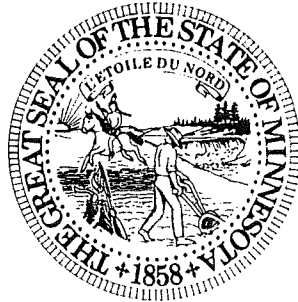


State of Minnesota



Financial and Compliance Report

on

Federally Assisted Programs

for the year ended

June 30, 1987

Prepared Through a Cooperative Agreement Between

Department of Finance

Tom Triplett, Commissioner

Office of the State Auditor

Arne H. Carlson, State Auditor

Office of the Legislative Auditor

James R. Nobles, Legislative Auditor

U. S. Department of Agriculture

Thomas F. Heideman, Regional Inspector
General for Audit

STATE OF MINNESOTA

FINANCIAL AND COMPLIANCE REPORT
ON FEDERALLY ASSISTED PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

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STATE OF MINNESOTA
DEPARTMENT OF FINANCE

309 STATE ADMINISTRATION BUILDING
SAINT PAUL, MINNESOTA 55155

612-296-5900

March 10, 1988

The Honorable Rudy Perpich, Governor
and
Members of the Legislature

We are submitting the Financial and Compliance Report for the single audit of federally assisted programs for the State of Minnesota as required by the Federal Single Audit Act of 1984 and the Federal Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." The intent of the single audit concept is to avoid inefficiency and duplication by including all federal funds received by a governmental unit in a single audit.

MANAGEMENT RESPONSIBILITIES - The Department of Finance is responsible for the accuracy, fairness and completeness of the financial statements, including all disclosures, presented in this report. We believe these statements provide a fair representation of financial activity for federal programs for the year ended June 30, 1987.

Accounting System - The statewide accounting system (SWAS) used in preparing federal financial statements is the responsibility of the Department of Finance. The SWAS is maintained on a cash basis of accounting.

The Department of Finance is also responsible for designing and applying the state's system of internal accounting controls. These controls provide reasonable assurance that the state's assets are protected against loss, either intentional or unintentional, and that the accounting records from which the financial statements were prepared are reliable. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefit derived.

REPORTING ENTITY - This report includes all federal assistance received by the state departments and agencies determined to be a part of the state's reporting entity. The National Council on Governmental Accounting's (NCGA) Statement 3: Defining the Governmental Reporting Entity provides the criteria used in defining the state's reporting entity. All federal programs within this reporting entity were included under the single audit. Because of the high degree of autonomy of the University of Minnesota, it is not considered a part of the state's reporting entity and therefore we have not included federal assistance for the University.

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

REPORT - This report supplements the state's Comprehensive Annual Financial Report for the state fiscal year ended June 30, 1987, and includes financial information for federal programs, compiled by the Department of Finance. It is divided into three sections: Transmittal Letter; Financial Section, including the auditor's opinion, expenditure statements and notes to the statements; and the Compliance Section, including the auditor's reports on internal control and compliance, audit findings schedule and the status of prior audit recommendations.

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

In addition to this financial and compliance report, the single audit for the State of Minnesota includes the department management letters issued by the Office of the Legislative Auditor; and the Report on Audits of Subrecipients issued by the Office of the State Auditor.

FEDERAL FINANCIAL ASSISTANCE TO THE STATE OF MINNESOTA - In fiscal year 1987 the State of Minnesota received approximately \$1.9 billion in federal assistance for its many programs. Major programs include Income Maintenance, Medical Assistance and Social Service Block Grants in the Department of Human Services; School Lunch and Educationally Deprived Children in the Department of Education; Highway Planning and Construction in the Departments of Transportation and Public Safety; Lower Income Housing Assistance in the Housing Finance Agency; and Low Income Energy Assistance, Job Training Partnership Act and Unemployment Insurance in the Department of Jobs and Training.

AUDITS - The Minnesota Office of the Legislative Auditor (OLA) performs an annual statewide audit primarily for the purpose of expressing an audit opinion on the financial statements included in the state's Comprehensive Annual Financial Report prepared by the Department of Finance. Another purpose of the statewide audit is to provide information to the Governor, Legislature and heads of state agencies concerning financial and accounting issues involving the state and its agencies. In addition, the scope of the annual statewide audit process has been expanded to include the federal requirements of the Single Audit Act and OMB Circular A-128.

The OLA has audited the financial statements for federal programs, and has issued their opinion on these statements. Also included are their reports on internal control and compliance with laws and regulations for federal programs. The OLA has relied upon the Report on Audits of Subrecipients, issued by the Office of the State Auditor.

All subrecipients receiving federal assistance from Minnesota state agencies have been required to have audits in accordance with OMB Circular A-128. State agencies are responsible for assuring that their subrecipients have audits and resolving audit recommendations resulting from these audits. Results of these

audits are summarized in the Report on Audits of Subrecipients issued by the Office of the State Auditor.

MEMORANDUM OF UNDERSTANDING - In April 1983, a Memorandum of Understanding (MOU) was signed to document the agreement for conducting audits of federal funds awarded directly to the State of Minnesota and expended either by the state or an authorized subrecipient. The MOU outlines the broad issues agreed to by all parties, as well as the specific responsibilities of each party. The parties participating in the MOU and their primary responsibilities are:

- The Minnesota Department of Finance: serves as the lead state agency representing all Minnesota state agencies receiving federal funds; coordinates single audit requirements; and is responsible for the preparation of the annual financial statements and supplemental financial statements on all federal grants received by the state.
- The Minnesota Office of the Legislative Auditor: performs the statewide single audit; prepares the audit report on the annual financial report for the state; provides an audit opinion on the supplemental financial statements on federal grants; issues reports on internal control and compliance with laws and regulations; and issues departmental management letters.
- The Minnesota Office of the State Auditor: establishes guidelines and procedures for subrecipient audits and reviews resulting audit reports.
- The U.S. Department of Agriculture-Office of Inspector General: serves as the lead cognizant audit agency representing all federal agencies awarding federal assistance to the State of Minnesota and serves as liaison with the other signers of the MOU and federal agencies.

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

Individual state agencies also have other 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. They are also responsible for assuring that organizations to which they subgrant federal funds have the required audits and for prompt resolution of federal program deficiencies reported as a result of those audits.

Sincerely,

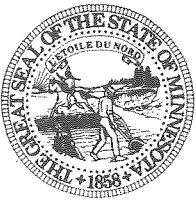


Tom Triplett
Commissioner

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FINANCIAL SECTION

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STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Members of the Legislature

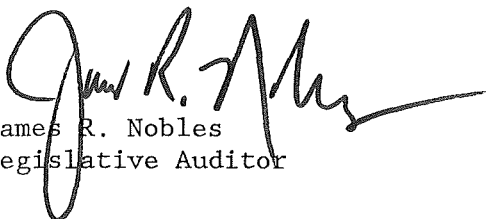
The Honorable Rudy Perpich, Governor


Tom Triplett, Commissioner of Finance

Thomas F. Heideman, Regional Inspector General for Audit,
United States Department of Agriculture

We have examined the general purpose financial statements of the State of Minnesota for the year ended June 30, 1987 and have issued our report thereon dated November 17, 1987. Our examination of such general purpose financial statements was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The Federal Programs Statements of Expenditures on pages 10 to 24 of this report are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. The information in these Statements has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

February 29, 1988

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1987

FEDERAL AGENCY	FEDERAL PROGRAM NAME	CFDA NUMBER	STATE AGENCY	FEDERAL EXPENDITURES	STATE MATCH	TOTAL EXPENDITURES	
AGRICULTURE	FORESTRY INCENTIVES	10.064	NATURAL RESOURCES	\$11,427		\$11,427	
	FOOD DISTRIBUTION	10.550	EDUCATION	22,677,969		22,677,969	
		10.550	HUMAN SERVICES	2,733,750		2,733,750	
			TOTAL PROGRAM 10.550	25,411,719		25,411,719	
	FOOD STAMPS	10.551	HUMAN SERVICES	13,964,132	656,565	14,620,697	
	NATIONAL SCHOOL LUNCH	10.555	EDUCATION	36,433,153	4,133,167	40,566,320	
	SPECIAL FOOD/WOMEN/INFANTS & CHILDREN	10.557	HEALTH	24,863,501		24,863,501	
DEFENSE	CHILD CARE FOOD PROGRAM	10.558	EDUCATION	22,198,014		22,198,014	
	TEMPORARY EMERGENCY FOOD ASSISTANCE	10.568	JOBS & TRAINING	15,422,271		15,422,271	
	MILITARY AFFAIRS OPERATIONS	12.00X a	MILITARY AFFAIRS	7,442,887	710,788	8,153,675	
	FLOOD CONTROL	12.106	TRANSPORTATION	5,804,297		5,804,297	
	EDUCATION	EDUCATIONALLY DEPRIVED CHILDREN	84.010	EDUCATION	37,556,934		37,556,934
		HANDICAPPED EARLY CHILDHOOD EDUCATION	84.024	EDUCATION	124,438		124,438
			84.024	HEALTH	9,136		9,136
			TOTAL PROGRAM 84.024	133,574		133,574	
HANDICAPPED STATE GRANTS		84.027	EDUCATION	23,701,641		23,701,641	
HIGHER EDUCATION ACT INSURED LOANS		84.032 b	HIGHER EDUCATION COORD BD	2,782,898		2,782,898	
COLLEGE WORK STUDY		84.033	COMMUNITY COLLEGE SYSTEM	1,770,955	522,329	2,293,284	
	84.033	STATE UNIVERSITY SYSTEM	2,265,416	566,354	2,831,770		
		TOTAL PROGRAM 84.033	4,036,371	1,088,683	5,125,054		

Footnotes: a A correct program number cannot be determined.
b See note 3 on page 24.

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1987

FEDERAL AGENCY	FEDERAL PROGRAM NAME	CFDA NUMBER	STATE AGENCY	FEDERAL EXPENDITURES	STATE MATCH	TOTAL EXPENDITURES
EDUCATION (CONTINUED)	INTERLIBRARY COOPERATION RESOURCE SHARING	84.035	EDUCATION	\$240,408		\$240,408
	NATIONAL DEFENSE DIRECT STUDENT LOANS	84.038 a	COMMUNITY COLLEGE SYSTEM	342,655	40,553	383,208
		84.038 a	STATE UNIVERSITY SYSTEM	667,742	74,193	741,935
			TOTAL PROGRAM 84.038	<u>1,010,397</u>	<u>114,746</u>	<u>1,125,143</u>
	VOCATIONAL EDUCATION-BASIC STATE	84.048	VOCATIONAL TECHNICAL EDUC	14,993,015		14,993,015
	PELL GRANT PROGRAM	84.063	COMMUNITY COLLEGE SYSTEM	9,828,392		9,828,392
		84.063	STATE UNIVERSITY SYSTEM	19,360,920		19,360,920
			TOTAL PROGRAM 84.063	<u>29,189,312</u>		<u>29,189,312</u>
	REHABILITATION SERVICES BASIC SUPPORT	84.126	JOBS & TRAINING	28,802,779	8,370,470	37,173,249
	IMPROVING SCHOOLS-STATE BLOCK	84.151	EDUCATION	4,050,871		4,050,871
ENERGY	WEATHERIZATION ASSISTANCE-LOW INCOME	81.042	JOBS & TRAINING	8,796,443		8,796,443
HEALTH & HUMAN SERVICES	AGING SUPPORT SERVICE & SENIOR CENTERS	13.633	HUMAN SERVICES	11,941,507	362,052	12,303,559
	CHILD WELFARE SERVICES-STATE	13.645	HUMAN SERVICES	2,997,526	1,015,140	4,012,666
	FOSTER CARE - TITLE IV-E	13.658	HUMAN SERVICES	10,945,668	799,236	11,744,904
	SOCIAL SERVICES BLOCK	13.667	HUMAN SERVICES	45,269,450	654,898	45,924,348
	MEDICAL ASSISTANCE	13.714	HEALTH	38,681		38,681
		13.714	HUMAN SERVICES	630,563,837	536,802,533	1,167,366,370
			TOTAL PROGRAM 13.714	<u>630,602,518</u>	<u>536,802,533</u>	<u>1,167,405,051</u>
	STATE HEALTH CARE PROVIDERS & SUPPLIERS	13.777	HEALTH	1,253,691		1,253,691
		13.777	HUMAN SERVICES	1,222,056	719,460	1,941,516
		13.777	PUBLIC SAFETY	124,772		124,772
			TOTAL PROGRAM 13.777	<u>2,600,519</u>	<u>719,460</u>	<u>3,319,979</u>

Footnote: a See note 4 on page 24.

