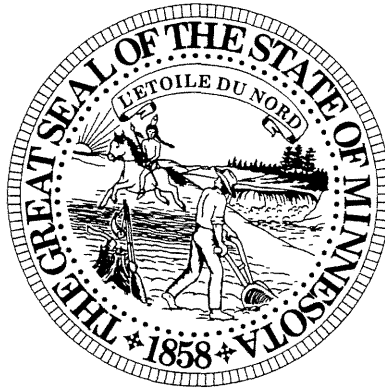


State of Minnesota



Financial and Compliance Report

on

Federally Assisted Programs

for the year ended

June 30, 1996

Prepared Through a Cooperative Agreement Between

Department of Finance

Office of the Legislative Auditor

Office of the State Auditor

U.S. Department of Agriculture

Wayne Simoneau, Commissioner

James R. Nobles, Legislative Auditor

Judith H. Dutcher, State Auditor

Edward R. Krivus, Regional Inspector
General for Audit

SUMMARY

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Financial and Compliance Report on Federally Assisted Programs

For the Year Ended June 30, 1996

Public Release Date: June 20, 1997

The Office of the Legislative Auditor has released the *Financial and Compliance Report on Federally Assisted Programs* for the year ended June 30, 1996. Federal programs totaling \$4.4 billion were covered in the 1996 Statewide Single Audit. The Single Audit was conducted through a cooperative arrangement between the Minnesota Department of Finance, the Office of the Legislative Auditor, the Office of the State Auditor, and the U.S. Department of Agriculture - Regional Office of Inspector General. The Single Audit Act of 1984 (Public Law 98-502) and the U.S. Office of Management and Budget's (OMB) Circular A-128 provide the requirements for audits of state and local governments. The Act and OMB Circular require annual organization-wide financial and compliance audits for Minnesota and its subrecipients.

This report, which is divided into two sections, is basically technical in nature and is constructed to meet the needs of federal grantor programs administered by the state. The first section contains financial information on approximately 300 federal programs administered by the state. The second section discusses internal control and compliance aspects related to these grant programs.

We reviewed 30 major federal programs, representing 92 percent of the 1996 federal expenditures. For these major programs, we reviewed internal controls and tested for compliance with various federal legal provisions. We also tested certain nonmajor federal program transactions.

We identified 66 audit findings related to the state's administration of federal programs. Forty-eight of these findings related to student financial aid programs administered by the Minnesota State Colleges and Universities System. The remaining 18 audit findings concerned federal programs administered by three state agencies. These findings are presented in the compliance section of this report and are discussed in more detail in the individual audit reports issued to the affected state agencies. The federal government is ultimately responsible for resolution of the audit findings.

State of Minnesota
Financial and Compliance Report
On Federally Assisted Programs
Fiscal Year Ended June 30, 1996

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**State of Minnesota
Department of Finance**

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April 30, 1997

The Honorable Arne H. Carlson, Governor

Members of the Legislature

I am submitting the State of Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 1996. This report meets the requirements of the Federal Single Audit Act of 1984 and the U.S. Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments."

This single audit report includes all federal assistance received by the state agencies determined to be a part of the state's primary government reporting entity and its blended component units. The criteria used in defining the state's reporting entity are those established by the Governmental Accounting Standards Board. All federal program activity of this reporting entity was included under the state's single audit.

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

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. It is also responsible for the Minnesota Accounting and Procurement System (MAPS), which was used in preparing this report. I believe these statements provide a fair representation of financial activity for federal programs for the year ended June 30, 1996.

The Department of Finance is also responsible for designing and applying the statewide internal control structure. State agencies are responsible for additional internal controls used for the administration of their federal programs. These controls provide reasonable assurance that the state's assets are protected against loss, either intentional or unintentional; that resource use is consistent with laws, regulations and policies; that transactions are executed in accordance with management's authorization; 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.

Federal Financial Assistance to the State of Minnesota

In fiscal year 1996 the State of Minnesota received approximately \$3.2 billion in federal assistance for its many programs. Included in this amount are \$20 million of noncash contributions in the form of food commodities provided for distribution to school districts and other organizations. Major programs include States Family Support Payments, Medical Assistance, Social Service Block Grant, Child Support Enforcement, and Foster Care in the Department of Human Services; National School Lunch, Special Education State Grants, Child and Adult Care Food, and Local Educational Agencies Chapter 1 Programs in the Department of Children Families and Learning; Airport Improvement and Highway Planning and Construction in the Department of Transportation; Special Supplemental Food Program for Woman, Infants and Children in the Department of Health; Pell Grants in the State College and University System; Low Income Home Energy Assistance, Unemployment Insurance, and Rehabilitation Services Basic Support in the Department of Economic Security; and Community Development Block Grant-States Program in the Department of Trade and Economic Development.

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. The scope of the annual statewide audit also includes the federal requirements of the Single Audit Act and OMB Circular A-128.

The OLA has audited the federal programs financial statements and their opinion on them is included. 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 resolve 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.

Report

This single audit report supplements the state's Comprehensive Annual Financial Report for the year ended June 30, 1996, and includes financial information for federal programs, compiled by the Department of Finance. It is divided into three sections: Transmittal Letter; Financial Section, which includes the auditor's opinion, statements of expenditures and notes to the statements; and Compliance Section, which includes the auditor's reports on internal control and compliance, and summary of audit findings.

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

In addition to this financial and compliance report, the single audit for the State of Minnesota includes the state's 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.

Responsibilities for Minnesota's Single Audit

Prior to Minnesota's first single audit, the Department of Finance, Office of the Legislative Auditor, Office of the State Auditor and the U.S. Department of Agriculture-Office of Inspector General reached an agreement for conducting audits of federal funds awarded directly to the state and expended either by the state or an authorized subrecipient. Broad issues were agreed upon as well as the specific responsibilities of each organization. Their primary responsibilities are discussed below.

- 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 and audit reports.
- 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 three organizations listed above and federal agencies.

In addition, state agencies have specific responsibilities for federal programs. State agencies are required to manage and maintain adequate accounting records for their federal programs. They are required by the relevant federal departments and agencies to prepare periodic financial reports. State agencies are also responsible for assuring that organizations to which they subgrant federal funds have the required audits and promptly resolve federal program deficiencies reported as a result of those audits.

Acknowledgments

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.

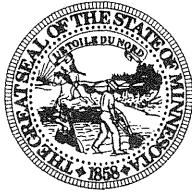
Warmest regards,

A handwritten signature in cursive script, reading "Wayne Simoneau". The signature is written in dark ink and is positioned above the printed name and title.

Wayne Simoneau
Commissioner

FINANCIAL SECTION

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STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, 658 CEDAR STREET • ST. PAUL, MN 55155 • 612/296-4708 • TDD RELAY 612/297-5353

JAMES R. NOBLES, LEGISLATIVE AUDITOR

**Independent Auditor's Report on Supplementary Information
Schedule of Federal Financial Assistance**

Members of the Legislature

The Honorable Arne H. Carlson, Governor

Wayne Simoneau, Commissioner of Finance

Edward R. Krivus, Regional Inspector General for Audit,
United States Department of Agriculture

We have audited the general purpose financial statements of the state of Minnesota as of and for the year ended June 30, 1996, and have issued our report thereon dated December 2, 1996. These general purpose financial statements are the responsibility of the state's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of federal expenditures is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly presented 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 28, 1997

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STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
AGRICULTURE						
	FOOD DISTRIBUTION	10.550	CHILDREN FAMILIES & LEARNING	\$ 14,366,137	\$ -	\$ 14,366,137
		10.550	ECONOMIC SECURITY	1,501,442	-	1,501,442
		Total Program 10.550		15,867,579	-	15,867,579
	FOOD STAMPS (5)	10.551	HUMAN SERVICES	14,602,571	-	14,602,571
	NATIONAL SCHOOL LUNCH PROGRAM	10.555	CHILDREN FAMILIES & LEARNING	58,397,573	-	58,397,573
	SPECIAL FOOD/WOMEN/INFANTS & CHILDREN	10.557	AGRICULTURE	178,931	77,080	256,011
		10.557	HEALTH	61,175,012	-	61,175,012
		Total Program 10.557		61,353,943	77,080	61,431,023
	CHILD & ADULT CARE FOOD PROGRAM	10.558	CHILDREN FAMILIES & LEARNING	65,172,682	-	65,172,682
	STATE ADMIN MATCHING GRANTS-FOOD STAMP (5)	10.561	HUMAN SERVICES	30,900,821	6,327,246	37,228,067
DEFENSE						
	MILITARY AFFAIRS OPERATIONS (8)	12.00X	MILITARY AFFAIRS	15,732,522	1,096,776	16,829,298
EDUCATION						
	CHAPTER 1-LOCAL EDUCATION AGENCIES	84.010	CHILDREN FAMILIES & LEARNING	74,642,572	-	74,642,572
	SPECIAL EDUCATION STATE GRANTS	84.027	CHILDREN FAMILIES & LEARNING	35,415,564	-	35,415,564
	FEDERAL PERKINS LOAN PROGRAM (3)	84.038	STATE COLLEGES & UNIVERSITIES	329,082	-	329,082
	VOCATIONAL EDUCATION-BASIC STATE GRANTS	84.048	STATE COLLEGES & UNIVERSITIES	11,389,917	124,892	11,514,809

