollution Control. The state's loan programs are Tourism Septic Loan (TLP), Agriculture Best Management Practices (AG BMP), and Clean Water Partnership (CWP). A summary of the loan activity for fiscal year 2012 is shown below.

	<u>TLP</u>	<u>AG BMP</u>	<u>CWP</u>
Loans Receivable, Beginning	\$ 43,418	\$ 43,969,270	\$ 20,622,104
Loan Repayments	(6,805)	(5,829,473)	(2,990,214)
New Loans Issued	-	3,919,361	2,953,626
Interest Capitalized	-	-	187,969
Loans Receivable, Ending	<u>\$ 36,613</u>	<u>\$ 42,059,158</u>	<u>\$ 20,773,485</u>

Note 7 - Supplemental Nutrition Assistance Program (SNAP)

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for approximately 10.95 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2012.

Note 8 – State Fiscal Stabilization Funds

The state received State Fiscal Stabilization Funds (SFSF) under the federal American Recovery and Reinvestment Act (ARRA). This one-time program has two components: the Education Stabilization Fund (CFDA 84.394) and the Government Services Fund (CFDA 84.397). Under the SFSF program, the U.S. Department of Education made awards directly to governors. The Governor of Minnesota then entered into interagency agreements with the University of Minnesota and Minnesota State Colleges and Universities. Minnesota State Colleges and Universities spent \$4,259,787 for CFDA 84.394 program purposes in FY2012.

Note 9 – Education Jobs Fund

The Education Jobs Fund (CFDA 84.410) is authorized under Public Law Number 111-226 and administered under the terms and conditions of Sections 14001 through 14013, and Title XV of Division A of the American Recovery and Reinvestment Act of 2009. The U.S. Department of Education made awards directly to governors. The Governor of Minnesota then entered into an interagency agreement with the Minnesota Department of Education, which spent \$17,825,934 for program purposes.

Note 10 – Airport Improvement Program

Minnesota Department of Transportation (MnDOT) is channeling Airport Improvement Program grants from the Federal Aviation Administration (FAA) to primary airports in accordance with Act 345, P.A. 1945. The FAA determined that MnDOT has no oversight responsibility for these grants to primary airports. The FAA agreed with MnDOT that primary airport expenditures will not be reported in the Schedule of Expenditures of Federal Awards (SEFA) due to primary airports, not MnDOT, having compliance responsibilities. However, other expenditures of the Airport Improvement Program are included in the Schedule of Expenditures of Federal Awards (SEFA) under CFDA 20.106.

Note 11 – CFDA Numbers

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

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2012**

Section I:

Summary of Auditor's Results

Financial Statements

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

Schedule of Expenditures of Federal Awards

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

Federal Awards

Internal control over major programs:		
Material weakness identified?	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> No

Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u> for all major programs, except for Temporary Assistance for Needy Families (CFDA 93.558, 93.714) and Medical Assistance (93.778), which were qualified. <u>Disclaimer</u> of opinion on Schedule of Expenditures of Federal Awards for all major programs.
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> X </u> Yes <u> </u> No
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Identification of Major Programs

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

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2012
Section I: (continued)**

Major Programs Audited

<u>Federal Agency and Major Program Name</u>	<u>CFDA#</u>
U. S. Department of Agriculture	
<i>Supplemental Nutrition Assistance Program (SNAP) Cluster</i>	
Supplemental Nutrition Assistance Program (SNAP)	10.551
State Administrative Matching Grant for Supplemental Nutrition Program	10.561
<i>Child Nutrition Cluster</i>	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
Special Supplemental Nutrition Program for Women, Infants and Children	10.557
Child and Adult Care Food Program	10.558
U. S. Department of Defense	
National Guard Military Operations and Maintenance	12.401
U. S. Department of Labor	
<i>Workforce Investment Act (WIA) Cluster</i>	
WIA-Adult Program	17.258
WIA-Youth Activities	17.259
ARRA - WIA-Youth Activities	17.259
WIA-Dislocated Workers	17.260
ARRA - WIA- Dislocated Workers	17.260
WIA-Dislocated Workers Formula Grants	17.278
Unemployment Insurance	17.225
ARRA - Unemployment Insurance	17.225
U. S. Department of Transportation	
<i>Highway Planning and Construction Cluster</i>	
Highway Planning and Construction	20.205
ARRA - Highway Planning and Construction	20.205
R&D – Highway Planning and Construction	20.205
Recreational Trails Program	20.219
Airport Improvement Program	20.106
ARRA - Airport Improvement Program	20.106

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2012
Section I: (continued)**

Major Programs Audited

<u>Federal Agency and Major Program Name</u>	<u>CFDA#</u>
U. S. Department of Education	
<i>Special Education Cluster</i>	
Special Education – Grants to States	84.027
Special Education - Preschool Grants	84.173
ARRA - Special Education – Grants to States	84.391
ARRA - Special Education - Preschool Grants	84.392
<i>Student Financial Assistance Cluster</i>	
Federal Supplemental Education Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loans	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Academic Competitiveness Grant	84.375
National Science and Mathematics Access to Retain Talent Grant	84.376
Teacher Education Assistance for College and Higher Ed. Grants (TEACH)	84.379
Nursing Student Loans	93.364
<i>Title I, Part A Cluster</i>	
Title 1 Grants to Local Education Agencies	84.010
ARRA - Title 1 Grants to Local Education Agencies	84.389
<i>Vocational Rehabilitation Cluster</i>	
Rehabilitation Services - Vocational Rehabilitation Grants	84.126
ARRA - Rehabilitation Services - Vocational Rehabilitation Grants	84.390
ARRA - Education Jobs Fund	84.410
U. S. Department of Health & Human Services	
<i>Child Care and Development Fund (CCDF) Cluster</i>	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds	93.596
<i>Medical Assistance Cluster</i>	
ARRA - Survey and Certification ASC-HAI	93.720
State Medicaid Fraud Control Units	93.775
State Survey and Certification of Health Care Providers	93.777
Medical Assistance Program	93.778
<i>Temporary Assistance for Needy Families (TANF) Cluster</i>	
Temporary Assistance for Needy Families	93.558
ARRA – Emergency Contingency Fund for TANF	93.714
<i>Immunization Cluster</i>	
Immunization Grants	93.268
ARRA - Immunization Grants	93.712

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2012
Section I: (continued)**

Major Programs Audited

<u>Federal Agency and Major Program Name</u>	<u>CFDA#</u>
U. S. Department of Health & Human Services (continued)	
Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
Foster Care Title IV-E	93.658
ARRA - Foster Care Title IV-E	93.658
Social Services Block Grant	93.667
Children's Health Insurance Program	93.767
U. S. Department of Homeland Security	
Disaster Assistance – Public Assistance	97.036

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2012**

Section II:

Financial Statement Audit Findings

On May 17, 2013, we separately issued our *Report on Internal Control Over Statewide Financial Reporting* in accordance with *Government Auditing Standards*. (Office of the Legislative Auditor's Financial Audit Division, Report 13-06). This report may also be accessed electronically at: www.auditor.leg.state.mn.us/fad/pdf/fad1306.pdf. The report also includes responses from the individual agencies cited in the report.

The report contains five findings related to controls over the preparation of the State of Minnesota's financial statements and one finding related to federal cash draws that are required to be reported in accordance with *Government Auditing Standards*. Four of those findings related to federal awards, as explained in the following paragraphs.

Finding 1 related to the State not meeting the statutory requirement to complete its 2012 financial report by December 31, 2012. In addition, we cited that, as of May 1, 2013, the Department of Management and Budget had not finalized its Schedules of Expenditures of Federal Awards and did not meet the fiscal year 2012 Single Audit federal reporting deadline of March 31, 2013. See also Finding 1 in the Department of Management and Budget Federal Compliance Report – (Office of the Legislative Auditor's Financial Audit Division, Report 13-18).

Finding 3 related to errors in the preliminary financial statements and supporting information received from agencies used to prepare the financial statements. One section of this finding related to the Department of Education overstating the Federal Fund education aids accounts payable by \$87 million. Another section of this finding related to the Department of Employment and Economic Development overstating the Unemployment Insurance Fund liability by \$15 million and understating the fund's accounts receivable by \$6.3 million (CFDA 17.225). The Department of Management and Budget corrected the errors, identified as audit adjustments, in the published fiscal year 2012 financial statements. Other undetected and uncorrected errors in the Federal Fund could have an impact on the accuracy of the Schedules of Expenditures of Federal Awards.

Finding 4 related to employees having inappropriate access to the state's business systems or having the ability to perform incompatible duties without mitigating controls. Two sections of this finding related specifically to the Child Support Enforcement Program (CFDA 93.563) and the Medical Assistance Program (CFDA 93.778), administered at the Department of Human Services. A portion of this finding also related to the Department of Education and could impact their administration of federal programs.

Finding 6 related to the state's new accounting system not providing the specific information agencies needed to draw federal reimbursements in compliance with federal requirements. One

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2012**

section of this finding related to the Department of Human Services potentially requesting incorrect reimbursement amounts from the federal government. Other agencies delayed their draws until they had better information.

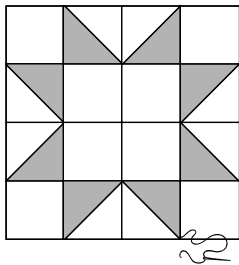
On December 21, 2012, an external public accounting firm for the Minnesota State Colleges and Universities, a part of the primary government of the State of Minnesota, separately issued a Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the Minnesota State Colleges and Universities' financial statements. Their report contained no findings. Their report may be accessed electronically at:

www.finance.mnscu.edu/accounting/financialstatements/yearendstatements/docs/2012systemwide.pdf

**Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2012**

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MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SECTION III
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2012

(Note 1)

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Agriculture (Note 5)			(Note 2)					
10.551	Supplemental Nutrition Assistance Program (Note 6)	Human Services	13-05	2	M	A,B,E	Insufficient monitoring of resolution of income discrepancies	P
10.551	Supplemental Nutrition Assistance Program (Note 6)	Human Services	13-06	6	S	C	Incomplete system information for agencies to draw timely and accurate federal reimbursements	P
10.551	Supplemental Nutrition Assistance Program (Note 6)	Human Services	13-15	2	M		No documented internal control structure ensuring compliance,	P
10.551	Supplemental Nutrition Assistance Program (Note 6)	Human Services	13-15	8	S	M	Insufficient notification of federal award information to subrecipients	P
10.551	Supplemental Nutrition Assistance Program (Note 6)	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
10.553	School Breakfast Program	Education	13-06	3	S		Inaccurate reporting of Federal education aids accounts payable and Unemployment Fund liability	P
10.553	School Breakfast Program	Education	13-14	1	S		No documented internal control structure ensuring compliance	P
10.553	School Breakfast Program	Education	13-14	2	S	B	Noncompliance with review and monitoring of payroll reports	P
10.553	School Breakfast Program	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
10.555	National School Lunch Program	Education	13-06	3	S		Inaccurate reporting of Federal education aids accounts payable and Unemployment Fund liability	P
10.555	National School Lunch Program	Education	13-14	1	S		No documented internal control structure ensuring compliance	P
10.555	National School Lunch Program	Education	13-14	2	S	B	Noncompliance with review and monitoring of payroll reports	P
10.555	National School Lunch Program	Education	13-14	3	S	C	No identification and monitoring of internal controls ensuring compliance.	P
10.555	National School Lunch Program	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
10.556	Special Milk Program for Children	Education	13-06	3	S		Inaccurate reporting of Federal education aids accounts payable and Unemployment Fund liability	P
10.556	Special Milk Program for Children	Education	13-14	1	S		No documented internal control structure ensuring compliance	P
10.556	Special Milk Program for Children	Education	13-14	2	S	B	Noncompliance with review and monitoring of payroll reports	P
10.556	Special Milk Program for Children	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
10.557	Special Supp. Nutrition Program for Women, Infants	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
10.558	Child and Adult Care Food Program	Education	13-06	3	S		Inaccurate reporting of Federal education aids accounts payable and Unemployment Fund liability	P
10.558	Child and Adult Care Food Program	Education	13-14	1	S		No documented internal control structure ensuring compliance	P
10.558	Child and Adult Care Food Program	Education	13-14	2	S	B	Noncompliance with review and monitoring of payroll reports	P
10.558	Child and Adult Care Food Program	Education	13-14	3	S	C	No identification and monitoring of internal controls ensuring compliance	P
10.558	Child and Adult Care Food Program	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
10.559	Summer Food Service Program	Education	13-06	3	S		Inaccurate reporting of Federal education aids accounts payable and Unemployment Fund liability	P
10.559	Summer Food Service Program	Education	13-14	1	S		No documented internal control structure ensuring compliance	P
10.559	Summer Food Service Program	Education	13-14	2	S	B	Noncompliance with review and monitoring of payroll reports	P
10.559	Summer Food Service Program	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
10.561	Supplemental Nutrition Assistance Administration	Human Services	13-06	6	S	C	Incomplete system information for agencies to draw timely and accurate federal reimbursements	P
10.561	Supplemental Nutrition Assistance Administration	Human Services	13-15	2	M		No documented internal control structure ensuring compliance,	P
10.561	Supplemental Nutrition Assistance Administration	Human Services	13-15	7	S	B	Insufficient review of a key payroll report	P
10.561	Supplemental Nutrition Assistance Administration	Human Services	13-15	8	S	M	Insufficient notification of federal award information to subrecipients	P
10.561	Supplemental Nutrition Assistance Administration	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
U.S. Department of Defense								
12.401	National Guard Military Operations and Maintenance	Military Affairs	13-09	1	S	B	Insufficient review of payroll reports	P
12.401	National Guard Military Operations and Maintenance	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P

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U.S. Department of Energy								
81.041	State Energy Program	Commerce	13-07	1	S	B	Noncompliance in developing and monitoring indirect cost plans.	\$49,808
81.041	ARRA - State Energy Program	Commerce	13-07	1	S	B	Noncompliance in developing and monitoring indirect cost plans.	\$281,248
81.042	Weatherization for Low-Income Persons	Commerce	13-07	1	S	B	Noncompliance in developing and monitoring indirect cost plans.	\$42,326
81.042	ARRA - Weatherization for Low-Income Persons	Commerce	13-07	1	S	B	Noncompliance in developing and monitoring indirect cost plans.	\$131,655
81.128	ARRA - Energy Efficiency and Cons Block Grant	Commerce	13-07	1	S	B	Noncompliance in developing and monitoring indirect cost plans.	\$18,181
U.S. Department of Labor								
17.225	Unemployment Insurance	Employment and Economic Development	13-06	3	S		Inaccurate reporting of Federal education aids accounts payable and Unemployment Fund liability	P
17.225	Unemployment Insurance	Employment and Economic Development	13-08	2	S	H	Noncompliance with period of availability requirements	\$213,660
17.225	Unemployment Insurance	Employment and Economic Development	13-08	3	S	B	Insufficient controls to ensure accurate indirect cost charges	\$77,088
17.225	Unemployment Insurance	Employment and Economic Development	13-08	4	S	B	Overpayment of extended benefits to four unemployment recipients	\$24,500
17.225	Unemployment Insurance	Employment and Economic Development	13-08	6	S	F	Insufficient monitoring of equipment purchased with federal funds	P
17.225	Unemployment Insurance	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
17.225	ARRA - Unemployment Insurance	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
17.258	Workforce Investment Act-Adult	Employment and Economic Development	13-08	1	S	B	Insufficient monitoring of federal program expenditures	P
17.258	Workforce Investment Act-Adult	Employment and Economic Development	13-08	6	S	F	Insufficient monitoring of equipment purchased with federal funds	P
17.258	Workforce Investment Act-Adult	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
17.259	Workforce Investment Act-Youth	Employment and Economic Development	13-08	1	S	B	Insufficient monitoring of federal program expenditures	P
17.259	Workforce Investment Act-Youth	Employment and Economic Development	13-08	6	S	F	Insufficient monitoring of equipment purchased with federal funds	P
17.259	Workforce Investment Act-Youth	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
17.259	ARRA - Workforce Investment Act-Youth	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
17.260	Workforce Investment Act-Dislocated Workers	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
17.260	ARRA-Workforce Investment Act-Dislocated Workers	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
17.278	WIA - Dislocated Worker Formula Grants	Employment and Economic Development	13-08	1	S	B	Insufficient monitoring of federal program expenditures	P
17.278	WIA - Dislocated Worker Formula Grants	Employment and Economic Development	13-08	6	S	F	Insufficient monitoring of equipment purchased with federal funds	P
17.278	WIA - Dislocated Worker Formula Grants	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
U.S. Department of Transportation								
(Note 3)								
20.106	Airport Improvement Program	Transportation	13-17	1	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
20.106	Airport Improvement Program	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
20.106	ARRA - Airport Improvement Program	Transportation	13-17	1	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
20.106	ARRA - Airport Improvement Program	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P

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CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Transportation (continued)			(Note 3)					
20.205	Highway Planning and Construction	Transportation	13-17	1	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
20.205	Highway Planning and Construction	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
20.205	ARRA - Highway Planning and Construction	Transportation	13-17	1	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
20.205	ARRA - Highway Planning and Construction	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
20.205	R&D -- Highway Planning and Construction	Transportation	13-17	1	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
20.205	R&D -- Highway Planning and Construction	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
20.205	Highway Planning and Construction	Transportation	DOT-13	II	S	B	Contract change costs coded incorrectly	P
20.219	Recreational Trails Program	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
U.S. Department of Education			(Note 4)					
84.007	Federal Supplemental Educational Opportunity Grants	Minnesota State Colleges and Universities	CLA-12	2	S	N	One college did not report changes in governance timely	P
84.007	Federal Supplemental Educational Opportunity Grants	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.010	Title I - Grant to Local Education Agencies	Education	13-06	3	S		Inaccurate reporting of Federal education aids accounts payable and Unemployment Fund liability	P
84.010	Title I - Grant to Local Education Agencies	Education	13-14	1	S		No documented internal control structure ensuring compliance	P
84.010	Title I - Grant to Local Education Agencies	Education	13-14	2	S	B	Noncompliance with review and monitoring of payroll reports	P
84.010	Title I - Grant to Local Education Agencies	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.027	Special Education - State Grants	Education	13-06	3	S		Inaccurate reporting of Federal education aids accounts payable and Unemployment Fund liability	P
84.027	Special Education - State Grants	Education	13-14	1	S		No documented internal control structure ensuring compliance	P
84.027	Special Education - State Grants	Education	13-14	2	S	B	Noncompliance with review and monitoring of payroll reports	P
84.027	Special Education - State Grants	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.033	Federal Work Study Program	Minnesota State Colleges and Universities	CLA-12	1	S	N	One college did not report a reading tutor in the FISAP	P
84.033	Federal Work Study Program	Minnesota State Colleges and Universities	CLA-12	2	S	N	One college did not report changes in governance timely	P
84.033	Federal Work Study Program	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.038	Federal Perkins Loans	Minnesota State Colleges and Universities	CLA-12	2	S	N	One college did not report changes in governance timely	P
84.038	Federal Perkins Loans	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.063	Federal Pell Grant Program	Minnesota State Colleges and Universities	CLA-12	2	S	N	One college did not report changes in governance timely	P
84.063	Federal Pell Grant Program	Minnesota State Colleges and Universities	CLA-12	3	S	N	One college did not properly report the disbursement date for a PELL grant award	P
84.063	Federal Pell Grant Program	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.126	Vocational Rehabilitation	Employment and Economic Development	13-08	5	S	B	Insufficient controls over monitoring and reporting financial activity	P
84.126	Vocational Rehabilitation	Employment and Economic Development	13-08	6	S	F	Insufficient monitoring of equipment purchased with federal funds	P
84.126	Vocational Rehabilitation	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.173	Special Education - Preschool Grants	Education	13-06	3	S		Inaccurate reporting of Federal education aids accounts payable and Unemployment Fund liability	P
84.173	Special Education - Preschool Grants	Education	13-14	1	S		No documented internal control structure ensuring compliance	P
84.173	Special Education - Preschool Grants	Education	13-14	2	S	B	Noncompliance with review and monitoring of payroll reports	P
84.173	Special Education - Preschool Grants	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P