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1987

FEDERAL AGENCY	FEDERAL PROGRAM NAME	CFDA NUMBER	STATE AGENCY	FEDERAL EXPENDITURES	STATE MATCH	TOTAL EXPENDITURES
HEALTH & HUMAN SERVICES (CONTINUED)	ASSISTANCE PAYMENTS-MAINTENANCE ASSIST	13.780	HUMAN SERVICES	\$190,938,816	\$73,061,351	\$264,000,167
	CHILD SUPPORT ENFORCEMENT	13.783	HUMAN SERVICES	16,005,155	232,265	16,237,420
	REFUGEE & ENTRANT ASSISTANCE-STATE	13.787	HUMAN SERVICES	14,369,836		14,369,836
	LOW INCOME HOME ENERGY BLOCK	13.789	JOBS & TRAINING	65,041,966		65,041,966
	WORK INCENTIVE	13.790	HUMAN SERVICES	517,804	23,674	541,478
		13.790	JOBS & TRAINING	3,370,192	261,138	3,631,330
			TOTAL PROGRAM 13.790	<u>3,887,996</u>	<u>284,812</u>	<u>4,172,808</u>
	COMMUNITY SERVICES BLOCK	13.792	JOBS & TRAINING	8,381,397		8,381,397
	SOCIAL SECURITY-DISABILITY INSURANCE	13.802	JOBS & TRAINING	8,246,011		8,246,011
	ALCOHOL/DRUG/MENTAL HEALTH BLOCK	13.992	HUMAN SERVICES	4,072,613		4,072,613
	MATERNAL & CHILD HEALTH SERVICE BLOCK	13.994 a	HEALTH	8,053,562	4,862,856	12,916,418
HOUSING & URBAN DEVELOPMENT	LOWER-INCOME HOUSING ASSISTANCE	14.156	HOUSING FINANCE	58,091,493		58,091,493
	COMMUNITY DEVELOPMENT BLOCK-STATES	14.228	TRADE & ECONOMIC DEVELOP	19,287,556	243,493	19,531,049
INTERIOR	FISH RESTORATION	15.605	NATURAL RESOURCES	4,337,642	1,446,758	5,784,400
	WILDLIFE RESTORATION	15.611	NATURAL RESOURCES	2,787,198	929,066	3,716,264
JUSTICE	JUVENILE JUSTICE DELINQUENCY PREVENTION	16.540	JOBS & TRAINING	615,146	55,300	670,446
LABOR	EMPLOYMENT SERVICES	17.207	JOBS & TRAINING	12,565,588		12,565,588

Footnote: a See note 1A on page 22.

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1987

FEDERAL AGENCY	FEDERAL PROGRAM NAME	CFDA NUMBER	STATE AGENCY	FEDERAL EXPENDITURES	STATE MATCH	TOTAL EXPENDITURES
LABOR (CONTINUED)	UNEMPLOYMENT INSURANCE	17.225	JOBS & TRAINING	\$33,705,006		\$33,705,006
	DISLOCATED WORKERS	17.246	JOBS & TRAINING	4,156,921	4,885,508	9,042,429
	JOB TRAINING PARTNERSHIP ACT	17.250	JOBS & TRAINING	34,915,205		34,915,205
TRANSPORTATION	AIRPORT IMPROVEMENT	20.106	TRANSPORTATION	8,711,046	2,424,342	11,135,388
	HIGHWAY PLANNING & CONSTRUCTION	20.205	PUBLIC SAFETY	301,735		301,735
		20.205 a	TRANSPORTATION	288,089,717	50,223,751	338,313,468
			TOTAL PROGRAM 20.205	<u>288,391,452</u>	<u>50,223,751</u>	<u>338,615,203</u>
VETERANS ADMINISTRATION	VETERANS STATE NURSING HOME CARE	64.015 b	VETERANS AFFAIRS	1,923,275	1,923,275	3,846,550
TOTAL MAJOR PROGRAMS				<u>\$1,799,688,112</u>	<u>\$696,000,515</u>	<u>\$2,495,688,627</u>

Footnotes: a See note 2 on page 24.
b Total operating expenditures under program 64.015 for the period were \$7,142,962. The required 50% state match for the program was met.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1987

FEDERAL AGENCY	FEDERAL PROGRAM NAME	CFDA NUMBER	STATE AGENCY	FEDERAL EXPENDITURES	STATE MATCH	TOTAL EXPENDITURES
AGRICULTURE	PLANT/ANIMAL DISEASE/PEST CONTROL	10.025	AGRICULTURE	\$5,371		\$5,371
		10.025	ANIMAL HEALTH BOARD	65,946	40,000	105,946
	COMMODITY LOANS AND PURCHASES	10.051	AGRICULTURE	132,244		132,244
	AGRICULTURAL CONSERVATION	10.063	NATURAL RESOURCES	131,228		131,228
	RURAL CLEAN WATER	10.068	NATURAL RESOURCES	19,515	4,500	24,015
	FEDERAL-STATE MARKETING IMPROVEMENT	10.156	AGRICULTURE	65,800		65,800
	INSPECTION GRADING & STANDARDIZATION	10.162	AGRICULTURE	293,959		293,959
	AGRICULTURAL RESEARCH	10.200	STATE UNIVERSITY SYSTEM	17,664		17,664
	MEAT & POULTRY INSPECTION	10.477	AGRICULTURE	137,376		137,376
	SCHOOL BREAKFAST	10.553	EDUCATION	1,855,423		1,855,423
	SPECIAL MILK PROGRAM-CHILDREN	10.556	EDUCATION	404,555		404,555
	CHILDREN SUMMER FOOD SERVICE	10.559	EDUCATION	421,612		421,612
	STATE ADMIN EXPENSES-CHILD NUTRITION	10.560	EDUCATION	1,026,306	212,086	1,238,392
	NUTRITION EDUCATION TRAINING	10.564	EDUCATION	71,645		71,645
	COOPERATIVE FORESTRY ASSISTANCE	10.664	NATURAL RESOURCES	893,102	1,444,506	2,337,608
	SCHOOLS & ROADS-GRANTS TO STATES	10.665	FINANCE	295,543		295,543
	ADDITIONAL LANDS-GRANTS TO MINNESOTA	10.668	FINANCE	716,149		716,149
	BOUNDARY WATER CANOE AREA	10.669	NATURAL RESOURCES	2,387,500	700,000	3,087,500
	RESOURCE CONSERVATION & DEVELOPMENT	10.901	NATURAL RESOURCES	5,930	1,098	7,028
	WATERSHED PROTECTION/FLOOD PREVENTION	10.904	STATE UNIVERSITY SYSTEM	9		9
COMMERCE	EXPORT PROMOTION SERVICES	11.108	AGRICULTURE	35,214		35,214
	PUBLIC WORKS IMPACT PROJECTS	11.304	IRON RANGE RESOURCE REHAB	341,621	114,000	455,621
	ECONOMIC DEVELOPMENT PLANNING	11.305	STATE PLANNING	55,000	18,334	73,334
	BASIC FUNDING OF TITLES I,II,III,IV,IX	11.308	TRADE & ECONOMIC DEVELOP	75,134	13,524	88,658
	WEATHER/RIVER FORECASTS/WARNING	11.404	PUBLIC SAFETY	25,264		25,264
	FISHERY PRODUCTS INSPECTION & CERT	11.413	AGRICULTURE	27		27
	PUBLIC TELECOMMUNICATIONS FACILITIES	11.550	STATE UNIVERSITY SYSTEM	779		779
DEFENSE	FLOOD PLAIN MANAGEMENT SERVICES	12.104	FINANCE	19,607		19,607
	PLANNING ASSISTANCE TO STATES	12.110	STATE UNIVERSITY SYSTEM	15		15
EDUCATION	INTEREST SUBSIDY	84.00X a	STATE TREASURER	217,805		217,805
	ADULT EDUCATION-STATE ADMINISTERED	84.002	EDUCATION	1,503,391	1,658,279	3,161,670

Footnote: a A correct program number cannot be determined.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1987

FEDERAL AGENCY	FEDERAL PROGRAM NAME	CFDA NUMBER	STATE AGENCY	FEDERAL EXPENDITURES	STATE MATCH	TOTAL EXPENDITURES
EDUCATION (CONTINUED)	BILINGUAL EDUCATION	84.003	COMMUNITY COLLEGE SYSTEM	\$154,470		\$154,470
		84.003	EDUCATION	51,300		51,300
	CIVIL RIGHTS TECHNICAL TRAINING	84.004	EDUCATION	374,772		374,772
	SUPPLEMENTAL EDUCATION OPPORTUNITY GRANT	84.007	COMMUNITY COLLEGE SYSTEM	703,496		703,496
		84.007	STATE UNIVERSITY SYSTEM	1,770,174		1,770,174
	HANDICAPPED EDUCATION-STATE SCHOOLS	84.009	EDUCATION	255,804		255,804
	MIGRANT EDUCATION-BASIC STATE FORMULA	84.011	EDUCATION	1,392,562		1,392,562
	EDUCATIONALLY DEPRIVED CHILDREN	84.012	EDUCATION	302,114		302,114
	NEGLECTED DELINQUENT CHILDREN	84.013	EDUCATION	316,458		316,458
	DEAF BLIND CENTERS	84.025	EDUCATION	86,045		86,045
	SPECIAL EDUCATION PERSONNEL DEVELOPMENT	84.029	EDUCATION	135,272		135,272
		84.029	STATE UNIVERSITY SYSTEM	323,980		323,980
	HIGHER EDUCATION-INSTITUTION AID	84.031	COMMUNITY COLLEGE SYSTEM	623,539		623,539
	LIBRARY SERVICES	84.034	EDUCATION	1,565,922	3,802,600	5,368,522
	DISADVANTAGED STUDENTS SPECIAL SERVICES	84.042	COMMUNITY COLLEGE SYSTEM	208,759		208,759
		84.042	STATE UNIVERSITY SYSTEM	308,434		308,434
	STRENGTHENING STATE EDUC AGENCY MGMT	84.043	STATE UNIVERSITY SYSTEM	13,355		13,355
	TALENT SEARCH	84.044	COMMUNITY COLLEGE SYSTEM	98,146		98,146
		84.044	STATE UNIVERSITY SYSTEM	87,278		87,278
	UPWARD BOUND	84.047	COMMUNITY COLLEGE SYSTEM	293,407		293,407
		84.047	STATE UNIVERSITY SYSTEM	396,093		396,093
	VOC ED-CONSUMER & HOMEMAKER EDUCATION	84.049	VOCATIONAL TECHNICAL EDUC	676,712		676,712
	VOCATIONAL EDUCATION-STATE COUNCILS	84.053	COUNCIL VO TECH EDUCATION	107,554		107,554
	HIGHER EDUCATION-COOPERATIVE EDUCATION	84.055	COMMUNITY COLLEGE SYSTEM	41,927	2,362	44,289
		84.055	STATE UNIVERSITY SYSTEM	2,037		2,037
	VETERANS INSTRUCTION COST	84.064	COMMUNITY COLLEGE SYSTEM	8,370		8,370
		84.064	STATE UNIVERSITY SYSTEM	3,116		3,116
	STATE STUDENT INCENTIVE	84.069	HIGHER EDUCATION COORD BD	1,405,663	702,832	2,108,495
	INDIAN EDUCATION STUDENTS FELLOWSHIPS	84.087	STATE UNIVERSITY SYSTEM	5,358		5,358
	GRADUATE & PROFESSIONAL STUDY	84.094	EDUCATION	12,996		12,996
		84.094	STATE UNIVERSITY SYSTEM	33,790		33,790
	IMPROVEMENT OF POSTSECONDARY EDUCATION	84.116	STATE UNIVERSITY SYSTEM	6,852		6,852
	REHABILITATION SERVICES PROJECTS	84.128	JOBS & TRAINING	449,250		449,250
		84.128	STATE UNIVERSITY SYSTEM	78,823		78,823
	REHABILITATION TRAINING	84.129	JOBS & TRAINING	76,889	8,467	85,356
		84.129	STATE UNIVERSITY SYSTEM	109,042		109,042
	CENTERS FOR INDEPENDENT LIVING	84.132	JOBS & TRAINING	645,388	312,031	957,419
	MIGRANT EDUC INTER/INTRASTATE COORD	84.144	EDUCATION	150,482		150,482
	TRANSITION PROGRAM FOR REFUGEE CHILDREN	84.146	EDUCATION	355,689		355,689
	BUSINESS & INTERNATIONAL EDUCATION	84.153	STATE UNIVERSITY SYSTEM	15,337		15,337
	LIBRARY CONSTRUCTION	84.154	EDUCATION	304,421		304,421
	HANDICAPPED-SPECIAL SERVICES	84.159	EDUCATION	8,914		8,914
	HANDICAPPED CLIENT ASSISTANCE	84.161	STATE PLANNING	92,154		92,154