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

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
EDUCATION (Continued)						
	FEDERAL PELL GRANT PROGRAM	84.063	STATE COLLEGES & UNIVERSITIES	\$ 56,237,281	\$ -	\$ 56,237,281
	REHABILITATION SERVICES BASIC SUPPORT	84.126	ECONOMIC SECURITY	39,660,085	9,595,508	49,255,593
HEALTH & HUMAN SERVICES						
	STATES FAMILY SUPPORT PAYMENTS	93.560	CHILDREN FAMILIES & LEARNING	197,609	-	197,609
		93.560	HUMAN SERVICES	223,238,201	377,253,810	600,492,011
			Total Program 93.560	223,435,810	377,253,810	600,689,620
	JOB OPPORTUNITIES & BASIC SKILLS TRAINING	93.561	ECONOMIC SECURITY	443,452	-	443,452
		93.561	HUMAN SERVICES	11,621,703	11,102,932	22,724,635
			Total Program 93.561	12,065,155	11,102,932	23,168,087
	CHILD SUPPORT ENFORCEMENT	93.563	HUMAN SERVICES	47,338,210	4,156,411	51,494,621
	LOW-INCOME HOME ENERGY ASSISTANCE	93.568	ECONOMIC SECURITY	47,609,239	-	47,609,239
	CHILD CARE & DEVELOPMENT BLOCK GRANT	93.575	HUMAN SERVICES	13,367,518	-	13,367,518
	FOSTER CARE - TITLE IV-E	93.658	HUMAN SERVICES	36,325,105	-	36,325,105
	SOCIAL SERVICES BLOCK GRANT	93.667	HUMAN SERVICES	47,046,618	-	47,046,618
	MEDICAL ASSISTANCE PROGRAM	93.778	HUMAN SERVICES	1,591,427,451	1,360,963,108	2,952,390,559
	SUBSTANCE ABUSE PREVENTIVE TREATMENT	93.959	HUMAN SERVICES	16,524,041	-	16,524,041

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

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
HOUSING & URBAN DEVELOPMENT						
	COMMUNITY DEVELOPMENT BLOCK-STATES	14.228	TRADE & ECONOMIC DEVELOPMENT	\$ 29,775,522	\$ 329,783	\$ 30,105,305
LABOR						
	EMPLOYMENT SERVICE	17.207	ECONOMIC SECURITY	16,176,288	-	16,176,288
	UNEMPLOYMENT INSURANCE	17.225	ECONOMIC SECURITY	43,133,218	-	43,133,218
	DISLOCATED WORKERS-EMPLOYMENT & TRAINING	17.246	ECONOMIC SECURITY	10,399,790	-	10,399,790
	JOB TRAINING PARTNERSHIP ACT	17.250	CHILDREN FAMILIES & LEARNING	250,447	-	250,447
		17.250	ECONOMIC SECURITY	20,743,365	-	20,743,365
		Total Program 17.250		20,993,812	-	20,993,812
SOCIAL SECURITY ADMINISTRATION						
	SOCIAL SECURITY-DISABILITY INSURANCE	96.001	ECONOMIC SECURITY	13,425,171	-	13,425,171
TRANSPORTATION						
	AIRPORT IMPROVEMENT	20.106	STATE COLLEGES & UNIVERSITIES	124,249	-	124,249
		20.106	TRANSPORTATION	33,319,101	60,531	33,379,632
		Total Program 20.106		33,443,350	60,531	33,503,881
	HIGHWAY PLANNING & CONSTRUCTION (2)	20.205	PUBLIC SAFETY	85,985	-	85,985
		20.205	TRANSPORTATION	244,373,283	135,381,524	379,754,807
		Total Program 20.205		244,459,268	135,381,524	379,840,792
Total Major Programs:				\$2,926,647,758	\$1,906,469,601	\$4,833,117,359

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
AGRICULTURE						
	PLANT/ANIMAL DISEASE/CARE/PEST CONTROLS	10.025	AGRICULTURE	\$ 43,449	\$ 89,790	\$ 133,239
		10.025	ANIMAL HEALTH	327,794	-	327,794
	COMMODITY LOANS AND PURCHASES (5)	10.051	AGRICULTURE	126,604	-	126,604
	AGRICULTURAL CONSERVATION	10.063	NATURAL RESOURCES	25,000	-	25,000
	FORESTRY INCENTIVES	10.064	NATURAL RESOURCES	3,100	-	3,100
	FEDERAL-STATE MARKETING IMPROVEMENT	10.156	AGRICULTURE	31,095	11,768	42,863
	INSPECTION GRADING & STANDARDIZATION	10.162	AGRICULTURE	185,853	-	185,853
	AGRICULTURAL COMPETITIVE RESEARCH	10.206	STATE COLLEGES & UNIVERSITIES	13,128	-	13,128
	SUSTAINABLE AGRICULTURE RESEARCH & DEVP	10.215	AGRICULTURE	5,467	4,500	9,967
	AGRICULTURAL & RURAL ECONOMIC RESEARCH	10.250	STATE COLLEGES & UNIVERSITIES	9,891	-	9,891
	MEAT & POULTRY INSPECTION	10.477	AGRICULTURE	95,705	-	95,705
	COOPERATIVE EXTENSION SERVICE	10.500	STATE COLLEGES & UNIVERSITIES	34,852	10,804	45,656
	SCHOOL BREAKFAST PROGRAM	10.553	CHILDREN FAMILIES & LEARNING	9,885,610	-	9,885,610
	SPECIAL MILK PROGRAM FOR CHILDREN	10.556	CHILDREN FAMILIES & LEARNING	831,175	-	831,175
	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	CHILDREN FAMILIES & LEARNING	2,209,544	-	2,209,544
	CHILD NUTRITION FNS (8)	10.55X	CHILDREN FAMILIES & LEARNING	28,827	-	28,827
	STATE ADMIN EXPENSES FOR CHILD NUTRITION	10.560	CHILDREN FAMILIES & LEARNING	2,106,682	-	2,106,682
	NUTRITION EDUCATION & TRAINING PROGRAM	10.564	CHILDREN FAMILIES & LEARNING	209,435	-	209,435
	COMMODITY SUPPLEMENTAL FOOD PROGRAM	10.565	HEALTH	450,991	-	450,991
	TEMPORARY EMERGENCY FOOD ASSISTANCE	10.568	ECONOMIC SECURITY	400,775	2,994	403,769
	NUTRITION PROGRAM FOR THE ELDERLY	10.570	HUMAN SERVICES	2,932,817	-	2,932,817
	SPECIAL SUPPLEMENTAL FOOD PROGRAM	10.577	HEALTH	33,255	-	33,255
	FORESTRY RESEARCH	10.652	NATURAL RESOURCES	4,051	21,007	25,058
	COOPERATIVE FORESTRY ASSISTANCE	10.664	NATURAL RESOURCES	1,075,507	10,404	1,085,911
	SCHOOLS AND ROADS-GRANTS TO STATES	10.665	FINANCE	1,710,671	-	1,710,671
	ADDITIONAL LANDS-GRANTS TO MINNESOTA	10.668	FINANCE	1,266,660	-	1,266,660

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

**STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996**

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
AGRICULTURE (Continued)						
	INDUSTRIAL DEVELOPMENT GRANTS	10.769	TRADE & ECONOMIC DEVELOPMENT	\$ 118,760	\$ -	\$ 118,760
	INTERNATIONAL AGRICULTURAL RESEARCH	10.961	STATE COLLEGES & UNIVERSITIES	256,059	-	256,059
COMMERCE						
	TRADE DEVELOPMENT	11.110	TRADE & ECONOMIC DEVELOPMENT	20,000	9,204	29,204
	ECONOMIC DEVELOPMENT-TECHNICAL RES	11.303	STATE COLLEGES & UNIVERSITIES	114,976	33,343	148,319
	STATE & LOCAL ECONOMIC DEVP PLANNING	11.305	TRADE & ECONOMIC DEVELOPMENT	80,047	-	80,047
	WEATHER & RIVER FORECASTS & WARNINGS	11.404	PUBLIC SAFETY	40,807	-	40,807
	INTERJURISDICTIONAL FISHERIES ACT OF 1986	11.407	NATURAL RESOURCES	-	26,078	26,078
	FISHERY PRODUCTS INSPECTION/CERTIFICATION	11.413	AGRICULTURE	23,109	-	23,109
	COASTAL ZONE MANAGEMENT ADMIN AWARDS	11.419	NATURAL RESOURCES	165,077	380,343	545,420
	MEASUREMENT/ENGINEERING RES & STDS	11.609	STATE COLLEGES & UNIVERSITIES	13,769	-	13,769
DEFENSE						
	FLOOD PLAIN MANAGEMENT SERVICES	12.104	FINANCE	7,727	-	7,727
	REIMBURSEMENT OF TECHNICAL SERVICES	12.113	POLLUTION CONTROL	438,474	-	438,474
	AIR FORCE DEFENSE RESEARCH SCIENCES	12.800	STATE COLLEGES & UNIVERSITIES	595,379	327,458	922,837
EDUCATION						
	CONSOLIDATED CHAPTER I ADMINISTRATIVE	84.000	CHILDREN FAMILIES & LEARNING	412,662	-	412,662
	ADULT EDUCATION-STATE ADMINISTERED	84.002	CHILDREN FAMILIES & LEARNING	2,883,021	-	2,883,021
	DESEGREGATION ASSIST/CIVIL RIGHTS TRAINING	84.004	CHILDREN FAMILIES & LEARNING	290,936	-	290,936
	SUPPLEMENTAL EDUCATION OPPORTUNITY GRANT	84.007	STATE COLLEGES & UNIVERSITIES	6,407,240	1,600,213	8,007,453
	CHILDREN WITH DISABILITIES-ST OPERATED SCH	84.009	CENTER FOR ARTS EDUCATION	4,949	-	4,949
		84.009	CHILDREN FAMILIES & LEARNING	24,465	-	24,465
	MIGRANT EDUCATION-BASIC STATE FORMULA	84.011	CHILDREN FAMILIES & LEARNING	1,509,341	-	1,509,341
	EDUCATIONALLY DEPRIVED CHILDREN-STATE ADM	84.012	CHILDREN FAMILIES & LEARNING	375,701	-	375,701
	TITLE I-NEGLECTED & DELINQUENT CHILDREN	84.013	CHILDREN FAMILIES & LEARNING	198,957	-	198,957
	EARLY ED FOR CHILDREN WITH DISABILITIES	84.024	STATE COLLEGES & UNIVERSITIES	252,733	-	252,733