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U.S. Department of Education (continued)		(Note 4)						
84.268	Federal Direct Student Loans	Minnesota State Colleges and Universities	CLA-12	2	S	N	One college did not report changes in governance timely	P
84.268	Federal Direct Student Loans	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.367	Improving Teacher Quality State Grants	Education	13-14	1	S		No documented internal control structure ensuring compliance	P
84.375	Academic Competitiveness Grants	Minnesota State Colleges and Universities	CLA-12	2	S	N	One college did not report changes in governance timely	P
84.375	Academic Competitiveness Grants	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.376	National Science and Mathematics Talent Grants	Minnesota State Colleges and Universities	CLA-12	2	S	N	One college did not report changes in governance timely	P
84.376	National Science and Mathematics Talent Grants	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.379	Teacher Education Assistance for College and Higher Ed	Minnesota State Colleges and Universities	CLA-12	2	S	N	One college did not report changes in governance timely	P
84.379	Teacher Education Assistance for College and Higher Ed	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.389	ARRA - Title I - Grant to Local Education Agencies	Education (Note 5)	13-06	3	S		Inaccurate reporting of Federal education aids accounts payable and Unemployment Fund liability	P
84.389	ARRA - Title I - Grant to Local Education Agencies	Education (Note 5)	13-14	1	S		No documented internal control structure ensuring compliance,	P
84.389	ARRA - Title I - Grant to Local Education Agencies	Education (Note 5)	13-14	2	S	B	Noncompliance with review and monitoring of payroll reports	P
84.389	ARRA - Title I - Grant to Local Education Agencies	Management and Budget (Note 5)	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.390	ARRA - Vocational Rehabilitation	Employment and Economic Development	13-08	5	S	B	Insufficient controls over monitoring and reporting financial activity	P
84.390	ARRA - Vocational Rehabilitation	Employment and Economic Development	13-08	6	S	F	Insufficient monitoring of equipment purchased with federal funds	P
84.390	ARRA - Vocational Rehabilitation	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.391	ARRA - Special Education - Grants to States	Education (Note 5)	13-06	3	S		Inaccurate reporting of Federal education aids accounts payable and Unemployment Fund liability	P
84.391	ARRA - Special Education - Grants to States	Education (Note 5)	13-14	1	S		No documented internal control structure ensuring compliance,	P
84.391	ARRA - Special Education - Grants to States	Education (Note 5)	13-14	2	S	B	Noncompliance with review and monitoring of payroll reports	P
84.391	ARRA - Special Education - Grants to States	Management and Budget (Note 5)	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.392	ARRA - Special Education - Preschool Grants	Education (Note 5)	13-06	3	S		Inaccurate reporting of Federal education aids accounts payable and Unemployment Fund liability	P
84.392	ARRA - Special Education - Preschool Grants	Education (Note 5)	13-14	1	S		No documented internal control structure ensuring compliance,	P
84.392	ARRA - Special Education - Preschool Grants	Education (Note 5)	13-14	2	S	B	Noncompliance with review and monitoring of payroll reports	P
84.392	ARRA - Special Education - Preschool Grants	Management and Budget (Note 5)	13-18	1	M		Noncompliance with single audit reporting requirements	P
84.410	ARRA - Education Jobs	Education	13-06	3	S		Inaccurate reporting of Federal education aids accounts payable and Unemployment Fund liability	P
84.410	ARRA - Education Jobs	Education	13-14	1	S		No documented internal control structure ensuring compliance,	P
84.410	ARRA - Education Jobs	Education	13-14	2	S	B	Noncompliance with review and monitoring of payroll reports	P
84.410	ARRA - Education Jobs	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.364	Nursing Student Loans	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
U.S. Department of Health & Human Services								
93.268	Immunization Grants	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.525	State Plan and Establish Grants for ACA Exchange	Commerce	13-07	1	S	B	Noncompliance in developing and monitoring indirect cost plans.	\$172,417

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U.S. Department of Health & Human Services (continued)								
93.558	Temporary Assistance for Needy Families	Health	12-24	1	M	A,B,M	Noncompliance with grant agreement using funds for unallowable costs	\$260,094
93.558	Temporary Assistance for Needy Families	Health	12-24	2	M	A,B,M	Insufficient monitoring of recipient's use of grant funds	P
93.558	Temporary Assistance for Needy Families	Human Services	13-05	2	M	A,B,E	Insufficient monitoring of resolution of income discrepancies	P
93.558	Temporary Assistance for Needy Families	Human Services	13-06	6	S	C	Incomplete system information for agencies to draw timely and accurate federal reimbursements	P
93.558	Temporary Assistance for Needy Families	Human Services	13-15	1	M	A,B,E	No documented internal control structure ensuring accurate eligibility determinations	P
93.558	Temporary Assistance for Needy Families	Human Services	13-15	2	M		No documented internal control structure ensuring compliance,	P
93.558	Temporary Assistance for Needy Families	Human Services	13-15	5	S	N	Department did not follow federal requirements for reducing cash assistance for noncooperation	P
93.558	Temporary Assistance for Needy Families	Human Services	13-15	7	S	B	Insufficient review of a key payroll report	P
93.558	Temporary Assistance for Needy Families	Human Services	13-15	8	S	M	Insufficient notification of federal award information to subrecipients	P
93.558	Temporary Assistance for Needy Families	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.563	Child Support Enforcement	Human Services	13-06	4	S		Insufficient controls to ensure appropriate access to state business systems	P
93.563	Child Support Enforcement	Human Services	13-06	6	S	C	Incomplete system information for agencies to draw timely and accurate federal reimbursements	P
93.563	Child Support Enforcement	Human Services	13-15	2	M		No documented internal control structure ensuring compliance,	P
93.563	Child Support Enforcement	Human Services	13-15	8	S	M	Insufficient notification of federal award information to subrecipients	P
93.563	Child Support Enforcement	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.568	Low-Income Home Energy Assistance	Commerce	13-07	1	S	B	Noncompliance in developing and monitoring indirect cost plans.	\$240,914
93.568	Low-Income Home Energy Assistance	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.575	Child Care and Development Block Grant	Human Services	13-06	6	S	C	Incomplete system information for agencies to draw timely and accurate federal reimbursements	P
93.575	Child Care and Development Block Grant	Human Services	13-15	1	M	A,B,E	No documented internal control structure ensuring accurate eligibility determinations	P
93.575	Child Care and Development Block Grant	Human Services	13-15	2	M		No documented internal control structure ensuring compliance	P
93.575	Child Care and Development Block Grant	Human Services	13-15	3	S	N	No monitoring of counties' efforts to detect fraudulent child care payments	P
93.575	Child Care and Development Block Grant	Human Services	13-15	6	S	L	Did not submit accurate federal financial reports	P
93.575	Child Care and Development Block Grant	Human Services	13-15	7	S	B	Insufficient review of a key payroll report	P
93.575	Child Care and Development Block Grant	Human Services	13-15	8	S	M	Insufficient notification of federal award information to subrecipients	P
93.575	Child Care and Development Block Grant	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.596	Child Care Mandatory and Matching Fund	Human Services	13-06	6	S	C	Incomplete system information for agencies to draw timely and accurate federal reimbursements	P
93.596	Child Care Mandatory and Matching Fund	Human Services	13-15	1	M	A,B,E	No documented internal control structure ensuring accurate eligibility determinations	P
93.596	Child Care Mandatory and Matching Fund	Human Services	13-15	2	M		No documented internal control structure ensuring compliance,	P
93.596	Child Care Mandatory and Matching Fund	Human Services	13-15	3	S	N	No monitoring of counties' efforts to detect fraudulent child care payments	P
93.596	Child Care Mandatory and Matching Fund	Human Services	13-15	6	S	L	Did not submit accurate federal financial reports	P
93.596	Child Care Mandatory and Matching Fund	Human Services	13-15	7	S	B	Insufficient review of a key payroll report	P
93.596	Child Care Mandatory and Matching Fund	Human Services	13-15	8	S	M	Insufficient notification of federal award information to subrecipients	P
93.596	Child Care Mandatory and Matching Fund	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.658	Foster Care - Title IV-E	Human Services	13-06	6	S	C	Incomplete system information for agencies to draw timely and accurate federal reimbursements	P
93.658	Foster Care - Title IV-E	Human Services	13-15	2	M		No documented internal control structure ensuring compliance,	P
93.658	Foster Care - Title IV-E	Human Services	13-15	7	S	B	Insufficient review of a key payroll report	P
93.658	Foster Care - Title IV-E	Human Services	13-15	8	S	M	Insufficient notification of federal award information to subrecipients	P
93.658	Foster Care - Title IV-E	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.658	ARRA-Foster Care - Title IV-E	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P

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U.S. Department of Health & Human Services (continued)								
93.659	Adoption Assistance	Human Services	13-15	2	M		No documented internal control structure ensuring compliance,	P
93.667	Social Services Block Grant	Human Services	13-06	6	S	C	Incomplete system information for agencies to draw timely and accurate federal reimbursements	P
93.667	Social Services Block Grant	Human Services	13-15	7	S	B	Insufficient review of a key payroll report	P
93.667	Social Services Block Grant	Human Services	13-15	8	S	M	Insufficient notification of federal award information to subrecipients	P
93.667	Social Services Block Grant	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.712	ARRA-Immunization	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	13-06	6	S	C	Incomplete system information for agencies to draw timely and accurate federal reimbursements	P
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	13-15	1	M	A,B,E	No documented internal control structure ensuring accurate eligibility determinations	P
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	13-15	2	M		No documented internal control structure ensuring compliance	P
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	13-15	5	S		Department did not follow federal requirements for reducing cash assistance for noncooperation	P
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	13-15	8	S	M	Insufficient notification of federal award information to subrecipients	P
93.714	ARRA-Emergency Contingency Fund for TANF	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.720	ARRA-Survey and Certification	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.767	Children's Health Insurance Program	Human Services	13-06	6	S	C	Incomplete system information for agencies to draw timely and accurate federal reimbursements	P
93.767	Children's Health Insurance Program	Human Services	13-15	2	M		No documented internal control structure ensuring compliance	P
93.767	Children's Health Insurance Program	Human Services	13-15	8	S	M	Insufficient notification of federal award information to subrecipients	P
93.767	Children's Health Insurance Program	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.775	State Medical Fraud Control Units	Attorney General	13-15	2	M		No documented internal control structure ensuring compliance	P
93.775	State Medical Fraud Control Units	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.777	State Health Care Providers Survey	Human Services	13-06	6	S	C	Incomplete system information for agencies to draw timely and accurate federal reimbursements	P
93.777	State Health Care Providers Survey	Human Services	13-15	2	M		No documented internal control structure ensuring compliance	P
93.777	State Health Care Providers Survey	Human Services	13-15	8	S	M	Insufficient notification of federal award information to subrecipients	P
93.777	State Health Care Providers Survey	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.778	Medical Assistance Program	Human Services	13-05	1	M	A,B,E	Noncompliance with federal eligibility requirements	P
93.778	Medical Assistance Program	Human Services	13-05	2	M	A,B,E	Insufficient monitoring of resolution of income discrepancies	P
93.778	Medical Assistance Program	Human Services	13-06	4	S		Insufficient controls to ensure appropriate access to state business systems	P
93.778	Medical Assistance Program	Human Services	13-06	6	S	C	Incomplete system information for agencies to draw timely and accurate federal reimbursements	P
93.778	Medical Assistance Program	Human Services	13-15	1	M	A,B,E	No documented internal control structure ensuring accurate eligibility determinations	P
93.778	Medical Assistance Program	Human Services	13-15	2	M		No documented internal control structure ensuring compliance	P
93.778	Medical Assistance Program	Human Services	13-15	8	S	M	Insufficient notification of federal award information to subrecipients	P
93.778	Medical Assistance Program	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P
93.959	Block Grants for Substance Abuse	Human Services	13-15	2	M		No documented internal control structure ensuring compliance	P

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U.S. Department of Homeland Security								
97.036	Disaster Grants - Public Assistance Program	Public Safety	13-11	1	S	M	Insufficient notification of federal award information to subrecipients	P
97.036	Disaster Grants - Public Assistance Program	Management and Budget	13-18	1	M		Noncompliance with single audit reporting requirements	P

Notes:

(Note 1) - This summary schedule highlights federal program audit findings presented in the Minnesota Office of the Legislative Auditor's federal compliance reports to the applicable state agencies. These reports may be accessed at www.auditor.leg.state.mn.us.

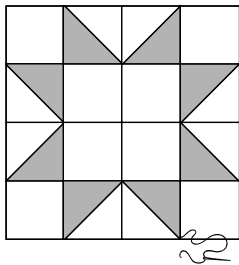
(Note 2) - The "RPT NO" column shows the report numbers in the format 0X-XX, and identifies individual agency reports; and the "FIND NO" are finding numbers within those reports. The finding identifies whether the internal control (INT CONT) is a Material (M) weakness or a Significant (S) deficiency and/or compliance (COMP REQ) requirement addressed (A-N). The financial impact of a finding is shown as procedural (P), non-quantifiable (NQ) or as a questioned cost.

(Note 3) - The Minnesota Department of Transportation (DOT) Office of Audit audited the department's federal programs. The "RPT NO" for DOT federal program findings are reported in DOT 13-800-79, and the "FIND NO" are finding numbers within DOT's report. A complete copy of the DOT Office of Audit Report is available at: <http://www.dot.state.mn.us/constools/references.html>

(Note 4) - CliftonLarson Allen, LLP (CLA) audited the Minnesota State Colleges and Universities financial statements and the federal financial aid cluster. The "RPT NO" for CliftonLarson Allen federal program findings are reported in CLA-12; and the "FIND NO" are finding numbers within CliftonLarson Allen's report.

(Note 5) - Programs funded by the American Recovery and Reinvestment Act include "ARRA" in the Program Name. The Department of Management and Budget did not report FY2012 federal expenditures for certain ARRA programs at the Department of Education [Title I (84.389), Special Education-Grants (84.391), and Special Education-Preschool (84.392)], while the Office of the Legislative Auditor included the programs for any findings in their Federal Compliance Reports. Therefore, the findings are included on this Schedule of Federal Program Audit Findings, even though the funding for these programs is discontinued in future years.

(Note 6) - Beginning in fiscal year 2010, the regular appropriated and American Recovery and Reinvestment Act benefits funded under the Supplemental Nutrition Assistance Program (SNAP) (CFDA 10.551) are no longer separately reported per federal requirements. Therefore, current audit findings for this program, regardless of funding source, are being reported under CFDA 10.551, Supplemental Nutrition Assistance Program.



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

Report 12-24

State Agency: Minnesota Department of Health

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

CFDA Numbers/Program Names:

93.558 Temporary Assistance for Needed Families

Questioned Costs: \$260,094

Federal Project Nos./Award Year: Fiscal Year 2011 and 2012 Grant

Finding 12-24-1 *Noncompliance with grant agreement using funds for unallowable costs.*

- Evidence indicates that the executive director of the Sierra Young Family Institute used a significant amount of grant money for personal expenses and fabricated documents submitted to the Department of Health to conceal the nature of those expenses.**

Background:

During fiscal years 2011 through 2012, the Department of Health paid Sierra Young Family Institute \$328,993 from federal and state funds, as shown in Table 1.

Table 1
Department of Health
Payments to Sierra Young Family Institute
July 1, 2010, through June 30, 2012

<u>Source of Funding</u>	<u>Fiscal Years</u>		<u>Total</u>
	<u>2011</u>	<u>2012</u>	
Federal ¹	\$175,000	\$ 85,094	\$260,094
State ²	30,000	38,899	\$68,899
Total	<u>\$205,000</u>	<u>\$123,993</u>	<u>\$328,993</u>

¹ The source of the federal funding was from the Temporary Assistance for Needy Families Program (Catalog of Federal Domestic Assistance number 93.558). The federal government allows the state to use these moneys to target certain high-risk populations, such as adolescents and adolescent parents.

² The department granted money from the state's General Fund as part of its appropriation for its Eliminating Health Disparities Initiative, established in *Minnesota Statutes* 2011, 145.928.

Source: State of Minnesota's accounting records.

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

As stated in the department's grant agreement, Sierra Young Family Institute was to:

“ (1) Work towards closing the gap in the health status of African Americans/Africans in Minnesota compared with whites in the following priority health areas: teen pregnancy prevention; and (2) Mobilize and organize its own community's resources in effective and creative ways to: implement effective activities that reduce racial/ethnic disparities; promote the health and quality of life of individuals and communities; build own community's strengths and assets to address health issues; build and strengthen partnerships and working relationships among community members, faith-based organizations, culturally-based organizations, social service organizations, community nonprofit organizations, tribal governments, community health boards, community clinics and other health care providers, the Minnesota Department of Health, and other state agencies; support culturally-relevant activities; and focus on prevention and early detection.”

The executive director of Sierra Young Family Institute told us the organization accomplished the grant's objectives by conducting a series of training sessions for groups of at-risk minority youth. The executive director also told us that she focused the training sessions on helping participants to make better life choices, overcome daunting life challenges, and obtain a sense of power over their lives. Generally, the department reimbursed the organization monthly based on the executive director's claim of costs incurred.

Finding and Recommendation:

Approximately 87 percent of the money deposited into Sierra Young Family Institute's bank account from July 2010 through July 2012 came from the Department of Health grant. We analyzed how the organization used this money by reviewing its monthly bank statements and cancelled checks. The executive director told us that all activity in this account was grant-related. Based on our analysis, Table 2 (on the next page) categorizes the organization's expenses.

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

Table 2
Sierra Young Family Institute
Expenses by Category
July 1, 2010, through July 30, 2012

Category	Fiscal Years		Total
	2011	2012	
Executive Director's Family/Other Individuals	\$58,710	\$47,213	\$105,923
Mortgage/Rent	15,795	27,593	43,388
Retail Stores	17,617	20,316	37,933
Loan Repayments	13,497	3,065	16,562
Checks to Executive Director	10,400	11,920	22,320
Contractual Payments	10,050	12,689	22,739
Telephone	8,187	9,532	17,719
ATM/Other Withdrawals	7,828	8,962	16,790
Auto Financing	7,932	8,310	16,242
Legal Expenses	7,374	7,279	14,653
Insurance	6,664	7,748	14,412
Iowa State University	6,167	0	6,167
Auto-Related Expense	4,883	934	5,817
Utilities	2,774	2,896	5,670
Dental Services	2,201	2,349	4,550
Food/Restaurants	2,200	4,852	7,052
Miscellaneous ¹	2,979	9,435	12,414
Gasoline	1,261	1,377	2,638
Hotels	535	1,730	2,265
Bank and Other Fees/Credit Card Payments	208	899	1,107
Total	\$187,262	\$189,099	\$376,361

¹Miscellaneous includes transfers to other accounts, data entry services, mail/shipping services, parking, printing, impound lot, monthly identity protection fee, license bureau, Cpap.com, and a pawn shop transaction.

Source: Sierra Young Family Institute's subpoenaed bank account statements and cancelled checks.

The executive director did not provide us with documentation to substantiate which, if any, of these costs were reasonable and necessary to achieve the purposes of the grant. Many of the transactions appeared to be for personal expenses, including the following examples:

- **Payments of \$95,810 to family members.** The executive director stated that several family members provided grant-related services to the organization under contract. However, there was no evidence to support hours worked or services provided. The Department of Health requires prior approval of any subcontracts the organization enters into. The department could find no evidence in its files that the department had approved contracts for the executive director's family members. In addition, the executive director could not provide us with evidence to support payments made from grant money to the executive director's husband. She acknowledged that he did not provide "direct services" related to the grant but asserted that he provided transportation to training locations.

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

- **Rent payments for son's apartment.** The executive director stated that these payments, made directly to the management company, totaling \$6,050, were payments for services the son provided to the organization, but she could not provide documentation to support the claim.
- **Payments to high-end retailers.** The executive director could not substantiate a grant-related purpose for payments to certain retailers, including the following: \$731 to Handbags by Miche; \$247 to 7 For All Mankind, a designer jeans retailer; and \$323 to Dillard's, a department store.
- **Repayment of loans.** The executive director noted on checks totaling \$16,562 that the payments were to repay a loan. The executive director told us that the payments were to reimburse an individual who had purchased supplies and curriculum on behalf of organization. The executive director did not provide us with any documentation to support this explanation.
- **Checks made out to the executive director.** The executive director could not adequately explain the basis for \$22,320 in checks she made payable to herself.
- **ATM and Other Withdrawals.** The executive director stated that some of the group trainers did not have bank accounts, so she withdrew cash from the bank account and paid them in cash; these withdrawals totaled \$16,790. Although she asserted that she obtained receipts from the individuals to support the cash payments, she did not provide us with any documentation to support this claim.
- **Payment to Cpap.com.** We could not find a grant-related purpose for \$713 in expenditures to a vendor that provides supplies and equipment predominately for sleep apnea.
- **Payment to Saint Paul impound lot.** We could not find a grant-related purpose for this \$273 expenditure.
- **Payment to a pawn shop.** We could not find a grant-related purpose for this \$420 expenditure.
- **Payment to a license bureau.** We could not find a grant-related purpose for this \$208 expenditure.

In addition, we could not find evidence that contractors hired to provide program services actually performed those services. We were also unable to identify individuals that were served by or benefited from the program.

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

Finally, some of the documentation Sierra Young Family Institute submitted to the department was fabricated. The credit union confirmed to us that a July 2010 bank statement the organization provided to the department in September 2010 did not correspond to an account at the credit union. The credit union also confirmed to us that the format of the statement was not consistent with its statements.

Knowing that the bank statement had been fabricated and because of other concerns identified by the Department of Health, we were skeptical about the integrity of any documentation Sierra Young Family Institute provided to the department. As a result, we looked more closely at the documentation the organization provided as part of the department's grant oversight review and noted certain inconsistencies. For example, payroll reports for two different payroll periods identified the same paycheck numbers. In addition, the documentation for online orders, totaling \$7,126.89, from two different companies appeared to use the same fonts and formats. An invoice from a management company for leased space identified the company's address as an apartment building. These inconsistencies may be indications of additional fabrication of documentation the organization provided to the department.

Recommendation

- *The Department of Health should work with the appropriate authorities to recover from the Sierra Young Family Institute grant money used for costs that it cannot show were reasonable and necessary to accomplish the purposes of the grant.*

Minnesota Department of Health Response:

The department agrees with the finding and recommendation. We notified the Bureau of Criminal Apprehension and the U.S. Department of Health and Human Services about this situation several months ago and continue to cooperate with them on this case. The implementation of this recommendation could take some time depending on the course of legal action other authorities choose to take. We will use every means at our disposal to attempt to recover funds from Sierra Young Family Institute.

Persons Responsible:

Dave Orren, Chief Legal Counsel
Abigail Read, Chief Financial Officer
Jose Gonzalez, Director of the Office of Minority and Multicultural Health

Expected Completion Date:

On Going

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

Report 12-24

State Agency: Minnesota Department of Health

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

CFDA Numbers/Program Names:

93.558 Temporary Assistance for Needed Families

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Fiscal Year 2011 and 2012 Grant

Finding 12-24-2 *Insufficient monitoring of recipient's use of grant funds*

2. The Department of Health did not effectively monitor Sierra Young Family Institute's use of grant funds or its program accomplishments.