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1987

FEDERAL AGENCY	FEDERAL PROGRAM NAME	CFDA NUMBER	STATE AGENCY	FEDERAL EXPENDITURES	STATE MATCH	TOTAL EXPENDITURES
EDUCATION (CONTINUED)	STRENGTHENING TEACHER SKILLS	84.164	EDUCATION	\$676,069		\$676,069
		84.164	HIGHER EDUCATION COORD BD	208,260		208,260
	MATH/SCIENCE/COMPUTER/FOREIGN LANGUAGE	84.168	EDUCATION	224		224
	INDEPENDENT LIVING COMPREHENSIVE SERVICES	84.169	JOBS & TRAINING	246,702	10,404	257,106
	HANDICAPPED PRESCHOOL INCENTIVE	84.173	EDUCATION	1,067,524		1,067,524
	VOC ED-COMMUNITY BASED ORGANIZATIONS	84.174	VOCATIONAL TECHNICAL EDUC	90,460		90,460
	CARL D PERKINS SCHOLARSHIPS	84.176	HIGHER EDUCATION COORD BD	164,539		164,539
	EMERGENCY IMMIGRANT EDUCATION ASSIST	84.762	EDUCATION	173,098		173,098
ENERGY	PEAT RESOURCE-RESEARCH & DEVELOPMENT	81.00X a	NATURAL RESOURCES	1,137		1,137
	NATIONAL ENERGY INFORMATION CENTER	81.039	TRADE & ECONOMIC DEVELOP	14,572		14,572
	STATE ENERGY CONSERVATION	81.041	PUBLIC SERVICE	215,162	55,478	270,640
		81.041	TRADE & ECONOMIC DEVELOP	328,965	68,808	397,773
	BASIC ENERGY SCIENCES ANALYSIS	81.049	STATE PLANNING	121,591		121,591
	ENERGY EXTENSION SERVICE	81.050	PUBLIC SERVICE	56,988	20,733	77,721
		81.050	TRADE & ECONOMIC DEVELOP	104,921	30,861	135,782
	INSTITUTIONAL BLDGS ENERGY CONSERVATION	81.052	PUBLIC SERVICE	29,746	29,213	58,959
		81.052	TRADE & ECONOMIC DEVELOP	95,852	39,537	135,389
	BIOFUELS & MUNICIPAL WASTE TECHNOLOGY	81.079	PUBLIC SERVICE	3,500	4,577	8,077
		81.079	TRADE & ECONOMIC DEVELOP	6,040		6,040
ENVIRONMENTAL PROTECTION	AIR POLLUTION CONTROL	66.001	POLLUTION CONTROL	1,111,695	1,358,705	2,470,400
	WASTEWATER TREATMENT WORKS CONSTRUCTION	66.418	NATURAL RESOURCES	37,614		37,614
		66.418	POLLUTION CONTROL	1,176,879		1,176,879
	WATER POLLUTION CONTROL-STATE/INTERSTATE	66.419	POLLUTION CONTROL	813,285	1,533,551	2,346,836
	WATER QUALITY CONTROL INFORMATION SYSTEM	66.423	POLLUTION CONTROL	90,034	4,666	94,700
	CONSTRUCTION MANAGEMENT ASSISTANCE	66.438	POLLUTION CONTROL	1,639,021		1,639,021
	WATER QUALITY MANAGEMENT PLANNING	66.454	POLLUTION CONTROL	406,561		406,561
	PESTICIDES CONTROL RESEARCH	66.502	AGRICULTURE	19,470	162,079	181,549
		66.502	HEALTH	51,414		51,414
	SOLID WASTE DISPOSAL RESEARCH	66.504	HEALTH	14,786		14,786
	WASTEWATER POLLUTION CONTROL	66.505	POLLUTION CONTROL	1,279,092	36,988	1,316,080
	SAFE DRINKING WATER RESEARCH & DEMO	66.506	HEALTH	805,558	474,920	1,280,478
	ENVIRONMENT PROTECTION SUPPORT	66.600	POLLUTION CONTROL	293,987		293,987
	PESTICIDES ENFORCEMENT	66.700	AGRICULTURE	161,079	274,939	436,018

Footnote: a A correct program number cannot be determined.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1987

FEDERAL AGENCY	FEDERAL PROGRAM NAME	CFDA NUMBER	STATE AGENCY	FEDERAL EXPENDITURES	STATE MATCH	TOTAL EXPENDITURES
ENVIRONMENTAL PROTECTION (CONTINUED)	HAZARDOUS WASTE MGMT FINANCIAL ASSIST	66.801	ATTORNEY GENERAL	\$41,903		\$41,903
		66.801	POLLUTION CONTROL	944,798	854,246	1,799,044
	HAZARDOUS SUBSTANCE RESPONSE TRUST FUND	66.802	POLLUTION CONTROL	1,037,388		1,037,388
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION	EMPLOYMENT DISCRIMINATION-STATE & LOCAL	30.002	HUMAN RIGHTS	308,298		308,298
FEDERAL EMERGENCY MANAGEMENT	EMERGENCY MGMT INSTITUTE-FIELD STUDIES	83.403	PUBLIC SAFETY	174,860		174,860
	STATE ASSISTANCE PROGRAM	83.501	PUBLIC SAFETY	117,616		117,616
	EMERGENCY MANAGEMENT ASSISTANCE	83.503	PUBLIC SAFETY	1,877,543	493,921	2,371,464
	STATE DISASTER PREPAREDNESS	83.505	NATURAL RESOURCES	1,097		1,097
		83.505	PUBLIC SAFETY	25,507	25,507	51,014
	RADIOLOGICAL INSTRUMENTATION	83.508	PUBLIC SAFETY	121,213		121,213
	RADIOLOGICAL PROTECTION PLANNING & DEVEL	83.511	PUBLIC SAFETY	51,393		51,393
	EMERGENCY OPERATING CENTERS	83.512	PUBLIC SAFETY	275,963		275,963
	STATE/LOCAL WARNING COMMUNICATION SYS	83.513	PUBLIC SAFETY	99,331		99,331
	POPULATION PROTECTION PLANNING	83.514	PUBLIC SAFETY	120,845		120,845
FEDERAL MEDIATION CONCILIATION SERVICE	LABOR-MANAGEMENT COOPERATION	34.002	MEDIATION SERVICES	64,734	7,972	72,706
HEALTH & HUMAN SERVICES	FOOD & DRUG ADMINISTRATION RESEARCH	13.103	AGRICULTURE	31,005		31,005
	MATERNAL & CHILD HEALTH	13.110	HEALTH	455,903		455,903
	BIOMETRY & RISK ESTIMATION	13.115	HEALTH	109,167		109,167
	TUBERCULOSIS CONTROL	13.116	HEALTH	44,449		44,449
	ACQUIRED IMMUNODEFICIENCY SYNDROME	13.118	HEALTH	356,105		356,105
	MENTAL HEALTH PLANNING & DEMO PROJECTS	13.125	HUMAN SERVICES	50,897		50,897
	REFUGEE ASSISTANCE-MENTAL HEALTH	13.128	HUMAN SERVICES	124,821		124,821
	INJURY CONTROL CENTERS	13.136	HEALTH	7,620		7,620
	HEALTH SERVICES RESEARCH & DEVELOPMENT	13.226	HEALTH	134,408		134,408
	MENTAL HEALTH - HOSPITAL IMPROVEMENT	13.237	HUMAN SERVICES	19,383		19,383
	OCCUPATIONAL SAFETY & HEALTH RESEARCH	13.262	HEALTH	29,459		29,459
	CHILDHOOD IMMUNIZATION	13.268	HEALTH	263,427		263,427
	CENTER FOR DISEASE CONTROL	13.283	HEALTH	41,371		41,371
	STATE HEALTH PLANNING & DEVELOPMENT	13.293	STATE PLANNING	185,392	42,030	227,422

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1987

FEDERAL AGENCY	FEDERAL PROGRAM NAME	CFDA NUMBER	STATE AGENCY	FEDERAL EXPENDITURES	STATE MATCH	TOTAL EXPENDITURES
HEALTH & HUMAN SERVICES (CONTINUED)	HEALTH PLANNING-HEALTH SYSTEMS	13.294	HEALTH	\$9,349		\$9,349
	NURSING STUDENT LOANS	13.364 a	COMMUNITY COLLEGE SYSTEM	0		0
		13.364 a	STATE UNIVERSITY SYSTEM	0		0
	CANCER CONTROL	13.399	HEALTH	6,642		6,642
	HEAD START	13.600	STATE UNIVERSITY SYSTEM	57,945		57,945
	CHILD WELFARE RESEARCH & DEMO ADMIN	13.608	HUMAN SERVICES	55,840		55,840
	CHILD ABUSE/NEGLECT PREVENTION & TREAT	13.628	HUMAN SERVICES	78,968		78,968
	DEVELOPMENTAL DISABILITIES	13.630	STATE PLANNING	862,846	35,300	898,146
	ADOPTION OPPORTUNITIES ADMINISTRATION	13.652	HUMAN SERVICES	26,552	9,081	35,633
	SPECIAL AGING PROGRAMS-TITLE IV	13.668	HUMAN SERVICES	179,745		179,745
	CHILD ABUSE DISCRETIONARY ACTIVITIES	13.670	HUMAN SERVICES	124,186		124,186
	FAMILY VIOLENCE & PREVENTION SERVICES	13.671	CORRECTIONS	79,647		79,647
	DEPENDENT CARE PLANNING & DEVELOPMENT	13.673	JOBS & TRAINING	71,308	15,000	86,308
	HEALTH FINANCING RES/DEMO/EXPERIMENTS	13.766	HUMAN SERVICES	70,259	1,802	72,061
	STATE MEDICAID FRAUD CONTROL UNITS	13.775	ATTORNEY GENERAL	322,528	102,080	424,608
	ASSISTANCE PAYMENTS-RESEARCH	13.812	JOBS & TRAINING	204,819	29,743	234,562
	HOME HEALTH SERVICES & TRAINING	13.888	HEALTH	20,920		20,920
	HEALTH PROFESSIONS INDIAN RECRUITMENT	13.970	STATE UNIVERSITY SYSTEM	25,958		25,958
	VENERAL DISEASE CONTROL	13.977	HEALTH	461,973		461,973
	HEALTH PROGRAMS FOR REFUGEES	13.987	HEALTH	147,986		147,986
	STATE DIABETES CONTROL	13.988	HEALTH	131,990		131,990
	PREVENTIVE HEALTH & SERVICES BLOCK	13.991 b	HEALTH	2,523,973		2,523,973
HOUSING & URBAN DEVELOPMENT	RENTAL HOUSING REHABILITATION	14.230	HOUSING FINANCE	522,499		522,499
	EMERGENCY SHELTER	14.231	JOBS & TRAINING	7,000	7,000	14,000
	EQUAL OPPORTUNITY IN HOUSING	14.400	HUMAN RIGHTS	32,250		32,250
	SOLAR ENERGY & ENERGY CONSERVATION BANK	14.550	HOUSING FINANCE	660,261	80,393	740,654
INFORMATION	EDUCATION EXCHANGE-GRADUATE STUDIES	82.001	STATE UNIVERSITY SYSTEM	102,360		102,360
	UNIVERSITY LECTURERS & RESEARCH SCHOLARS	82.002	STATE UNIVERSITY SYSTEM	18,576		18,576
INTERIOR	NEW LONDON DAM AGREEMENT	15.00X c	NATURAL RESOURCES	5,501		5,501
	INDIAN LANDS-RANGE MANAGEMENT	15.119	AGRICULTURE	120		120

Footnotes: a See note 4 on page 24.
b See note 1A on page 22.
c A correct program number cannot be determined.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1987

FEDERAL AGENCY	FEDERAL PROGRAM NAME	CFDA NUMBER	STATE AGENCY	FEDERAL EXPENDITURES	STATE MATCH	TOTAL EXPENDITURES
INTERIOR (CONTINUED)	ANADROMOUS FISH CONSERVATION	15.600	NATURAL RESOURCES	\$34,871	\$34,871	\$69,742
	RESOURCE CONTAMINANT ASSESSMENT	15.607	NATURAL RESOURCES	108,803	19,201	128,004
	WILDLIFE RESEARCH INFORMATION	15.610	NATURAL RESOURCES	76,836		76,836
	ENDANGERED SPECIES CONSERVATION	15.612	NATURAL RESOURCES	61,782	6,865	68,647
	WATER RESOURCES INVESTIGATIONS	15.804	STATE UNIVERSITY SYSTEM	12,490		12,490
	HISTORIC PRESERVATION	15.904	HISTORICAL SOCIETY	230,397	192,025	422,422
		15.904	STATE UNIVERSITY SYSTEM	8,604		8,604
	OUTDOOR RECREATION-ACQUIS, DEVEL & PLNG	15.916	NATURAL RESOURCES	330,056	330,056	660,112
		15.916	TRADE & ECONOMIC DEVELOP	75,342		75,342
JUSTICE	MARIJUANA ERADICATION	16.00X a	PUBLIC SAFETY	20,000		20,000
	DANGEROUS DRUGS LABORATORY ANALYSIS	16.001	PUBLIC SAFETY	160		160
	CRIMINAL JUSTICE STATISTICS DEVELOPMENT	16.550	STATE PLANNING	43,092		43,092
	MARIEL-CUBANS	16.572	CORRECTIONS	54,384		54,384
	CRIMINAL JUSTICE BLOCK	16.573	STATE PLANNING	262,937		262,937
	CRIME VICTIM ASSISTANCE	16.575	CORRECTIONS	470,504		470,504
	CORRECTIONS - TECHNICAL ASSISTANCE	16.603	CORRECTIONS	94,529	16,342	110,871
LABOR	LABOR FORCE STATISTICS	17.002	JOBS & TRAINING	1,104,204		1,104,204
	SENIOR COMMUNITY SERVICE EMPLOYMENT	17.235	JOBS & TRAINING	1,439,421	223,183	1,662,604
	WORKERS TRADE ADJUSTMENT ASSISTANCE	17.245	JOBS & TRAINING	2,740,502		2,740,502
	OCCUPATIONAL SAFETY & HEALTH	17.500	HEALTH	535,779	355,075	890,854
		17.500	LABOR & INDUSTRY	1,998,270	1,955,832	3,954,102
	MINE HEALTH & SAFETY	17.600	VOCATIONAL TECHNICAL EDUC	162,314		162,314
	DISABLED VETERANS OUTREACH	17.801	JOBS & TRAINING	1,165,219		1,165,219
	VETERANS EMPLOYMENT	17.802	JOBS & TRAINING	1,221,102		1,221,102
NATIONAL ARCHIVES & RECORDS ADMINISTRATION	NATL HISTORICAL PUBLICATIONS & RECORDS	89.003	ADMINISTRATION	59,593		59,593
NATIONAL FOUNDATION ARTS & HUMANITIES	PROMOTION OF THE ARTS-STATE	45.007	STATE ARTS BOARD	407,923	408,100	816,023
	PROMOTION OF THE ARTS-EXPANSION ARTS	45.010	STATE ARTS BOARD	115,177	115,300	230,477