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
EDUCATION (Continued)						
	SERVICES FOR CHILDREN WITH DEAF-BLINDNESS	84.025	CHILDREN FAMILIES & LEARNING	\$ 160,401	\$ -	\$ 160,401
	PERSONNEL DEVELOPMENT & PARENT TRAINING	84.029	CHILDREN FAMILIES & LEARNING	251,933	-	251,933
		84.029	STATE COLLEGES & UNIVERSITIES	70,580	-	70,580
	HIGHER EDUCATION-INSTITUTIONAL AID	84.031	STATE COLLEGES & UNIVERSITIES	195,182	-	195,182
	FEDERAL WORK-STUDY PROGRAM	84.033	STATE COLLEGES & UNIVERSITIES	5,574,618	1,393,487	6,968,105
	PUBLIC LIBRARY SERVICES	84.034	CHILDREN FAMILIES & LEARNING	1,392,357	-	1,392,357
	INTERLIBRARY COOP & RESOURCE SHARING	84.035	CHILDREN FAMILIES & LEARNING	404,058	-	404,058
	STUDENT SUPPORT SERVICES	84.042	STATE COLLEGES & UNIVERSITIES	3,065,053	58,720	3,123,773
	TALENT SEARCH	84.044	STATE COLLEGES & UNIVERSITIES	766,206	65,867	832,073
	UPWARD BOUND	84.047	STATE COLLEGES & UNIVERSITIES	2,505,618	14,019	2,519,637
	VOC ED-CONSUMER & HOMEMAKER EDUCATION	84.049	STATE COLLEGES & UNIVERSITIES	49,523	2,971	52,494
	EDUCATIONAL OPPORTUNITY CENTERS	84.066	STATE COLLEGES & UNIVERSITIES	470,892	-	470,892
	DISABLED PERSONS POSTSECONDARY EDUCATION	84.078	STATE COLLEGES & UNIVERSITIES	966,673	-	966,673
	SPECIAL EDUCATION-SEVERELY DISABLED PRGM	84.086	CHILDREN FAMILIES & LEARNING	240,731	-	240,731
	PATRICIA ROBERTS HARRIS FELLOWSHIPS	84.094	CHILDREN FAMILIES & LEARNING	7,018	-	7,018
	IMPROVEMENT OF POSTSECONDARY EDUCATION	84.116	CHILDREN FAMILIES & LEARNING	70,816	-	70,816
		84.116	STATE COLLEGES & UNIVERSITIES	141,844	36,370	178,214
	REHABILITATION LONG TERM TRAINING	84.129	STATE COLLEGES & UNIVERSITIES	110,810	5,541	116,351
	CENTERS FOR INDEPENDENT LIVING	84.132	ECONOMIC SECURITY	628,229	-	628,229
	CHAPTER 2-STATE BLOCK GRANTS	84.151	CHILDREN FAMILIES & LEARNING	5,632,270	-	5,632,270
	PUBLIC LIBRARY CONSTRUCTION/TECHNOLOGY	84.154	CHILDREN FAMILIES & LEARNING	21,993	-	21,993
	TRANSITIONAL SERVICES FOR DISABLED YOUTH	84.158	CHILDREN FAMILIES & LEARNING	438,371	-	438,371
	EMERGENCY IMMIGRANT EDUCATION	84.162	CHILDREN FAMILIES & LEARNING	189,847	-	189,847
	EISENHOWER MATH & SCIENCE EDUCATION-STATE	84.164	CHILDREN FAMILIES & LEARNING	1,893,018	-	1,893,018
		84.164	STATE COLLEGES & UNIVERSITIES	386,995	94,778	481,773
	LIBRARY LITERACY	84.167	STATE COLLEGES & UNIVERSITIES	61,403	-	61,403

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
EDUCATION (Continued)						
	EISENHOWER PROFESSIONAL DEVELOPMENT	84.168	CHILDREN FAMILIES & LEARNING	\$ 193,693	\$ -	\$ 193,693
		84.168	STATE COLLEGES & UNIVERSITIES	24,412	-	24,412
	INDEPENDENT LIVING SERVICES	84.169	ECONOMIC SECURITY	780,669	514,745	1,295,414
	SPECIAL EDUCATION-PRESCHOOL GRANTS	84.173	CHILDREN FAMILIES & LEARNING	6,949,386	-	6,949,386
		84.173	STATE COLLEGES & UNIVERSITIES	89,399	-	89,399
	OLDER BLIND INDIVIDUALS INDEPEND LIVING	84.177	ECONOMIC SECURITY	419,178	85,167	504,345
	INFANTS & TODDLERS WITH DISABILITIES	84.181	CHILDREN FAMILIES & LEARNING	3,460,949	-	3,460,949
		84.181	HEALTH	41,190	-	41,190
	SAFE & DRUG FREE SCHOOLS & COMMUNITIES	84.184	STATE COLLEGES & UNIVERSITIES	76,927	-	76,927
	BYRD HONORS SCHOLARSHIPS	84.185	CHILDREN FAMILIES & LEARNING	520,660	-	520,660
	SAFE & DRUG-FREE SCHOOLS-STATE GRANTS	84.186	CHILDREN FAMILIES & LEARNING	3,833,179	-	3,833,179
	SUPPORTED EMPLOYMENT SERVICES-DISABLED	84.187	ECONOMIC SECURITY	578,722	-	578,722
	BILINGUAL EDUCATION SUPPORT SERVICES	84.194	CHILDREN FAMILIES & LEARNING	47,214	-	47,214
	EDUCATION FOR HOMELESS CHILDREN & YOUTH	84.196	CHILDREN FAMILIES & LEARNING	357,172	-	357,172
	EVEN START-STATE EDUCATION AGENCIES	84.213	CHILDREN FAMILIES & LEARNING	639,244	-	639,244
	FUND FOR IMPROVEMENT OF EDUCATION	84.215	CENTER FOR ARTS EDUCATION	214,149	-	214,149
		84.215	CHILDREN FAMILIES & LEARNING	255,699	-	255,699
	CAPITAL EXPENSES	84.216	CHILDREN FAMILIES & LEARNING	901,166	-	901,166
	STATE PROGRAM IMPROVEMENT GRANTS	84.218	CHILDREN FAMILIES & LEARNING	180,248	-	180,248
	ASSISTANCE TECHNOLOGY STATE GRANTS	84.224	ADMINISTRATION	785,911	-	785,911
		84.224	STATE COLLEGES & UNIVERSITIES	8,229	-	8,229
	PROJECT WITH INDUSTRIES	84.234	ECONOMIC SECURITY	417,074	76,152	493,226
	SEVERE DISABILITES VOCATIONAL REHABILITATION	84.235	ECONOMIC SECURITY	176,314	-	176,314
	CHILDREN & YOUTH-SERIOUS EMOTIONAL DISTURB	84.237	CHILDREN FAMILIES & LEARNING	90,103	-	90,103
	TECH-PREP EDUCATION	84.243	STATE COLLEGES & UNIVERSITIES	1,403,965	-	1,403,965
	FOREIGN LANGUAGE ASSISTANCE	84.249	CHILDREN FAMILIES & LEARNING	52,282	-	52,282
	LITERACY PROGRAMS FOR PRISONERS	84.255	CORRECTIONS	113,070	-	113,070