The Department of Health missed opportunities to question the integrity of claims Sierra Young Family Institute submitted for reimbursement and to verify whether the organization was performing the services mandated in the grant agreement. The department did not effectively use information it obtained through a financial reconciliation of one reimbursement request and a site visit, both of which are grant monitoring procedures required by state policy.¹

Financial Reconciliation. In September 2010, the department performed a financial reconciliation to ensure that Sierra Young Family Institute had sufficient, acceptable documentation to support that the costs claimed for reimbursement were allowable to achieve the purposes of the grant. The department requested the organization provide documentation to support its July 2010 reimbursement request for \$26,815. The executive director provided an overall recap of each expense category on the reimbursement request, a bank statement, payroll reports, and invoices to support the transactions described on the recap and shown on the bank statement.

The Department of Health employee who performed the reconciliation did not have sufficient financial or audit skills, knowledge, and experience to assess whether the organization's documentation adequately supported the costs claimed and whether these costs were allowable to accomplish the purposes of the grant. As a result, the employee did not identify the following inconsistencies and inaccuracies in the information the organization provided:

¹ Department of Administration, Office of Grants Management Policy 08-10.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

- The payroll payment dates shown on the bank statement (July 12, 2010, and July 28, 2010) did not correspond to the time periods of the supporting payroll reports (July 5 through July 17, 2010, and July 18 through July 31, 2010).
- The payroll reports were heavily redacted (eliminating payroll information for 17 of the 22 employees on each report). The payroll report totals agreed with the bank statement, however, the totals of the unredacted portions of the reports did not agree with the reimbursement request, differing by \$1,450.80. In addition, there was nothing to adequately support claimed fringe benefits of \$2,718.
- Two receipts, one for \$310.05 and the other for \$476.45, were not sufficiently legible to determine what was purchased and determine whether the costs were reasonable and necessary to accomplish the program's objectives. In addition, the date on the \$310.05 receipt was six days later than the transaction recorded on the bank statement.
- The organization did not explain how \$111.75 for other types of program expenses were allowable to accomplish the program's objectives. In addition, these costs appeared to not be eligible for reimbursement because they occurred before the start of the grant period.
- Other than an invoice for \$1,000 to support a reimbursement request for accounting services, there was no explanation of the type of services or when they were provided.
- The invoice supporting the \$356.25 rental space costs did not state where the rental space was located or how the organization used the space to accomplish the purposes of the grant.

The employee performing the financial reconciliation did make note of some items and requested additional documentation; however, when the additional documentation did not resolve the issues, we saw no evidence that the employee escalated the issues to management or reported the deficiencies.

Site Visit. Another opportunity to assess Sierra Young Family Institute's compliance with the grant occurred in 2012 when department staff met with the executive director for a site visit. In addition to an opportunity to assess the organization's financial management capabilities, a site visit is intended to provide the department with information about the quality and extent of services the organization is providing to meet the objectives of the grant, as required by state policy. The site visit had the following deficiencies:

- The site visit did not take place at Sierra Young Family Institute's office. As a result, the department staff was unable to interact with other Sierra Young Family Institute staff, review financial or program files, examine documentation supporting outcomes, or assess

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

the sufficiency of the organization's management and administrative structure, tools, and resources to achieve the grant's objectives.

- The employees performing the site visit noted "the organization appears to have limited staff capacity" and questioned Sierra Young Family Institute's ability to effectively serve the high numbers of program participants cited by the executive director. The department recommended that the organization contract with experienced professionals to assist in program delivery and HIV/AIDS testing; however, the file had no evidence to show the employees reported these concerns to higher management in the department.

If the financial reconciliation and the site visit had been effective, the department could have intensified its oversight by performing additional and more rigorous financial reconciliations and site visits; withholding future reimbursements; or, if necessary, terminating the grant. Instead, the department extended the grant period twice, first from June 30, 2011, to September 30, 2011, and later to June 30, 2012, and increased the grant amount from \$205,000 to \$374,899, before realizing the seriousness of Sierra Young Family Institute's deficiencies.²

Recommendations

- *The Department of Health should strengthen its policies and procedures so that grant recipients' site visits and financial reconciliations are effective to ensure that uses of grant money are reasonable and necessary to achieve the purposes of the grants.*
- *The Department of Health should ensure that employees who perform financial reconciliations and site visits have sufficient skills, knowledge, and experience to determine whether the information provided by grant recipients supported that the costs were reasonable and necessary to accomplish the purposes of the grants.*

Minnesota Department of Health Response:

Recommendation #1:

The department accepts this finding and agrees with the recommendation. The department did conduct a financial reconciliation and site visit for this grant as required by Office of Grants Management policy 08-10. The department will take what it has learned from this experience and will enhance the policies and procedures already in place to make monitoring more effective.

² The department did not fully disburse the grant; as shown in Table 1, the department's payments to Sierra Young Family Institute totaled \$328,993.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Persons Responsible: Alyssa Haugen, Grants Management Coordinator
Amy Jorgenson, Director of Internal Audit

Expected Completion Date: June 30, 2013

Recommendation #2:

The department agrees with this recommendation and will conduct training sessions for our grant managers to ensure they are consistently trained and learn how and to whom to report any concerns.

Persons Responsible: Alyssa Haugen, Grants Management Coordinator
Amy Jorgenson, Director of Internal Audit

Expected Completion Date: June 30, 2013

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

Report 13-05

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

93.778 Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 13-15 Appendix A

Finding 13-05-1 *Noncompliance with federal eligibility requirements*

1. The Department of Human Services did not comply with federal and state requirements to verify the social security numbers and income reported by participants of MinnesotaCare.

The department did not verify social security numbers or income reported by participants of the MinnesotaCare program. The federal government requires the state to have a data exchange process that cross-checks social security numbers and income for recipients of federal programs.³ In addition, state statute requires the department to use electronic file matches as the “primary method” to verify income reported by MinnesotaCare participants.⁴ The department did not include MinnesotaCare participants in the file matches it performed for other cash, food, and medical benefit programs because it could not easily integrate MinnesotaCare data, recorded on one computer system, with the information for those programs, recorded on another computer system.

Although department management has known since at least 2003 that it was not in compliance with the federal or state file match requirements for MinnesotaCare participants, it did not develop a way to effectively validate reported social security numbers and income to other government data, such as from the Internal Revenue Service, Social Security Administration, and the Department of Employment and Economic Development. Department management had believed HealthMatch would fix the problem; the department has not determined how it will comply with the file matching requirements in the state’s proposed health insurance exchange, designed in accordance with the Affordable Care Act.

³ Social Security Act, section 1137; 42 CFR sections 435.948 and 435.953.

⁴ *Minnesota Statutes* 2012, 256L.05, subd. 2.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

During fiscal year 2012, the state paid about \$526 million for medical benefits on behalf of about 129,000 participants in the MinnesotaCare program; the federal government funded about 44 percent of the costs, or \$234 million.

Recommendation

- *The department should verify social security numbers and income reported by MinnesotaCare participants to other government data.*

Minnesota Department of Human Services Response:

The department agrees with the finding and recommendation. The department will work to develop the needed IT capacity and related policies and procedures in this area.

Person Responsible: Karen Gibson, Director of Health Care Eligibility and Access

Expected Completion Date: January 1, 2014

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

Report 13-05

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
93.558	Temporary Assistance for Needy Families (TANF)
93.778	Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 13-15 Appendix A

Finding 13-05-2 *Insufficient monitoring of resolution of income discrepancies*

2. The Department of Human Services did not effectively monitor resolution of social security number and income discrepancies for several public assistance programs.

The department did not effectively monitor how county social service workers resolved discrepancies identified by electronic file matches of social security numbers and reported income amounts to other government data for participants of Medical Assistance, Temporary Assistance for Needy Families, and Supplemental Nutrition Assistance programs.⁵ The number of discrepancies between information reported by program participants and data recorded in federal and state databases rose from about 165,000 in fiscal year 2010 to nearly 240,000 in fiscal year 2012. Although reports indicated that the department complied with federal requirements to resolve at least 80 percent of the discrepancies within 45 days, the department had not monitored whether the file matching process was effective to ensure that participants were eligible for the benefits they received.

Following are some deficiencies in the file matching and discrepancy resolution process:

- The department did not assess how effective the file matching process was in identifying valid discrepancies that resulted in changes to benefits. Other than tracking that the discrepancy was resolved, to show that it had satisfied the federal requirement, it did not measure the number of discrepancies found to be invalid (resulting in no change to the benefits provided) or the number of valid discrepancies that resulted in benefit changes.

⁵ Code of Federal Domestic Assistance numbers for these programs are 93.778, 93.558, and 10.551, respectively.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

- The department did not monitor whether county social service workers took appropriate action to determine the validity of the discrepancy and to adjust, as necessary, a participant's eligibility. For example, the department did not use resolution data to identify county social service workers who had higher than normal rates of invalid discrepancies, perhaps indicating a lack of effort to appropriately resolve the discrepancy and resulting in a continuation of benefits to ineligible recipients.
- Also, for the Medical Assistance program, the department did not effectively quantify the benefit overpayments identified by valid file matching discrepancies. Although the department required county social service workers to report Medical Assistance overpayments identified as a result of the file matching process, the department did not know whether this information was complete or accurate. The department did not use the information to monitor if county social service workers assessed whether valid discrepancies were attempts by program participants to fraudulently obtain benefits.
- The department had not adjusted criteria used in the file matching process since 2005.⁶ For example, the criteria for an income discrepancy could be defined as a difference exceeding \$5,000 between the income reported by the participant and the income recorded to the Internal Revenue Service. If the criteria are set too low, too many invalid discrepancies will need to be reviewed by county social service workers, taking time away from other work. If the criteria are set too high, benefits provided to ineligible participants would not be detected.

Recommendation

- *The department should assess the effectiveness of the electronic file matching process and county social service workers' resolution of discrepancies to verify the eligibility of public assistance and medical program participants.*

Minnesota Department of Human Services Response:

The department agrees with the finding and recommendation. We will evaluate the income eligibility verification process and procedures, including thresholds used for identifying discrepancies, and make the necessary adjustments. Additionally, we will work to identify and implement controls that provide proper oversight on the county's efforts to resolve identified income discrepancies.

Persons Responsible:	Erin Sullivan-Sutton, Assistant Commissioner for Children and Family Services Scott Leitz, Assistant Commissioner for Health Care Administration
Expected Completion Date:	September 30, 2013

⁶ With federal approval, 42 Code of Federal Regulations, section 435.948, allows the department to establish discrepancy thresholds for each of its verification data matches.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 13-06

State Agency: Minnesota Department of Management and Budget

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

CFDA Numbers/Program Names: See Report 13-18 – Finding 1

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Fiscal Year 2012 Grant Awards

Finding 13-06-1 *The state did not comply with federal requirements for filing its fiscal year 2012 Single Audit report.*

- 1. The Department of Management and Budget did not finalize financial statements in order to report the state’s financial operations to the Legislature in a timely manner.**

Financial statement Finding 1 reported in Report on Internal Control Over Financial Reporting. See Section II for details related to the Minnesota Department of Management and Budget.

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

Report 13-06

State Agency: Minnesota Department of Education
Minnesota Department of Employment and Economic Development

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

CFDA Numbers/Program Names:

10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
17.225	Unemployment Insurance
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants
84.389	ARRA – Title I – Grants to Local Education Agencies
84.391	ARRA – Special Education – Grants to States
84.392	ARRA – Special Education – Preschool Grants
84.410	ARRA – Education Jobs Fund

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 13-14 and 13-08

Finding 13-06-3 *Inaccurate reporting of Federal education aids accounts payable and Unemployment Insurance Fund liability and accounts receivable.*

- 3. Prior Finding Partially Resolved: The Department of Management and Budget and other state agencies did not have adequate internal controls to prevent and detect errors in the financial information used to compile the financial statements, including footnote disclosures.**

Financial statement Finding 3 reported in Report on Internal Control Over Financial Reporting. See Section II for details related to the Minnesota Department of Education and the Minnesota Department of Employment and Economic Development.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 13-06

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

93.563 Child Support Enforcement
93.778 Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Federal Compliance Report 13-15.

Finding 13-06-4 *Insufficient controls to ensure appropriate access to state business systems.*

- 4. Prior Finding Partially Resolved: The departments of Education and Human Services had weaknesses in their internal controls to ensure appropriate access to state business systems.**

Financial statement Finding 4 reported in Report on Internal Control Over Financial Reporting. See Section II for details related to the Minnesota Department of Education and the Minnesota Department of Human Services.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 13-06

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.575	Child Care and Development Block Grant
93.596	Child Care and Development Mandatory and Matching Funds
93.658	Foster Care
93.667	Social Services Block Grant
93.714	ARRA – Emergency Contingency Fund for TANF
93.767	Children’s Health Insurance Program
93.777	State Health Care Providers Survey
93.778	Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Federal Compliance Report 13-15 Appendix A.

Finding 13-06-6 *Incomplete system information available for agencies to draw timely and accurate federal cash reimbursements.*

6. The Department of Management and Budget did not ensure that state agencies had the information they needed to draw federal reimbursement in compliance with federal requirements.

Financial statement Finding 6 reported in Report on Internal Control Over Financial Reporting. See Section II for details related to the Minnesota Department of Human Services.

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

Report 13-07

State Agency: Minnesota Department of Commerce

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

CFDA Numbers/Program Names:

81.041	State Energy Program
81.041	ARRA – State Energy Program
81.042	Weatherization Assistance for Low-Income Persons
81.042	ARRA - Weatherization Assistance for Low-Income Persons
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program
93.525	State Planning and Establishment Grants for the Affordable Care Act’s Exchanges
93.568	Low-Income Home Energy Assistance

Questioned Costs: \$949,338

Federal Project Nos./Award Year: # See Table 1 within Finding 13-07-1 below.

Finding 13-07-1 *Noncompliance in developing and monitoring annual indirect cost plans.*

- 1. The Department of Commerce did not obtain federal approval for the indirect cost rate it used for fiscal year 2012; it used the rate approved for the previous year as a basis for the \$949,338 of indirect costs it recovered from all federal programs, including \$240,914 from the Low-Income Home Energy Assistance Program.**

The department did not create and submit an indirect cost rate proposal to the Division of Cost Allocation of the U.S. Department of Health and Human Services for fiscal year 2012. The federal government requires annual proposals to be developed and submitted within six months after the close of the fiscal year for approved use in the next funding period.⁷ However, the department failed to submit a proposal or obtain provisional approval and continued to use the indirect cost rate of 14 percent that the federal government approved for fiscal year 2011. Indirect cost rates can fluctuate year-to-year, and the annual proposal is intended to justify the rate in effect for each fiscal year.

As shown in Table 1, on the following page, the department used the approved fiscal year 2011 14 percent indirect cost rate to recoup \$949,338 for fiscal year 2012 from all federal programs administered by the department, including \$240,914 from the Low-Income Home Energy

⁷ Office of Management and Budget, Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment E *State and Local Indirect Cost Rate Proposals*.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Assistance Program. If the federal government approves a lower rate for fiscal year 2012, the department may have to repay the excess indirect cost charges already claimed.⁸

In addition, as of February 2013, the department had not prepared and submitted indirect cost rate proposals for fiscal years 2013 or 2014; these proposals should have been submitted by December 31, 2011, and December 31, 2012, respectively.

Table 1
Department of Commerce
Indirect Costs Charged to Federal Programs
Fiscal Year 2012

<u>CFDA¹</u>	<u>Program Name</u>	<u>Amounts</u>
Major Programs:		
93.568	Low-Income Home Energy Assistance ²	\$240,914
Non-Major Programs:		
81.041	State Energy Program ³	\$ 49,808
81.041	ARRA – State Energy Program ⁴	<u>281,248</u>
	Total State Energy Program	<u>\$331,056</u>
81.042	Weatherization Assistance for Low-Income Persons ⁵	\$ 42,326
81.042	ARRA – Weatherization Assistance for Low-Income Persons ⁶	<u>131,655</u>
	Total Weatherization Assistance	<u>\$173,981</u>
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program ⁷	\$ 18,181
93.525	State Planning and Establishment Grants for the Affordable Care Act's Exchanges ⁸	\$172,417
N/A	Other Non-Major Federal Programs	<u>\$ 12,789</u>
	Total	<u>\$949,338</u>

¹ The Catalog of Federal Domestic Assistance (CFDA) is a unique number assigned by the federal government to identify its programs.

² Federal Grant Award #G-10B1MNLIEA, #G-11B1MNLIEA and #G-12B1MNLIEA.

³ Federal Grant Award #DE-FG26-07NT43166.

⁴ Federal Grant Award #DE-EE0000164.

⁵ Federal Grant Award #DE-EE0000653.

⁶ Federal Grant Award #DE-EE000103.

⁷ Federal Grant Award #DE-EE0000757.

⁸ Federal Grant Award #HBEIE110058 and #HBEIE120107.

Source: Auditor created from the Department of Commerce's accounting records for fiscal year 2012.

⁸ If the federal government approves a higher rate, the department will not be able to claim additional indirect costs because it had already expended the full federal award amount.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Recommendations

- *The Department of Commerce should work with the federal government to obtain approval for annual indirect cost rates for fiscal years 2012, 2013, and 2014, and to resolve differences caused by using the approved fiscal year 2011 indirect cost rate during fiscal years 2012 and 2013.*
- *The Department of Commerce should improve internal controls to ensure it submits indirect cost rate proposals by the federal deadline.*

Minnesota Department of Commerce Response:

The department agrees. An updated indirect cost proposal has been submitted to the federal government. The department will follow any and all guidance and recommendations offered by our federal regulators.

Updated procedures have been set in place to timely submit indirect cost plan proposals annually. All plans will be submitted prior to January 1, to take effect in the next fiscal year.

Person Responsible: Tim Jahnke, Chief Financial Officer

Expected Completion Date: Completed

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

Report 13-08

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U.S. Department of Labor

CFDA Numbers/Program Names:

17.258	Workforce Investment Act – Adult
17.259	Workforce Investment Act – Youth
17.278	Workforce Investment Act – Dislocated Workers Formula Grants

Questioned Costs: None – Procedural finding only

Federal Project Nos./Award Year: AA-21403-11-55-A-27

Finding 13-08-1 *Insufficient monitoring of federal program expenditures.*

1. Prior Finding Not Resolved: The Department of Employment and Economic Development did not monitor grant recipients for the Workforce Investment Act Cluster (CFDA 17.258, 17.259, and 17.278)⁹ and a scanned copy for one grant agreement was incomplete.

During fiscal year 2012, the department did not perform a fiscal review to monitor 4 of 20 grant recipients tested that received federal Workforce Investment Act funding. Federal program regulations require an annual fiscal review that includes a comparison of expenditures reported in the financial status reports to supporting source documentation.¹⁰ In fiscal year 2012, the four recipients received grant payments ranging from \$469,000 to \$2.4 million. In our 2011 audit, we reported that the department did not have the necessary evidence for monitoring two other grant recipients. Without financial monitoring, ineligible costs and noncompliance with federal regulations could occur without detection.

In addition, a scanned electronic image of a master grant agreement was incomplete and did not include the back-side of the document's pages. Once scanned, the department destroyed the original paper copy of the grant agreement. The grant involved \$750,000 of Workforce Investment Act-Adult (CFDA 17.258) and \$675,000 of Workforce Investment Act-Dislocated Worker (CFDA 17.278) funds. Without a full and complete copy, the department did not have evidence that management authorized the agreement and no assurance that the agreement contained all the required elements.

⁹ Federal Grant Award AA-21403-11-55-A-27.

¹⁰ Federal Workforce Investment Act, Title 1.b, Section 6.2.

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

Recommendations

- *The Department of Employment and Economic Development should annually monitor all grant recipients to provide management with assurance of compliance with federal requirements.*
- *The Department of Employment and Economic Development should develop quality control procedures to ensure that electronically scanned grant documents are a replica of the original paper grant agreement.*

Minnesota Department of Employment and Economic Development Response:

Since the conclusion of the auditor's field work, the Department has completed the fiscal review of 3 of the 4 grant recipients noted in the audit report. At this point in time, monitoring is complete for 19 of the 20 grant recipients. The remaining fiscal review for the 4th grant recipient has been assigned and will be conducted in June, which will bring the department to full compliance. The annual programmatic reviews had already been completed for all of the 20 grant recipients prior to the audit. A complete copy of the identified scanned electronic image of the master grant agreement has been placed in our tracking system and is a replica of the original paper grant agreement. The Department will implement a new tracking procedure to ensure that grant monitoring and annual fiscal and programmatic reviews are timely completed and that grantees will receive fiscal monitoring notification during the first month of each new state fiscal year. Bonnie Elsey, Workforce Development Division director, will oversee resolution of the finding by June 30, 2013.

Person Responsible: Bonnie Elsey, Workforce Development Division Director

Estimated Completion Date: June 30, 2013

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

Report 13-08

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U.S. Department of Labor

CFDA Numbers/Program Names:

17.225 Unemployment Insurance

Questioned Costs: \$213,660

Federal Project Nos./Award Year: UI-18028-09-55-A-27 and UI-19590-10-55-A-27

Finding 13-08-2 *Noncompliance with period of availability requirements.*

- 2. The Department of Employment and Economic Development paid expenses totaling \$213,660 after the federal period of availability for two unemployment insurance (CFDA 17.225) grant awards.**

For two grant awards,¹¹ the department used federal funds to pay for \$213,660 of program expenses occurring after the expiration of the period of availability. The federal government makes federally-funded grant awards available to the department for a specified period of time. The department did not request a federal extension for permission to use the funds for an additional period of time.

Recommendation

- *The Department of Employment and Economic Development should work with the federal government to resolve the costs charged after the period of the grant award*

Minnesota Department of Employment and Economic Development Response:

The payment identified was delayed because the vendor did not deliver the equipment in a timely manner and the department wanted to ensure that the equipment was set up and working properly prior to payment. The department will ensure that program areas will closely monitor periods of availability for the grant award and payables staff will review project codes for grants scheduled to end to reduce the risk of payments after the period of availability for the grant award. In the future, it is expected that payments will be made within the period of availability for the grant

¹¹ Federal Grant Awards: UI-18028-09-55-A-27 and UI-19590-10-55-A-27.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

award or timely extensions will be requested as appropriate. Julie Freeman, chief financial officer, will oversee resolution of the finding by September 30, 2013.