Footnote: a A correct program number cannot be determined.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1987

FEDERAL AGENCY	FEDERAL PROGRAM NAME	CFDA NUMBER	STATE AGENCY	FEDERAL EXPENDITURES	STATE MATCH	TOTAL EXPENDITURES
NATIONAL FOUNDATION ARTS & HUMANITIES (CONTINUED)	PUBLIC HUMANITIES PROJECTS DISCIPLINES UNDERGRADUATE EDUCATION MUSEUM SERVICES INSTITUTE	45.113 45.150 45.301	STATE UNIVERSITY SYSTEM STATE UNIVERSITY SYSTEM ZOOLOGICAL GARDEN	\$6,970 24,993 19,145		\$6,970 24,993 19,145
NATIONAL SCIENCE FOUNDATION	COLLEGE SCIENCE INSTRUMENTATION TEACHER PREPARATION & ENHANCEMENT COMPUTER & INFO SCIENCE & ENGINEERING	47.064 47.066 47.070	STATE UNIVERSITY SYSTEM STATE UNIVERSITY SYSTEM STATE UNIVERSITY SYSTEM	50,000 10,543 306,803		50,000 10,543 306,803
SMALL BUSINESS ADMINISTRATION	SMALL BUSINESS DEVELOPMENT CENTER	59.037 59.037	COMMUNITY COLLEGE SYSTEM STATE UNIVERSITY SYSTEM	23,316 528,797	19,573	42,889 528,797
SMITHSONIAN INSTITUTION	MUSEUMS ASSISTANCE & ADVICE	60.007	ZOOLOGICAL GARDEN	4,800		4,800
TRANSPORTATION	WEATHER OBSERVATION BOATING SAFETY FINANCIAL ASSISTANCE AIRPORT DEVELOPMENT MOTOR CARRIER SAFETY MOTOR CARRIER SAFETY ASSISTANCE RAILROAD SAFETY STATE PARTICIPATION LOCAL RAIL SERVICE ASSISTANCE UMTA CAPITAL IMPROVEMENT UMTA TECHNICAL STUDIES PUBLIC TRANSPORTATION NONURBANIZED AREAS STATE & COMMUNITY HIGHWAY SAFETY GAS PIPELINE SAFETY	20.00X a 20.005 20.102 20.217 20.217 20.218 20.303 20.308 20.500 20.505 20.509 20.600 20.700	TRANSPORTATION NATURAL RESOURCES TRANSPORTATION PUBLIC SAFETY TRANSPORTATION PUBLIC SAFETY TRANSPORTATION TRANSPORTATION TRANSPORTATION TRANSPORTATION TRANSPORTATION PUBLIC SAFETY PUBLIC SAFETY	19,671 724,380 66,106 788,874 956 24,031 754,600 286,109 90,483 1,222,802 2,021,491 70,086	20,026 724,380 14,868 175,830 64,368 67,781 142,789 72,023 1,242,567 235,042 66,286	39,697 1,448,760 80,974 964,704 64,368 956 91,812 897,389 358,132 90,483 2,465,369 2,256,533 136,372
VETERANS ADMINISTRATION	STATE HOME FACILITIES CONSTRUCTION VETERANS STATE DOMICILIARY CARE	64.005 64.014 b	ADMINISTRATION VETERANS AFFAIRS	521,593 965,345	965,345	521,593 1,930,690

Footnotes: a A correct program number cannot be determined.
b Total operating expenditures under program 64.014 for the period were \$4,142,023. The required 50% state match for the program was met.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1987

FEDERAL AGENCY	FEDERAL PROGRAM NAME	CFDA NUMBER	STATE AGENCY	FEDERAL EXPENDITURES	STATE MATCH	TOTAL EXPENDITURES
VETERANS	VETERANS EDUCATIONAL ASSISTANCE	64.111	EDUCATION	\$182,129		\$182,129
ADMINISTRATION		64.111	LABOR & INDUSTRY	56,228		56,228
(CONTINUED)		64.111	STATE UNIVERSITY SYSTEM	7,749		7,749
WATER RESOURCES	WATER RESOURCES PLANNING	65.001	STATE PLANNING	2,007		2,007
TOTAL NONMAJOR PROGRAMS				<u>\$72,320,898</u>	<u>\$22,311,881</u>	<u>\$94,632,779</u>

STATE OF MINNESOTA
NOTES TO THE FEDERAL PROGRAMS FINANCIAL STATEMENTS
JUNE 30, 1987

These notes provide disclosure relevant to the financial statements on the preceding pages.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The reporting policies for fiscal year 1987 conform to the Single Audit Act of 1984 and to the agreements reached with the U.S. Department of Agriculture-Office of Inspector General. Financial statements for federal programs are divided into two sections by type, those for major and those for nonmajor programs. Included with the major programs are certain nonmajor programs which were subject to audit coverage similar to that given the major programs. Major federal programs include programs which are material to the State of Minnesota and nonmajor federal programs are those classified as immaterial on a statewide basis. The financial statements for federal programs are presented on an accrual basis and include all federal expenditures and required match.

For purposes of financial reporting, federal programs are identified by the Catalog of Federal Domestic Assistance (CFDA) number from the June 1987 basic edition catalog. Certain CFDA numbers presented are no longer operating programs. They are the result of carryover of funds from previous years. In some cases categorical programs were consolidated into block grants and reported with the block grants. The statements are presented in numeric CFDA order within each federal agency.

B. Financial Reporting Entity of the State of Minnesota

This report includes federal programs for all the various state departments, agencies, institutions and organizational units which are controlled by or dependent upon the Minnesota Legislature and/or its constitutional officers and are therefore considered to be a part of the state's reporting entity. The state's reporting entity has been defined in accordance with the National Council on Governmental Accounting's Statement 3: Defining the Governmental Reporting Entity. The criteria used to determine the state's reporting entity were degrees of: financial interdependence, fiscal accountability, administrative control, and scope of public service. All governmental units not meeting those criteria, and therefore construed to be autonomous from the state, have been excluded from this report.

C. Basis of Accounting

Accrual basis accounting was used for reporting all federal programs for the State of Minnesota. All financial activity presented is for the state's fiscal year ended June 30, 1987. Most federal financial assistance is accounted for in the statewide accounting system with some state agencies maintaining

additional manual records or separate cost accounting systems to provide additional detail. A few programs are accounted for on separate accounting systems. This report is designed to meet the reporting needs of the single audit and supplements the state's Comprehensive Annual Financial Report.

The state's Comprehensive Annual Financial Report is presented in accordance with generally accepted accounting principles (GAAP) following accrual or modified accrual basis of accounting as appropriate for the state's fund structure. Most federal activity is accounted for in the Federal Fund (a special revenue fund), but several other special revenue funds (Trunk Highway, Natural Resources and Miscellaneous Special Revenue Funds) and enterprise funds (Housing Finance Agency Loan, State University Board Revenue, Higher Education Coordinating Board Student Loan, College and University Activities, and Minnesota Zoological Garden Funds) include federal activity. The statewide accounting system is the primary source for financial information. Federal activity as reported in these statements is not traceable to that reported in the state's Comprehensive Annual Financial Report. This is the result of the use of several funds to account for federal activity and some commingling of state and federal funds.

D. Classification of Statement Information

Expenditures

Except as explained in notes 3 and 4, expenditures are presented for all federal programs. Where match is required, expenditures include both federal funds and state match. Expenditures include all disbursements, transfers-out (subgrants to other state agencies) and accrued expenditures (net of expenditure refunds) for the period July 1, 1986 through June 30, 1987, under the terms of the federal program.

Subgrants are contributions by the state to other governmental and nongovernmental organizations, or to individuals, or are payments to a third party on behalf of individuals for whom services were provided.

Transfers-out represent subgrants from one state agency to one or more other state agencies.

Match

Match represents the state's required portion of participation in a federal program. Usually a minimum percentage for matching share is prescribed by federal program legislation. Matching share requirements may be cash or in-kind contributions. Match for reporting purposes includes only amounts processed by the state. State match presented on the financial statements is based on the state's fiscal year. This match may be insufficient as of June 30, 1987. The final match for a federal program is calculated using the grant period rather than the state's fiscal year.

In-kind match represents the value of noncash contributions provided. In-kind contributions may consist of charges for real property, equipment, and the value of goods and services directly benefiting and specifically identifiable to the grant program.

2. MINNESOTA DEPARTMENT OF TRANSPORTATION

The Highway Planning and Construction Program (20.205), for the Minnesota Department of Transportation (MnDOT) operates under various federal reimbursement percentages depending on the specific grant and agreement involved. The state match required by each agreement was met in all cases.

3. MINNESOTA HIGHER EDUCATION COORDINATING BOARD

The Higher Education Act Insured Loans Program (84.032), for the Minnesota Higher Education Coordinating Board (MHECB) receives interest income subsidy entitlement grants based on the amount of outstanding guaranteed student loans. The amount of federal grants reported for this program is based on the subsidy provided for fiscal year 1987. Below is a summary of the MHECB loan activity during fiscal year 1987:

Loans Receivable July 1, 1986	\$148,002,075
Loan Repayments	(23,801,049)
Sold to Student Loan Marketing Association	(3,786,635)
New Loans Issued	<u>14,291,702</u>
Loans Receivable June 30, 1987	<u>\$134,706,093</u>

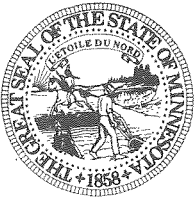
4. MINNESOTA COMMUNITY COLLEGES AND STATE UNIVERSITIES

The amounts reported on the financial statements for the National Defense/Direct Student Loans (NDSL) Program (84.038) and the Nursing Student Loans (NSL) Program (13.364), for the Community College System (CCS) and the State University System (SUS) are based on fiscal year 1987 federal contributions to the loan programs. Below is a summary of the loan activity for each program during fiscal year 1987:

	NDSL		NSL	
	CCS	SUS	CCS	SUS
Loans Receivable July 1, 1986	\$4,730,651	\$24,226,050	\$526,891	\$219,546
Loan Repayments	(814,749)	(3,771,283)	(120,285)	(31,382)
Loan Cancellations	0	(291,937)	0	(19,502)
New Loans Issued	<u>1,157,205</u>	<u>4,470,766</u>	<u>54,165</u>	<u>9,360</u>
Loans Receivable June 30, 1987	<u>\$5,073,107</u>	<u>\$24,633,596</u>	<u>\$460,771</u>	<u>\$178,022</u>

COMPLIANCE SECTION

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STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Members of the Legislature

The Honorable Rudy Perpich, Governor

Tom Triplett, Commissioner of Finance

Thomas F. Heideman, Regional Inspector General for Audit,
United States Department of Agriculture

Audit Scope

We have examined the general purpose financial statements of the State of Minnesota for the year ended June 30, 1987, and have issued our report thereon dated November 17, 1987. As part of our examination, we made a study and evaluation of the system of internal accounting control and the applicable internal control systems used in administering federal financial assistance programs described below to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office, the Single Audit Act of 1984, and the provisions of the U.S. Office of Management and Budget's (OMB) Circular A-128, Audits of State and Local Governments.

Management Responsibilities

The management of the State of Minnesota is responsible for establishing and maintaining internal control systems including those used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; transactions are executed in accordance with management's authorization; and reliable data are obtained, recorded, and maintained properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and the preparation of federal reports in accordance with federal requirements.

Because of inherent limitations in any system of internal accounting and administrative controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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United States Department of Agriculture
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For the purpose of this report, we have classified the significant internal accounting and administrative controls in the following categories:

Accounting Controls

- Cash
- Investments
- Inventories - Consumable and Fixed Assets
- Other Assets
- Bonded Debt
- Other Liabilities
- Equity
- Revenue/Receivables
- Payroll/Personnel
- Administrative Expenditures
- Grant and Aid Payments
- Indirect Costs
- Other Financing Sources (Uses)

Controls Used in Administering Federal Programs

- General Requirements-
 - Political Activity
 - Davis-Bacon Act
 - Civil Rights
 - Cash Management
 - Relocation Assistance and Real Property Acquisition
 - Federal Financial Reports
- Specific Requirements-
 - Types of Services
 - Eligibility
 - Matching, Level of Effort
 - Reporting
 - Cost Allocation
 - Monitoring Subrecipients
 - Special Requirements, if any

Our study and evaluation included all of the control categories listed above.