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
EDUCATION (Continued)						
	STATE VOC REHAB UNIT IN-SERVICE TRAINING	84.265	ECONOMIC SECURITY	\$ 120,594	\$ 12,655	\$ 133,249
	GOALS 2000-STATE & LOCAL EDUCATION IMPROVE	84.276	CHILDREN FAMILIES & LEARNING	2,060,646	-	2,060,646
	GOALS 2000-ASSESSMENT & EVALUATION	84.279	CHILDREN FAMILIES & LEARNING	49,678	-	49,678
		84.279	STATE COLLEGES & UNIVERSITIES	11,119	2,446	13,565
	PUBLIC CHARTER SCHOOLS	84.282	CHILDREN FAMILIES & LEARNING	383,855	-	383,855
	INNOVATIVE EDUCATION STRATEGIES	84.298	CHILDREN FAMILIES & LEARNING	196,927	-	196,927
ENERGY						
	WEATHERIZATION ASSISTANCE-LOW INCOME (6)	81.042	ECONOMIC SECURITY	9,293,068	-	9,293,068
	ENERGY EXTENSION SERVICE	81.050	PUBLIC SERVICE	1,096,476	97,425	1,193,901
	INSTITUTIONAL BLDGS ENERGY CONSERVATION	81.052	PUBLIC SERVICE	36,582	47,452	84,034
	REGIONAL BIOMASS PROGRAMS	81.079	PUBLIC SERVICE	36,561	10,911	47,472
	CONSERVATION RESEARCH & DEVELOPMENT	81.086	PUBLIC SERVICE	60,368	31,229	91,597
	NATIONAL INDUSTRIAL COMPETITIVENESS	81.105	PUBLIC SERVICE	161,100	-	161,100
	MISC. FINANCIAL ACTIONS	81.502	PUBLIC SERVICE	60,476	8,940	69,416
ENVIRONMENTAL PROTECTION						
	AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001	POLLUTION CONTROL	2,193,426	643,603	2,837,029
	STATE INDOOR RADON GRANTS	66.032	HEALTH	334,997	-	334,997
	WATER POLLUTION CONTROL-STATE/INTERSTATE	66.419	AGRICULTURE	5,155	-	5,155
		66.419	HEALTH	70,700	-	70,700
		66.419	POLLUTION CONTROL	173,355	-	173,355
	WATER QUALITY CONTROL INFORMATION SYSTEM	66.423	POLLUTION CONTROL	35,383	16,180	51,563
	MANAGEMENT PLANNING	66.426	POLLUTION CONTROL	4,153	-	4,153
	STATE PUBLIC WATER SYSTEM SUPERVISION	66.432	HEALTH	2,365,264	-	2,365,264
	LAKE RESTORATION COOPERATIVE AGREEMENT	66.435	POLLUTION CONTROL	158,725	1,526	160,251
	WATER QUALITY MANAGEMENT PLANNING	66.454	POLLUTION CONTROL	155,796	-	155,796
	NONPOINT SOURCE RESERVATION	66.459	AGRICULTURE	69,471	50,742	120,213
	NONPOINT SOURCE IMPLEMENTATION	66.460	POLLUTION CONTROL	3,098,057	1,732,898	4,830,955

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
ENVIRONMENTAL PROTECTION (Continued)						
	WETLANDS PROTECTION-STATE DEVP GRANTS	66.461	NATURAL RESOURCES	\$ 60,239	\$ 18,279	\$ 78,518
		66.461	POLLUTION CONTROL	197,751	-	197,751
	NATIONAL POLLUTANT DISCHARGE ELIMINATION	66.463	POLLUTION CONTROL	264,240	-	264,240
	AIR POLLUTION CONTROL RESEARCH	66.501	POLLUTION CONTROL	137,415	1,815	139,230
	WASTEWATER POLLUTION CONTROL-RESEARCH	66.505	ATTORNEY GENERAL	145,477	-	145,477
		66.505	NATURAL RESOURCES	26,980	1,454	28,434
		66.505	POLLUTION CONTROL	754,234	16,047	770,281
	ENDANGERED SPECIES MAPS	66.512	AGRICULTURE	6,563	3,856	10,419
	ENVIRONMENT PROTECTION CONSOLIDATED GRT	66.600	POLLUTION CONTROL	1,806,161	3,006,445	4,812,606
	SURVEYS, STUDIES, & INVESTIGATIONS (8)	66.606	POLLUTION CONTROL	2,413	-	2,413
	CONSOLIDATED PESTICIDES COMPLIANCE	66.700	AGRICULTURE	421,753	121,571	543,324
	TOXIC SUBSTANCES COMPLIANCE MONITORING	66.701	POLLUTION CONTROL	108,618	39,930	148,548
	CERTIFICATION OF LEAD-BASED PAINT PROFS	66.707	HEALTH	296,355	-	296,355
	POLLUTION PREVENTION GRANTS	66.708	POLLUTION CONTROL	13,949	27,418	41,367
	HAZARDOUS WASTE MGMT STATE PROGRAM	66.801	POLLUTION CONTROL	1,656,092	583,551	2,239,643
	SUPERFUND STATE SITE-COOP AGREEMENTS	66.802	POLLUTION CONTROL	3,692,576	119,909	3,812,485
	STATE UNDERGROUND STORAGE TANKS	66.804	POLLUTION CONTROL	248,267	68,235	316,502
	UNDERGROUND STORAGE TANK TRUST FUND	66.805	POLLUTION CONTROL	2,277,239	223,649	2,500,888
	SOLID WASTE MANAGEMENT ASSISTANCE	66.808	ENVIRONMENTAL ASSISTANCE	169,785	42,446	212,231
	TECHNICAL ASSISTANCE GRANTS PROGRAM	66.810	POLLUTION CONTROL	37,818	17,870	55,688
	POLLUTION PREVENTION INCENTIVES FOR STATES	66.900	POLLUTION CONTROL	110,839	17,231	128,070
	ENVIRONMENTAL EDUCATION GRANTS	66.951	STATE COLLEGES & UNIVERSITIES	5,199	1,404	6,603
	SPECIAL PURPOSE GRANT (8)	66.SPX	POLLUTION CONTROL	33,036	16,501	49,537
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION						
	FAIR EMPLOYMENT PRACTICES AGENCY CONTRACT	30.002	HUMAN RIGHTS	174,500	-	174,500
FEDERAL EMERGENCY MANAGEMENT ADMINISTRATION						
	COMMUNITY BASED ANTI-ARSON	83.008	PUBLIC SAFETY	47,511	-	47,511

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
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YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
FEDERAL EMERGENCY MANAGEMENT ADMINISTRATION (Continued)						
	HAZARDOUS MATERIALS TRAINING SUPERFUND	83.011	PUBLIC SAFETY	\$ 93,770	\$ -	\$ 93,770
	HAZARDOUS MATERIALS ASSISTANCE	83.012	PUBLIC SAFETY	8,000	-	8,000
	COMMUNITY ASSISTANCE	83.105	NATURAL RESOURCES	83,868	38,608	122,476
		83.105	PUBLIC SAFETY	56,050	-	56,050
	STATE ASSISTANCE PROGRAM	83.501	PUBLIC SAFETY	5,000	-	5,000
	CIVIL DEFENSE-STATE & LOCAL EMERGENCY	83.503	PUBLIC SAFETY	192,416	400,071	592,487
	STATE DISASTER PREPAREDNESS GRANTS	83.505	PUBLIC SAFETY	47,145	63,271	110,416
	DISASTER ASSISTANCE	83.516	NATURAL RESOURCES	145,533	-	145,533
		83.516	PUBLIC SAFETY	7,462,455	144,036	7,606,491
	EMERGENCY TRAINING ASSISTANCE	83.527	PUBLIC SAFETY	45,943	-	45,943
	STATE & LOCAL EMERGENCY MGMT ASSIST	83.531	PUBLIC SAFETY	79,708	-	79,708
	EMERGENCY-STATE & LOCAL ASSISTANCE	83.534	PUBLIC SAFETY	613,757	-	613,757
GENERAL SERVICES ADMINISTRATION						
	FED SURPLUS PERSONAL PROPERTY DONATION	39.003	ADMINISTRATION	350,822	-	350,822
HEALTH & HUMAN SERVICES						
	PUBLIC HEATH & SOCIAL SERVICES EMER FUND	93.003	HEALTH	156,064	-	156,064
	HEALTH STUDIES INIT OF PRIORITY HEALTH COND	93.026	CHILDREN FAMILIES & LEARNING	9,000	-	9,000
	OLDER INDVLS ABUSE/NEGLECT/EXPLOITATION	93.041	HUMAN SERVICES	75,627	-	75,627
	OLDER INDVLS LONG-TERM CARE OMBUDSMAN	93.042	HUMAN SERVICES	11,593	-	11,593
	PREVENTION OF HEALTH-TITLE III PART F	93.043	HUMAN SERVICES	95,618	-	95,618
	AGING SUPPORT SERVICES & SENIOR CENTERS	93.044	HUMAN SERVICES	5,996,433	593,339	6,589,772
	AGING-TITLE III PART C-NUTRITION SERVICES	93.045	HUMAN SERVICES	5,321,034	2,290,000	7,611,034
	AGING-TITLE III PART D-IN HOME SERVICES	93.046	HUMAN SERVICES	121,282	-	121,282
	SPECIAL AGING PROGRAMS-TITLE IV	93.048	HUMAN SERVICES	4,164	-	4,164
	FOOD & DRUG ADMINISTRATION RESEARCH	93.103	AGRICULTURE	48,866	-	48,866
	MATERNAL & CHILD HEALTH FED CONSOLIDATED	93.110	HEALTH	298,935	-	298,935