Person Responsible: Julie Freeman, Chief Financial Officer

Estimated Completion Date: September 30, 2013

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

Report 13-08

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U.S. Department of Labor

CFDA Numbers/Program Names:

17.225 Unemployment Insurance

Questioned Costs: \$77,088

Federal Project Nos./Award Year: UI-18028-09-55-A-27 and UI-19590-10-55-A-27

Finding 13-08-3 *Insufficient controls to ensure accurate indirect cost charges.*

3. The Department of Employment and Economic Development overcharged the federal unemployment insurance (CFDA 17.225) program for \$77,088 of indirect costs.

The department did not have effective internal controls ensuring that indirect cost charges to the federal unemployment insurance program were correct. As a result, the department overcharged the program by \$68,088 for agency indirect costs and \$9,000 for statewide indirect costs. In July 2011, the state implemented a new accounting system that automated indirect cost allocations and periodically charged agency and statewide indirect costs to each program. However, the department did not verify that the accounting system allocations were accurate or required adjustment.

Agency and statewide indirect costs are authorized charges to federal programs. Agency indirect costs reimburse the state's General Fund for central support services, such as accounting, purchasing, and computer services provided by the department for its federal programs. Statewide indirect cost recoveries reimburse the state's General Fund for state-funded central services, such as use of the state's accounting and payroll system, used to deliver federal programs.

Recommendation

- *The Department of Employment and Economic Development should resolve the overpaid amount in fiscal year 2012 and develop controls that ensure indirect costs are accurately charged to federal programs.*

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

Minnesota Department of Employment and Economic Development Response:

The final indirect cost rate was approved by the Department of Labor late in the state fiscal year. DEED had to make adjustments to ensure that payroll expenditures aligned with the approved rate. DEED also had to factor in the timing of the Minnesota Management and Budget (MMB) cost allocation process to ensure that project codes were correctly charged. There was a stringent timeframe to complete this work prior to fiscal year close. The implementation of the new SWIFT system / functionality impacted the timeliness of the MMB cost allocation process and required fine tuning the processes to improve performance and cycle time. The cost allocation process has been occurring more timely and streamlined now so it is expected this process will go more smoothly in the future. Also, to further mitigate this risk in the future, DEED plans to implement a payroll adjustment deadline to allow adequate time for adjustments and prevent a recurrence. The indirect cost overcharges represent approximately .13% of the total budget. Julie Freeman, chief financial officer, will oversee resolution of this finding by September 30, 2013.

Person Responsible: Julie Freeman, Chief Financial Officer

Estimated Completion Date: September 30, 2013

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

Report 13-08

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U.S. Department of Labor

CFDA Numbers/Program Names:

17.225 Unemployment Insurance

Questioned Costs: \$24,500

Federal Project Nos./Award Year:

Federal Grant numbers are not used for unemployment insurance benefits.

Finding 13-08-4 *Overpayment of extended benefits to four unemployment recipients.*

4. Prior Finding Not Resolved: The Department of Employment and Economic Development did not identify and recover \$24,500 of overpaid unemployment insurance (CFDA 17.225) benefits to four applicants.

The department overpaid two unemployed applicants a total of \$14,716 in federal emergency unemployment benefits¹² and also overpaid \$9,784 in state unemployment to two other applicants during fiscal year 2012. The overpayments occurred when department staff made errors when manually establishing applicant accounts and posting federal emergency and state benefits in the system. While the department generated reports to ensure the applicant accounts were set up on the correct benefit program for effective dates, the reports were not designed to identify the types of errors that staff made when entering the data. Because of the errors, the department paid the unemployed workers for more weeks of eligibility than allowed by program requirements. In our fiscal year 2011 audit we reported a similar concern with manual updates made by staff. Improved monitoring or an independent review would provide management with assurance that the department staff accurately updated the applicant accounts for the proper period and benefit amount.

Recommendations

- *The Department of Employment and Economic Development should recover the \$24,500 of unemployment benefit overpayments to the four applicants identified.*

¹² Federal Emergency Unemployment Compensation Program (Tier 3) benefits were available to workers who had exhausted regular unemployment insurance benefits during periods of high unemployment.

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

- *The Department of Employment and Economic Development should develop controls providing for an independent review of benefits manually posted by staff, or improve queries or exception reports that allow the department to detect benefits paid to unemployed workers that exceed the number of weeks allowed by each benefit program.*

Minnesota Department of Employment and Economic Development Response:

In response to the last year's overpayment finding, DEED developed a control report which identifies applicants with maximum benefit amounts above the limit. Although under the overarching umbrella of overpayment, this year's overpayment finding is unrelated to the prior year finding. Overpayment determinations have been issued and federal funds will be repaid when collected from the applicants. DEED will implement an additional control report to help ensure that the overpayment scenario identified during the audit work is not repeated. During SFY 2012, the Minnesota Unemployment Insurance (UI) Program paid benefits on regular state Unemployment Insurance plus multiple federal programs. The federal rules governing priority and timeline for programs are very complex and moving applicants between programs requires manual intervention. DEED accurately establishes thousands of benefit accounts using manual intervention. The four overpaid accounts amount to 0.0016% of the \$1.5 billion of benefits paid during the fiscal year. Rick Caligiuri, Unemployment Insurance Division director, will oversee resolution of the finding by September 30, 2013.

Person Responsible: Rick Caligiuri, Unemployment Insurance Division Director

Estimated Completion Date: September 30, 2013

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 13-08

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U.S. Department of Education

CFDA Numbers/Program Names:

84.126	Vocational Rehabilitation
84.390	ARRA – Vocational Rehabilitation

Questioned Costs: None – Procedural finding only

Federal Project Nos./Award Year: H126A120032-12B

Finding 13-08-5 *Insufficient controls over monitoring and reporting financial activity.*

5. The Department of Employment and Economic Development’s grants funded from the federal Vocational Rehabilitation Cluster (CFDA 84.126 and 84.390) had financial control weaknesses.

The department had some weaknesses in financial controls over grants paid from the Vocational Rehabilitation Cluster. Beyond specific federal program requirements, the federal government requires the department to follow state-level control and compliance requirements. We tested the two largest grants, with awards totaling \$162,000 and \$159,449, and the department had the following weaknesses in its oversight of these two grants:

- **Expenditures incurred prior to encumbrance of grant funds** – The department reimbursed the grantees for costs incurred before the department had encumbered the funds in the accounting system. For one grant, the department created the encumbrance on November 2, 2011, for an amount which included \$27,794 of reimbursed costs incurred from October 1, 2011, to December 31, 2011. For the other grant, the department encumbered funds on October 14, 2011, for an amount that included reimbursement of \$16,301 for expenditures incurred between October 1, 2011, and December 31, 2011. State statutes require an encumbrance in the accounting system before obligations are incurred to ensure sufficient monies are set aside.¹³

¹³ *Minnesota Statutes* 2012, 16A.15, subd. 3(a).

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

- **Lack of financial reconciliations** – For both grants tested, the department did not perform a financial reconciliation, as required by state policy.¹⁴ A financial reconciliation involves a comparison of a grantee’s request for payment for a given period with supporting documentation for that request, such as invoices and payroll records. Not performing the financial reconciliations diminishes accountability and greatly increased the risk that grantees could be reimbursed for unallowable expenditures without detection.
- **Lack of quarterly progress reports** – In one grant, the department reimbursed \$49,000 to the grantee without receiving their quarterly progress report. State policy requires that departments review the grantee’s request for reimbursement against progress reports.¹⁵ The policy also states that departments should not make grant payments on grants with past due progress reports.
- **Grant spending budgets** – The department reimbursed a grantee for expenditures that exceeded the approved budget categories. While the grantee did not receive more than the \$162,000 budgeted, travel expenditures exceeded the budget by \$2,843 (22%) and professional development expenditures exceeded the \$250 budget by \$2,752 (1100%). Department staff told us they require a revised budget from the grantee when expenditures exceed the approved budgeted line item amounts by 10 percent or more. The grant contract allowed the department, upon written request from the grantee, to approve budget modifications without amending the grant as long as the modifications do not cause the total grant amount to be exceeded. However, the grantee did not submit a budget revision request to the department.

Recommendation

- *The Department of Employment and Economic Development should improve controls over Vocational Rehabilitation grants by:*
 - *reimbursing grantees costs for expenditures incurred after grant funds are encumbered;*
 - *performing the required financial reconciliations during the grant period;*
 - *ensuring that grantees submit progress reports prior to reimbursing them;*
 - *and*
 - *requiring grantees to submit budget modifications when individual line item expenditures exceed the approved budget.*

¹⁴ Department of Administration, Office of Grants Management, Policy 08-10 requires a financial reconciliation, at least once during the grant period, for grants exceeding \$50,000.

¹⁵ Department of Administration, Office of Grants Management, Policy 08-08.

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Section III: Federal Program Audit Findings (Continued)

Minnesota Department of Employment and Economic Development Response:

DEED will reinforce the need for grant coordinators to communicate with financial services staff to ensure that grantees do not perform services prior to the effective date of each grant agreement or the date on which funds have been encumbered. Grantees shall be notified that reimbursements are delayed pending submission of progress reports. DEED will perform financial reconciliations as outlined under Office of Grants Management policy or seek exceptions. Appropriate staff will receive grantee monitoring training and current practices will be assessed to determine oversight gaps. While one grantee exceeded expenditures for two budget categories, all of the costs were allowable and within the total budget. DEED will require grantees to seek approval for budget category adjustments prior to cost reimbursement. Kim Peck, Vocational Rehabilitation Services Director, will oversee resolution of the finding by December 31, 2013.

Person Responsible: Kim Peck, Vocational Rehabilitation Services Director

Estimated Completion Date: December 31, 2013

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 13-08

State Agency: Minnesota Department of Employment and Economic Development

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

CFDA Numbers/Program Names:

17.225	Unemployment Insurance
17.258	Workforce Investment Act – Adult
17.259	Workforce Investment Act – Youth
17.278	Workforce Investment Act – Dislocated Workers Formula Grants
84.126	Vocational Rehabilitation
84.390	ARRA – Vocational Rehabilitation

Questioned Costs: None – Procedural finding only

Federal Project Nos./Award Year:

Federal grant numbers are not relevant for this procedural finding.

Finding 13-08-6 *Insufficient monitoring of equipment purchased with federal funds.*

6. The Department of Employment and Economic Development did not properly update federal equipment purchases in the state’s accounting system.

The department did not properly identify most federally-funded equipment purchases in the state’s new asset management module.¹⁶ For 321 of 352 asset purchases, totaling \$2.6 million for fiscal year 2012, there were no individual asset tag numbers, custodian, or specific locations assigned to each piece of equipment. Furthermore, the department recorded a purchase of 28 computer laptops as one asset in the module. The federal government requires the department to follow state-level procedures, including maintaining equipment records and safeguarding equipment with a physical inventory at least once every two years.¹⁷ Without specific identification and detailed locations, the department will be unable to complete an effective physical asset inventory.

¹⁶ Unemployment Insurance (CFDA 17.225), Workforce Investment Act Cluster (CFDA 17.258, 17.259, and 17.278), and Vocational Rehabilitation Cluster (CFDA 84.126 and 84.390).

¹⁷ Office of Management and Budget A-133 (June 2012), Compliance Requirement E - Equipment and Real Property Management.

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

Recommendation

- *The Department of Employment and Economic Development should update equipment identification, custodian, and locations in the asset management module.*

Minnesota Department of Employment and Economic Development Response:

DEED updated its asset management policy and procedures in August 2012 and will ensure that staff with asset management responsibility have clear expectations and are properly trained. A list of the identified assets has been obtained and DEED will make the corrections in the asset management module within SWIFT to include the missing information and to itemize the assets that were not broken out. Also, DEED will ensure that assets purchased for client use are assigned the proper category and account code to prevent inclusion in the SWIFT asset management module as a state-owned asset. All of these changes will assist in facilitating an accurate physical inventory. Julie Freeman, chief financial officer, will oversee resolution of the finding by December 31, 2013.

Person Responsible: Julie Freeman, Chief Financial Officer

Estimated Completion Date: December 31, 2013

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 13-09

State Agency: Minnesota Department of Military Affairs

Federal Agency: U.S. Department of Defense

CFDA Numbers/Program Names:

12.401 National Guard Military Operations and Maintenance Projects

Questioned Costs: None – Procedural Finding Only

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

Finding 13-09-1 *Insufficient review of payroll reports*

1. The Department of Military Affairs did not review a key report to validate certain payroll transactions (CFDA 12.401, Grant W912LM-04-2-1000).

The department did not review the self service time entry audit report for any of the pay periods in fiscal year 2012. The report identifies two types of time reporting exceptions – employees who did not complete their own timesheets and timesheets approved by a backup supervisor rather than the primary supervisor. State policy states that “the best control over the integrity of employees’ payroll information is achieved when employees prepare their own timesheets and supervisors, who have direct knowledge of employees’ work, review and approve timesheets.”¹⁸

To mitigate the risk that the payroll hours included on the self service time entry audit report may not reflect hours actually worked or authorized for payment, the policy requires state agencies to review, at a minimum, a representative sample of transactions appearing on the report each pay period and perform a comprehensive review of the report each quarter.

Payroll costs comprise about 30 percent of the National Guard Military Operations and Maintenance Projects. Review of the self service time entry audit report is an important control to ensure the accuracy of the department’s payroll costs.

Recommendation

- *The Department of Military Affairs should review the self service time entry audit report each pay period to ensure that employees are completing their own timesheets, and the primary supervisors are approving the time.*

¹⁸ Minnesota Management and Budget Policy PAY0017.

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

Minnesota Department of Military Affairs Response:

The department concurs with the recommendation. We have implemented a review process for the payroll personnel to perform a comprehensive review of the “Self Service Time Entry Audit Report” each pay period. Moreover, the report will be reviewed by the agency’s military auditor during the auditor’s internal payroll audits.

Person Responsible: CW2 Ben LaBelle, Comptroller, Department of Military Affairs

Expected Completion Date: Completed

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

Report 13-11

State Agency: Minnesota Department of Public Safety

Federal Agency: U. S. Department of Homeland Security

CFDA Numbers/Program Names:

97.036 Disaster Grants – Public Assistance Program

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: 1648DRMNP00000001, 1717DRMNP00000001, 1772DRMNP00000001, 1830DRMNP00000001, 1900DRMNP00000001, 1921DRMNP00000001, 1941DRMNP00000001, 1982DRMNP00000001, 1990DRMNP00000001, 4009DRMNP00000001

Finding 13-11-1 *Insufficient notification of federal award information to subrecipients*

1. The Department of Public Safety did not adequately notify its subrecipients about federal grant information and requirements.

The department did not provide subrecipients with federal grant information, including the grant's "code of federal domestic award" number, award name, name of the federal awarding agency, and the applicable compliance requirements at the time of the grant award, as required by federal regulations. Before fiscal year 2012, the department communicated this information to subrecipients through formal grant agreements. However, when the department stopped issuing formal grant agreements in fiscal year 2012, it did not develop another way to communicate this federal award information to the subrecipients.

Recommendation

- *The department should provide all required federal award information to subrecipients.*

Minnesota Department of Public Safety Response:

The Department of Public Safety agrees with the audit regarding this finding and has corrected this omission. Federal grant award information is now included in all payment letters which are sent to the applicants. Branch procedures have been developed which identify step by step processes which must be followed to ensure grant compliance requirements.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

The person responsible for making this change was John Moore, the Branch Director of Recovery and Mitigation. These changes will be completely implemented by June 30, 2013. We believe that by taking these steps, as addressed above, the department will reduce or eliminate any further occurrences as were identified in this audit.

Person Responsible: John Moore, Branch Director of Recovery and Mitigation

Expected Completion Date: June 30, 2013

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 13-14

State Agency: Minnesota Department of Education

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

CFDA Numbers/Program Names:

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

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 13-14 Appendix A

Finding 13-14-1 *No documented internal control structure ensuring compliance*

1. Prior Finding Not Resolved: The Minnesota Department of Education did not identify, analyze, and document its internal controls related to compliance with federal requirements.

The department has made little progress since 2009, when we first reported this deficiency, to complete a comprehensive risk assessment regarding internal controls over compliance with federal single audit requirements for its major federal programs.¹⁹ In response to the prior finding we repeated in our 2012 audit report, the department created a position for an internal auditor, hired an employee into that position in April 2012, and assigned the employee the

¹⁹ This finding affects all major federal programs identified in Table 1. See Appendix A for the federal award numbers for these programs. It also applies to the Improving Teacher Quality State Grants federal program (CFDA 84.367), which a major program in fiscal years 2008 through 2011 but not in fiscal year 2012, and the State Fiscal Stabilization Fund – Education State Grants, Recovery Act federal program (CFDA 84.394A), which was a major program in fiscal year 2010.

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

responsibility to develop a comprehensive internal control structure; however, work on that task did not begin until July 2012.

The federal Office of Management and Budget, Circular A-133, outlines the state's responsibilities for managing federal assistance programs and addresses general compliance requirements and program specific requirements. The circular requires the state to maintain internal controls over federal programs and to follow up and take corrective action on audit findings.²⁰ In addition, state policy requires agencies to document its internal control procedures over financial management activities (including compliance with federal program requirements), including the department's analysis of risks, and periodic evaluation of control procedures to ensure they are adequately designed, properly implemented, and functioning effectively.

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

Recommendation

- *The department should complete its review and documentation of the risks, control activities, and internal control and monitoring functions for its key financial and compliance processes related to major federal programs.*

Minnesota Department of Education Response:

The department is in agreement with findings 1 and 2 and 3, and will implement the recommendations.

The Department of Education is continuing efforts to implement agency-wide risk assessment and internal control program. The implementation of these programs will result in programs that are better managed with oversight and control procedures embedded in the MDE organization. The processes include the development of a new format of tools for performing risk and internal control analysis and testing within a broad array of agency-wide business process areas. This will allow for a more thorough review and ultimately strengthen the overall risk management and internal control environment for the agency.

²⁰ U.S. Office of Management and Budget Circular A-133, Subpart C – Auditees, Section 300.

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

Progress steps made include the following:

- An Internal Auditor position was recruited and hired April 25, 2012. The position is housed in the Agency Finance and Operations division, and is responsible for agency-wide efforts with risk assessment, internal control, and internal audit functions.
- The agency has revisited and updated its annual certification report to Minnesota Management and Budget (MMB) for the state fiscal year ended 2012. This is in compliance with the requirements under state statute (MN Statute §16A.057 and Statewide Operating Policy 0102-01), which also includes the Control Environment Self-Assessment Tool. Information and data for the completion of these two documents were gathered from all program directors and reviewed by management.
- The agency Internal Audit Unit has developed risk assessment and internal control program tools designed to facilitate the review of these functions on an agency-wide basis.
- A risk assessment policy for the agency was developed and approved with issuance to all agency personnel as of September 13, 2012. The policy establishes protocols including roles and responsibilities for adhering to a program that achieves compliance requirements.
- Project plans have been outlined for the tasks of conducting and completing a risk assessment and internal control review for the agency. The results and feedback from the risk assessment, the first step in the process, will be incorporated in the internal control program.
- The risk assessment program has completed its initial review of three pilot business process areas and identified other priority areas for the next step in the risk assessment process.
- The internal control review is to occur upon completion of the risk assessment process.

Due to the complexity and breadth of achieving agency-wide risk assessment and internal control review, MDE is targeting full completion of an initial cycle of risk and internal control review by June 30, 2014. Resolution of this finding is the responsibility of Al Louismet, Agency Finance Director.

Person Responsible: Al Louismet, Agency Finance Director

Estimated Completion Date: June 30, 2014

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

Report 13-14

State Agency: Minnesota Department of Education

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

CFDA Numbers/Program Names:

10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants
84.389	ARRA – Title I – Grants to Local Education Agencies
84.391	ARRA – Special Education – Grants to States
84.392	ARRA – Special Education – Preschool Grants
84.410	ARRA – Education Jobs Fund

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 13-14 Appendix A

Finding 13-14-2 *Noncompliance with review and monitoring of payroll reports*

2. The Minnesota Department of Education did not comply with federal standards for payroll documentation.

The department did not require periodic certifications for employees paid entirely from a single federal program stating that they worked solely on that program for the period covered by the certification. The federal government requires this certification to ensure that the work of employees paid with federal grant money was for the purposes of the grant. Office of Management and Budget Circular A-87²¹ requires certifications for these employees at least semi-annually.

²¹ Office of Management and Budget Circular A-87 establishes that payroll expenditures are allowable costs of federal programs provided that they are consistent with costs of similar work paid from non-federal sources and establishes required standards for payroll documentation.

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

Recommendation

- *The department should develop and implement procedures to ensure that it periodically obtains certifications from employees paid entirely from a single federal program that they worked solely on that program, in compliance with federal standards.*

Minnesota Department of Education Response:

The department is in agreement with findings 1 and 2 and 3, and will implement the recommendations.

The agency is in-process with the design of a new format for time and effort reporting that includes semi-annual certification for all sole federal program funded staff. This newly designed process would be semi-automated from SWIFT/SEMA4 records to report time record data to all necessary staff on an after-the-fact basis; include correction transactions; and provide validation. The semi-annual certification process would then be administered from the same database of information to provide accurate certifications. The agency is targeting implementation for payroll beginning July 17, 2013. Resolution of this finding is the responsibility of Al Louismet, Agency Finance Director.