Opinion

With respect to our audit of the general purpose financial statements of the State of Minnesota, the purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements.

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With respect to the internal control systems used in administering the major federal financial assistance programs and certain nonmajor federal financial assistance programs as identified on pages 10 to 13 of this report, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses. During the year ended June 30, 1987, the State of Minnesota expended 96 percent of its federal financial assistance under these major and nonmajor federal financial assistance programs.

With respect to the internal control systems used in administering the nonmajor federal financial assistance programs as identified on pages 14 to 21 of this report, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Accordingly, our examination would not necessarily disclose all material weaknesses in these systems.

Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control and the applicable internal control systems used in administering federal financial assistance programs of the State of Minnesota. Accordingly, we do not express an opinion on the system of internal accounting control or on the internal control systems used in administering the major and nonmajor federal financial assistance programs of the State of Minnesota, taken as a whole, or on any of the control categories identified above.

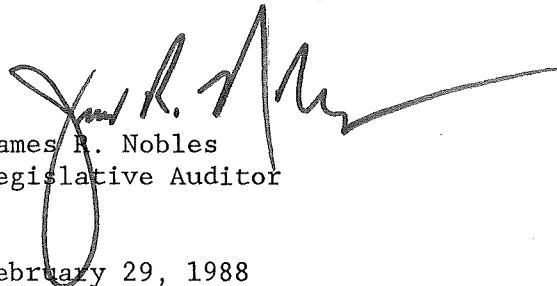
However, our study and evaluation and our examination disclosed certain conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to the general purpose financial statements or to a federal financial assistance program may occur and not be detected within a timely manner. These conditions are described in individual management letters and audit reports to the applicable state agencies. Those conditions relating to administering federal financial assistance programs of the State of Minnesota are included in the Schedule of Findings Associated With Specific Federal Programs on pages 35 to 56 of this report.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in 1) our examination of the 1987 general purpose financial statements, and 2) our examination and review of the State's compliance with laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures for each major federal financial assistance program and nonmajor federal financial assistance programs. This report does not affect

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United States Department of Agriculture
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our reports on the general purpose financial statements dated November 17, 1987, and on the State's compliance with laws and regulations dated February 29, 1988.

This report is intended solely for the use of management and all applicable federal agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

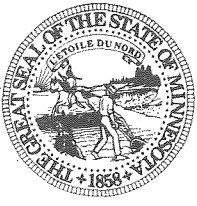


James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

February 29, 1988



STATE OF MINNESOTA

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Members of the Legislature

The Honorable Rudy Perpich, Governor

Tom Triplett, Commissioner of Finance

Thomas F. Heideman, Regional Inspector General for Audit,
United States Department of Agriculture

Audit Scope

We have examined the general purpose financial statements of the State of Minnesota for the year ended June 30, 1987, and have issued our report thereon dated November 17, 1987. Our examination was made in accordance with generally accepted auditing standards, the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office, the Single Audit Act of 1984, the provisions of the U.S. Office of Management and Budget's (OMB) Circular A-128, Audits of State and Local Governments, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Management Responsibilities

The management of the State of Minnesota is responsible for the State's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records to determine the state's compliance with laws and regulations, noncompliance with which could have a material effect on the general purpose financial statements of the state. We also selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal financial assistance programs as shown on pages 10 to 13 of this report. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the State of Minnesota had, in all material respects, administered major programs, and executed any other tested nonmajor program transactions for federal financial assistance programs as shown on pages 14 to 21 of this report, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Subrecipient Audits

The 1984 Single Audit Act, Section 7502(e)(1) provides that the recipient of federal funds is responsible to ensure that funds subgranted to local agencies be tested for compliance with federal rules and regulations.

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The Act also requires that the recipient ensure that prompt and appropriate corrective action is taken on reported instances of material noncompliance with applicable laws and regulations. In Minnesota, the Department of Finance, in cooperation with the Office of the State Auditor, coordinates the subrecipient monitoring activities of state agencies.

Most subrecipients in Minnesota received sufficient audit coverage except for certain nonprofit agencies. Several mental health centers that received funds from the Department of Human Services for the Alcohol/Drug/Mental Health Block Grant (CFDA #13.992) did not complete the required audits. Also, Community Action Program agencies did not include the food commodities received under the Temporary Emergency Food Assistance Program (CFDA #10.568) in their audits. Recommendations to improve monitoring of the food commodities program were made to the Department of Jobs and Training (Finding No. 2), as shown in the attached schedule.

Generally, state agencies had an adequate monitoring system to ensure that subrecipient findings were properly resolved. However, we cited three state agencies which needed to improve their monitoring procedures. These three audit findings for the Departments of Human Services (Finding No. 8), Trade and Economic Development (Finding No. 1), and Transportation (Finding No. 1) are also referenced in the attached schedule.

The need to ensure adequate subrecipient monitoring of federal financial assistance programs administered by Minnesota state agencies is discussed in the Department of Finance Management Letter for the 1987 Statewide Single Audit. (Report No. 88-16, Finding No. 2.)


Opinion

The results of our tests indicate that, for the items tested in connection with our examination of the general purpose financial statements, the State of Minnesota complied with those provisions of laws and regulations, noncompliance with which could have a material effect on the general purpose financial statements. Nothing came to our attention that caused us to believe that for the items not tested the State of Minnesota was not in compliance with laws and regulations, noncompliance with which could have a material effect on the State's general purpose financial statements.

In our opinion, subject to the effect of the ultimate resolution of those instances of noncompliance identified in the accompanying Schedule of Findings Associated With Specific Federal Programs, on pages 35 to 56 of this report, and subject to the effects, if any, of the insufficient subrecipient audit coverage and audit resolution as discussed above, for the year ended June 30, 1987, the State of Minnesota administered the major and nonmajor federal financial assistance programs identified on pages 10 to 13 of this report, in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

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United States Department of Agriculture
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The results of our testing of transactions and records selected from the nonmajor federal financial assistance programs identified on pages 14 to 21 of this report, indicate that for the transactions and records tested, the State of Minnesota complied with the laws and regulations referred to above, except for CFDA No. 13.608 - Child Welfare, Research, and Demonstration, CFDA No. 13.652 - Adoption Opportunities, and CFDA No. 13.670 - Child Abuse, Neglect Discretionary Activities, as noted in the accompanying Schedule of Findings Associated With Specific Federal Programs. Our testing was more limited than would be necessary to express an opinion on whether the State of Minnesota administered those programs in compliance, in all material respects, with those laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures. However, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the State of Minnesota had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

February 29, 1988

OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT

SCHEDULE OF AUDIT FINDINGS
ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

THE ATTACHED SCHEDULE SUPPLEMENTS THE PRECEDING REPORTS ON
INTERNAL CONTROL AND COMPLIANCE. IT IS INTENDED PRIMARILY TO
REFERENCE OUR AUDIT REPORTS WHICH HAVE BEEN ISSUED TO INDIVIDUAL
STATE AGENCIES. COPIES OF THE INDIVIDUAL REPORTS ARE AVAILABLE
BY CONTACTING OUR OFFICE.

The organization and terminology used in the schedule are dis-
cussed in the attached explanations section on pages 51 to 56.

OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF AGRICULTURE

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO.			PROBLEM	FINANCIAL IMPACT
			REPORT	86	87		
10.551	FOOD STAMPS	HUMAN SERVICES	88-23	8		1985 SINGLE AUDIT FINDINGS FOR COUNTIES NOT RESOLVED.	P
10.568	TEMPORARY EMERGENCY FOOD ASSISTANCE	JOBS AND TRAINING	88-22	2		INADEQUATE MONITORING OF DISTRIBUTUION ORGANIZATIONS AND SITES.	P
10.568	TEMPORARY EMERGENCY FOOD ASSISTANCE	JOBS AND TRAINING	88-22	1,2	1	DRAWDOWNS AND SUBRECIPIENT PAYMENTS ARE NOT BASED ON ACTUAL COSTS.	NQ

THE ATTACHED EXPLANATION IS AN INTEGRAL PART OF THIS SCHEDULE.

OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF DEFENSE

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO. REPORT 86 87	PROBLEM	FINANCIAL IMPACT
12.106	FLOOD CONTROL PROJECTS	TRANSPORTATION	88-25 1	SUBRECIPIENT MONITORING PROCESS IS INCOMPLETE.	P

OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF EDUCATION

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO. REPORT 86 87	PROBLEM	FINANCIAL IMPACT
84.032	HIGHER EDUCATION ACT INSURED LOANS (1)	HIGHER EDUCATION COORD	88-21	6 CIVIL RIGHTS PROCEDURES WERE NOT FOLLOWED.	P
84.032	HIGHER EDUCATION ACT INSURED LOANS (1)	MANKATO STATE UNIVERSIT	88-28	6 AWARDS EXCEEDED MAXIMUMS.	NQ
84.032	HIGHER EDUCATION ACT INSURED LOANS (1)	METRO STATE UNIVERSITY	88-28	5 REFUNDS OF OVERAWARDS NOT PAID DIRECTLY TO LENDERS.	P
84.032	HIGHER EDUCATION ACT INSURED LOANS (1)	METRO STATE UNIVERSITY	87-20	5,6 LACK OF SEPARATION OF DUTIES.	P
84.032	HIGHER EDUCATION ACT INSURED LOANS (1)	MINNEAPOLIS C.C.	88-27	5 SATISFACTORY ACADEMIC PROGRESS NOT ADEQUATELY MONITORED.	NQ
84.032	HIGHER EDUCATION ACT INSURED LOANS (1)	MINNEAPOLIS C.C.	88-27	5 SATISFACTORY ACADEMIC PROGRESS POLICY NOT ADEQUATE.	P
84.032	HIGHER EDUCATION ACT INSURED LOANS (1)	WINONA STATE UNIVERSITY	88-28	2 INADEQUATE CONTROLS IN THE AID DISBURSEMENT PROCESS.	NQ
84.032	HIGHER EDUCATION ACT INSURED LOANS (1)	WINONA STATE UNIVERSITY	88-28	4 AWARDS EXCEEDED MAXIMUMS.	NQ
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84.033	COLLEGE WORK-STUDY PROGRAM	BRAINERD C.C.	87-48	1 DRAWDOWNS NOT TIMELY.	NQ
84.033	COLLEGE WORK-STUDY PROGRAM	BRAINERD C.C.	87-48	2 COLLATERAL NOT OBTAINED WHEN ACCOUNT EXCEEDS \$100,000.	P
84.033	COLLEGE WORK-STUDY PROGRAM	FERGUS FALLS C.C.	87-50	1 PAYMENTS MADE IN ADVANCE.	P
84.033	COLLEGE WORK-STUDY PROGRAM	FERGUS FALLS C.C.	87-50	2 TIMESHEETS NOT PROPERLY COMPLETED OR SIGNED.	P
84.033	COLLEGE WORK-STUDY PROGRAM	FERGUS FALLS C.C.	87-50	3 CUMULATIVE EARNINGS NOT MONITORED.	\$166,P,(2)
84.033	COLLEGE WORK-STUDY PROGRAM	FERGUS FALLS C.C.	87-50	4 AID AWARDED IN EXCESS OF FINANCIAL NEED.	\$69
84.033	COLLEGE WORK-STUDY PROGRAM	METRO STATE UNIVERSITY	87-20	7 DRAWDOWNS NOT TIMELY.	NQ
84.033	COLLEGE WORK-STUDY PROGRAM	METRO STATE UNIVERSITY	87-20	8 FEDERAL REPORTS NOT RECONCILED.	P
84.033	COLLEGE WORK-STUDY PROGRAM	MINNEAPOLIS C.C.	87-61	29 EXCESSIVE CASH BALANCES.	NQ
84.033	COLLEGE WORK-STUDY PROGRAM	MINNEAPOLIS C.C.	87-61	31 LACK OF SEPARATION OF DUTIES.	P
84.033	COLLEGE WORK-STUDY PROGRAM	MINNEAPOLIS C.C.	88-27	5 SATISFACTORY ACADEMIC PROGRESS NOT ADEQUATELY MONITORED.	NQ
84.033	COLLEGE WORK-STUDY PROGRAM	MINNEAPOLIS C.C.	88-27	5 SATISFACTORY ACADEMIC PROGRESS POLICY NOT ADEQUATE.	P
84.033	COLLEGE WORK-STUDY PROGRAM	NORTH HENNEPIN C.C.	87-39	6 LACK OF SEPARATION OF DUTIES.	P

THE ATTACHED EXPLANATION IS AN INTEGRAL PART OF THIS SCHEDULE.