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
HEALTH & HUMAN SERVICES (Continued)						
	TUBERCULOSIS CONTROL PROGRAMS	93.116	HEALTH	\$ 371,588	\$ -	\$ 371,588
	ACQUIRED IMMUNODEFICIENCY SYNDROME	93.118	HEALTH	482,115	-	482,115
	TECHNICAL ASSIST CENTERS FOR EVALUATION	93.119	HUMAN SERVICES	85,922	-	85,922
	MENTAL HEALTH PLANNING & DEMONSTRATION	93.125	HUMAN SERVICES	117,158	-	117,158
	EMERGENCY MEDICAL SERVICES FOR CHILDREN	93.127	HEALTH	163,228	-	163,228
	PRIMARY CARE SERVICES	93.130	HEALTH	271,928	-	271,928
	INJURY PREVENTION & CONTROL RESEARCH	93.136	HEALTH	348,813	-	348,813
	ASSIST IN TRANSITION FROM HOMELESSNESS	93.150	HUMAN SERVICES	307,478	431,000	738,478
	TOXIC SUBSTANCES & DISEASE REGISTRY	93.161	HEALTH	401,848	-	401,848
	GRANTS FOR STATE LOAN REPAYMENTS	93.165	HEALTH	18,563	71,623	90,186
	CHILDHOOD LEAD POSIONING PREVENTION	93.197	HEALTH	10,355	-	10,355
	ENVIRON HEALTH EDU FOR HEALTH PROF/COMM	93.200	STATE COLLEGES & UNIVERSITIES	31,884	-	31,884
	MENTAL HEALTH RESEARCH GRANTS	93.242	STATE COLLEGES & UNIVERSITIES	121,193	60,597	181,790
	OCCUPATIONAL SAFETY & HEALTH GRANTS	93.262	HEALTH	99,972	-	99,972
	CHILDHOOD IMMUNIZATION GRANTS	93.268	HEALTH	3,985,850	-	3,985,850
	DRUG ABUSE RESEARCH	93.279	STATE COLLEGES & UNIVERSITIES	11,119	2,446	13,565
	MENTAL HEALTH RESEARCH CAREER/SCIENTIST	93.281	STATE COLLEGES & UNIVERSITIES	3,460	-	3,460
	CENTER FOR DISEASE CONTROL & PREVENTION	93.283	HEALTH	1,386,820	-	1,386,820
	NURSE PRACTITIONER EDUCATION	93.298	STATE COLLEGES & UNIVERSITIES	233,558	-	233,558
	ADVANCED NURSE EDUCATION	93.299	STATE COLLEGES & UNIVERSITIES	91,873	-	91,873
	PROFESSIONAL NURSE TRAINEESHIPS	93.358	STATE COLLEGES & UNIVERSITIES	47,360	-	47,360
	ACADEMIC RESEARCH ENHANCEMENT AWARD	93.390	STATE COLLEGES & UNIVERSITIES	66,281	4,289	70,570
	CANCER CONTROL	93.399	HEALTH	2,073,416	-	2,073,416
	FAMILY PRESERVATION & SUPPORT SERVICES	93.556	HUMAN SERVICES	666,069	-	666,069
	STATE LEGALIZATION IMPACT ASSISTANCE	93.565	HUMAN SERVICES	15,093	-	15,093
	REFUGEE & ENTRANT ASSISTANCE-STATE ADMIN	93.566	HUMAN SERVICES	6,775,012	-	6,775,012
	COMMUNITY SERVICES BLOCK GRANT	93.569	ECONOMIC SECURITY	4,824,981	-	4,824,981

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STATE OF MINNESOTA
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YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
HEALTH & HUMAN SERVICES (Continued)						
	CHILD CARE FAMILY AT-RISK WELFARE	93.574	HUMAN SERVICES	\$ 6,525,437	\$ -	\$ 6,525,437
	REFUGEE & ENTRANT ASSIST-DISCRETIONARY	93.576	HUMAN SERVICES	102,004	-	102,004
	REFUGEE & ENTRANT TARGETED ASSISTANCE	93.584	HUMAN SERVICES	623,947	-	623,947
	EMPOWERMENT ZONES	93.585	HUMAN SERVICES	880,395	-	880,395
	HEAD START	93.600	ECONOMIC SECURITY	100,283	-	100,283
	CHILD DEVELOPMENT ASSOCIATE SCHOLARSHIPS	93.614	STATE COLLEGES & UNIVERSITIES	18,621	-	18,621
	DEVELOPMENTAL DISABILITIES-BASIC SUPPORT	93.630	ADMINISTRATION	512,725	-	512,725
		93.630	CHILDREN FAMILIES & LEARNING	4,334	-	4,334
	CHILDRENS JUSTICE GRANTS TO STATES	93.643	HUMAN SERVICES	237,916	-	237,916
	CHILD WELFARE SERVICES-STATE GRANTS	93.645	HUMAN SERVICES	5,189,457	191,689	5,381,146
	TEMPORARY CHILD CARE & CRISIS NURSERIES	93.656	HUMAN SERVICES	512,089	-	512,089
	YOUTH INITIATIVE/YOUTH GANGS	93.660	HUMAN SERVICES	627,908	495,334	1,123,242
	CHILD ABUSE & NEGLECT DISCRETIONARY	93.670	HUMAN SERVICES	310,884	-	310,884
	FAMILY VIOLENCE & PREVENTION SERVICES	93.671	CORRECTIONS	379,483	-	379,483
	COMMUNITY-BASED PREVENTION PROGRAM	93.672	HUMAN SERVICES	134,358	-	134,358
	DEPENDENT CARE PLANNING & DEVELOPMENT	93.673	CHILDREN FAMILIES & LEARNING	171,033	-	171,033
	INDEPENDENT LIVING	93.674	HUMAN SERVICES	1,333,524	-	1,333,524
	STATE MEDICAID FRAUD CONTROL UNITS	93.775	ATTORNEY GENERAL	490,619	149,356	639,975
	STATE HEALTH CARE PROVIDERS SURVEY	93.777	HEALTH	3,720,926	-	3,720,926
		93.777	HUMAN SERVICES	2,522,210	-	2,522,210
	HEALTH CARE FINANCING RESEARCH/DEMO/EVAL	93.779	HEALTH	203,293	-	203,293
		93.779	HUMAN SERVICES	392,060	-	392,060
	BLOOD DISEASES & RESOURCES RESEARCH	93.839	STATE COLLEGES & UNIVERSITIES	33,818	-	33,818
	ARTHRITIS/MUSCULOSKELETAL & SKIN DISORDER	93.846	STATE COLLEGES & UNIVERSITIES	26,931	-	26,931
	DIABETES/ENDOCRINOLOGY/METABOLISM RES	93.847	HEALTH	137,918	-	137,918
	DIGESTIVE DISEASES & NUTRITION RESEARCH	93.848	STATE COLLEGES & UNIVERSITIES	22,207	-	22,207
	MICROBIOLOGY & INFECTIOUS DISEASES RES	93.856	HEALTH	78,088	-	78,088

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
HEALTH & HUMAN SERVICES (Continued)						
	CRITICAL POPULATIONS DRUG ABUSE	93.902	HUMAN SERVICES	\$ 26,050	\$ -	\$ 26,050
	RURAL HEALTH OPERATION OFFICES-STATE	93.913	HEALTH	40,157	-	40,157
	HIV CARE FORMULA GRANTS	93.917	HEALTH	831,146	-	831,146
	BREAST & CERVICAL CANCER EARLY DETECTION	93.919	HEALTH	3,311,052	-	3,311,052
	PREVENTION OF HIV & OTHER HEALTH PROBLEMS	93.938	CHILDREN FAMILIES & LEARNING	392,164	-	392,164
		93.938	STATE COLLEGES & UNIVERSITIES	54,995	-	54,995
	HIV PREVENTION ACTIVITIES-HEALTH DEPT	93.940	HEALTH	2,173,969	-	2,173,969
	RESEARCH, TREAT, & EDUCATION-LYME DISEASE	93.942	HEALTH	191,688	-	191,688
	STATE TRAUMA CARE	93.953	HEALTH	5,346	-	5,346
	COMMUNITY MENTAL HEALTH SERVICES BLOCK	93.958	HUMAN SERVICES	3,467,948	-	3,467,948
	SEXUALLY TRANSMITTED DISEASES CONTROL	93.977	HEALTH	511,728	-	511,728
	HEALTH PROGRAMS FOR REFUGEES	93.987	HEALTH	71,299	-	71,299
	STATE DIABETES CONTROL & SURVEILLANCE SYS	93.988	HEALTH	575,685	-	575,685
	SENIOR INTERNATIONAL FELLOWSHIPS	93.989	STATE COLLEGES & UNIVERSITIES	38,268	-	38,268
	PREVENTIVE HEALTH & SERVICES BLOCK GRANT	93.991	HEALTH	4,208,825	-	4,208,825
	MATERNAL & CHILD HEALTH SERVICES BLOCK	93.994	HEALTH	9,630,910	-	9,630,910
	PUBLIC HEALTH & SOCIAL SERVICES (8)	93.XXX	ECONOMIC SECURITY	982,794	-	982,794
HOUSING & URBAN DEVELOPMENT						
	MANUFACTURED HOME CONSTRUCTION & SAFETY	14.171	ADMINISTRATION	53,025	-	53,025
	EMERGENCY SHELTER GRANTS PROGRAM	14.231	ECONOMIC SECURITY	1,467,952	1,024,343	2,492,295
	SUPPORTIVE HOUSING PROGRAM	14.235	ECONOMIC SECURITY	1,103,885	-	1,103,885
	HOUSING FOR PEOPLE WITH AIDS	14.241	HEALTH	189,081	-	189,081
	BASIC WATER & SEWER FACILITIES	14.301	HEALTH	161,257	-	161,257
	COMMUNITY DEVELOPMENT WORK-STUDY	14.512	STATE COLLEGES & UNIVERSITIES	114,847	37,899	152,746
INTERIOR						
	SPORT FISH RESTORATION	15.605	NATURAL RESOURCES	7,250,214	2,416,745	9,666,959