Person Responsible: Al Louismet, Agency Finance Director

Estimated Completion Date: July 17, 2013

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

Report 13-14

State Agency: Minnesota Department of Education

Federal Agency: U. S. Department of Agriculture

CFDA Numbers/Program Names:

10.555	National School Lunch
10.558	Child and Adult Care Food Program

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 13-14 Appendix A

Finding 13-14-3 *No identification and monitoring of internal controls ensuring compliance.*

- 3. The Department of Education miscalculated the amount of interest owed by the federal government to the state for late reimbursements of federal program costs; it overstated the amount as about \$36,500, but the correct amount was about \$100.**

The department did not have sufficient internal controls to ensure that it accurately calculated (and reported to the Department of Management and Budget) the amount of interest the federal government owed the state due to late reimbursement of federal program costs. The department incorrectly calculated a claim of \$36,517 for fiscal year 2012 because it used an annual interest rate (instead of a daily interest rate) to calculate the interest owed on the unreimbursed daily balances. We recalculated the amount of interest owed using the daily interest rate and determined that the correct amount was about \$100. The error might have been detected if the department had performed a secondary review of the calculation. After we informed the department of the error, it reported the corrected amount to the Department of Management and Budget for inclusion in the state's federal cash management annual report filed with the United States Treasury.

Recommendation

- *The department should develop and implement procedures to ensure that it accurately calculates and reports its federal interest liability claims.*

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

Minnesota Department of Education Response:

The department is in agreement with findings 1 and 2 and 3, and will implement the recommendations.

The department will include in its procedures, a secondary review of the calculation, by the unit supervisor, when completing the calculation of the amount of interest the federal government owed the state due to late reimbursements. The finding will be resolved by June 30, 2013. Resolution of this finding is the responsibility of Al Louismet, Agency Finance Director.

Person Responsible: Al Louismet, Agency Finance Director

Estimated Completion Date: June 30, 2013

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

Report 13-14

State Agency: Minnesota Department of Education

Appendix A
Major Federal Programs
Minnesota Department of Education
Fiscal Year 2012

<u>CFDA</u> ¹	<u>Program Name</u>	<u>Federal Award Number</u>
	<u>Child Nutrition Cluster:</u> ²	
10.553	School Breakfast	2MN300061
10.555	National School Lunch	Same as above
10.556	Special Milk Program for Children	Same as above
10.559	Summer Food Service Program for Children	Same as above
10.558	Child and Adult Care Food	2MN300061
	<u>Title 1 Cluster</u>	
84.010	Title 1 Grants to Local Education Agencies	S010A110023-11B, S010A100023A, S010A090023A
84.389A	Title 1 Grants to Local Education Agencies, Recovery Act	S389A090023A
	<u>Special Education Cluster:</u>	
84.027	Special Education – Grants to States	H027A110087-11B, H027A100087A, H027A090087A
84.173	Special Education – Preschool Grants	H173A110086, H173A100086, H173A090086
84.391A	Special Education – Grants to States, Recovery Act	H391A090087A
84.392A	Special Education – Preschool Grants, Recovery Act	H392A090086A
84.410A	Education Jobs Fund	S410A100024-10A

¹The Catalog of Federal Domestic Assistance (CFDA) is a unique number assigned by the federal government to identify its programs. The federal government requires separate reporting of American Recovery and Reinvestment Act (ARRA) funds. All CFDA numbers followed by an "A" are ARRA funds

²A cluster of programs is a grouping of closely related programs that have similar compliance requirements and is treated as a single program for audit purposes.

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

Report 13-15

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families (TANF)
93.575	Child Care and Development Block Grant
93.596	Child Care and Development Mandatory and Matching Funds
93.714	ARRA – Emergency Contingency Fund for TANF
93.778	Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 13-15 Appendix A

Finding 13-15-1 *No documented internal control structure ensuring compliance*

1. Prior Finding Partially Resolved: The Department of Human Services did not fully implement controls to ensure it complied with eligibility requirements for two federal programs and did not monitor system overrides for three major programs.

The department designed but did not fully implement quality control reviews over eligibility as part of its oversight to ensure it provided federal program benefits only to eligible recipients for its fiscal year 2012 Temporary Assistance for Needy Families programs (CFDA 93.558 and 93.714) and Child Care Cluster (CFDA 93.575 and 93.596).²² The department delegated to the counties the responsibility to meet with recipients applying for assistance and determine the appropriate benefits. To verify the accuracy of the county workers' benefit determinations and redeterminations, the department selected random statistical samples of recipient cases and verified that county workers had accurately determined eligibility; however, due to staff turnover at the department, it had not completed the fiscal year 2012 sample cases by January 2013. The department referred errors found during the quality control review to the counties and referred any suspected fraud to the department's Office of Inspector General.

The objective of our testing was to determine whether the department's quality control review was effective in identifying errors made by the county workers and to determine the extent of errors made by county workers. As explained in the following bullets, the department continued to have a higher risk of noncompliance with federal eligibility requirements because it had not implemented its control procedures for fiscal year 2012 eligibility verifications for two of its major federal programs:

²² See Appendix A for the federal award numbers for these programs.

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

- **Temporary Assistance for Needy Families:** As of December 2012, the department had selected for eligibility review 240 case files related to benefits provided in fiscal year 2012. The department began reviewing the cases, but it had not completed its reviews of the cases or reached conclusions about whether eligibility decisions made by county workers complied with the program's federal requirements.²³ We tested 25 of the 240 case files the department included in its testing sample; however, the department had only reviewed 6 of those 25 cases at the time we requested the files. We found no errors in the eligibility determination for the 25 files we tested; however, because the department was significantly behind in their reviews for this program, its internal controls were not effective to ensure consistent compliance with the eligibility requirements.
- **Child Care Cluster:** For fiscal year 2012, the department selected 276 child care cases for review. As of January 2013, the department had reviewed many but not all of the case files. We selected 40 of the 276 case files the department selected for review; the department had reviewed 33 of those 40 files. For 1 of 40 files we tested, the county case worker and the department's first and second level reviewers miscalculated the participant's income, resulting in an undetected overpayment of \$26 each month.

In addition, the department did not adequately monitor certain eligibility determination overrides done by county workers in the eligibility systems for the Medical Assistance (CFDA 93.778), Temporary Assistance for Needy Families, and Child Care Assistance programs. When county workers encountered unusual or extenuating circumstances, they could override the automated system's benefit determinations. The automated systems provided override reports for the counties to review, but the Department of Human Services did not ensure counties reviewed the reports as a way to verify that the overrides were appropriate. Since March 2012, the department designed a database to enable them to generate reports to analyze and monitor the counties' override activity for these programs to identify unusual trends, errors, or potential fraud. However, as of January 2013, the department had not finalized the database reports or made the database available to the department's program staff.

Recommendations

- *The department should ensure that its quality review process detects and resolves eligibility discrepancies.*
- *The department should continue to implement controls to monitor the specific eligibility overrides related to the Medical Assistance, Temporary Assistance for Needy Families, and Child Care Assistance programs.*

²³ See the Office of Management and Budget A-133 Compliance Supplement, Temporary Assistance to Needy Families, part 4, letter E, for a list of the federal eligibility requirements.

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

Minnesota Department of Human Services Response:

Agency Response to Audit Recommendation #1-1

The department agrees with this finding and recommendation. We will continue to refine and improve our process of conducting eligibility reviews for all federal programs, and will resolve this issue for our Temporary Assistance for Needy Families and Child Care Assistance programs.

Person Responsible: Gary L. Johnson, Director of Internal Audits

Estimated Completion Date: December 31, 2014

Agency Response to Audit Recommendation #1-2

The department agrees with this recommendation. A bulletin to counties identifying available reports for monitoring overrides and providing instructions for county supervisors will be published in the summer of 2013.

Persons Responsible: Mary Orr, Director of Community Partnerships and Child Care Services
Mark Toogood, Director of Transition to Economic Stability
Karen Gibson, Director of Health Care and Eligibility and Access

Estimated Completion Date: September 30, 2013

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

Report 13-15

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.575	Child Care and Development Block Grant
93.596	Child Care and Development Mandatory and Matching Funds
93.658	Foster Care
93.659	Adoption Assistance
93.714	ARRA – Emergency Contingency Fund for TANF
93.767	Children’s Health Insurance Program
93.777	State Health Care Providers Survey
93.778	Medical Assistance
93.959	Block Grants for Substance Abuse

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 13-15 Appendix A

Finding 13-15-2 *No documented internal control structure ensuring compliance*

2. Prior Finding Not Resolved: The Department of Human Services did not fully identify, analyze, and document its internal controls related to compliance with federal single audit requirements.

The department has made little progress since 2009, when we first reported this deficiency, to develop and document a comprehensive risk assessment regarding internal controls over compliance with federal single audit requirements for its major federal programs.²⁴ In response to the prior finding we repeated in our March 2012 audit report, the department estimated that it would resolve the finding by March 31, 2013. Although in fiscal year 2012, it did complete a

²⁴ This finding affects all major federal programs identified in Table 1 except the Social Services Block Grant. See Appendix A, on page 13, for the federal award numbers for these programs. It also applies to federal programs that were major programs in fiscal year 2009, but not in fiscal years 2010 through 2012, including Adoption Assistance (CFDA 93.659) and Substance Abuse (CFDA 93.959).

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

comprehensive risk assessment for the federal Social Services Block Grant Program, it had not done so for any of its other major federal programs listed in Table 1, including Medical Assistance, for which it received over \$4.6 billion in fiscal year 2012.

The federal Office of Management and Budget, Circular A-133, outlines the state's responsibilities for managing federal assistance programs and addresses general compliance requirements and program specific requirements. The circular requires the state to maintain internal controls over federal programs and to follow up and take corrective action on audit findings.²⁵ In addition, state policy requires agencies to document its internal control procedures over financial management activities (including compliance with federal program requirements), including the department's analysis of risks and periodic evaluation of control procedures to ensure they are adequately designed, properly implemented, and functioning effectively.²⁶

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

Recommendation

- *The department should complete its review and documentation of its risks, control activities, and internal control and monitoring functions for its key financial and compliance processes related to major federal programs.*

Minnesota Department of Human Services Response:

The department agrees that we have not resolved the prior finding with regard to conducting risk assessments regarding internal controls over compliance with federal single audit requirements for our major federal programs. Since 2009, when this finding was first reported, the department has hired an enterprise risk management coordinator, chartered an Enterprise Risk Management Planning Team, and invested in considerable training (in conjunction with the Minnesota Management and Budget (MMB) Internal Controls and Accountability Unit) within the department on Risk Assessment Methodology and Internal Control Awareness.

While there is substantial work ahead, the department has made significant progress in terms of building capacity and momentum for meeting this requirement. As noted, the department did

²⁵ U.S. Office of Management and Budget Circular A-133, subpart C - Auditees, section .300(b).

²⁶ Department of Management and Budget Policy 0102-01, *Internal Controls*.

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

complete a comprehensive risk assessment of the federal Social Services Block Grant Program in 2012, and the assessment of SNAP is currently underway. The department has developed a multi-year risk assessment plan to be submitted to MMB as part of our annual Control Environment Self-Assessment. By December 2014, the department anticipates completing all major federal program risk assessments except for Medical Assistance (MA). MA risk assessments are being planned using the MITA business architecture to map the high-level process and identify core functions/processes used to administer the program and deliver services. Some MA risk assessments may be done in conjunction with MNsure risk assessments.

Person Responsible: Greg Gray, Chief Compliance Officer

Estimated Completion Date: December 31, 2015

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 13-15

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

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

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 13-15 Appendix A

Finding 13-15-3 *No monitoring of counties' efforts to detect fraudulent child care payments*

3. Prior Finding Partially Resolved: The Department of Human Services did not adequately monitor the counties' efforts to detect fraudulent child care payments and ensure they properly recovered the payments.

The department did not have adequate controls in place to monitor whether the counties identified and collected fraudulent payments from the Child Care Assistance Program (CFDA 93.575 and 93.596).²⁷ The department delegated the fraud detection and payment collection responsibilities to the counties but did not adequately monitor the counties to ensure they followed the department's procedures for detecting fraud and recovering wrongful payments.²⁸ Federal regulations require the state to recover fraudulent child care payments from the party responsible for committing the fraud.²⁹

In response to our prior finding, the department estimated that it would resolve the finding by September 30, 2012. Since our last audit, the department designed monitoring controls over the counties' fraud detection and payment collections; however, as of February 2013, the department had not implemented those controls. Without adequate monitoring controls, the department could not ensure the counties were complying with the federal regulations.

²⁷ See Appendix A for the federal award numbers for these programs.

²⁸ Child Care Assistance Program Policy Manual, Chapters 4 and 14.

²⁹ 45 Code of Federal Regulations, section 98.60(i).

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

Recommendation

- *The department should complete its implementation of controls to ensure counties are making adequate efforts to identify and collect fraudulent child care payments.*

Minnesota Department of Human Services Response:

The department agrees with the finding and recommendation. The department will complete implementation of controls to ensure counties are making adequate efforts to identify and collect fraudulent child care payments including:

- Reinforcing, through instructions to counties, the process for making referrals to the Fraud Prevention Investigation (FPI) program or county criminal investigation staff;
- Providing guidance to counties on implementation of actions related to child care payments authorized under Minnesota Statutes, section 119B.13, subdivision 6(d);
- Monitoring reports at the state level to identify potential fraudulent payments and the recovery of overpayments;
- Providing instructions to counties for monitoring reports to ensure overpayments are recovered; and
- Implementing 2013 legislative changes related to child care provider fraud.

Persons Responsible: Mary Orr, Director of Community Partnerships and Child Care Services
Vicki Kunerth, Deputy Inspector General

Estimated Completion Date: December 31, 2013

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

Report 13-15

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families (TANF)
93.714	ARRA – Emergency Contingency Fund for TANF

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 13-15 Appendix A

Finding 13-15-5 *The department did not reduce cash assistance when recipients refused to cooperate with child support enforcement requirements*

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

The department did not reduce Temporary Assistance for Needy Families (CDFA 93.558 and 93.714) cash assistance benefits for 4 of 25 recipients tested who refused to cooperate with child support enforcement requirements.³⁰ Federal regulations require state agencies to reduce recipients' cash assistant benefits by no less than 25 percent when the recipient refuses to cooperate with establishing paternity, or establishing, modifying or enforcing a support order with respect to a child of the recipient.³¹ The department used the child support enforcement system to send notification messages to county workers through the department's eligibility system when custodial parents initially refused to cooperate with child support enforcement requirements; however, because of an error in computer programming, those notification messages were not sent when the recipient's case file in the child support enforcement system predated the recipient's case file in the eligibility system. Federal regulations allow the federal Department of Health and Human Services to penalize states for failure to substantially comply with these sanction requirements.³²

³⁰ See Appendix A, on page 13, for the federal award numbers for these programs.

³¹ 45 Code of Federal Regulations, section 264.30.

³² 45 Code of Federal Regulations, section 264.31.

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

Recommendation

- *The department should ensure it sanctions the cash assistance benefits for recipients that do not cooperate with the child support enforcement requirements.*

Minnesota Department of Human Services Response:

The department agrees with the finding and recommendation. The department will complete implementation of controls to ensure counties are making adequate efforts to appropriately modify cash assistance payments to meet child support enforcement requirements. These will include DHS staff monitoring of monthly reports to assure appropriate case actions are taken, working with MN.IT for programming PRISM to produce an alert or edit that would remind or require the child support worker to remove sanctions in appropriate MFIP re-application situations, and notifying MFIP and Child Support staff to remind them of sanction policy when a client reapplies for MFIP.

Persons Responsible:

Mark Toogood, Director of Transition to Economic
Stability
Jeff Jorgenson, Director of Child Support Enforcement
Division

Estimated Completion Date:

December 31, 2013

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

Report 13-15

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

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

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 13-15 Appendix A

Finding 13-15-6 *Did not submit accurate federal financial reports*

6. The Department of Human Services submitted an erroneous financial report to the federal government for its Child Care Cluster Program.

The department overstated the total expenditures in the June 30, 2012, *Child Care and Development Fund Financial Report*³³ by \$2 million (CFDA 93.575 and 93.596³⁴). A formula error resulted in the department double-counting an amount it recorded in a line item, resulting in the fourth quarter's report being overstated by about \$2 million. Because of the formula error in the electronic worksheet the department used to prepare the report, the department erroneously reported expenditures at \$53.5 million instead of \$51.5 million. The department did not have an adequate review of the report to ensure its accuracy.

Recommendation

- *The department should ensure that it submits accurate financial reports to the federal government.*

Minnesota Department of Human Services Response:

The department agrees with this finding and recommendation and will continue to work at improving processes to complete and submit federal reports accurately and timely.

Person Responsible: Martin Cammack, Financial Operations Director

Estimated Completion Date: December 31, 2013

³³ ACF – 696 report.

³⁴ See Appendix A for the federal award numbers for these programs.

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

Report 13-15

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
93.558	Temporary Assistance for Needy Families (TANF)
93.575	Child Care and Development Block Grant
93.596	Child Care and Development Mandatory and Matching Funds
93.658	Foster Care
93.667	Social Services Block Grant

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 13-15 Appendix A

Finding 13-15-7 *Insufficient review of a key payroll report*

7. The Department of Human Services did not consistently review a key payroll report.

The department did not consistently review the self service time entry audit report from the state's payroll system for its central office employees. The department used federal funds for payroll costs in the Temporary Assistance for Needy Families (CFDA 93.558), Supplemental Nutrition Assistance Administration (CFDA 10.561), Child Care Cluster (CFDA 93.575 and 93.596), Foster Care (CFDA 93.658), and Social Services Block Grant (CFDA 93.667) programs.³⁵ The report identifies two types of time reporting exceptions – employees who did not complete their own timesheets and timesheets approved by a backup supervisor rather than the primary supervisor. The Department of Management and Budget's policy states that, "The best control over the integrity of employees' payroll information is achieved when employees prepare their own timesheets and supervisors, who have direct knowledge of employees' work, review and approve timesheets."³⁶

To mitigate the risk that the payroll hours included on the self service time entry audit report may not reflect hours actually worked or authorized for payment, the policy requires state agencies to review, at a minimum, a representative sample of transactions appearing on the report each pay period and perform a comprehensive review of the report each quarter.

³⁵ See Appendix A for the federal award numbers for these programs.

³⁶ Minnesota Management and Budget Policy PAY0017.

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

During July 2011 through February 2012, the department did not review the payroll reports for its central office employees and, between March and June 2012, the department reviewed two of the four reports we asked about. By not reviewing this key payroll report, the department cannot ensure it correctly compensated its employees.

Recommendation

- *The Department of Human Services should review the self service time entry audit report each pay period to ensure that employees are completing their own timesheets, and the primary supervisors are approving the time.*

Minnesota Department of Human Services Response:

The Department agrees with this finding and recommendation. To address this finding we have developed bi-weekly checklists for use by payroll staff to ensure all required reports are reviewed. We have also documented the process to be followed when reviewing the self-service time entry audit report.

Person Responsible: Martin Cammack, Financial Operations Director

Estimated Completion Date: Completed

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Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 13-15

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.575	Child Care and Development Block Grant
93.596	Child Care and Development Mandatory and Matching Funds
93.658	Foster Care
93.667	Social Services Block Grant
93.714	ARRA – Emergency Contingency Fund for TANF
93.767	Children’s Health Insurance Program
93.777	State Health Care Providers Survey
93.778	Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 13-15 Appendix A

Finding 13-15-8 *Insufficient notification of federal award information to subrecipients*

8. Prior Finding Partially Resolved: The Department of Human Services did not obtain the Data Universal Numbering System (DUNS) numbers from its subrecipients and did not communicate all federal award information to some of its subrecipients.

The department did not obtain the Data Universal Numbering System (DUNS) numbers from its subrecipients for the following programs: Medical Assistance (CFDA 93.777 and 93.778), Children’s Health Insurance Program (CFDA 93.767), Child Care Cluster (CFDA 93.575 and 93.596), Child Support Enforcement (CFDA 93.563), Social Services Block Grant (CFDA 93.667), Foster Care (CFDA 93.658), Temporary Assistance for Needy Families (CFDA 93.558 and 93.714), and Supplemental Nutrition Assistance Program (CFDA 10.551 and 10.561).³⁷

³⁷ See Appendix A for the federal award numbers for these programs.

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

Federal regulations require state agencies to obtain the valid DUNS number from its subrecipients before issuing subawards.³⁸

In addition, the department did not identify the federal award information to some Temporary Assistance for Needy Families and Supplemental Nutrition Assistance programs subrecipients at the time of the grant award. Federal regulations require the department to provide the CFDA title and number along with the federal award name and number to all subrecipients as part of its subaward application process.³⁹ Since the last audit, the department implemented procedures to ensure it communicated the award name and numbers to the counties; however, it did not always inform the other subrecipients of the federal award information for these two federal programs.

Recommendations

- *The department should obtain the DUNS numbers from subrecipients when making subawards.*
- *The department should identify to the subrecipient, at the time of the award, the federal award name and number.*

Minnesota Department of Human Services Response:

The department agrees with the finding and recommendations to obtain the DUNS numbers from subrecipients when making subawards and will continue to work at implementing this process. The department agrees with the recommendation to provide the federal award name and number to subrecipients at the time of the grant award. This is currently done for counties and we will continue to work on expansion to include grantees other than counties.

Person Responsible: Marty Cammack, Financial Operations Director

Estimated Completion Date: December 31, 2013

³⁸ 2 Code of Federal Regulations, section 25.200, and Appendix A to 2 Code of Federal Regulations, section 25.

³⁹ 2 Code of Federal Regulations, section 176.210(c), and Office of Management and Budget A-133 Circular, section .400(d).