OFFICE OF THE LEGISLATIVE AUDITOR
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SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF EDUCATION

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO. REPORT 86 87		PROBLEM	FINANCIAL IMPACT
84.033	COLLEGE WORK-STUDY PROGRAM	NORTH HENNEPIN C.C.	87-39	7	STUDENT IDENTIFICATION NOT REQUIRED WHEN CHECKS ARE ISSUED.	P
84.033	COLLEGE WORK-STUDY PROGRAM	NORTHLAND C.C.	87-55	10	LACK OF SEPARATION OF DUTIES.	P
84.033	COLLEGE WORK-STUDY PROGRAM	NORTHLAND C.C.	87-55	11	TIMESHEETS NOT PROPERLY COMPLETED OR SIGNED.	\$35,P,(3)
84.033	COLLEGE WORK-STUDY PROGRAM	NORTHLAND C.C.	87-55	12	STUDENTS REIMBURSED FOR EXPENSES.	\$134,P,(3)
84.033	COLLEGE WORK-STUDY PROGRAM	NORTHLAND C.C.	87-55	14,15	ADJUSTMENTS TO STUDENT COSTS NOT DOCUMENTED.	NQ
84.033	COLLEGE WORK-STUDY PROGRAM	NORTHLAND C.C.	87-55	8	COLLATERAL NOT OBTAINED WHEN ACCOUNT EXCEEDS \$100,000.	P
84.033	COLLEGE WORK-STUDY PROGRAM	WINONA STATE UNIVERSITY	88-28	1	EXCESSIVE CASH BALANCES.	NQ
84.033	COLLEGE WORK-STUDY PROGRAM	WINONA STATE UNIVERSITY	88-28	2	INADEQUATE CONTROLS IN THE AID DISBURSEMENT PROCESS.	NQ
84.033	COLLEGE WORK-STUDY PROGRAM	WINONA STATE UNIVERSITY	88-28	3	INSTITUTIONAL AWARD NOT ADEQUATELY MONITORED.	P
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84.038	PERKINS LOAN PROGRAM (NDSL)	BRAINERD C.C.	87-48	1	DRAWDOWNS NOT TIMELY.	NQ
84.038	PERKINS LOAN PROGRAM (NDSL)	BRAINERD C.C.	87-48	2	COLLATERAL NOT OBTAINED WHEN ACCOUNT EXCEEDS \$100,000.	P
84.038	PERKINS LOAN PROGRAM (NDSL)	BRAINERD C.C.	87-48	3	STATE MATCH NOT TIMELY.	P
84.038	PERKINS LOAN PROGRAM (NDSL)	C.C. BOARD OFFICE	88-27	1	LACK OF SEPARATION OF DUTIES.	P
84.038	PERKINS LOAN PROGRAM (NDSL)	C.C. BOARD OFFICE	88-27	1	NO RECONCILIATION OF ACCOUNTS RECEIVABLE ENTRIES TO DEPOSITS.	P
84.038	PERKINS LOAN PROGRAM (NDSL)	C.C. BOARD OFFICE	88-27	2	INACTIVE ACCOUNTS AT COLLECTION AGENCIES.	P
84.038	PERKINS LOAN PROGRAM (NDSL)	C.C. BOARD OFFICE	88-27	2	NO RECONCILIATION OF ACCT. REC. RECORDS TO COLLECTION AGENCY RECORDS.	P
84.038	PERKINS LOAN PROGRAM (NDSL)	C.C. BOARD OFFICE	88-27	3	COLLECTION FEES NOT CORRECTLY CALCULATED.	P
84.038	PERKINS LOAN PROGRAM (NDSL)	C.C. BOARD OFFICE	88-27	4	PROGRAM FUNDS NOT EARNING INTEREST.	NQ
84.038	PERKINS LOAN PROGRAM (NDSL)	FERGUS FALLS C.C.	87-50	5,6	LACK OF SEPARATION OF DUTIES.	P
84.038	PERKINS LOAN PROGRAM (NDSL)	MINNEAPOLIS C.C.	87-61	26	FINANCIAL AID CHECKS NOT COMPARED TO SOURCE DOCUMENTS.	P
84.038	PERKINS LOAN PROGRAM (NDSL)	MINNEAPOLIS C.C.	87-61	27	INTEREST EARNED IS NOT BEING USED FOR PROGRAM PURPOSES.	NQ
84.038	PERKINS LOAN PROGRAM (NDSL)	MINNEAPOLIS C.C.	87-61	28	INTERNAL RECORDS NOT UPDATED TIMELY FOR COLLECTIONS.	P

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SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF EDUCATION

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO. REPORT 86 87			PROBLEM	FINANCIAL IMPACT
84.038	PERKINS LOAN PROGRAM (NDSL)	MINNEAPOLIS C.C.	87-61	29		EXCESSIVE CASH BALANCES.	NQ
84.038	PERKINS LOAN PROGRAM (NDSL)	MINNEAPOLIS C.C.	88-27	5		SATISFACTORY ACADEMIC PROGRESS NOT ADEQUATELY MONITORED.	NQ
84.038	PERKINS LOAN PROGRAM (NDSL)	MINNEAPOLIS C.C.	88-27	5		SATISFACTORY ACADEMIC PROGRESS POLICY NOT ADEQUATE.	P
84.038	PERKINS LOAN PROGRAM (NDSL)	NORTHLAND C.C.	87-55	10		LACK OF SEPARATION OF DUTIES.	P
84.038	PERKINS LOAN PROGRAM (NDSL)	NORTHLAND C.C.	87-55	13		NO WRITTEN REFUND POLICY.	NQ
84.038	PERKINS LOAN PROGRAM (NDSL)	NORTHLAND C.C.	87-55	14,15		ADJUSTMENTS TO STUDENT COSTS NOT DOCUMENTED.	NQ
84.038	PERKINS LOAN PROGRAM (NDSL)	NORTHLAND C.C.	87-55	8		COLLATERAL NOT OBTAINED WHEN ACCOUNT EXCEEDS \$100,000.	P
84.038	PERKINS LOAN PROGRAM (NDSL)	NORTHLAND C.C.	87-55	9		STATE MATCH NOT TIMELY.	P
84.038	PERKINS LOAN PROGRAM (NDSL)	WINONA STATE UNIVERSITY	88-28	1		EXCESSIVE CASH BALANCES.	NQ
84.038	PERKINS LOAN PROGRAM (NDSL)	WINONA STATE UNIVERSITY	88-28	2		INADEQUATE CONTROLS IN AID DISBURSEMENT PROCESS.	NQ
84.038	PERKINS LOAN PROGRAM (NDSL)	WINONA STATE UNIVERSITY	88-28	3		INSTITUTIONAL AWARD NOT ADEQUATELY MONITORED.	P
.....							
84.048	VOCATIONAL EDUCATION BASIC GRANTS	VOCATIONAL EDUCATION	88-15	1		AFFIRMATIVE ACTION PLAN NOT APPROVED.	P
.....							
84.063	PELL GRANT PROGRAM	BRAINERD C.C.	87-48	1		DRAWDOWNS NOT TIMELY.	NQ
84.063	PELL GRANT PROGRAM	BRAINERD C.C.	87-48	2		COLLATERAL NOT OBTAINED WHEN ACCOUNT EXCEEDS \$100,000.	P
84.063	PELL GRANT PROGRAM	FERGUS FALLS C.C.	87-50	5,6		LACK OF SEPARATION OF DUTIES.	P
84.063	PELL GRANT PROGRAM	METRO STATE UNIVERSITY	87-20	2		REFUNDS NOT PROPERLY ALLOCATED.	P,(4)
84.063	PELL GRANT PROGRAM	METRO STATE UNIVERSITY	87-20	5,6		LACK OF SEPARATION OF DUTIES.	P
84.063	PELL GRANT PROGRAM	METRO STATE UNIVERSITY	87-20	7		DRAWDOWNS NOT TIMELY.	NQ
84.063	PELL GRANT PROGRAM	METRO STATE UNIVERSITY	87-20	8		FEDERAL REPORTS NOT RECONCILED.	P
84.063	PELL GRANT PROGRAM	MINNEAPOLIS C.C.	87-61	26		FINANCIAL AID CHECKS NOT COMPARED TO SOURCE DOCUMENTS.	P

THE ATTACHED EXPLANATION IS AN INTEGRAL PART OF THIS SCHEDULE.

OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF EDUCATION

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO. REPORT 86 87			PROBLEM	FINANCIAL IMPACT
84.063	PELL GRANT PROGRAM	MINNEAPOLIS C.C.	87-61	29		EXCESSIVE CASH BALANCES.	NQ
84.063	PELL GRANT PROGRAM	MINNEAPOLIS C.C.	88-27	5		SATISFACTORY ACADEMIC PROGRESS POLICY NOT ADEQUATE.	P
84.063	PELL GRANT PROGRAM	MINNEAPOLIS C.C.	88-27	5		SATISFACTORY ACADEMIC PROGRESS NOT ADEQUATELY MONITORED.	\$2,993
84.063	PELL GRANT PROGRAM	NORTHLAND C.C.	87-55	10		LACK OF SEPARATION OF DUTIES.	P
84.063	PELL GRANT PROGRAM	NORTHLAND C.C.	87-55	13		NO WRITTEN REFUND POLICY.	NQ
84.063	PELL GRANT PROGRAM	NORTHLAND C.C.	87-55	14, 15		ADJUSTMENTS TO STUDENT COSTS NOT DOCUMENTED.	NQ
84.063	PELL GRANT PROGRAM	NORTHLAND C.C.	87-55	8		COLLATERAL NOT OBTAINED WHEN ACCOUNT EXCEEDS \$100,000.	P
84.063	PELL GRANT PROGRAM	WINONA STATE UNIVERSITY	88-28	1		EXCESSIVE CASH BALANCES.	NQ
84.063	PELL GRANT PROGRAM	WINONA STATE UNIVERSITY	88-28	2		INADEQUATE CONTROLS IN THE AID DISBURSEMENT PROCESS.	\$700
84.063	PELL GRANT PROGRAM	WINONA STATE UNIVERSITY	88-28	3		INSTITUTIONAL AWARD NOT ADEQUATELY MONITORED.	P
.....							
84.126	REHABILITATION SERVICES BASIC SUPPORT	HUMAN SERVICES	88-23	1	2	INDIRECT COSTS NOT FULLY REIMBURSED TO GENERAL FUND.	P
84.126	REHABILITATION SERVICES BASIC SUPPORT	HUMAN SERVICES	88-23	3		EXPENDITURES OVERCLAIMED IN 1986 AND IN DEFICIENCY STATUS IN 1987.	\$59,436(5)
84.126	REHABILITATION SERVICES BASIC SUPPORT	HUMAN SERVICES	88-23	5		EQUIPMENT PURCHASED DID NOT COMPLY TO FEDERAL REQUIREMENTS.	\$33,670
84.126	REHABILITATION SERVICES BASIC SUPPORT	JOBS AND TRAINING	88-22	1	1	DRAWDOWNS NOT BASED ON ACTUAL COSTS.	NQ
.....							

- (1) GUARANTEED STUDENT LOANS (GSL) AND PLUS LOANS.
 (2) ALSO REPORTED IN REPORT NO. 88-27, SEC. II, FINDING 2.
 (3) QUANTIFIED IN REPORT NO. 88-27, SEC. II, FINDING 1.
 (4) EXPLAINED IN REPORT NO. 88-28, FINDING NO. 5.
 (5) EXPENDITURES OVERCLAIMED IN 1986-\$59,436 AND IN DEFICIENCY STATUS IN 1987-\$19,859.

THE ATTACHED EXPLANATION IS AN INTEGRAL PART OF THIS SCHEDULE.

OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF ENERGY

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO. REPORT 86 87	PROBLEM	FINANCIAL IMPACT
81.042	WEATHERIZATION ASSISTANCE- LOW INCOME PERSONS	JOBS AND TRAINING	88-22 1,2 1	DRAWDOWNS AND SUBRECIPIENT PAYMENTS ARE NOT BASED ON ACTUAL COSTS.	NQ

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OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
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U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO. REPORT 86 87			PROBLEM	FINANCIAL IMPACT
13.608	CHILD WELFARE, RESEARCH, AND DEMONSTRATION	HUMAN SERVICES	88-23	1,2		INDIRECT COSTS PAID BY TITLE XX WITHOUT PRIOR APPROVAL.	P
13.635	SPECIAL PROGRAMS FOR THE AGING- TITLE III	HUMAN SERVICES	88-23	8		1985 SINGLE AUDIT FINDINGS FOR COUNTIES NOT RESOLVED.	P
13.645	CHILD WELFARE SERVICES	HUMAN SERVICES	88-23	4		EQUIPMENT AND SERVICES PURCHASED WITHOUT PRIOR APPROVAL.	\$121,449
13.645	CHILD WELFARE SERVICES	HUMAN SERVICES	88-23	1 1,2		INDIRECT COSTS PAID BY TITLE XX AND COSTS NOT FULLY REIMBURSED.	
13.652	ADOPTION OPPORTUNITIES	HUMAN SERVICES	88-23	1 1,2		INDIRECT COSTS PAID BY TITLE XX AND COSTS NOT FULLY REIMBURSED.	P
13.658	FOSTER CARE	HUMAN SERVICES	88-23	8		1985 SINGLE AUDIT FINDINGS FOR COUNTIES NOT RESOLVED.	P
13.667	SOCIAL SERVICE BLOCK GRANT	HUMAN SERVICES	88-23	1 1,2		FUNDS USED FOR OTHER PROGRAMS INDIRECT COSTS WITHOUT PRIOR APPROVAL.	P
13.667	SOCIAL SERVICE BLOCK GRANT	HUMAN SERVICES	88-23	1		FUNDS EXPENDED BEYOND THE ELIGIBLE TIME PERIOD.	\$96,899
13.668	SPECIAL PROGRAMS FOR THE AGING- TITLE IV	HUMAN SERVICES	88-23	1,2		INDIRECT COSTS PAID BY TITLE XX WITHOUT PRIOR APPROVAL.	P

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OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO. REPORT 86 87			PROBLEM	FINANCIAL IMPACT
13.670	CHILD ABUSE, NEGLECT DISCRETIONARY ACTIVITIES	HUMAN SERVICES	88-23	1	1,2	INDIRECT COSTS PAID BY TITLE XX AND COSTS NOT FULLY REIMBURSED.	P
13.714	MEDICAL ASSISTANCE	HUMAN SERVICES	88-23		8	1985 SINGLE AUDIT FINDINGS FOR COUNTIES NOT RESOLVED.	P
13.780	ASSISTANCE PAYMENTS- MAINTENANCE (AFDC)	HUMAN SERVICES	88-23		8	1985 SINGLE AUDIT FINDINGS FOR COUNTIES NOT RESOLVED.	P
13.780	ASSISTANCE PAYMENTS- MAINTENANCE (AFDC)	HUMAN SERVICES	88-23	1	1,2	INDIRECT COSTS PAID BY TITLE XX AND COSTS NOT FULLY REIMBURSED.	P
13.783	CHILD SUPPORT ENFORCEMENT	HUMAN SERVICES	88-23		8	1985 SINGLE AUDIT FINDINGS FOR COUNTIES NOT RESOLVED.	P
13.787	REFUGEE ASSISTANCE- STATE ADMINISTERED	HUMAN SERVICES	88-23	1	2	INDIRECT COSTS NOT FULLY REIMBURSED TO GENERAL FUND.	P
13.787	REFUGEE ASSISTANCE- STATE ADMINISTERED	HUMAN SERVICES	88-23		8	1985 SINGLE AUDIT FINDINGS FOR COUNTIES NOT RESOLVED.	P
13.789	LOW INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	JOBS AND TRAINING	88-22	1,2	1	DRAWDOWNS AND SUBRECIPIENT PAYMENTS ARE NOT BASED ON ACTUAL COSTS.	NQ
13.790	WORK INCENTIVE	HUMAN SERVICES	88-23	1	2	INDIRECT COSTS NOT REIMBURSED TO GENERAL FUND.	P
13.790	WORK INCENTIVE	HUMAN SERVICES	88-23	6	7	ALLOCATION METHOD SHOULD BE BASED ON CURRENT DATA.	P
13.790	WORK INCENTIVE	JOBS AND TRAINING	88-22	1	1	DRAWDOWNS NOT BASED ON ACTUAL COSTS.	NQ

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OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO.			PROBLEM	FINANCIAL IMPACT
			REPORT	86	87		
13.792	COMMUNITY SERVICES BLOCK GRANT	JOBS AND TRAINING	88-22	1	1	DRAWDOWNS NOT BASED ON ACTUAL COSTS.	NQ
13.802	SOCIAL SECURITY DISABILITY DETERMINATION	JOBS AND TRAINING	88-22	1	1	DRAWDOWNS NOT BASED ON ACTUAL COSTS.	NQ
13.802	SOCIAL SECURITY DISABILITY DETERMINATION	HUMAN SERVICES	88-22		3	CERTIFICATES OF COMPLIANCE NOT ON FILE.	P
13.992	ALCOHOL, DRUG ABUSE & MENTAL HEALTH BLOCK	HUMAN SERVICES	88-23	1	1,2	INDIRECT COSTS PAID BY TITLE XX AND COSTS NOT FULLY REIMBURSED.	P

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OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO. REPORT 86 87		PROBLEM	FINANCIAL IMPACT
14.228	COMMUNITY DEVELOPMENT BLOCK-STATE'S PROGRAM	TRADE & ECON DEVEL	88-29	1	FOLLOWUP ON SUBRECIPIENT CROSS-CUTTING FINDINGS.	P

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OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF INTERIOR

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO.			PROBLEM	FINANCIAL IMPACT
			REPORT	86	87		
15.605	FISH RESTORATION (DINGELL-JOHNSON)	NATURAL RESOURCES	88-18	4	1	COST ACCOUNTING SYSTEM NECESSARY.	P
15.611	WILDLIFE RESTORATION (PITTMAN-ROBERTSON)	NATURAL RESOURCES	88-18	4	1	COST ACCOUNTING SYSTEM NECESSARY.	P

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OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF JUSTICE

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO. REPORT 86 87	PROBLEM	FINANCIAL IMPACT
16.540	JUVENILE JUSTICE AND DELINQUENCY PREVENTION	JOBS AND TRAINING	88-22 1	DRAWDOWNS NOT BASED ON ACTUAL COSTS.	NQ

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OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF LABOR

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO.			PROBLEM	FINANCIAL IMPACT
			REPORT	86	87		
17.207	EMPLOYMENT SERVICES	JOBS AND TRAINING	88-22	1	1	DRAWDOWNS NOT BASED ON ACTUAL COSTS.	NQ
17.225	UNEMPLOYMENT INSURANCE	JOBS AND TRAINING	88-22	1	1	DRAWDOWNS NOT BASED ON ACTUAL COSTS.	NQ
17.246	DISLOCATED WORKERS	JOBS AND TRAINING	88-22		1	DRAWDOWNS NOT BASED ON ACTUAL COSTS.	NQ
17.250	JOB TRAINING PARTNERSHIP ACT	VOCATIONAL EDUCATION	88-15		1	AFFIRMATIVE ACTION PLAN NOT APPROVED.	P
17.250	JOB TRAINING PARTNERSHIP ACT	JOBS AND TRAINING	88-22	1	1	DRAWDOWNS NOT BASED ON ACTUAL COSTS.	NQ

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OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. DEPARTMENT OF TRANSPORTATION

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO.		PROBLEM	FINANCIAL IMPACT
			REPORT	86	87	
20.106	AIRPORT IMPROVEMENT	TRANSPORTATION	88-25	1	SUBRECIPIENT MONITORING PROCESS IS INCOMPLETE.	P
20.205	HIGHWAY RESEARCH, PLANNING AND CONSTRUCTION	TRANSPORTATION	88-25	1	SUBRECIPIENT MONITORING PROCESS IS INCOMPLETE.	P
20.205	HIGHWAY RESEARCH, PLANNING AND CONSTRUCTION	TRANSPORTATION	88-25	IA 3	NEED TO CREDIT PROJECTS FOR RETAINED BID DEPOSITS AND LIQ. DAMAGES.	P
20.205	HIGHWAY RESEARCH, PLANNING AND CONSTRUCTION	TRANSPORTATION	88-25	IA 1	RELOCATION ASSISTANCE MOVES AND RECORD RETENTION NEED MONITORING.	P
20.205	HIGHWAY RESEARCH, PLANNING AND CONSTRUCTION	TRANSPORTATION	88-25	IA 2	RELOCATION ASSISTANCE STAFF NEED TRAINING.	P
20.205	HIGHWAY RESEARCH, PLANNING AND CONSTRUCTION	TRANSPORTATION	88-25	IA3	IA 6 REQUIRED "FIELDMAN'S CHECK ON COMPLIANCE" REPORTS NOT COMPLETED.	P

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OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

U. S. VETERANS ADMINISTRATION

CFDA NO.	PROGRAM NAME	STATE AGENCY	AUDIT FINDING NO. REPORT 86 87	PROBLEM	FINANCIAL IMPACT
64.015	VETERANS STATE NURSING HOME CARE	VETERANS AFFAIRS	88-26 1	ADMINISTRATION OF NURSING CARE PROGRAM NEEDS IMPROVEMENT.	\$65,800

OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT

SCHEDULE OF AUDIT FINDINGS
ASSOCIATED WITH SPECIFIC FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1987

EXPLANATION OF THE SCHEDULE

I. PURPOSE/ORGANIZATION

This schedule is presented to accommodate the federal Inspectors General, program staff and other federal officials in following up on Statewide Single Audit findings associated with specific federal programs. This schedule is intended primarily to be a reference to the Audit Reports which we have issued to each affected state agency. The Audit Reports contain a detailed discussion of each finding, as well as the state agency's formal response to the findings. Since the schedule is primarily intended as a referencing tool, we limited the discussion on individual findings.

All audit report findings associated with federal programs are considered material and are included in this schedule. We consider all findings to indicate potential problems with both internal controls and compliance with federal grant requirements. Accordingly, we have not attempted to classify the findings as either compliance or control issues and have referenced our respective reports to this schedule in its entirety. Because the schedule is not intended to replace the Audit Reports and their respective state agency responses, users of this report are encouraged to utilize the schedule in conjunction with those documents.

II. SCHEDULE FORMAT

A. Identification of Federal Programs -- "CFDA NO." and "PROGRAM NAME"

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

B. Reference to Audit Report -- "STATE AGENCY AUDIT REPORT" and "FINDING NUMBERS"

The third through fifth columns provide the reference to our fiscal year 1986 and 1987 Audit Reports which contain discussion of the respective audit finding. The 1986 recommendations which were not implemented were carried forward to this report. Therefore, both the prior 1986 and new 1987 recommendation numbers are shown for cross referencing purposes. The new 1987 findings are referenced in the 1987 column only.

Management Letters and Audit Reports are issued to each state agency where audit tests are performed. Management Letters are issued during the Statewide Financial and Compliance Audit (Statewide Single Audit). Audit Reports are issued to state agencies during our interim audit period. For the purpose of referencing to the "Schedule of Audit Findings Associated with Specific Programs," the term Audit Reports will be used for both the Statewide Single Audit Management Letters and interim Audit Reports. The state agency is allowed the opportunity to respond to the Management Letters and Audit Reports. When their written response is received, it becomes an integral attachment to the letter or report. For the 1987 Statewide Single Audit, a total of 31 Management Letters were issued.

All letters were issued by the Office of the Legislative Auditor, except the Housing Finance Agency which was audited by a CPA firm. Management Letters were issued by both the Legislative Auditor and a CPA firm for the Higher Education Coordinating Board. The CPA firm performed the Statewide Single Audit work of the Board and the Legislative Auditor completed some additional work on state and federal programs at the Higher Education Coordinating Board. Letters issued to 13 state agencies did not pertain to federal programs because our 1987 audit scope included only state programs in these agencies. The remaining 18 Management Letters were for the following state agencies which had audit tests applied to their federal programs or had follow-up work on the status of prior audit recommendations. The letters were issued to these agencies on various dates during the Statewide Single Audit as indicated below:

Community College Bd	3/04/88	Jobs & Training	2/25/88
Education	2/25/88	Military Affairs	2/15/88
Finance	2/25/88	Natural Resources	2/25/88
Health	1/11/88	State University Bd	3/04/88
Higher Education		Trade & Economic	
Coordinating Bd (OLA)	2/12/88	Development	2/29/88
HECB (CPA firm)	3/15/88	Transportation	2/29/88
Housing Finance Agency	8/31/87	Veterans Affairs	2/29/88
Human Rights	2/16/88	Vocational-Technical	
Human Services	2/26/88	Education	2/29/88

Only those Management Letters referenced in column 3 of the schedule contain audit findings associated with federal programs.

Column 4 refers to the number assigned to the Management Letter on the date of issuance. The first two digits identify the calendar year of issuance. The last two digits specify the numerical order of issuance. Columns 5 and 6 refer to the 1986 and/or 1987 finding number in the respective Management Letter which contains the discussion of the problem area. Findings are numbered sequentially in the Management Letter and discussion comments and recommendations follow. In addition to finding numbers as previously discussed, appearing in columns 5 and 6 occasionally the notation "IA" is used. "IA" signifies that the

finding was contained in a state agency's Internal Auditor's Report and that we have reviewed and relied upon the work of the internal auditor. Such reliance occurred in the Department Transportation, and we have included the Internal Auditor's Report as an attachment to our Management Letter.

For the first time, interim audits performed by the Office of the Legislative Auditor are being included in the "Financial and Compliance Report on Federally Assisted Programs." Interim audits of individual state agencies, universities, and community colleges are performed at least once every two to five years. The frequency depends on the size, complexity and sensitivity of the organization, as well as other risk and audit need factors. Approximately 40 to 50 of these audits are completed each year. These audits achieve a more in-depth examination for compliance than possible during the Statewide Audit. Since the major federal programs and certain nonmajor programs are covered during the Statewide Single Audit, the interim audits focus more on preliminary review and related tests as determined appropriate for the other nonmajor federal programs. In addition, internal control work is completed on certain major programs at the state universities and community colleges in accordance with the Single Audit Plan. Most interim agency or departmental audits are conducted from February to June each year; and 59 such audits were completed from February to June in 1987. Of the 59 interim audits performed in 1987, seven state universities and community colleges included internal control work for major federal programs. The state universities and community colleges reviewed during the 1987 interim are shown below, including the date the Audit Report was issued.