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STATE OF MINNESOTA
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STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
INTERIOR (Continued)						
	WILDLIFE RESTORATION	15.611	NATURAL RESOURCES	\$ 4,465,841	\$ 1,488,622	\$ 5,954,463
		15.611	STATE COLLEGES & UNIVERSITIES	3,792	-	3,792
	ENDANGERED SPECIES CONSERVATION	15.612	NATURAL RESOURCES	35,729	9,977	45,706
	COOP ENDANGERED SPECIES CONSERVATION FUN	15.615	NATURAL RESOURCES	1,500	-	1,500
	CLEAR VESSEL ACT	15.616	NATURAL RESOURCES	30,000	-	30,000
	WILDLIFE CONSERVATION & APPRECIATION	15.617	NATURAL RESOURCES	10,524	29,127	39,651
	LONG TERM RESOURCE MONITORING (8)	15.6LT	NATURAL RESOURCES	372,235	2,253	374,488
	WILDLIFE-LAKES (8)	15.6XX	NATURAL RESOURCES	171,044	120,230	291,274
	GEOLOGICAL SURVEY - RESEARCH & DATA ACQ	15.808	STATE COLLEGES & UNIVERSITIES	3,825	1,912	5,737
	OUTDOOR RECREATION-ACQ, DEVP & PLANNING	15.916	NATURAL RESOURCES	47,465	-	47,465
	RESEARCH INFORMATION	15.975	NATURAL RESOURCES	366	-	366
	MISSISSIPPI NATIONAL RIVERWAY (8)	15.XXX	NATURAL RESOURCES	68,857	8,048	76,905
JUSTICE						
	NARCOTIC & DANGEROUS DRUGS TRAINING	16.004	PUBLIC DEFENSE BOARD	106,534	47,075	153,609
		16.004	PUBLIC SAFETY	100,238	-	100,238
	JUVENILE JUSTICE & DELINQUENCY PREVENTION	16.540	ECONOMIC SECURITY	1,513,745	79,642	1,593,387
	CRIMINAL JUSTICE STATISTICS DEVELOPMENT	16.550	MINNESOTA PLANNING	54,199	-	54,199
	MARIEL-CUBANS	16.572	CORRECTIONS	290,842	-	290,842
	CRIME VICTIM ASSISTANCE	16.575	CORRECTIONS	1,350,868	-	1,350,868
	CRIME VICTIM COMPENSATION	16.576	PUBLIC SAFETY	15,440	-	15,440
	DRUG CONTROL & SYSTEM IMPRVMT-FORMULA	16.579	ATTORNEY GENERAL	70,677	63,395	134,072
		16.579	PUBLIC SAFETY	6,509,436	33,569	6,543,005
		16.579	SUPREME COURT	116,371	-	116,371
	DRUG CONTROL & SYSTEM IMPRVMT-DISCRET	16.580	PUBLIC SAFETY	82,501	-	82,501
	CRIME VICTIM ASSISTANCE/DISCRETIONARY	16.582	CORRECTIONS	20,000	-	20,000
	VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	MINNESOTA PLANNING	19,850	-	19,850

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
LABOR						
	LABOR FORCE STATISTICS	17.002	ECONOMIC SECURITY	\$ 1,400,260	\$ -	\$ 1,400,260
	NATIONAL OCCUPATIONAL INFORMATION (8)	17.00X	ECONOMIC SECURITY	137,172	-	137,172
	SENIOR COMMUNITY SERVICE EMPLOYMENT	17.235	ECONOMIC SECURITY	1,850,358	378,789	2,229,147
	TRADE ADJUSTMENT ASSISTANCE-WORKERS	17.245	ECONOMIC SECURITY	1,503,416	-	1,503,416
	OCCUPANTIONAL SAFETY & HEALTH	17.500	LABOR & INDUSTRY	2,954,947	2,711,124	5,666,071
	CONSULTATION AGREEMENTS	17.504	LABOR & INDUSTRY	46,362	-	46,362
	MINE HEALTH & SAFETY GRANTS	17.600	STATE COLLEGES & UNIVERSITIES	176,109	28,885	204,994
	DISABLED VETERANS OUTREACH PROGRAM	17.801	ECONOMIC SECURITY	1,288,326	-	1,288,326
	VETRANS' EMPLOYMENT PROGRAM	17.802	ECONOMIC SECURITY	9,119	64,453	73,572
	LOCAL VETERANS EMPLOYMENT REPRESENTATIVE	17.804	ECONOMIC SECURITY	1,625,755	-	1,625,755
NATIONAL & COMMUNITY SERVICE COMMISSION						
	COMMUNITY SERVICE GRANT	94.001	CHILDREN FAMILIES & LEARNING	324,184	-	324,184
	STATE COMMISSION	94.003	CHILDREN FAMILIES & LEARNING	2,337,402	-	2,337,402
	DEVELOPMENT SERVICE LEARNING	94.004	CHILDREN FAMILIES & LEARNING	6,731	-	6,731
	AMERICORPS	94.006	NATURAL RESOURCES	57,911	170	58,081
		94.006	STATE COLLEGES & UNIVERSITIES	45,088	-	45,088
	PLANNING & PROGRAM DEVELOPMENT	94.007	CHILDREN FAMILIES & LEARNING	28,245	-	28,245
		94.007	NATURAL RESOURCES	186,374	-	186,374
NATIONAL AERONAUTICS & SPACE ADMINISTRATION						
	AEROSPACE EDUCATION SERVICES	43.001	STATE COLLEGES & UNIVERSITIES	30,324	-	30,324
NATIONAL FOUNDATION ARTS & HUMANITIES						
	PROMOTION OF THE ARTS-STATE/REGIONAL	45.007	STATE ARTS BOARD	634,818	-	634,818
	PROMOTION OF THE ARTS-EXPANSION ARTS	45.010	STATE ARTS BOARD	162,494	-	162,494
	PROMOTION OF HUMANITIES-PRESERVE/ACCESS	45.149	STATE COLLEGES & UNIVERSITIES	33,792	-	33,792
	FOREIGN LANGUAGE EDUCATION	45.155	CHILDREN FAMILIES & LEARNING	24,806	-	24,806

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
NATIONAL FOUNDATION ARTS & HUMANITIES (Continued)						
	MUSEUM SERVICES INSTITUTE	45.301	STATE COLLEGES & UNIVERSITIES	\$ 5,409	\$ -	\$ 5,409
NATIONAL SCIENCE FOUNDATION						
	MATHEMATICAL & PHYSICAL SCIENCES	47.049	STATE COLLEGES & UNIVERSITIES	98,388	38,809	137,197
	GEOSCIENCES	47.050	STATE COLLEGES & UNIVERSITIES	76,720	-	76,720
	BIOLOGICAL SCIENCES	47.074	STATE COLLEGES & UNIVERSITIES	26,986	3,168	30,154
	EDUCATION & HUMAN RESOURCES	47.076	STATE COLLEGES & UNIVERSITIES	513,456	84,864	598,320
		47.076	ZOOLOGICAL BOARD	39,207	-	39,207
SMALL BUSINESS ADMINISTRATION						
	SMALL BUSINESS DEVELOPMENT ASSISTANCE	59.005	STATE COLLEGES & UNIVERSITIES	2,061	-	2,061
	SMALL BUSINESS DEVELOPMENT CENTER	59.037	STATE COLLEGES & UNIVERSITIES	655,213	362,059	1,017,272
		59.037	TRADE & ECONOMIC DEVELOPMENT	1,288,259	458,756	1,747,015
	NATURAL RESOURCE DEVELOPMENT	59.045	NATURAL RESOURCES	26,884	-	26,884
TRANSPORTATION						
	BOATING SAFETY FINANCIAL ASSISTANCE	20.005	NATURAL RESOURCES	981,830	1,085,078	2,066,908
	AVIATION EDUCATION	20.100	TRANSPORTATION	530,000	-	530,000
	HIGHWAYS - EMERGENCY RELIEF	20.200	PUBLIC SAFETY	26,364	-	26,364
	MOTOR CARRIER SAFETY	20.217	PUBLIC SAFETY	17,779	-	17,779
	MOTOR CARRIER SAFETY ASSISTANCE PROGRAM	20.218	PUBLIC SAFETY	1,792,192	4,985,643	6,777,835
		20.218	TRANSPORTATION	-	127,014	127,014
	LOCAL RAIL FREIGHT ASSISTANCE	20.308	TRANSPORTATION	46,087	14,121	60,208
	FEDERAL TRANSIT CAPITAL IMPROVEMENT	20.500	TRANSPORTATION	805,294	132,211	937,505
	FEDERAL TRANSIT TECHNICAL STUDIES GRANTS	20.505	TRANSPORTATION	332,914	145,603	478,517
	PUBLIC TRANSPORTATION NONURBANIZED AREAS	20.509	TRANSPORTATION	2,679,713	1,493,591	4,173,304
	STATE & COMMUNITY HIGHWAY SAFETY	20.600	PUBLIC SAFETY	3,019,995	199,879	3,219,874
	PIPELINE SAFETY	20.700	PUBLIC SAFETY	557,828	564,821	1,122,649
	INTERAGENCY HAZARD MATERIALS PUB SEC	20.703	PUBLIC SAFETY	82,744	-	82,744

