



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

FINANCIAL AUDIT DIVISION REPORT

**Department of
Public Safety**

Federal Compliance Audit

Year Ended June 30, 2012

June 20, 2013

Report 13-11

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OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

June 17, 2013

Senator Roger Reinert, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ramona Dohman, Commissioner
Department of Public Safety

This report presents the results of our audit of certain federal financial assistance programs administered by the Department of Public Safety during fiscal year 2012. We conducted this audit as part of our audit of the state's compliance with federal program requirements. We emphasize that this has not been a comprehensive audit of the Department of Public Safety.

We discussed the results of the audit with the department's staff at an exit conference on May 24, 2013. This audit was conducted by David Polisen, CPA, CISA, CFE, (Audit Manager) and Emily Wiant (Auditor-in-Charge), assisted by auditor Daphne Rhodes.

We received the full cooperation of the department's staff while performing this audit.

James R. Nobles
Legislative Auditor

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

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Report Summary

Conclusion

The Department of Public Safety generally complied with and had controls to ensure compliance with certain provisions of laws, regulations, contracts, and grants applicable to the major federal program for fiscal year 2012. However, the department had a weakness, as noted in the finding presented in this report.

Audit Finding

- The Department of Public Safety did not adequately notify its subrecipients about federal grant information and requirements. ([Finding 1, page 5](#))

Audit Scope

Our scope included the Disaster Grants – Public Assistance Program, which was a major federal program for the State of Minnesota for fiscal year 2012. The department had about \$35 million in program expenditures.

Department of Public Safety

Federal Program Overview

The Department of Public Safety administered one federal program (Disaster Grants – Public Assistance Program, CFDA 97.036¹) that we considered a major federal program for the State of Minnesota, subject to audit under the federal Single Audit Act.² The total fiscal year 2012 federal expenditures for this program totaled about \$35 million.³

Objective, Scope, and Methodology

The objective of our audit was to determine whether the Department of Public Safety complied with federal program requirements in its administration of this federal program for fiscal year 2012 and to determine whether the department had resolved issues from past audits. This audit is part of our broader federal single audit objective to obtain reasonable assurance about whether the State of Minnesota complied with the types of compliance requirements that are applicable to each of its federal programs.⁴ In addition to specific program requirements, we examined the department's general compliance requirements related to federal assistance, including its cash management practices.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States of America and with the U.S. Office of Management and Budget's *Circular A-133 Compliance Supplement*.

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

² We defined a major federal program for the State of Minnesota in accordance with a formula prescribed by the federal Office of Management and Budget as a program or cluster of programs whose expenditures for fiscal year 2012 exceeded \$30 million.

³ Federal grant award numbers for the Disaster Grants Public Assistance Program: 1648DRMNP00000001, 1717DRMNP00000001, 1772DRMNP00000001, 1830DRMNP00000001, 1900DRMNP00000001, 1921DRMNP00000001, 1941DRMNP00000001, 1982DRMNP00000001, 1990DRMNP00000001, 4009DRMNP00000001.

⁴ The State of Minnesota's single audit is an entity audit of the state that includes both the financial statements and the expenditures of federal awards by all state agencies. We issued an unqualified audit opinion, dated March 20, 2013, on the State of Minnesota's basic financial statements for the year ended June 30, 2012. In accordance with *Government Auditing Standards*, we also issued our report on our consideration of the State of Minnesota's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. (Office of the Legislative Auditor's Financial Audit Division Report 13-06, [Report on Internal Control Over Financial Reporting](#), issued May 17, 2013.)

Conclusion

The Department of Public Safety generally complied with and had controls to ensure compliance with certain provisions of laws, regulations, contracts, and grants applicable to its major federal programs for fiscal year 2012. However, the department had a weakness, as noted in the following *Finding and Recommendation* section.

We will report this weakness to the federal government in the *Minnesota Financial and Compliance Report on Federally Assisted Programs*, prepared by the Department of Management and Budget. This report provides the federal government with information about the state's use of federal funds and its compliance with federal program requirements. The report includes the results of our audit work, conclusions on the state's internal controls over and compliance with federal programs, and findings about control and compliance weaknesses.

Finding and Recommendation

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

Finding 1

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.*



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June 12, 2013

Mr. James R. Nobles
Legislative Auditor
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Dear Mr. Nobles,

Thank you for the opportunity to review and to the findings in the Federal Compliance Audit for year ending June 30, 2012. We appreciate the comprehensive review and the collaboration of your staff with our Public Assistance Program staff. Your audit finding and recommendation is consistent with improvements currently being addressed within the Recovery Branch.

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

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.

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.

Thank you again for the opportunity to work with your staff during this review. I look forward to working with the Legislature in an effort to improve our services to the communities recovering from these significant events.

Sincerely,

A handwritten signature in blue ink that reads "Ramona L. Dohman".

Ramona L. Dohman, Commissioner

cc: Mary Ellison
Larry Freund
Cori Calhoun