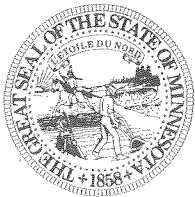


**STATE BOARD OF VOCATIONAL  
TECHNICAL EDUCATION  
MANAGEMENT LETTER  
FISCAL YEAR 1986**

**FEBRUARY 1987**

**Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota**





STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Mr. Joseph P. Graba, State Director  
State Board of Vocational Technical Education  
5th Floor, Capitol Square Building  
550 Cedar Street  
St. Paul, Minnesota 55101

Dear Mr. Graba:

We have reviewed certain accounting procedures and controls for your department as part of our statewide audit of the State of Minnesota's fiscal year 1986 financial statements and federal programs. The scope of our work has been limited to:

- those aspects of your department which have material impact on any of the state's various funds and account groups shown on the financial statements;
- the status of prior audit recommendations; and
- the federal programs included in the Catalog of Federal Domestic Assistance (CFDA) which were include in the Single Audit scope as follows:

<u>CFDA Number</u>	<u>Program</u>
17.250	Jobs and Training Partnership Act (JTPA)
84.048	Vocational Education Basic Grants

We emphasize that this has not been a complete financial and compliance audit of all programs within your department. The work conducted in your department is a part of our annual Statewide Financial and Federal Compliance Audit (Single Audit). The Single Audit coverage satisfies the federal government's financial and compliance audit requirements for all federal programs administered by your department in fiscal year 1986. Since the federal government is ultimately responsible for determining resolution of Single Audit recommendations, they will notify you of their final acceptance of your corrective actions.

This management letter contains a recommendation developed during this audit. Attached to your management letter is a summary of the progress on the audit recommendations developed during our financial audit of Minnesota's fiscal year 1985 financial statements. The recommendation included in this letter is presented to assist you in improving accounting procedures and controls. Progress on implementing this recommendation will be reviewed during our audit next year.

State administrative expenses were overclaimed by \$77,450 for the Jobs and Training Partnership Act Program (CFDA #17.250) and records were insufficient to determine how the funds were used.

The Jobs and Training Partnership Act (JTPA) of 1982 provides job training and related assistance to economically disadvantaged individuals and others who face significant employment barriers. The State Department of Jobs and Training receives Minnesota's federal grant award for JTPA programs from the U.S. Department of Labor. Jobs and Training subgrants the administrative responsibility for the state education and coordination program to the Minnesota State Board of Vocational Technical Education. Other JTPA projects are also subgranted to the Board by Jobs and Training; however, our review mainly focused on the state education and coordination program. The Code of Federal Regulations Title 20, Section 629.39, provides that allowable costs may be charged against training, administrative and participant support. This section further establishes the guidelines for allowable cost reimbursements under the JTPA programs.

The Board received a JTPA subgrant for the state education and coordination program of \$4,450,046 from Jobs and Training during the years ended June 30, 1985 and 1986. Funds awarded by Jobs and Training were allocated to local services delivery areas and state administrative costs. Administrative costs were limited to 20 percent of the award. The agreement between the two state agencies specified that the Board would be reimbursed for their actual expenses in administering the state education and coordination program.

The request for payment document submitted by the Board to Jobs and Training specifically required actual expenditures be reported for reimbursement. However, the Board requested reimbursement for an equal percentage of the administrative funds allocation monthly, rather than claiming actual expenditures. The Board reported the total administrative allocation of \$520,352 as fully expended on their final reimbursement request filed with Jobs and Training on July 10, 1986. However, only \$442,902 of administrative funds had actually been expended as of that date as shown on the statewide accounting system records. Therefore, the Board claimed \$77,450 for administrative costs for 1985 and 1986 that could not be substantiated. Because the JTPA programs administered by the Board are combined in one account in the statewide accounting system, we were unable to determine how the \$77,450 reimbursement was used. The Board account balance for fiscal year 1986 shown in the statewide accounting system for all JTPA projects was \$102,470 on October 31, 1986. Records were not available at the Board office to determine individual project balances.

The Board should review the method of accounting for JTPA subgrants to ensure an adequate audit trail for funds awarded and expended. Additional records may be needed to account for individual projects, or separate accounts in the statewide accounting system could be considered. Actual costs incurred for administration should be claimed for reimbursement as provided by the federal guidelines and subgrant agreement.