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

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1996

Federal Agency	Federal Program Name	CFDA Number	State Agency	Federal Expenditures	State Match	Total Expenditures
TRANSPORTATION (Continued)						
	ROAD VIEW VIOLATION (8)	20.XXX	REVENUE	\$ 135,480	\$ -	\$ 135,480
VETERANS AFFAIRS						
	STATE HOME FACILITIES CONSTRUCTION GRANTS	64.005	ADMINISTRATION	276,481	-	276,481
	VETERANS EDUCATIONAL ASSISTANCE	64.111	LABOR & INDUSTRY	14,848	-	14,848
Total Nonmajor Programs:				\$272,356,489	\$35,036,875	\$307,393,364

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

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STATE OF MINNESOTA
NOTES TO THE FEDERAL PROGRAMS FINANCIAL STATEMENTS
JUNE 30, 1996

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The reporting policies for fiscal year 1996 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 federal programs. The section for major programs includes programs that are material to the State of Minnesota. The section for nonmajor programs includes programs 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 1996 basic edition catalog. Certain CFDA numbers presented are no longer operating programs. They are the result of carryover of funds from previous years. The statements are presented in numeric CFDA order within each federal agency.

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. The state, a primary government, has considered for inclusion all potential component units for which it may be financially accountable or other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the report to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be used in determining financial accountability. These criteria include the state's ability to appoint a voting majority of an organization's governing body and either the ability of the state to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the state.

The programs included in this report are considered to be part of the state's primary government and the blended component units. Blended component units are entities which are legally separate from the state, but are so intertwined with the state that they are, in substance, the same as the state.

Basis of Accounting

Accrual basis accounting was used in this report for all federal programs for the State of Minnesota. All financial activity presented is for the state's fiscal year ended June 30, 1996. Most federal financial assistance is accounted for in the statewide accounting system; however, some state agencies maintain 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) and follows the accrual or modified accrual basis of accounting, as appropriate for the fund structure. Most federal activity is accounted for in the Federal Fund (a special revenue fund), but several other special revenue funds (Trunk Highway, Natural Resources and Miscellaneous Special Revenue Funds) and enterprise funds (State Colleges and Universities Board Revenue and College and University Activities) include federal activity. The Minnesota accounting and procurement 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 because several funds are used to account for federal activity and because of some commingling of state and federal funds.

Classification of Statement Information

Expenditures are presented for all federal programs. Where state matching 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, 1995 through June 30, 1996, 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 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 and does not include amounts paid by local governments. State match presented on the financial statements is based on the state's fiscal year. This match may be insufficient as of June 30, 1996. 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. HIGHWAY PLANNING AND CONSTRUCTION PROGRAM

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. PERKINS AND NURSING STUDENT LOAN PROGRAMS

The amounts reported on the financial statements for the Perkins Loans (84.038) and the Nursing Student Loans (NSL) Program (93.364), for the Minnesota State College and University System is the administrative and collection costs. Below is a summary of the loan activity for each program during fiscal year 1996:

	<u>Perkins</u>	<u>NSL</u>
Loans Receivable July 1, 1995	\$34,647,439	\$343,905
Loan Repayments	(5,402,985)	(79,884)
Loan Cancellations	(398,373)	(2,074)
Writeoffs	-	-
New Loans Issued	<u>5,869,477</u>	<u>35,263</u>
Loans Receivable June 30, 1996	<u>\$34,715,558</u>	<u>\$297,210</u>

4. FEDERAL FAMILY EDUCATION LOAN PROGRAMS

Financial institutions make loans to students attending institutions of higher education. The Minnesota State College and University System issued students the following Federal Family Education Loans (84.032) during fiscal year 1996.

Federal Family Education Loans:	
Federal Subsidized Stafford	\$104,416,042
Federal Unsubsidized Stafford	<u>41,544,674</u>
Total Federal Family Education Loan	<u>\$145,960,716</u>

The Federal Family Education Loans Program includes the Federal Parent Loans for Undergraduate Students (PLUS) Program. This program provides loans to parents of undergraduate students. These transactions are between financial institutions and parents. Therefore, disbursement information is unavailable.

5. FOOD STAMPS PROGRAM

The amounts reported on the financial statement for the Food Stamps Program (10.551) and for the State Administrative Matching Grants for Food Stamp Program (10.561) are for emergency cash payments to individuals for food and for the state and county administrative costs. The state Department of Human Services issues food coupons and provides benefits electronically centrally to all county recipients. For fiscal year 1996 the state issued food coupons to recipients totaling \$113,439,173 and electronic benefits totaling \$94,950,598. Inventory of food stamps on hand at June 30, 1996, is valued at \$40,054,451.

6. OIL OVERCHARGE FUNDING

Grants made from oil overcharge funds are included in this report as federal expenditures for the State Energy Conservation (81.041) and the Weatherization Assistance (81.042) programs. Loans are also administered from these funds by the departments of Finance and Public Service. A summary of the loan activity for fiscal year 1996 is shown below. Amounts for loans from the Department of Finance include state match.

	<u>Finance</u>	<u>Public Service</u>
Loans Receivable July 1, 1995	\$10,757,788	\$408,097
Loan Repayments	(2,141,172)	(106,920)
New Loans Issued	<u>3,046,260</u>	<u>566,437</u>
Loans Receivable June 30, 1996	<u>\$11,662,876</u>	<u>\$867,614</u>

7. WIC REBATES

The Supplemental Food Program for Women, Infants, and Children (WIC) for the Minnesota Department of Health receives cash rebates from infant formula manufacturers. The rebates are used for program purposes. During fiscal year 1996, Minnesota received a total rebate of \$13,347,610 on sales of formula to participants in the WIC program.

8. CFDA NUMBERS

For certain programs the correct CFDA number could not be determined.

COMPLIANCE SECTION

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STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, 658 CEDAR STREET • ST. PAUL, MN 55155 • 612/296-4708 • TDD RELAY 612/297-5353

JAMES R. NOBLES, LEGISLATIVE AUDITOR

**Independent Auditor's Report on the Internal Control Structure
at the Financial Statement Level**

Members of the Legislature

The Honorable Arne H. Carlson, Governor

Wayne Simoneau, Commissioner of Finance

Edward R. Krivus, Regional Inspector General for Audit
United States Department of Agriculture

We have audited the general purpose financial statements of the state of Minnesota as of and for the year ended June 30, 1996, and have issued our report thereon dated December 2, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the state of Minnesota is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the state's general purpose financial statements for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Members of the Legislature
The Honorable Arne H. Carlson, Governor
Wayne Simoneau, Commissioner of Finance
Edward R. Krivus, Regional Inspector General for Audit
United States Department of Agriculture
Page 2

We noted certain matters involving the internal control structure and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the state's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. These reportable conditions are described in the audit reports to the applicable state agencies.

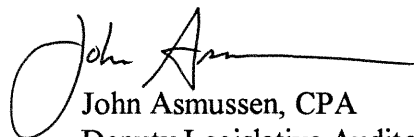
A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Legislative Audit Commission and the management of affected state and federal agencies. This restriction is not intended to limit the distribution of this report, which was released on June 20, 1997.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: December 2, 1996

Report Signed On: June 11, 1997

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STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

**Independent Auditor's Report on the Internal Control Structure
at the Federal Financial Assistance Program Level**

Members of the Legislature

The Honorable Arne H. Carlson, Governor

Wayne Simoneau, Commissioner of Finance

Edward R. Krivus, Regional Inspector General for Audit

United States Department of Agriculture

We have audited the general purpose financial statements of the state of Minnesota as of and for the year ended June 30, 1996, and have issued our report thereon dated December 2, 1996. We have also audited the state of Minnesota's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated February 28, 1997.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and about whether the state of Minnesota complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended June 30, 1996, we considered the state's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the state's general purpose financial statements and on its compliance with requirements applicable to major federal financial assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated December 2, 1996.