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Schedule of Findings and Questioned Costs
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Report 13-15

State Agency: Minnesota Department of Human Services

Appendix A
Major Federal Programs
Department of Human Services
Fiscal Year 2012

CFDA¹	Program Name	Federal Award Number
	<u>Food and Nutrition Services Cluster</u>	
10.551	Supplemental Nutrition Assistance Program	2011IS601842, 2011IS604542, 2011ID281142, 2011ID282142, 2012IS601842, 2012IS604542, 2012ID281142, 2012ID282142, 2012IS802642
10.561	Supplemental Nutrition Assistance Administration	2011IS251442, 2011IS803642, 2011IS251942, 2011IS252042, 2011IQ390342, 2011IE251842, 20118E251842, 2012IS251442, 2012IS803642, 2012IS251942, 2012IS252042, 2012IS750342, 2012IE251842, 2012IS820442, 2012IN254542
	<u>Temporary Assistance for Needy Families Cluster</u>	
93.558	Temporary Assistance for Needy Families	1102MNTANF, 1202MNTANF
93.714	Emergency Contingency Fund for Temporary Assistance for Needy Families State Programs ARRA	1001MNTAN2
93.563	Child Support Enforcement	1004MN4004, 1104MN4004, 1204MN4005
	<u>Child Care Cluster</u>	
93.575	Child Care and Development Block Grant	1101MNCCDF
93.596	Child Care Mandatory and Matching Fund	1101MNCCDF, 1201MNCCDF
93.658	Foster Care – Title IV-E	1001MN1401, 1101MN1401, 1201MN1401
93.667	Social Services Block Grant	1101MNSOSR, 1201MNSOSR
93.767	Children's Health Insurance Program	1005MN5021, 1105MN5021
	<u>Medicaid Cluster</u>	
93.775	State Medical Fraud Control Units	01-1101-MN-5050, 011301MN5050
93.777	State Health Care Providers Survey	1105MN5001, 1205MN5001
93.778	Medical Assistance Program	1105MN5028 (1105MN5MAP), 1105MN5048 (1105MN5ADM) 1205MN5MAP, 1205MN5ADM

Source: The state accounting system and staff at the Department of Human Services.

¹ The Catalog of Federal Domestic Assistance (CFDA) is a unique number assigned by the federal government to identify its programs.

² A cluster of programs is a group of closely related programs that have similar compliance requirements and are treated as a single program.

³ The American Recovery and Reinvestment Act (ARRA) funds were segregated to fulfill transparency guidelines.

Source: Department of Human Services' staff.

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

Report 13-17

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.106 Airport Improvement Program
20.106 ARRA-Airport Improvement Program
20.205 Highway Planning and Construction Program
20.205 ARRA-Highway Planning and Construction Program
20.205 R&D-Highway Planning and Construction Program

Questioned Costs: None - Procedural Finding Only

Federal Project Nos./Award Year: Not relevant to procedural finding

Finding 13-17-1 *Noncompliance with subrecipient monitoring and notification requirements*

1. Prior Audit Finding Not Resolved: The Department of Transportation did not comply with federal requirements to review the results of subrecipients' audits and monitor corrective actions within certain timeframes.⁴⁰

As of May 2013, the Department of Transportation had not reviewed the findings in nine subrecipient audit reports or provided the subrecipients with its written management decisions about the effectiveness of the subrecipients' proposed corrective action plans to resolve findings, or to follow up on instances of repeated noncompliance. Federal requirements established that subrecipients should have submitted their audit reports for calendar year 2011 by September 30, 2012, and that the department should have completed its subrecipient monitoring responsibilities by March 31, 2013.⁴¹ The federal government established these deadlines to help ensure that subrecipients take timely corrective action to resolve findings that strengthen accountability over federal funds.

The department is a "pass through" entity, responsible to ensure that subrecipients use federal money in accordance with federal program requirements. The department must monitor that any subrecipient with federal grant expenditures exceeding \$500,000 obtains an audit of its financial

⁴⁰ Office of the Legislative Auditor's Financial Audit Division Report 12-08, *Federal Compliance Audit*, issued March 27, 2012, included a finding that the department had not issued written management decisions on findings included in calendar year 2010 subrecipient audit reports. Although the department addressed that finding by issuing written management decisions on subrecipient single audit findings for calendar year 2010, it continued to have deficiencies in monitoring subrecipients' single audit reports for calendar year 2011, as explained in Finding 1 above.

⁴¹ OMB Circular A-133, Part 3, Section M, Subrecipient Monitoring.

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

statements and compliance with federal program requirements and submits the audit report to the department. Federal regulations require pass-through entities to monitor subrecipients' compliance with federal program requirements by reviewing, following up, and issuing management decisions on findings included in subrecipients' single audit reports.⁴²

Department staff told us that they had not completed the subrecipient monitoring responsibilities during fiscal year 2012 because they had not received, from the Department of Management and Budget, the calendar year 2011 report of grants to subrecipients.⁴³ The department also had difficulty generating its own expenditure reports because calendar year 2011 spanned two different state fiscal years where the state used different accounting systems. Finally, the department did not effectively coordinate between its Office of Financial Management and Office of Audit to oversee subrecipient monitoring responsibilities.

Recommendation

- *The department should strengthen its internal controls to ensure that it complies with federal subrecipient monitoring requirements.*

Minnesota Department of Transportation Response:

The Department of Transportation believes strongly in internal controls and concurs with this finding. The department is addressing this issue in the following manner:

The Department of Transportation has strengthened internal control over its subrecipient monitoring process by updating the current procedure to include additional monitoring and communication between the Office of Finance and the Office of Internal Audit to ensure the timely issuance of management decision letters as specified in OMB Circular A-133. Three management decision letters were required and issued on June 24, 2013 for calendar year 2011. Because these subrecipients have satisfactory corrective action plans in place to mitigate their findings, management decision letters did not recommend other actions or suspension of federal awards.

Persons Responsible:

Tracy Hatch, Chief Financial Officer
Duane Leurquin, Office of Financial Management Director
Daniel Kahnke, Director, Office of Audit

Estimated Completion Date:

June 2013

⁴² OMB Circular A-133.105 provides definitions of pass-through entity, subrecipient, and management decision.

⁴³ The Department of Management and Budget typically distributes reports to state agencies semi-annually to help determine which subrecipients received more than \$500,000 from the state and required monitoring. The reports, one by fiscal year and one by calendar year, showed the total federal subgrants received by each subrecipient from all state agencies combined. The Department of Management and Budget was delayed in providing the information during fiscal year 2012 because of complications with the implementation of the state's new accounting system.

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

Report 13-18

State Agency: Minnesota Department of Management and Budget

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.557	Special Supp. Nutrition Program for Women, Infants and Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
10.561	Supplemental Nutrition Assistance Program Administration
12.401	National Guard Military Operations and Maintenance Projects
17.225	Unemployment Insurance
17.225	ARRA – Unemployment Insurance
17.258	Workforce Investment Act – Adult
17.259	Workforce Investment Act – Youth
17.259	ARRA – Workforce Investment Act – Youth
17.260	Workforce Investment Act – Dislocated Workers
17.260	ARRA – Workforce Investment Act – Dislocated Workers
17.278	Workforce Investment Act – Dislocated Workers Formula Grants
20.106	Airport Improvement Program
20.106	ARRA – Airport Improvement Program
20.205	Highway Planning and Construction Program
20.205	ARRA – Highway Planning and Construction Program
20.205	R&D – Highway Planning and Construction Program
20.219	Recreational Trails Program
84.007	Federal Supplemental Education Opportunity Grants
84.010	Title I – Grant to Local Education Agencies
84.033	Federal Work Study Program
84.038	Federal Perkins Loans
84.063	Federal Pell Grant Program

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

84.027	Special Education – State Grants
84.126	Vocational Rehabilitation
84.173	Special Education – Preschool Grants
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grants
84.376	National Science and Mathematics Talent Grants
84.379	Teacher Education Assistance for College and Higher Ed. Grants
84.389	ARRA – Title I – Grants to Local Education Agencies
84.390	ARRA – Vocational Rehabilitation
84.391	ARRA – Special Education – Grants to States
84.392	ARRA – Special Education – Preschool Grants
84.410	ARRA – Education Jobs Fund
93.268	Immunization Grants
93.364	Nursing Student Loans
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.575	Child Care and Development Block Grant
93.596	Child Care and Development Mandatory and Matching Funds
93.658	Foster Care Title IV-E
93.658	ARRA – Foster Care Title IV-E
93.667	Social Services Block Grant
93.712	ARRA – Immunizations
93.714	ARRA – Emergency Contingency Fund for TANF
93.720	ARRA – Survey and Certification
93.767	Children’s Health Insurance Program
93.775	State Medicaid Fraud Control Units
93.777	State Health Care Providers Survey
93.778	Medical Assistance
97.036	Disaster Grants – Public Assistance Program

Questioned Costs: None - Procedural Finding Only

Federal Project Nos./Award Year: Not relevant to procedural finding

Finding 13-18-1 *Noncompliance with Single Audit reporting requirements*

- 1. The Department of Management and Budget did not finalize the Schedule of Expenditures of Federal Awards in order to submit its single audit report to the federal government in a timely manner.**

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

The department did not submit to the federal government the State of Minnesota's single audit report for fiscal year 2012 by the March 31, 2013, deadline.⁴⁴ The department missed the deadline because it did not adequately design, develop, and test the process to prepare the Schedule of Expenditures of Federal Awards. According to the department, the implementation of a new accounting system in July 2011 and a redesign of the financial and federal expenditure reporting processes resulted in the department being unable to produce and submit for audit federal expenditure schedules for fiscal year 2012 until the end of June 2013.

The department's difficulty in preparing its federal expenditure schedules increased the risk that material misstatements could occur without detection. Because of this increased risk, we concluded that we could not perform sufficient and appropriate audit procedures to support an opinion on the Schedule of Expenditures of Federal Awards. Our disclaimer of an audit opinion on the Schedule of Expenditures of Federal Awards is included in the single audit report for fiscal year 2012 submitted to the federal government in July 2013.

The annual single audit is an important way that the state is accountable for its use of federal money. In addition to the federal expenditure schedule, the single audit concludes on the sufficiency of the state's internal controls for its federal programs and on its compliance with a variety of general and specific federal program requirements. Notifying the federal government about internal control weaknesses and noncompliance by the deadline is fundamental to the timely resolution of the issues.

Recommendation

- *The Department of Management and Budget should re-evaluate its federal expenditure reporting process to ensure the timely completion of the state's federal single audit report.*

Minnesota Department of Management and Budget Response:

We agree with the recommendation and are highly committed to accurate and timely reporting of the state's federal single audit report. As you are aware, our new accounting and procurement system went live as our accounting system of record effective July 1, 2011. As a result, fiscal year 2012 was our first reporting cycle using the new system. We retired our stand-alone financial reporting system and developed new financial reporting processes using functionality imbedded in the new software.

The learning curve associated with a new system of this size and complexity was considerable. This impacted our internal staff as well as state agency personnel who contributed various items

⁴⁴ Office of Management and Budget Circular A-133, Section 320(a) requires a single audit of the state's compliance in administering federal awards and requires a single audit report be completed by nine months after the end of the fiscal year.

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

necessary for reporting. Additionally, there was a substantial commitment of time to design, develop, and test the new reports and processes needed to produce both the state's Comprehensive Annual Financial Statement (CAFR) and the Schedule of Expenditures of Federal Awards (SEFA) through the state's accounting system. We are confident that the extra time we took to prepare, test, and complete the CAFR and SEFA resulted in complete and accurate reporting. We were pleased to again receive an unqualified (clean) opinion on the CAFR, including the federal fund.

The investment we made this year to complete the SEFA will ultimately result in improvements over the prior years. As both the CAFR and the SEFA are generated from the accounting system, the need for multiple reporting systems was eliminated. Thus, the entries made in the accounting system during the CAFR preparation of the federal fund that also impacted the SEFA are reported automatically into the SEFA report. This process eliminated the need for duplicate entry as required in the past and reduced the risk of material misstatement.

We realize the extra time we took to ensure that SEFA was complete and accurate caused delays. We regret the impact this had on your audit schedule and the resulting change in audit scope. We believe that the work performed to understand the accounting system and redesign the process will create efficiencies and allow us to issue the SEFA in a timely manner in future years. We will also continue to work with agencies to improve the timeliness and efficiency of obtaining necessary information. In addition, we will continue to work with agencies on their findings on internal controls over compliance and compliance with federal requirements.

Person Responsible: Barb Ruckheim, Financial Reporting Director

Estimated Completion Date: March 31, 2014

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

Report CLA-12

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.033 – Federal Work Study Program

Questioned Costs: None

Federal Project Nos./Award Year: Anoka Technical College - FWS - P033A112110

Finding CLA-12-1 *One college did not report a reading tutor in the Fiscal Operations Report and Application to Participate (FISAP)*

Condition – Employing Reading Tutors:

Anoka Technical College did not report a reading tutor in the Fiscal Operations Report and Application to Participate (FISAP).

Criteria:

Institutions participating in the Federal College Work Study program are required to employ at least one student as a reading tutor in a children/family literacy program.

Questioned Costs:

None

Possible Asserted Effect:

The college is not in compliance with the reading tutor requirements.

Auditors' Recommendation:

We recommend the Anoka Technical College implement procedures to assure at least one student is employed as a reading tutor in a children/family literacy program.

Minnesota State Colleges and Universities Response:

The college agrees with the auditor's recommendation and will review their procedures to assure that the Work Student Program employs at least one student as a reading tutor in a children/family reading program.

Person Responsible: Anoka Technical College - Lucy Ross, Financial Aid Director

Estimated Completion Date: April 1, 2013

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

Report CLA-12

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.007 – Federal Supplemental Education Opportunity Grants
84.033 – Federal Work Study Program
84.038 – Federal Perkins Loans
84.063 – Federal Pell Grant Program
84.268 – Federal Direct Student Loans
84.375 – Academic Competitiveness Grants
84.376 – National Science and Mathematics Talent Grants
84.379 – Teacher Education Assistance for College and Higher Education Grants

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year:

	Riverland
SEOG (84.007)	P007A112115
PELL (84.063)	P063P111661
FWS (84.033)	P033A112115
Direct Loan (84.268)	P268K121661

Finding CLA-12-2 *One college did not report changes in governance timely*

Condition – Reporting Changes to the Department of Education:

Riverland Community College did not timely report changes in governance within the required 10 days.

Criteria:

Changes in governance must be reported to the Department of Education within 10 days of the change.

Questioned Costs:

None

Possible Asserted Effect:

Changes in governance are not being reported to the Department of Education timely.

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

Auditors' Recommendation:

We recommend the Riverland Community College implement procedures to assure required communications to the Department of Education occur within the required timeframes.

Minnesota State Colleges and Universities Response:

The College agrees with the auditor's recommendation and will review their procedure to ensure that changes in governance are reported in a timely manner.

Person Responsible:

Riverland Community College

Judy Robeck, Financial Aid Director

Estimated Completion Date:

April 1, 2013

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

Report CLA-12

State Agency: Minnesota State Colleges and Universities

Federal Agency: U. S. Department of Education

CFDA Numbers/Program Names:

84.063 – Federal Pell Grant Program

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Fond du Lac – PELL - P063P114828

Finding CLA-12-3 *One college did not properly report the disbursement date for a PELL grant award*

Condition – Reporting Disbursement to Common Origination and Disbursement (COD):

Fond du Lac Tribal and Community College did not properly report the disbursement date of a Pell disbursement in COD. The date the disbursement was posted to the student account was September 26, 2011 but COD showed the disbursement was disbursed on August 22, 2011.

Criteria:

Institutions must accurately report the disbursement date and amount of Pell awards to COD within 30 days of the actual disbursement.

Questioned Costs:

None

Possible Asserted Effect:

The institution is not properly reporting Pell disbursements to COD.

Auditors' Recommendation:

We recommend the Fond du Lac Tribal and Community College implement procedures to assure accurate information is timely reported to COD.

Minnesota State Colleges and Universities Response:

The College agrees with the auditor's recommendation and will review their procedure to ensure that all Pell award are accurately reported to COD within 30 days of actual disbursements.

Person Responsible:

Fond Du Lac Tribal and Community College

Dave Sutherland, Financial Aid Director

Estimated Completion Date:

April 1, 2013

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

MnDOT Office of Audit Report 13-800-79

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Number/Program Name:

20.205 Highway Planning and Construction Program

Questioned Costs: None-Procedural Finding Only

Federal Project Nos./Award Year: 09MN(003)/2010

Finding DOT-13-II *Contract change costs coded incorrectly*

II. The department did not correctly code a contract change order for one project as non-participating in federal funding.

The department incorrectly coded a contract change order totaling \$1.4 million on the federal bill for one project as participating in federal funding. MnDOT Finance staff followed up with project personnel prior to paying the voucher and therefore prevented billing the federal government in error. However, MnDOT Finance relies on project staff to accurately code payment vouchers as participating or not participating in federal funding.

Recommendations

- *The Operations Division Director should advise districts to ensure that payment vouchers correctly document federal participation.*
- *The Director of the Office of Construction and Innovative Contracting and the Chief Financial Officer should develop internal controls to ensure contract change cost coding procedures accurately document federal participation.*

Minnesota Department of Transportation Response:

The Director of the Office of Construction and Innovative Contracting (OCIC) and the Chief Financial Officer will work together to develop internal controls to improve contract change cost coding procedures so that compliance requirements are met. OCIC proposes to modify contract change forms to include a federal funding participation indicator check box for field staff to indicate previous funding discussions with FHWA. OCIC will create a “one-pager” giving

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

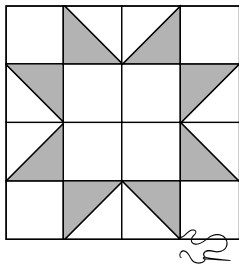
guidance to field personnel regarding involvement of FHWA in the Contract change process. OCIC will also direct project personnel to involve FHWA earlier in the contract change process on projects/changes for which FHWA wants advance approval. OCIC will update the Construction Tools–Contract Changes website to address information regarding FHWA concerns. For supplemental agreements of significant dollar value, the Office of Financial Management will have two staff review the agreement for proper assignment of either federal participation or non-participation.

Persons Responsible:

Mike Barnes, Operations Division Director
Tom Ravn, Construction & Innovative Contracting
Office Director
Duane Leurquin, Office of Finance Director

Estimated Completion Date:

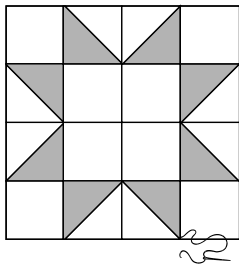
June 30, 2013



State of Minnesota
Financial and Compliance Report on Federally Assisted Programs
Fiscal Year Ended June 30, 2012

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STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2012

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	Supplemental Nutrition Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
10.551	Supplemental Nutrition Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
10.551	Supplemental Nutrition Assistance Program	Human Services	No independent review of payroll reports	1	10-11	10	2009
10.551	Supplemental Nutrition Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
10.551	Supplemental Nutrition Assistance Program	Human Services	Insufficient review of payroll reports	1	11-13	5	2010
10.551	Supplemental Nutrition Assistance Program	Human Services	Insufficient notification of federal award information to subrecipients	2	11-13	6	2010
10.551	Supplemental Nutrition Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
10.551	Supplemental Nutrition Assistance Program	Human Services	No reconciliation of state's accounting system to bank account of federal funds related to EBT	1	12-07	5	2011
10.551	Supplemental Nutrition Assistance Program	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
10.551	Supplemental Nutrition Assistance Program	Human Services	Insufficient notification of federal award information to subrecipients	2	12-07	10	2011
10.553	School Breakfast Program	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.553	School Breakfast Program	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.553	School Breakfast Program	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
10.553	School Breakfast Program	Education	Noncompliance with subrecipient monitoring and notification requirements	1	11-12	2	2010
10.553	School Breakfast Program	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
10.553	School Breakfast Program	Education	Noncompliance with subrecipient monitoring and notification requirements	1	12-04	2	2011
10.555	National School Lunch Program	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.555	National School Lunch Program	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.555	National School Lunch Program	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
10.555	National School Lunch Program	Education	Noncompliance with subrecipient monitoring and notification requirements	1	11-12	2	2010
10.555	National School Lunch Program	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
10.555	National School Lunch Program	Education	Noncompliance with subrecipient monitoring and notification requirements	1	12-04	2	2011
10.556	Special Milk Program for Children	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.556	Special Milk Program for Children	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.556	Special Milk Program for Children	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
10.556	Special Milk Program for Children	Education	Noncompliance with subrecipient monitoring and notification requirements	1	11-12	2	2010
10.556	Special Milk Program for Children	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
10.556	Special Milk Program for Children	Education	Noncompliance with subrecipient monitoring and notification requirements	1	12-04	2	2011
10.558	Child and Adult Care Food Program	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.558	Child and Adult Care Food Program	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.558	Child and Adult Care Food Program	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
10.558	Child and Adult Care Food Program	Education	Noncompliance with subrecipient monitoring and notification requirements	1	11-12	2	2010
10.558	Child and Adult Care Food Program	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
10.558	Child and Adult Care Food Program	Education	Noncompliance with subrecipient monitoring and notification requirements	1	12-04	2	2011
10.559	Summer Food Service Program for Children	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.559	Summer Food Service Program for Children	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.559	Summer Food Service Program for Children	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
10.559	Summer Food Service Program for Children	Education	Noncompliance with subrecipient monitoring and notification requirements	1	11-12	2	2010
10.559	Summer Food Service Program for Children	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
10.559	Summer Food Service Program for Children	Education	Noncompliance with subrecipient monitoring and notification requirements	1	12-04	2	2011
10.561	State Admin Matching Grants for Supp Nutr	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
10.561	State Admin Matching Grants for Supp Nutr	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
10.561	State Admin Matching Grants for Supp Nutr	Human Services	No independent review of payroll reports	1	10-11	10	2009
10.561	State Admin Matching Grants for Supp Nutr	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
10.561	State Admin Matching Grants for Supp Nutr	Human Services	Insufficient review of payroll reports	1	11-13	5	2010
10.561	State Admin Matching Grants for Supp Nutr	Human Services	Insufficient notification of federal award information to subrecipients	2	11-13	6	2010
10.561	State Admin Matching Grants for Supp Nutr	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
10.561	State Admin Matching Grants for Supp Nutr	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
10.561	State Admin Matching Grants for Supp Nutr	Human Services	Insufficient notification of federal award information to subrecipients	2	12-07	10	2011
U.S. Department of Labor							
17.225	ARRA-Unemployment Insurance	Employment and Economic Development	No identification and recovery of overpaid \$25 supplement and certain benefit extensions	1	11-06	1	2010
17.225	ARRA-Unemployment Insurance	Employment and Economic Development	No identification and monitoring of internal controls ensuring compliance	1	11-06	2	2010
17.225	Unemployment Insurance	Employment and Economic Development	No identification and monitoring of internal controls ensuring compliance	1	11-06	2	2010
17.225	ARRA-Unemployment Insurance	Employment and Economic Development	No identification and recovery of overpaid \$25 supplemental benefit	1	12-03	3	2011
17.225	Unemployment Insurance	Employment and Economic Development	No documented internal controls over federal reporting and monitoring for compliance	1	12-05	1	2011
17.225	ARRA-Unemployment Insurance	Employment and Economic Development	No documented internal controls over federal reporting and monitoring for compliance	1	12-05	1	2011
17.225	Unemployment Insurance	Employment and Economic Development	Overpayment of extended benefits to one unemployment insurance recipient	2	12-05	5	2011
17.258	ARRA-WIA Adult Program	Employment and Economic Development	No identification and monitoring of internal controls ensuring compliance	1	11-06	2	2010
17.258	WIA Adult Program	Employment and Economic Development	No identification and monitoring of internal controls ensuring compliance	1	11-06	2	2010
17.258	WIA Adult Program	Employment and Economic Development	No documented internal controls over federal reporting and monitoring for compliance	1	12-05	1	2011
17.258	ARRA-Workforce Investment Act-Adult	Employment and Economic Development	No documented internal controls over federal reporting and monitoring for compliance	1	12-05	1	2011