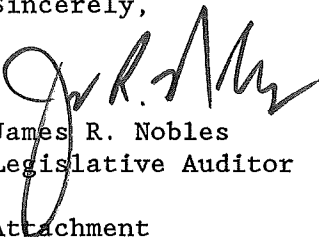
*RECOMMENDATION:*

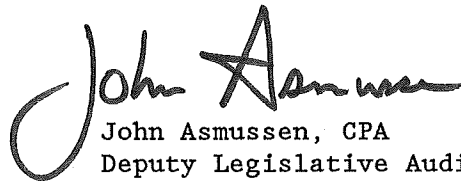
1. The Board should:

- *establish records to account for individual JTPA project financial activities;*
- *request reimbursement from Jobs and Training for actual state administrative expenditures; and*
- *determine the proper disposition of the overclaimed administrative funds of \$77,450.*

Thank you for the cooperation extended to our staff during this audit.

Sincerely,

  
James R. Nobles  
Legislative Auditor  
Attachment

  
John Asmussen, CPA  
Deputy Legislative Auditor

February 17, 1987



STATE BOARD OF VOCATIONAL TECHNICAL EDUCATION

STATUS OF PRIOR AUDIT RECOMMENDATIONS  
AND  
PROGRESS TOWARD IMPLEMENTATION

PRIOR RECOMMENDATION PARTIALLY IMPLEMENTED: The current procedures for determining aid to schools for the Vocational Education Basic Grants Program (CFDA #84.048) does not provide for a level of effort on a school-by-school basis.

1. The Board should resolve the issue of level of effort with the U.S. Department of Education.

*RECOMMENDATION WITHDRAWN. Due to the implementation of the provisions of the Carl Perkins Act on July 1, 1985, local level maintenance of fiscal effort is no longer required.*

Internal controls over the processing of Vocational Education Basic Grants Program (CFDA #84.048) need to be improved.

2. The Board of Vocational Technical Education should strengthen the internal controls over the calculation of aid entitlements by:
  - establishing a review process or computer edit check on the accuracy of data entered into the formula; and
  - documenting any adjustments to original variable amounts used in the calculation of aid entitlements.

*RECOMMENDATION IMPLEMENTED. The Board established procedures on July 31, 1985, to download electronic data from a data base directly into the formula for aid processing. The data base has both internal and external edits. The new procedures were applied to the 1986 final aid calculations and will be applied to all future aid calculations. Adjustments are also being documented. This recommendation has not received final acceptance from the federal government.*



Minnesota  
State Board of Vocational  
Technical Education  
Capitol Square Bldg.  
550 Cedar Street  
St. Paul, MN 55101

February 17, 1987

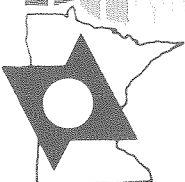
Mr. James R. Nobles  
Legislative Auditor  
Veterans Service Building  
St. Paul, Minnesota 55155

Re: Response to Recommendation for CFDA 17.250,  
Jobs and Training Partnership Act (JTPA)

Dear Mr. Nobles:

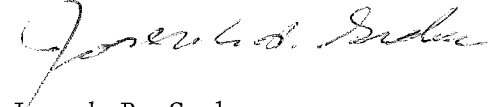
The Board has reviewed your recommendations and will:

	<u>Implementation Date</u>	<u>Person Responsible</u>
Establish records to account for individual JTPA project financial activities.	5/1/87	
- Detailed records are maintained on an IBM computer system. This system, however, will be reconciled with the State's Statewide Accounting System.		K. Rostomily and S. Schmidt
- Monthly reconciliations of the two systems will be done and discrepancies resolved.		
Request reimbursement from Jobs and Training for actual state administrative expenditures.	5/1/87	
- Amended report will be filed FY 85-86 to report actual expenditures.		K. Rostomily



	<u>Implementation Date</u>	<u>Person Responsible</u>
Determine the proper disposition of the overclaimed administrative funds of \$77,450.	5/1/87	
- A request will be submitted to amend FY 87 grant to include carryover from FY 85-86 grant.		A. Vadnais

Sincerely,



Joseph P. Graba  
Director

JPG:MEJ:kk