



FINANCIAL AUDIT DIVISION REPORT

**Department of
Public Safety**

Federal Compliance Audit

Year Ended June 30, 2013

March 7, 2014

Report 14-07

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OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

March 7, 2014

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 review to determine the status of a fiscal year 2012 finding related to a federal program administered by the Department of Public Safety during fiscal year 2013. We conducted this review 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.

This review was conducted by David Polisen, CPA, CISA, CFE (Audit Manager) and Sandy Ludwig, Auditor-in-Charge.

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

Handwritten signature of James R. Nobles in black ink.

James R. Nobles
Legislative Auditor

Handwritten signature of Cecile M. Ferkul in black ink.

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

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Report Summary

Conclusion

The Department of Public Safety did not fully resolve a prior audit issue identified in the fiscal year 2012 audit of the department's compliance requirements applicable to a major federal program it had in fiscal year 2012, as noted in the finding presented in this report.¹

Audit Finding

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

Audit Scope

Our scope was limited to determining whether the Department of Public Safety resolved the weakness identified in fiscal year 2012 in the Disaster Grants – Public Assistance program (CFDA² 97.036). In fiscal year 2012, this program was a major federal program for the State of Minnesota. Because the program's fiscal year 2013 expenditures, totaling about \$28.7 million, did not exceed the state's \$30 million major program threshold, we did not test the department's compliance with other applicable federal requirements as part of our 2013 federal Single Audit.

¹ Office of the Legislative Auditor's Financial Audit Division, Report 13-11, *Department of Public Safety Federal Compliance Audit*, issued June 20, 2013.

² The Catalog of Federal Domestic Assistance (CFDA) is a unique number assigned by the federal government to identify its programs.

Department of Public Safety

Federal Program Overview

In fiscal year 2012, the Department of Public Safety administered a federal program (Disaster Grants – Public Assistance, CFDA 97.036) that we considered a major federal program for the State of Minnesota, subject to audit under the federal Single Audit Act.³ The fiscal year 2012 federal expenditures for this program totaled about \$36.8 million. Because the program's fiscal year 2013 expenditures, totaling about \$28.7 million,⁴ did not exceed the state's \$30 million major program threshold, the program was not subject to federal compliance audit requirements as part of our 2013 federal Single Audit.

Objective, Scope, and Methodology

The objective of our review was to determine the status of the finding identified in our fiscal year 2012 audit of the Department of Public Safety's federal assistance programs.⁵ This review is part of our broader federal single audit objective about whether the State of Minnesota complied with the types of compliance requirements that are applicable to its federal programs.⁶

We conducted our review 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*, dated March 2013.

³ We defined a major federal program for the State of Minnesota, in accordance with a formula prescribed by the U.S. Office of Management and Budget and Budget Circular A-133, as a program or cluster of programs whose expenditures for fiscal year 2012 exceeded \$30 million.

⁴ Federal grant award numbers for the 2013 Disaster Grants Public Assistance Program: 1648DRMNP00000001, 1717DRMNP00000001, 1772DRMNP00000001, 1830DRMNP00000001, 1900DRMNP00000001, 1921DRMNP00000001, 1941DRMNP00000001, 1982DRMNP00000001, 1990DRMNP00000001, 4009DRMNP00000001, 4069DRMNP00000001.

⁵ Office of the Legislative Auditor's Financial Audit Division, Report 13-11, *Department of Public Safety Federal Compliance Audit*, issued June 20, 2013.

⁶ 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 December 18, 2013, on the State of Minnesota's basic financial statements for the year ended June 30, 2013. 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 14-04, *Report on Internal Control Over Financial Reporting*, issued February 14, 2014.)

Conclusion

The Department of Public Safety did not fully resolve a prior audit issue identified in the fiscal year 2012 audit of the department's compliance requirements applicable to a major federal program it had in fiscal year 2012, 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. This is a repeat finding.

Finding 1

At the time of the grant award, the department did not provide subrecipients of grants through the federal Disaster Grants – Public Assistance program (CFDA 97.036) with federal grant information, including the grant award name, name of the federal awarding agency, and the applicable compliance requirements, as required by federal regulations. In fiscal year 2013, the department communicated the grants' CFDA number but did not provide the other grant information.

Recommendation

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



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March 5, 2014

Mr. James Nobles
Legislative Auditor
State of Minnesota
Centennial Building, Suite 658
St. Paul, MN 55155

Dear Mr. Nobles,

Thank you for the opportunity to review the findings in the Federal Compliance Audit for the year ended June 30, 2013. We are committed to complying with all federal requirements and are working on the proper documentation to address this finding.

Finding 1

The Department of Public Safety did not adequately notify its subrecipients about federal grant information and requirements. This is a repeat finding.

Recommendation

The Department should provide all required federal award information to subrecipients.

Response

In response to the initial audit recommendation, the department's Division of Homeland Security and Emergency Management (HSEM) began including the CFDA number in the payment notification letters to applicants and in the reference information of electronic payment transmittals. When that was determined to be insufficient, HSEM began developing an "award letter" to be sent to applicants upon FEMA approval of their projects. The award letter

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James Nobles

template will include all required federal award information. We anticipate finalizing the award letter format and updating the grant procedure manual by March 31, 2014.

Person Responsible: John Moore
Date Projected for Completion: March 31, 2014

Sincerely,



Ramona L. Dohman, Commissioner

Cc: Mary Ellison
Mark Dunaski
Larry Freund
Kris Eide