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2012

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO.	FIND. NO.	AUDIT REPORT FISCAL YR.
U.S. Department of Labor (continued)							
17.258	WIA Adult Program	Employment and Economic Development	No documented support for expenditure monitoring of two subrecipients	2	12-05	4	2011
17.258	ARRA-Workforce Investment Act-Adult	Employment and Economic Development	No documented support for expenditure monitoring of two subrecipients	4	12-05	4	2011
17.259	ARRA-WIA Youth Activities	Employment and Economic Development	No identification and monitoring of internal controls ensuring compliance	1	11-06	2	2010
17.259	WIA Youth Activities	Employment and Economic Development	No identification and monitoring of internal controls ensuring compliance	1	11-06	2	2010
17.259	WIA Youth Activities	Employment and Economic Development	No documented internal controls over federal reporting and monitoring for compliance	1	12-05	1	2011
17.259	ARRA-Workforce Investment Act-Youth	Employment and Economic Development	No documented internal controls over federal reporting and monitoring for compliance	1	12-05	1	2011
17.259	WIA Youth Activities	Employment and Economic Development	No documented support for expenditure monitoring of two subrecipients	2	12-05	4	2011
17.259	ARRA-Workforce Investment Act-Youth	Employment and Economic Development	No documented support for expenditure monitoring of two subrecipients	4	12-05	4	2011
17.260	ARRA-WIA Dislocated Workers	Employment and Economic Development	No identification and monitoring of internal controls ensuring compliance	1	11-06	2	2010
17.260	WIA Dislocated Workers	Employment and Economic Development	No identification and monitoring of internal controls ensuring compliance	1	11-06	2	2010
17.260	ARRA-Workforce Investment Act-Dislocated Worker	Employment and Economic Development	No documented internal controls over federal reporting and monitoring for compliance	1	12-05	1	2011
17.260	ARRA-Workforce Investment Act-Dislocated Worker	Employment and Economic Development	No documented support for expenditure monitoring of two subrecipients	4	12-05	4	2011
17.260	WIA Dislocated Workers	Employment and Economic Development	No documented internal controls over federal reporting and monitoring for compliance	1	12-05	1	2011
17.260	WIA Dislocated Workers	Employment and Economic Development	No documented support for expenditure monitoring of two subrecipients	2	12-05	4	2011
17.277	Workforce Investment Act (WIA) Nat'l Emergency Grants	Employment and Economic Development	No documented internal controls over federal reporting and monitoring for compliance	1	12-05	1	2011
17.277	Workforce Investment Act (WIA) Nat'l Emergency Grants	Employment and Economic Development	No documented support for expenditure monitoring of two subrecipients	4	12-05	4	2011
17.278	WIA Dislocated Worker Formula Grants	Employment and Economic Development	No documented internal controls over federal reporting and monitoring for compliance	1	12-05	1	2011
17.278	WIA Dislocated Worker Formula Grants	Employment and Economic Development	No documented support for expenditure monitoring of two subrecipients	2	12-05	4	2011
U.S. Department of Transportation							
20.106	Airport Improvement Program	Transportation	Written management decisions not issued	2	12-08	3	2011
20.106	ARRA - Airport Improvement Program	Transportation	Written management decisions not issued	2	12-08	3	2011
20.200	Highway Research and Development Program	Transportation	Inaccurate reporting on the draft schedule of expenditures	5	11-11	1	2010
20.200	Highway Research and Development Program	Transportation	Inaccurate reporting on the draft schedule of expenditures	5	12-08	1	2011
20.200	Highway Research and Development Program	Transportation	Inaccurate reporting of the status of prior audit findings	1	12-08	2	2011
20.205	Highway Planning and Construction	Transportation	Project oversight procedures need improvement	4	06-12	2	2005
20.205	Highway Planning and Construction	Transportation	Project oversight procedures need improvement	4	07-09	1	2006
20.205	Highway Planning and Construction	Transportation	Project oversight procedures not adequately followed	4	08-13	1	2007
20.205	Highway Planning and Construction	Transportation	Inaccurate reporting on the draft schedule of expenditures	5	11-11	1	2010
20.205	Highway Planning and Construction	Transportation	Inaccurate reporting on the draft schedule of expenditures	5	12-08	1	2011
20.205	ARRA-Highway Planning and Construction	Transportation	Inaccurate reporting on the draft schedule of expenditures	5	12-08	1	2011
20.205	Highway Planning/Research and Development	Transportation	Inaccurate reporting on the draft schedule of expenditures	5	12-08	1	2011
20.205	Highway Planning and Construction	Transportation	Inaccurate reporting of the status of prior audit findings	1	12-08	2	2011
20.205	ARRA-Highway Planning and Construction	Transportation	Inaccurate reporting of the status of prior audit findings	1	12-08	2	2011
20.205	Highway Planning and Construction	Transportation	Written management decisions not issued	2	12-08	3	2011
20.205	ARRA-Highway Planning and Construction	Transportation	Written management decisions not issued	2	12-08	3	2011
20.205	Highway Planning/Research and Development	Transportation	Written management decisions not issued	2	12-08	3	2011
20.205	Highway Planning and Construction	Transportation	Noncompliance with materials control for grading and base construction	4	DOT-09	1	2008
20.205	Highway Planning and Construction	Transportation	Noncompliance with concrete materials control requirements	4	DOT-09	3	2008
20.205	Highway Planning and Construction	Transportation	Noncompliance with materials control for grading and base construction	4	DOT-10	1	2009
20.205	Highway Planning and Construction	Transportation	Noncompliance with concrete materials control requirements	4	DOT-10	3	2009
20.205	ARRA-Highway Planning and Construction	Transportation	Noncompliance with materials control for bridge concrete and steel	4	DOT-11	1	2010
20.205	Highway Planning and Construction	Transportation	Noncompliance with materials control for bridge concrete and steel	4	DOT-11	1	2010
20.205	ARRA-Highway Planning and Construction	Transportation	Noncompliance with concrete materials control requirements	4	DOT-11	2	2010
20.205	Highway Planning and Construction	Transportation	Noncompliance with concrete materials control requirements	4	DOT-11	2	2010
20.205	ARRA-Highway Planning and Construction	Transportation	Noncompliance with materials control for grading and base construction	4	DOT-11	3	2010
20.205	Highway Planning and Construction	Transportation	Noncompliance with materials control for grading and base construction	4	DOT-11	3	2010
20.205	ARRA-Highway Planning and Construction	Transportation	Noncompliance with materials control requirements for bituminous pavement reclamation	4	DOT-11	4	2010
20.205	ARRA-Highway Planning and Construction	Transportation	Noncompliance with bridge and building removal requirements	4	DOT-11	5	2010
20.205	Highway Planning and Construction	Transportation	Noncompliance with bridge and building removal requirements	4	DOT-11	5	2010
20.205	Highway Planning and Construction	Transportation	Contractor intentional noncompliance with requirements	4	DOT-12	1	2011
20.205	Highway Planning and Construction	Transportation	Noncompliance with materials control for bridge and paving	4	DOT-12	2	2011
20.205	ARRA-Highway Planning and Construction	Transportation	Noncompliance with materials control for bridge and paving	4	DOT-12	2	2011
20.205	Highway Planning and Construction	Transportation	Noncompliance with grading and base materials control	4	DOT-12	3	2011
20.205	ARRA-Highway Planning and Construction	Transportation	Noncompliance with grading and base materials control	4	DOT-12	3	2011
20.205	Highway Planning and Construction	Transportation	Noncompliance with materials control requirements for bituminous pavement reclamation	4	DOT-12	4	2011
20.205	ARRA-Highway Planning and Construction	Transportation	Noncompliance with materials control requirements for bituminous pavement reclamation	4	DOT-12	4	2011
20.205	Highway Planning and Construction	Transportation	Need to improve internal controls for agency sampling	4	DOT-12	5	2011
20.205	ARRA-Highway Planning and Construction	Transportation	Need to improve internal controls for agency sampling	4	DOT-12	5	2011
20.205	Highway Planning and Construction	Transportation	Bridge removal requirements were not met	4	DOT-12	6	2011
20.205	ARRA-Highway Planning and Construction	Transportation	Bridge removal requirements were not met	4	DOT-12	6	2011

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U.S. Department of Energy							
81.042	ARRA-Weatherization Assistance for Low-Income Persons	Commerce	Inadequate monitoring of service provider compliance with certain federal requirements	1	11-10	1	2010
81.042	ARRA-Weatherization Assistance for Low-Income Persons	Commerce	No update of inventory records for equipment purchased with federal program funds	1	11-10	4	2010
81.042	Weatherization Assistance for Low-Income Persons	Commerce	No update of inventory records for equipment purchased with federal program funds	1	11-10	4	2010
81.042	ARRA-Weatherization Assistance for Low-Income Persons	Commerce	Inadequate controls ensuring contractor compliance with Davis Bacon Act	1	12-06	2	2011
81.042	ARRA-Weatherization Assistance for Low-Income Persons	Commerce	Inaccurate inventory records for equipment purchases with federal program funds	1	12-06	3	2011
81.042	Weatherization Assistance for Low-Income Persons	Commerce	Inaccurate inventory records for equipment purchases with federal program funds	1	12-06	3	2011
U.S. Department of Education							
84.007	Federal Supp Educational Opportunity Grants	Minnesota State Colleges and Universities	Three colleges did not timely report changes in governance within the required ten days	1	CLA-11	1	2011
84.007	Federal Supp Educational Opportunity Grants	Minnesota State Colleges and Universities	One college did not return Title IV funds timely	1	CLA-11	2	2011
84.010	Title I Grants to Local Educational Agencies	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
84.010	Title I Grants to Local Educational Agencies	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
84.010	Title I Grants to Local Educational Agencies	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
84.010	Title I Grants to Local Educational Agencies	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
84.027	Special Education_Grants to States	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
84.027	Special Education_Grants to States	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
84.027	Special Education_Grants to States	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
84.027	Special Education_Grants to States	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
84.033	Federal Work-Study Program	Minnesota State Colleges and Universities	Three colleges did not timely report changes in governance within the required ten days	1	CLA-11	1	2011
84.033	Federal Work-Study Program	Minnesota State Colleges and Universities	One college did not return Title IV funds timely	1	CLA-11	2	2011
84.038	Federal Perkins Loan	Minnesota State Colleges and Universities	Three colleges did not timely report changes in governance within the required ten days	1	CLA-11	1	2011
84.038	Federal Perkins Loan	Minnesota State Colleges and Universities	One college did not return Title IV funds timely	1	CLA-11	2	2011
84.063	Federal Pell Grant Program	Minnesota State Colleges and Universities	Three colleges did not timely report changes in governance within the required ten days	1	CLA-11	1	2011
84.063	Federal Pell Grant Program	Minnesota State Colleges and Universities	One college did not return Title IV funds timely	1	CLA-11	2	2011
84.126	Rehab Services_Vocational Rehab Grants	Employment and Economic Development	No identification and monitoring of internal controls ensuring compliance	1	11-06	2	2010
84.126	Rehab Services_Vocational Rehab Grants	Employment and Economic Development	No documented internal controls over federal reporting and monitoring for compliance	1	12-05	1	2011
84.126	Rehab Services_Vocational Rehab Grants	Employment and Economic Development	Inadequate control over supply and equipment purchases for clients	1	12-05	2	2011
84.126	Rehab Services_Vocational Rehab Grants	Employment and Economic Development	Costs incurred after end dates of employer grant agreement and client employment plan	1	12-05	3	2011
84.173	Special Education_Preschool Grants	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
84.173	Special Education_Preschool Grants	Education	No documented internal control structure ensuring compliance	1	10-08	1	2009
84.173	Special Education_Preschool Grants	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
84.173	Special Education_Preschool Grants	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
84.268	Federal Direct Student Loans	Minnesota State Colleges and Universities	Three colleges did not timely report changes in governance within the required ten days	1	CLA-11	1	2011
84.268	Federal Direct Student Loans	Minnesota State Colleges and Universities	One college did not return Title IV funds timely	1	CLA-11	2	2011
84.268	Federal Direct Student Loans	Minnesota State Colleges and Universities	One college did not provide exit counseling for all students	1	CLA-11	3	2011
84.367	Improving Teacher Quality State Grants	Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
84.367	Improving Teacher Quality State Grants	Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
84.367	Improving Teacher Quality State Grants	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
84.367	Improving Teacher Quality State Grants	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
84.375	Academic Competitiveness Grants	Minnesota State Colleges and Universities	Three colleges did not timely report changes in governance within the required ten days	1	CLA-11	1	2011
84.375	Academic Competitiveness Grants	Minnesota State Colleges and Universities	One college did not return Title IV funds timely	1	CLA-11	2	2011
84.376	National Science and Mathematics Access to Retain	Minnesota State Colleges and Universities	Three colleges did not timely report changes in governance within the required ten days	1	CLA-11	1	2011
84.376	National Science and Mathematics Access to Retain	Minnesota State Colleges and Universities	One college did not return Title IV funds timely	1	CLA-11	2	2011
84.379	Teacher Ed Assist for College and Higher Ed Grants	Minnesota State Colleges and Universities	Three colleges did not timely report changes in governance within the required ten days	1	CLA-11	1	2011
84.379	Teacher Ed Assist for College and Higher Ed Grants	Minnesota State Colleges and Universities	One college did not return Title IV funds timely	1	CLA-11	2	2011
84.389	ARRA-Title I Grants to Local Education Agencies	Education	No documented internal control structure ensuring compliance	2	11-12	1	2010
84.389	ARRA-Title I Grants to Local Education Agencies	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
84.390	ARRA-Rehab. Services_Vocational Rehab. Grants	Employment and Economic Development	No identification and monitoring of internal controls ensuring compliance	1	11-06	2	2010
84.390	ARRA-Vocational Rehabilitation	Employment and Economic Development	No documented internal controls over federal reporting and monitoring for compliance	1	12-05	1	2011
84.390	ARRA-Vocational Rehabilitation	Employment and Economic Development	Inadequate control over supply and equipment purchases for clients	1	12-05	2	2011
84.390	ARRA-Vocational Rehabilitation	Employment and Economic Development	Costs incurred after end dates of employer grant agreement and client employment plan	1	12-05	3	2011
84.410	ARRA - Education Jobs	Education	No documented internal control structure ensuring compliance	2	12-04	1	2011
84.410	ARRA - Education Jobs	Education	Noncompliance with subrecipient monitoring and notification requirements	1	12-04	2	2011
U.S. Department of Health and Human Services							
93.558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.558	Temporary Assistance for Needy Families	Human Services	Inadequately addressing responsibility for monitoring accurate eligibility determinations	2	10-11	2	2009
93.558	Temporary Assistance for Needy Families	Human Services	No independent review of payroll reports	1	10-11	10	2009
93.558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring accurate eligibility determinations	2	11-13	1	2010
93.558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.558	Temporary Assistance for Needy Families	Human Services	Insufficient review of payroll reports	1	11-13	5	2010

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U.S. Department of Health and Human Services (continued)							
93.558	Temporary Assistance for Needy Families	Human Services	Insufficient notification of federal award information to subrecipients	1	11-13	6	2010
93.558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.558	Temporary Assistance for Needy Families	Human Services	No documented internal control structure ensuring accurate eligibility determinations	2	12-07	2	2011
93.558	Temporary Assistance for Needy Families	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
93.558	Temporary Assistance for Needy Families	Human Services	Insufficient notification of federal award information to subrecipients	2	12-07	10	2011
93.558	Temporary Assistance for Needy Families	Human Services	Did not submit federal quarterly reports timely and error on Quarterly Report	1	12-07	11	2011
93.563	Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.563	ARRA-Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance	4	10-11	1	2009
93.563	Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.563	ARRA-Child Support Enforcement	Human Services	No independent review of payroll reports	4	10-11	10	2009
93.563	Child Support Enforcement	Human Services	No independent review of payroll reports	1	10-11	10	2009
93.563	ARRA-Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance	4	11-13	2	2010
93.563	Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.563	ARRA-Child Support Enforcement	Human Services	Insufficient review of payroll reports	4	11-13	5	2010
93.563	Child Support Enforcement	Human Services	Insufficient review of payroll reports	1	11-13	5	2010
93.563	ARRA-Child Support Enforcement	Human Services	Insufficient notification of federal award information to subrecipients	4	11-13	6	2010
93.563	Child Support Enforcement	Human Services	Insufficient notification of federal award information to subrecipients	1	11-13	6	2010
93.563	Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.563	ARRA-Child Support Enforcement	Human Services	No documented internal control structure ensuring compliance	4	12-07	1	2011
93.563	Child Support Enforcement	Human Services	Allocated costs to programs that may not have been allowable for federal reimbursement	1	12-07	3	2011
93.563	Child Support Enforcement	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
93.563	Child Support Enforcement	Human Services	Insufficient notification of federal award information to subrecipients	2	12-07	10	2011
93.563	ARRA-Child Support Enforcement	Human Services	Insufficient notification of federal award information to subrecipients	4	12-07	10	2011
93.563	ARRA-Child Support Enforcement	Human Services	Allocated costs to programs that may not have been allowable for federal reimbursement	4	12-07	3	2011
93.563	ARRA-Child Support Enforcement	Human Services	Insufficient review of payroll reports	4	12-07	8	2011
93.568	Low-Income Home Energy Assistance	Commerce	Inadequate monitoring of crisis emergency benefits paid to ineligible households	1	12-06	1	2011
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.575	Child Care and Development Block Grant	Human Services	Inadequately addressing responsibility for monitoring accurate eligibility determinations	2	10-11	2	2009
93.575	Child Care and Development Block Grant	Human Services	No independent review of payroll reports	1	10-11	10	2009
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring accurate eligibility determinations	2	11-13	1	2010
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.575	Child Care and Development Block Grant	Human Services	Insufficient review of payroll reports	1	11-13	5	2010
93.575	Child Care and Development Block Grant	Human Services	Insufficient notification of federal award information to subrecipients	1	11-13	6	2010
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.575	Child Care and Development Block Grant	Human Services	No documented internal control structure ensuring accurate eligibility determinations	2	12-07	2	2011
93.575	Child Care and Development Block Grant	Human Services	No monitoring of counties' efforts to detect fraudulent child care payments	2	12-07	4	2011
93.575	Child Care and Development Block Grant	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
93.575	Child Care and Development Block Grant	Human Services	Insufficient notification of federal award information to subrecipients	2	12-07	10	2011
93.596	Child Care Mandatory and Matching Funds	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.596	Child Care Mandatory and Matching Funds	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.596	Child Care Mandatory and Matching Funds	Human Services	Inadequately addressing responsibility for monitoring accurate eligibility determinations	2	10-11	2	2009
93.596	Child Care Mandatory and Matching Funds	Human Services	No independent review of payroll reports	1	10-11	10	2009
93.596	Child Care Mandatory and Matching Funds	Human Services	No documented internal control structure ensuring accurate eligibility determinations	2	11-13	1	2010
93.596	Child Care Mandatory and Matching Funds	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.596	Child Care Mandatory and Matching Funds	Human Services	Insufficient review of payroll reports	1	11-13	5	2010
93.596	Child Care Mandatory and Matching Funds	Human Services	Insufficient notification of federal award information to subrecipients	1	11-13	6	2010
93.596	Child Care Mandatory and Matching Funds	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.596	Child Care Mandatory and Matching Funds	Human Services	No documented internal control structure ensuring accurate eligibility determinations	2	12-07	2	2011
93.596	Child Care Mandatory and Matching Funds	Human Services	No monitoring of counties' efforts to detect fraudulent child care payments	2	12-07	4	2011
93.596	Child Care Mandatory and Matching Funds	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
93.596	Child Care Mandatory and Matching Funds	Human Services	Insufficient notification of federal award information to subrecipients	2	12-07	10	2011
93.658	Foster Care Title IV-E	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.658	ARRA-Foster Care Title IV-E	Human Services	No documented internal control structure ensuring compliance	4	10-11	1	2009
93.658	Foster Care Title IV-E	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.658	ARRA-Foster Care Title IV-E	Human Services	No independent review of payroll reports	4	10-11	10	2009
93.658	Foster Care Title IV-E	Human Services	No independent review of payroll reports	1	10-11	10	2009
93.658	ARRA-Foster Care Title IV-E	Human Services	No documented internal control structure ensuring compliance	4	11-13	2	2010
93.658	Foster Care Title IV-E	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.658	ARRA-Foster Care - Title IV-E	Human Services	Insufficient review of payroll reports	4	11-13	5	2010
93.658	Foster Care Title IV-E	Human Services	Insufficient review of payroll reports	1	11-13	5	2010