Brainerd Community College	8/21/87
Fergus Falls Community College	8/14/87
Metro State University	7/06/87
Minneapolis Community	1/05/87
North Hennepin Community College	7/27/87
Northland Community College	8/27/87
Willmar Community College	9/03/87

Only those Audit Reports referenced in column 3 of the schedule contain audit findings associated with federal programs. Column 6 refers to the findings in the respective Audit Report. Column 4 refers to the Audit Report number assigned on the date of issuance. The first two digits identify the calendar year of issuance of the interim Audit Report. The last two digits specify the numerical order of issuance.

The 1987 Statewide Single Audit Management Letters and the seven state university and community college interim Audit Reports will be distributed by the Minnesota Department of Finance to the respective federal officials.

Subgrantee single audits and related findings are shown in the State Auditor's Report on Federally Assisted Programs of Subgrantees of the State of Minnesota for the Year Ended June 30, 1987.

C. Finding Summary -- "PROBLEM"

Column 7 contains a brief discussion of the specific problem cited in state agencies. This discussion should be interpreted cautiously because of its brevity. Again, we encourage users of this report to refer to the Audit Report comments for any items which may interest them.

D. Finding Quantification -- "FINANCIAL IMPACT"

The eighth column indicates the financial impact of the finding for 1987. We have utilized three standard references in this column:

P Indicates a procedural finding which normally relates to a weakness in internal control or a nonfinancial instance of noncompliance. The area is generally not subject to quantification and it is unlikely that a measurable financial impact accrues to the finding. However, leaving the finding unresolved subjects the state agency to a higher than normal risk of errors, irregularities, or inefficiencies.

NQ Indicates that there is the likelihood of some financial benefits or losses, but the amount was not readily quantifiable. We either did not believe that quantifying the problem would enhance the finding, or records were not available to determine the financial impact. This indication is used primarily for three finding areas: (1) when cash management policies result in either excessive cash balances and the state's earning interest income at the expense of the federal government, or reimbursement requests being untimely and the state's losing potential interest earnings, (2) when adjustments to student costs were not documented for the student work-study and loan programs, and (3) when financial aid findings concern the Higher Education Act Insured Loans (Guaranteed Student Loan Program) since the funds are provided by private lenders and not the federal government.

\$ Signifies that a finding results in a Quantified Amount, [Amount] which indicates the potential dollar impact resulting from noncompliance or inconsistency with the requirements set forth in contracts, awards, loan agreements, statutes, or regulations governing the allocation, allowance, or reasonableness of costs charged to specific programs. Examples of Quantifiable Amounts include: (1) no supporting documentation existed for an amount charged to a federal program or for required nonfederal match, (2) costs charged to the federal program were not allowed by the program guidelines, (3) costs were not approved in advance by the federal grantor agency, if required, (4) costs charged to the federal program were unreasonable compared to either federal or state guidelines, and (5) the appropriate disposition of unexpended funds in federal accounts has not been determined.

For an item to be cited as a Quantified Amount, it must be readily quantifiable. This necessity requires that a problem be either isolated to particular transactions or so prevalent that an entire set of transactions is affected. Most audits do not normally provide any absolute assurances or the capacity to quantify all problem areas. Rather, an audit will normally disclose that because of internal control weaknesses, a particular area is vulnerable to a higher than normal risk of errors or problems. Quantifying a problem is not to be misinterpreted as an indication of absolute liability on behalf of the state. For example, the absence of supporting documentation does not necessarily indicate that an expenditure was for unauthorized purposes. However, certain Quantified Amounts may result in the state's having to repay some part of its federal grant monies to the federal government. The determination of any potential liability is subject to the audit resolution process of the responsible federal grantor agency and negotiations with the affected state agency.

Concerns which are not amenable to quantification may be misconstrued as lesser problems, although this conclusion often may be erroneous. For example, the absence of documentation of student costs related to the student work-study and loan programs may subject a federal grant to overcharges or undercharges. The potential effect of this problem is simply not readily quantifiable. However, the absence of supporting documentation for a particular expenditure may be readily quantifiable. The extent of such a problem is often isolated and not indicative of a prevalent problem area. Accordingly, report readers are urged to avoid judging the severity of any cited problems based solely on whether or not an item was identified as a Quantified Amount.

All findings carried forward from 1986 to 1987 had the same financial impact.

III. CONCLUSIONS

This was the fifth year for Minnesota's Statewide Single Audit. The statewide approach to conducting the Single Audit of Minnesota enabled us to observe four common compliance concerns during the last few years. These concerns included cash management, indirect costs, payroll time distribution, and filing federal reports. Although individual state agency problems in these areas may still remain and are reported in the 1987 Schedule of Audit Findings Associated With Specific Federal Programs, the state has made significant progress in resolving these problems on a statewide basis.

If anyone has any questions or comments on the Minnesota Statewide Single Audit, please direct them to this office.

OFFICE OF THE LEGISLATIVE AUDITOR
FINANCIAL AUDIT DIVISION
STATE OF MINNESOTA

Veterans Service Building
St. Paul, Minnesota 55155
612/296-4708

OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT

APPENDIX I

STATUS OF PRIOR AUDIT RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 1987

THE ATTACHED APPENDIX IS INTENDED PRIMARILY TO ASSIST THE
FEDERAL GOVERNMENT IN RESOLVING PRIOR AUDIT RECOMMENDATIONS.

The organization and terminology used in the schedule are
discussed in the attached explanations section on pages 60 to 61.

OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
STATUS OF PRIOR AUDIT RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 1987

STATE AGENCY MANAGEMENT LETTER	FINDING NO.		PROBLEM	STATUS
	86	87		
EDUCATION	3		UNALLOWABLE ENTITLEMENTS.	I
	4		NOT RECONCILING FEDERAL EXPENDITURES TO SWA RECORDS.	I
	5		SUBRECIPIENT FINDINGS NOT RESOLVED BY STATE AGENCY.	I
	6		PROGRAM REQUIREMENTS NOT MET, INTERNAL CONTROLS INADEQUATE.	I
HUMAN SERVICES	1	2	INDIRECT COSTS NOT REIMBURSED TO GENERAL FUND.	NI
	2	1,2	INCORRECT REIMBURSEMENT CLAIMED FOR INDIRECT COSTS.	PI
	3		RECONCILIATIONS NOT COMPLETED.	I
	4		EXPENDITURES IN EXCESS OF GRANT AWARD.	I
	5		INADEQUATE REVIEW OF CIVIL RIGHTS COMPLIANCE CERTIFICATES.	I
	6	7	IMPROPER ALLOCATION OF GRANT AWARD TO COUNTIES.	NI
JOBS AND TRAINING	1	1	DRAWDOWNS NOT BASED ON ACTUAL COSTS AND FUNDS COMINGLED.	PI
	2	1	FEDERAL CASH ADVANCED TO SUBRECIPIENTS.	PI
	4,5		INADEQUATE PHYSICAL INVENTORY PROCEDURES.	I
	OBS		VIOLATION OF THE FEDERAL HATCH ACT.	
NATURAL RESOURCES	3		FEDERAL REIMBURSEMENT REQUESTS NOT BASED ON ACTUAL COSTS.	I
	4	1	COST ACCOUNTING SYSTEM NECESSARY.	PI
	5		UNTIMELY REIMBURSEMENT REQUESTS TO FEDERAL GOVERNMENT.	I
	7		EQUIPMENT RATE SCHEDULES NOT CURRENT.	I
	8		EXPENDITURES AND DIARIES DO NOT IDENTIFY FEDERAL PROJECT.	I
	9		DETERMINE THE DISPOSITION OF THE BALANCE IN THE ACCOUNT.	I
	10		INADEQUATE SUPPORTING DOCUMENTATION FOR FEDERAL REQUESTS.	I
	11		FINANCIAL STATUS REPORTS SHOULD BE FILED QUARTERLY.	I
	12		REQUESTS FOR ADVANCE OR REIMBURSEMENT NOT SUBMITTED FREQUENTLY.	I
	13		COSTS SHOULD BE SUPPORTED BY ADEQUATE TIME DISTRIBUTION RECORDS.	I
	OBS		VIOLATION OF THE FEDERAL HATCH ACT.	I

THE ATTACHED EXPLANATION IS AN INTEGRAL PART OF THIS SCHEDULE.

OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
STATUS OF PRIOR AUDIT RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 1987

STATE AGENCY MANAGEMENT LETTER	FINDING NO.		PROBLEM	STATUS
	86	87		
STATE UNIVERSITY SYSTEM	1		ADJUSTMENTS TO FAMILY CONTRIBUTIONS NOT DOCUMENTED.	I
	2		POLICY NEEDED FOR DETERMINING FAMILY CONTRIBUTION AMOUNT.	I
	3		STUDENT NOT REGISTERED FOR SELECTIVE SERVICE.	I
	4		REVIEW OF SELECTIVE SERVICE STATEMENTS NEEDED.	I
	5		DRAWDOWNS NOT TIMELY.	I
	6		IMPROPER DRAWDOWN PROCEDURES.	I
	7		FEDERAL REPORT NOT FILED TIMELY.	I
	8		FINANCIAL AID SYSTEM EDITS NOT DOCUMENTED.	W
	9		LOAN CANCELLATION AUTHORIZATIONS NOT ADEQUATELY DOCUMENTED.	I
TRADE & ECON. DEVEL.	1		REQUIRED REPORTS NOT OBTAINED FROM SUBRECIPIENTS.	I
	2		PAYMENT OF FUNDS FOR SERVICES AFTER END DATE OF SUBGRANT AGREEMENT.	I
	3		INADEQUATE TIME DISTRIBUTION RECORDS.	I
TRANSPORTATION	1		COMPLIANCE CERTIFICATES NOT ON FILE.	I
	IA 1		REQUIRED RECONCILIATIONS NOT PERFORMED.	I
	IA 2		CONTRACTOR PAYROLLS NOT SUBMITTED PROMPTLY.	I
	IA 3	IA 6	REQUIRED "FIELDMAN'S CHECK ON COMPLIANCE" REPORTS NOT COMPLETED.	PI
VOCATIONAL EDUCATION	1		OVERCLAIMED EXPENSES.	I

THE ATTACHED EXPLANATION IS AN INTEGRAL PART OF THIS SCHEDULE.

OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT

APPENDIX I

STATUS OF PRIOR AUDIT RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 1987

EXPLANATION OF THE APPENDIX

I. PURPOSE/ORGANIZATION

The Status of Prior Audit Recommendations (Appendix I) is presented primarily to assist the federal Inspectors General, program staff, and other federal officials in resolving prior audit recommendations. This schedule contains 1986 Audit Report recommendations which were implemented in 1987 or carried forward to the 1987 Audit Report current findings section. The Status of Prior Audit Recommendations is also shown as an attachment to the 1987 Audit Reports for the individual state agencies. Audit Reports and the dates of issuance are shown on pages 52 to 53.

II. APPENDIX FORMAT

A. State Agency Audit Report

The status of prior audit recommendations are summarized in this schedule by state agency. The state agency is identified in the first column. The prior audit findings were summarized from the 1986 Audit Reports and the status of these recommendations are shown in an attachment to the 1987 Audit Reports.

B. Recommendation No. "86 and 87"

The 1986 audit findings are organized by state agency and are listed in numerical sequence in the second column, "86." For 1986 recommendations not implemented or only partially implemented and carried forward to the 1987 current Schedule of Audit Findings Associated With Specific Federal Programs, the 1987 recommendation number is shown in the third column, "87." If a 1987 recommendation number is not shown in the "87" column, the 1986 recommendation was fully implemented. In some instances, the recommendation was withdrawn because it did not apply to current operations or alternate controls were in place.

C. Problem

Column 4 is the same as discussed in the explanation of the current Schedule of Audit Findings Associated With Specific Federal Programs.

D. Status

The last column indicates the status of the 1986 audit recommendation:

- W Indicates that the 1986 recommendation was withdrawn since it no longer applies to current agency operations.
- I Indicates that the 1986 recommendation was fully or substantially implemented in 1987. The state agency generally does not need to take any additional corrective actions on recommendations shown as implemented.
- PI Indicates that the 1986 recommendation was partially implemented and carried forward to the 1987 Audit Report current findings section. Some additional actions are required by the state agency to resolve these issues.
- NI Indicates that the 1986 recommendations were not implemented and carried forward to the 1987 Audit Report current findings section. Basically, no corrective actions had been taken by the state agency for these recommendations. We will follow up on the status of the prior audit recommendations carried forward to the 1987 Audit Report during our 1988 Statewide Audit.

In conclusion, we determined that 80 percent of the 1986 audit recommendations had been implemented by state agencies. Prior recommendations that were not implemented or only partially implemented were carried forward to the 1987 Audit Reports current findings section. Recommendations carried forward are also shown in this report in the Schedule of Current Findings Associated With Specific Federal Programs.

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