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U.S. Department of Health and Human Services (continued)							
93.658	ARRA-Foster Care - Title IV-E	Human Services	Insufficient notification of federal award information to subrecipients	4	11-13	6	2010
93.658	Foster Care_Title IV-E	Human Services	Insufficient notification of federal award information to subrecipients	1	11-13	6	2010
93.658	Foster Care_Title IV-E	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.658	ARRA-Foster Care - Title IV-E	Human Services	No documented internal control structure ensuring compliance	4	12-07	1	2011
93.658	Foster Care_Title IV-E	Human Services	Allocated costs to programs that may not have been allowable for federal reimbursement	1	12-07	3	2011
93.658	Foster Care_Title IV-E	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
93.658	Foster Care_Title IV-E	Human Services	Insufficient notification of federal award information to subrecipients	2	12-07	10	2011
93.658	ARRA-Foster Care - Title IV-E	Human Services	Insufficient notification of federal award information to subrecipients	4	12-07	10	2011
93.658	ARRA-Foster Care - Title IV-E	Human Services	Allocated costs to programs that may not have been allowable for federal reimbursement	4	12-07	3	2011
93.658	ARRA-Foster Care - Title IV-E	Human Services	Insufficient review of payroll reports	4	12-07	8	2011
93.659	Adoption Assistance	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.659	Adoption Assistance	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.659	Adoption Assistance	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.659	Adoption Assistance	Human Services	Insufficient review of payroll reports	1	11-13	5	2010
93.659	Adoption Assistance	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.659	Adoption Assistance	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
93.667	Social Services Block Grant	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.667	Social Services Block Grant	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.667	Social Services Block Grant	Human Services	No independent review of payroll reports	1	10-11	10	2009
93.667	Social Services Block Grant	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.667	Social Services Block Grant	Human Services	Insufficient review of payroll reports	1	11-13	5	2010
93.667	Social Services Block Grant	Human Services	Insufficient notification of federal award information to subrecipients	1	11-13	6	2010
93.667	Social Services Block Grant	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.667	Social Services Block Grant	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
93.667	Social Services Block Grant	Human Services	Insufficient notification of federal award information to subrecipients	2	12-07	10	2011
93.713	ARRA-Child Care and Development	Human Services	No documented internal control structure ensuring accurate eligibility determinations	4	11-13	1	2010
93.713	ARRA-Child Care and Development	Human Services	No documented internal control structure ensuring compliance	4	11-13	2	2010
93.713	ARRA-Child Care and Development	Human Services	Insufficient review of payroll reports	4	11-13	5	2010
93.713	ARRA-Child Care and Development	Human Services	Insufficient notification of federal award information to subrecipients	4	11-13	6	2010
93.713	ARRA-Child Care and Development	Human Services	No documented internal control structure ensuring compliance	4	12-07	1	2011
93.713	ARRA-Child Care and Development	Human Services	No documented internal control structure ensuring accurate eligibility determinations	4	12-07	2	2011
93.713	ARRA-Child Care and Development	Human Services	No monitoring of counties' efforts to detect fraudulent child care payments	4	12-07	4	2011
93.713	ARRA-Child Care and Development	Human Services	Insufficient review of payroll reports	4	12-07	8	2011
93.713	ARRA-Child Care and Development	Human Services	Insufficient notification of federal award information to subrecipients	4	12-07	10	2011
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	No documented internal control structure ensuring accurate eligibility determinations	2	11-13	1	2010
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	Insufficient review of payroll reports	1	11-13	5	2010
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	No documented internal control structure ensuring accurate eligibility determinations	2	12-07	2	2011
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	Insufficient notification of federal award information to subrecipients	2	12-07	10	2011
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	Did not submit federal quarterly reports timely and error on Quarterly Report	1	12-07	11	2011
93.720	Survey and Certification	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.720	Survey and Certification	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
93.767	Children's Health Insurance Program	Human Services	Did not submit quarterly reports timely	4	07-08	5	2006
93.767	Children's Health Insurance Program	Human Services	Did not submit quarterly reports timely	4	08-12	6	2007
93.767	Children's Health Insurance Program	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.767	Children's Health Insurance Program	Human Services	Did not submit quarterly reports timely	4	09-10	6	2008
93.767	Children's Health Insurance Program	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.767	Children's Health Insurance Program	Human Services	Did not submit quarterly reports timely	4	10-11	8	2009
93.767	Children's Health Insurance Program	Human Services	No independent review of payroll reports	1	10-11	10	2009
93.767	Children's Health Insurance Program	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.767	Children's Health Insurance Program	Human Services	Insufficient review of payroll reports	1	11-13	5	2010
93.767	Children's Health Insurance Program	Human Services	Did not submit federal quarterly reports timely	4	11-13	8	2010
93.767	Children's Health Insurance Program	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.767	Children's Health Insurance Program	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
93.767	Children's Health Insurance Program	Human Services	Did not submit federal quarterly reports timely and error on Quarterly Report	1	12-07	11	2011
93.775	State Medicaid Fraud Control Units	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.775	State Medicaid Fraud Control Units	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
93.777	State Survey and Cert of Health Care Providers	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.777	State Survey and Cert of Health Care Providers	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2012

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT NO.	FIND. NO.	AUDIT REPORT FISCAL YR.
U.S. Department of Health and Human Services (continued)							
93.777	State Survey and Cert of Health Care Providers	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.777	State Survey and Cert of Health Care Providers	Human Services	Insufficient review of payroll reports	1	11-13	5	2010
93.777	State Survey and Cert of Health Care Providers	Human Services	Insufficient notification of federal award information to subrecipients	1	11-13	6	2010
93.777	State Survey and Cert of Health Care Providers	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.777	State Survey and Cert of Health Care Providers	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
93.778	Medical Assistance Program	Human Services	Did not submit quarterly reports timely	4	07-08	5	2006
93.778	Medical Assistance Program	Human Services	Did not submit quarterly reports timely	4	08-12	6	2007
93.778	Medical Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.778	Medical Assistance Program	Human Services	Did not submit quarterly reports timely	4	09-10	6	2008
93.778	ARRA-Medical Assistance Program	Human Services	No documented internal control structure ensuring compliance	4	10-11	1	2009
93.778	Medical Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.778	ARRA-Medical Assistance Program	Human Services	Did not submit quarterly reports timely	4	10-11	8	2009
93.778	Medical Assistance Program	Human Services	Did not submit quarterly reports timely	4	10-11	8	2009
93.778	ARRA-Medical Assistance Program	Human Services	No independent review of payroll reports	4	10-11	10	2009
93.778	Medical Assistance Program	Human Services	No independent review of payroll reports	1	10-11	10	2009
93.778	ARRA-Medical Assistance Program	Human Services	Lack of adequate separation of duties	4	10-34	2	2010
93.778	Medical Assistance Program	Human Services	Lack of adequate separation of duties	1	10-34	2	2010
93.778	ARRA-Medical Assistance Program	Human Services	Lack of system change control standards	4	10-34	3	2010
93.778	Medical Assistance Program	Human Services	Lack of system change control standards	1	10-34	3	2010
93.778	ARRA-Medical Assistance Program	Human Services	Lack of logging or monitoring of system files	4	10-34	4	2010
93.778	Medical Assistance Program	Human Services	Lack of logging or monitoring of system files	1	10-34	4	2010
93.778	ARRA-Medical Assistance Program	Human Services	Unnecessary employee access to program subsystem	4	10-34	5	2010
93.778	Medical Assistance Program	Human Services	Unnecessary employee access to program subsystem	2	10-34	5	2010
93.778	ARRA-Medical Assistance Program	Human Services	No documented internal control structure ensuring compliance	4	11-13	2	2010
93.778	Medical Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.778	ARRA-Medical Assistance Program	Human Services	Insufficient review of payroll reports	4	11-13	5	2010
93.778	Medical Assistance Program	Human Services	Insufficient review of payroll reports	1	11-13	5	2010
93.778	ARRA-Medical Assistance Program	Human Services	Insufficient notification of federal award information to subrecipients	4	11-13	6	2010
93.778	Medical Assistance Program	Human Services	Insufficient notification of federal award information to subrecipients	1	11-13	6	2010
93.778	ARRA-Medical Assistance Program	Human Services	Did not submit federal quarterly reports timely	4	11-13	8	2010
93.778	Medical Assistance Program	Human Services	Did not submit federal quarterly reports timely	4	11-13	8	2010
93.778	Medical Assistance Program	Human Services	Lack of adequate separation of duties	2	12-03	2	2011
93.778	Medical Assistance Program	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.778	Medical Assistance Program	Human Services	Allocated costs to programs that may not have been allowable for federal reimbursement	1	12-07	3	2011
93.778	Medical Assistance Program	Human Services	Unnecessary employee access to program subsystem	2	12-03	2	2011
93.778	ARRA-Medical Assistance Program	Human Services	Lack of adequate separation of duties	4	12-03	2	2011
93.778	ARRA-Medical Assistance Program	Human Services	Unnecessary employee access to program subsystem	4	12-03	2	2011
93.778	ARRA-Medical Assistance Program	Human Services	No documented internal control structure ensuring compliance	4	12-07	1	2011
93.778	ARRA-Medical Assistance Program	Human Services	Allocated costs to programs that may not have been allowable for federal reimbursement	4	12-07	3	2011
93.778	Medical Assistance Program	Human Services	Lack of logging or monitoring of all system files	1	12-07	6	2011
93.778	ARRA-Medical Assistance Program	Human Services	Lack of logging or monitoring of system files	4	12-07	6	2011
93.778	Medical Assistance Program	Human Services	Lack of documentation related to system changes	1	12-07	7	2011
93.778	ARRA-Medical Assistance Program	Human Services	Lack of documentation related to system changes	4	12-07	7	2011
93.778	Medical Assistance Program	Human Services	Insufficient review of payroll reports	1	12-07	8	2011
93.778	ARRA-Medical Assistance Program	Human Services	Insufficient review of payroll reports	4	12-07	8	2011
93.778	Medical Assistance Program	Human Services	Inaccurate reporting of expenditures on SEFA and notes to Schedule	5	12-07	9	2011
93.778	ARRA-Medical Assistance Program	Human Services	Inaccurate reporting of expenditures on SEFA and notes to Schedule	4	12-07	9	2011
93.778	Medical Assistance Program	Human Services	Insufficient notification of federal award information to subrecipients	2	12-07	10	2011
93.778	ARRA-Medical Assistance Program	Human Services	Insufficient notification of federal award information to subrecipients	4	12-07	10	2011
93.778	Medical Assistance Program	Human Services	Did not submit federal quarterly reports timely and error on Quarterly Report	1	12-07	11	2011
93.778	ARRA-Medical Assistance Program	Human Services	Did not submit federal quarterly reports timely and error on Quarterly Report	4	12-07	11	2011
93.959	Block Grants - Prevention, Treatment of Substance Abuse	Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.959	Block Grants - Prevention, Treatment of Substance Abuse	Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.959	Block Grants - Prevention, Treatment of Substance Abuse	Human Services	No documented internal control structure ensuring compliance	2	11-13	2	2010
93.959	Block Grants - Prevention, Treatment of Substance Abuse	Human Services	Insufficient review of payroll reports	1	11-13	5	2010
93.959	Block Grants - Prevention, Treatment of Substance Abuse	Human Services	No documented internal control structure ensuring compliance	2	12-07	1	2011
93.959	Block Grants - Prevention, Treatment of Substance Abuse	Human Services	Insufficient review of payroll reports	1	12-07	8	2011

**STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2012**

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

*CATEGORY OF CORRECTIVE ACTION TAKEN

1 - Findings have been fully corrected.

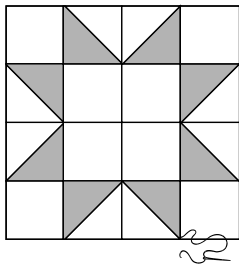
2 - Findings are not corrected or are only partially corrected.

3 - Corrective action taken was significantly different than previously reported.

4 - Audit findings are no longer valid or do not warrant further action.

5 - The Office of the Legislative Auditor disclaimed the opinion on the Schedule of Expenditures of Federal Awards (SEFA) for fiscal year 2012. No audit work was completed to assess the status of prior year findings related to the SEFA.

For Categories 2 and 3, please refer to Status of Prior Federal Program Audit Findings supplemental information for further details.



State of Minnesota

Financial and Compliance Report on Federally Assisted Programs Fiscal Year Ended June 30, 2012

Supplemental Information Status of Prior Federal Program Audit Findings

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

Report 09-08

State Agency: Minnesota Department of Education

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

CFDA Numbers/Program Names:

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

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

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

This finding is repeated in the current audit report. See Section III, Report 13-14, Finding 1, for the Department of Education's response.

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

Report 09-10

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

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

Finding 09-10-1 *No documented internal control structure ensuring compliance.*

- 1. The Department of Human Services did not identify, analyze, and document its internal controls related to business operations and the schedules of federal expenditures.**

This finding is repeated in the current audit report. See Section III, Report 13-15, Finding 2, for the Department of Human Services' response.

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

Report 10-08

State Agency: Minnesota Department of Education

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

CFDA Numbers/Program Names:

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

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

- 1. Prior Finding Partially Resolved: The Department did not identify, analyze, and document its internal controls over compliance with federal single audit requirements. (Prior Finding 09-08-1)**

This finding is repeated in the current audit report. See Section III, Report 13-14, Finding 1, for the Minnesota Department of Education's response.

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

Report 10-11

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.563	ARRA Child Support Enforcement
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care
93.658	ARRA Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.778	ARRA Medical Assistance
93.959	Block Grants for Substance Abuse

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

- 1. Prior Finding Partially Resolved: The Department of Human Services did not identify, analyze, and document its internal controls related to business operations and the schedules of federal expenditures. (Prior Finding 09-10-1)**

This finding is repeated in the current audit report. See Section III, Report 13-15, Finding 2, for the Department of Human Services' response.

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

Report 10-11

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development - Mandatory and Matching

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

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

This finding is repeated in the current audit report. See Section III, Report 13-15, Finding 1, for the Department of Human Services' response.

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

Report 10-34

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

93.778 Medical Assistance

93.778 ARRA Medical Assistance

Finding 10-34-5 Unnecessary employee access to program subsystem.

- 5. Prior Finding Partially Resolved: The Department of Human Services did not have sufficient controls to limit, monitor, or prevent incompatible or unnecessary access to the Medical Assistance system and the cash and food benefits system.**

This finding is repeated in the current audit report. See Section II for more information. Report 13-06 contains the Department of Human Services' response for Finding 4.

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

Report 11-12

State Agency: Minnesota Department of Education

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

CFDA Numbers/Program Names:

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

Finding 11-12-1 No documented internal control structure ensuring compliance.

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

This finding is repeated in the current audit report. See Section III, Report 13-14, Finding 1, for the Department of Education's response.

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

Report 11-13

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families (TANF)
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Matching
93.713	ARRA - Child Care and Development – Discretionary
93.714	ARRA – Emergency Contingency Fund for TANF

Finding 11-13-1 *No documented internal control structure ensuring accurate eligibility determinations.*

- 1. Prior Finding Not Resolved: The Department of Human Services did not adequately address its responsibility to monitor and ensure accurate recipient eligibility determinations for three major federal programs.**

This finding is repeated in the current audit report. See Section III, Report 13-15, Finding 1, for the Department of Human Services' response.

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

Report 11-13

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

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

Finding 11-13-2 No documented internal control structure ensuring compliance.

2. Prior Finding Partially Resolved: The Department of Human Services did not fully identify, analyze, and document its internal controls related to compliance with federal single audit requirements.

This finding is repeated in the current audit report. See Section III, Report 13-15, Finding 2, for the Department of Human Services’ response.

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

Report 11-13

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.563	ARRA - Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Matching
93.658	Foster Care
93.658	ARRA - Foster Care
93.667	Social Services Block Grant
93.713	ARRA – Child Care and Development
93.777	State Health Care Providers Survey
93.778	Medical Assistance
93.778	ARRA - Medical Assistance

Finding 11-13-6 Insufficient notification of federal award information to subrecipients.

6. The Department of Human Services did not communicate all federal award information to subrecipients for seven major federal programs.

This finding is repeated in the current audit report. See Section III, Report 13-15, Finding 8, for the Department of Human Services' response.

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

Report 12-03

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

93.778 Medical Assistance

93.778 ARRA-Medical Assistance

Finding 12-03-2 *Lack of adequate separation of duties.*

- 2. Prior Finding Partially Resolved: Several agencies allowed employees to have inappropriate access to state business systems or perform incompatible duties without establishing mitigating controls.**

This finding is repeated in the current audit report. See Section III, Report 13-06, Finding 4, for the Department of Human Services' response.

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

Report 12-03

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance

93.778 ARRA-Medical Assistance

Finding 12-03-2 Unnecessary employee access to program subsystem.

- 2. Prior Finding Partially Resolved: Several agencies allowed employees to have inappropriate access to state business systems or perform incompatible duties without establishing mitigating controls.**

This finding is repeated in the current audit report. See Section III, Report 13-06, Finding 4, for the Department of Human Services' response.

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

Report 12-04

State Agency: Minnesota Department of Education

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

CFDA Numbers/Program Names:

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

Finding 12-04-1 No documented internal control structure ensuring compliance.

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

This finding is repeated in the current audit report. See Section III, Report 13-14, Finding 1, for the Department of Education's response.

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

Report 12-05

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U.S. Department of Labor

CFDA Numbers/Program Names:

17.258	Workforce Investment Act – Adult
17.258	ARRA-Workforce Investment Act – Adult
17.259	Workforce Investment Act – Youth
17.259	ARRA-Workforce Investment Act – Youth
17.260	Workforce Investment Act – Dislocated Worker
17.260	ARRA-Workforce Investment Act – Dislocated Worker
17.277	Workforce Investment Act – National Emergency Grants
17.278	Workforce Investment Act – Dislocated Workers Formula Grants

Finding 12-05-4 No documented support for expenditure monitoring of two subrecipients.

- 4. The Department of Employment and Economic Development did not retain evidence of monitoring two subrecipients for the Workforce Investment Act Cluster (CFDA 17.258, 17.259, 17.260, 17.277 and 17.278).**

This finding is repeated in the current audit report. See Section III, Report 13-08, Finding 1, for the Department of Employment and Economic Development's response.

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

Report 12-05

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U.S. Department of Labor

CFDA Numbers/Program Names:

17.225 Unemployment Insurance

Finding 12-05-5 Overpayment of extended benefits to one unemployment insurance recipient.

- 5. The Department of Employment and Economic Development did not identify and recover overpaid federal unemployment insurance (CFDA 17.225) benefits to one applicant.**

This finding is repeated in the current audit report. See Section III, Report 13-08, Finding 4, for the Department of Employment and Economic Development's response.

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

Report 12-07

State Agency: Minnesota Department of Human Services

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

CFDA Number/Program Name:

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

Finding 12-07-1 No documented internal control structure ensuring compliance.

1. Prior Finding Partially Resolved: The Department of Human Services did not fully identify, analyze, and document its internal controls related to compliance with federal single audit requirements.

This finding is repeated in the current audit report. See Section III, Report 13-15, Finding 2, for the Department of Human Services’ response.

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

Report 12-07

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families (TANF)
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.713	ARRA – Child Care and Development
93.714	ARRA – Emergency Contingency Fund for TANF

Finding 12-07-2 *No documented internal control structure ensuring accurate eligibility determinations.*

2. Prior Finding Partially Resolved: The Department of Human Services did not fully implement controls to ensure it complied with eligibility requirements for two federal programs and did not monitor system overrides for three major programs.

This finding is repeated in the current audit report. See Section III, Report 13-15, Finding 1, for the Department of Human Services' response.

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

Report 12-07

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

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

Finding 12-07-4 *No monitoring of counties' efforts to detect fraudulent child care payments.*

- 4. The Department of Human Services did not adequately monitor the counties efforts to detect fraudulent child care payments and ensure they properly recovered the payments.**

This finding is repeated in the current audit report. See Section III, Report 13-15, Finding 3, for the Department of Human Services' response.

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

Report 12-07

State Agency: Minnesota Department of Human Services

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

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.563	ARRA - Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.658	ARRA - Foster Care
93.667	Social Services Block Grant
93.713	ARRA – Child Care and Development
93.714	ARRA – Emergency Contingency for TANF
93.777	State Health Care Providers Survey
93.778	Medical Assistance
93.778	ARRA - Medical Assistance

Finding 12-07-10 *Insufficient notification of federal award information to subrecipients.*

10. Prior Finding Not Resolved: The Department of Human Services did not communicate all federal award information to the subrecipients and did not require subrecipients to provide the Data Universal Numbering System (DUNS) number.

This finding is repeated in the current audit report. See Section III, Report 13-15, Finding 8, for the Department of Human Services' response.

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

Report 12-08

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.106	Airport Improvement Program
20.106	ARRA-Airport Improvement Program
20.205	Highway Planning and Construction Program
20.205	ARRA-Highway Planning and Construction Program
20.205	R&D-Highway Planning and Construction Program

Finding 12-08-3 *Written management decisions not issued.*

3. The Department of Transportation did not issue written management decisions on audit findings in subrecipient single audit reports.

This finding is repeated in the current audit report. See Section III, Report 13-17, Finding 1, for the Department of Transportation's response.