The management of the state of Minnesota is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with

Members of the Legislature
The Honorable Arne H. Carlson, Governor
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Edward R. Krivus, Regional Inspector General for Audit
United States Department of Agriculture
Page 2

management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting Applications

Cash
Investments
Loans receivable
Fixed assets
Bonded debt
Revenue/receivables
Payroll/personnel
Administrative expenditures
Grant and aid payments
Interfund transfers

General Requirements

Political activity
Davis-Bacon Act
Civil rights
Cash management
Relocation assistance and real property acquisition
Federal financial reports
Allowable costs/cost principles
Drug-free workplace
Administrative requirements

Members of the Legislature
The Honorable Arne H. Carlson, Governor
Wayne Simoneau, Commissioner of Finance
Edward R Krivus, Regional Inspector General for Audit
United States Department of Agriculture
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Specific Requirements

- Types of services
- Eligibility
- Matching, level of effort, or earmarking
- Reporting
- Cost allocation
- Monitoring subrecipients
- Special requirements, if any

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures at the state level and determined whether they have been placed in operation, and we assessed control risk. During the year ended June 30, 1996, the state of Minnesota expended 92 percent of its total federal financial assistance under major federal financial assistance programs. Many of these programs rely on a combination of controls at the state and local level. To the extent that these programs are classified as major programs, review of internal controls at the local level is the responsibility of other auditors. Because of the large number of nonmajor programs administered by the state, as identified on pages 14 to 27 of this report, we performed some procedures to obtain an understanding of the internal control structure policies and procedures relevant to nonmajor programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant. These policies and procedures exist to prevent or detect material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the state's major federal financial assistance programs. These programs are identified on pages 11 to 13 of this report for the year ended June 30, 1996. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

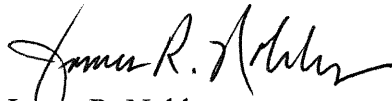
We noted certain matters involving the internal control structure and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the state's ability to administer federal financial assistance programs in accordance with applicable laws and regulations. Those conditions relating to administering federal financial assistance programs of the state of Minnesota are included in the Schedule of Audit Findings for Federal Programs on pages 52 to 61 of this report.

Members of the Legislature
The Honorable Arne H. Carlson, Governor
Wayne Simoneau, Commissioner of Finance
Edward R. Krivus, Regional Inspector General for Audit
United States Department of Agriculture
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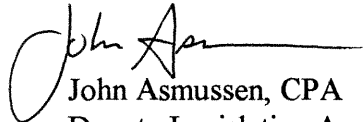
A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Legislative Audit Commission and the management of affected state and federal agencies. This restriction is not intended to limit the distribution of this report, which was released on June 20, 1997.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: February 28, 1997

Report Signed On: June 11, 1997



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, 658 CEDAR STREET • ST. PAUL, MN 55155 • 612/296-4708 • TDD RELAY 612/297-5353

JAMES R. NOBLES, LEGISLATIVE AUDITOR

**Independent Auditor's Report on Compliance
at the Financial Statement Level**

Members of the Legislature

The Honorable Arne H. Carlson, Governor

Wayne Simoneau, Commissioner of Finance

Edward R. Krivus, Regional Inspector General for Audit

United States Department of Agriculture

We have audited the general purpose financial statements of the state of Minnesota as of and for the year ended June 30, 1996, and have issued our report thereon dated December 2, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the state of Minnesota is the responsibility of the state's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the state's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have described in the audit reports to the applicable state agencies.

This report is intended for the information of the Legislative Audit Commission and the management of affected state and federal agencies. This restriction is not intended to limit the distribution of this report, which was released as a public document on June 20, 1997.

A handwritten signature in cursive script, appearing to read "James R. Nobles".

James R. Nobles
Legislative Auditor

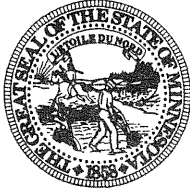
A handwritten signature in cursive script, appearing to read "John Asmussen".

John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: December 2, 1996

Report Signed On: June 11, 1997

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STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, 658 CEDAR STREET • ST. PAUL, MN 55155 • 612/296-4708 • TDD RELAY 612/297-5353

JAMES R. NOBLES, LEGISLATIVE AUDITOR

**Independent Auditor's Report on Compliance With Specific Requirements
Applicable to Major Federal Financial Assistance Programs**

Members of the Legislature

The Honorable Arne H. Carlson, Governor

Wayne Simoneau, Commissioner of Finance

Edward R. Krivus, Regional Inspector General for Audit
United States Department of Agriculture

We have audited the general purpose financial statements of the state of Minnesota as of and for the year ended June 30, 1996, and have issued our report thereon dated December 2, 1996.

We have also audited the state of Minnesota's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; subrecipient monitoring; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs identified on pages 11 to 13 of this report for the year ended June 30, 1996. The management of the state of Minnesota is responsible for the state's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the state of Minnesota's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.


The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Audit Findings for Federal Programs on pages 52 to 61. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

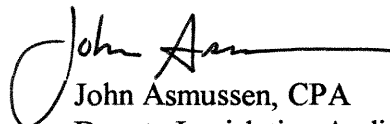
In our opinion, the state of Minnesota complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; subrecipient monitoring; claims for advances and reimbursements; and

Members of the Legislature
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United States Department of Agriculture
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amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1996.

This report is intended for the information of the Legislative Audit Commission and the management of affected state and federal agencies. This restriction is not intended to limit the distribution of this report, which was released as a public document on June 20, 1997.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: February 28, 1997

Report Signed On: June 11, 1997



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, 658 CEDAR STREET • ST. PAUL, MN 55155 • 612/296-4708 • TDD RELAY 612/297-5353

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Independent Auditor's Report on Compliance with the General Requirements Applicable to Major Federal Financial Assistance Programs

Members of the Legislature

The Honorable Arne H. Carlson, Governor

Wayne Simoneau, Commissioner of Finance

Edward R. Krivus, Regional Inspector General for Audit
United States Department of Agriculture

We have audited the general purpose financial statements of the state of Minnesota as of and for the year ended June 30, 1996, and have issued our report thereon dated December 2, 1996.

We have applied procedures to test the state of Minnesota's compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified on pages 11 to 13 of this report for the year ended June 30, 1996:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports
- Allowable costs/cost principles
- Drug-free workplace
- Administrative requirements


Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the state of Minnesota's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

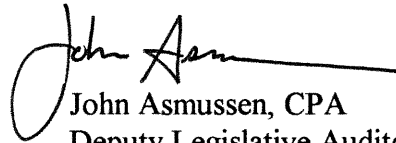
With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the state of Minnesota had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those

Members of the Legislature
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Wayne Simoneau, Commissioner of Finance
Edward R. Krivus, Regional Inspector General for Audit
United States Department of Agriculture
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requirements, which are described in the Schedule of Audit Findings for Federal Programs on pages 52 to 61 of this report.

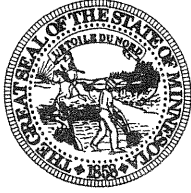
This report is intended for the information of the Legislative Audit Commission and the management of affected state and federal agencies. This restriction is not intended to limit the distribution of this report, which was released as a public document on June 20, 1997.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: February 28, 1997

Report Signed On: June 11, 1997



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, 658 CEDAR STREET • ST. PAUL, MN 55155 • 612/296-4708 • TDD RELAY 612/297-5353

JAMES R. NOBLES, LEGISLATIVE AUDITOR

**Independent Auditor's Report on Compliance with
Requirements Applicable to Nonmajor Federal
Financial Assistance Program Transactions**

Members of the Legislature

The Honorable Arne H. Carlson, Governor

Wayne Simoneau, Commissioner of Finance

Edward R. Krivus, Regional Inspector General for Audit
United States Department of Agriculture

We have audited the general purpose financial statements of the state of Minnesota as of and for the year ended June 30, 1996, and have issued our report thereon dated December 2, 1996.


In connection with our audit of the general purpose financial statements of the state of Minnesota and with our consideration of the state's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1996.

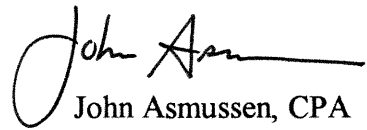
As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed and eligibility requirements that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the state of Minnesota's compliance with these requirements. Accordingly, we do not express an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the state of Minnesota had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Audit Findings for Federal Programs on pages 52 to 61 of this report.

Members of the Legislature
The Honorable Arne H. Carlson, Governor
Wayne Simoneau, Commissioner of Finance
Edward R. Krivus, Regional Inspector General for Audit
United States Department of Agriculture
Page 2

This report is intended for the information of the Legislative Audit Commission and the management of affected state and federal agencies. This restriction is not intended to limit the distribution of this report, which was released on June 20, 1997.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: February 28, 1997

Report Signed On: June 11, 1997

**Office of the Legislative Auditor
Statewide Single Audit**

**Schedule of Audit Findings
for Federal Programs
Fiscal Year Ended June 30, 1996**

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 discussed in the attached explanations section on pages 63 to 67.

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS FOR FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1996

<i>U. S. Department of Agriculture</i>									
CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMPLIANCE GEN SPEC		PROBLEM	FIN IMPACT
10.550	Food Distribution	Children, Families & Learning	97-12	3	RC			Inadequate controls in computing environment	P
10.550	Food Distribution	Economic Security	97-17	4	RC			Insufficient security administrative procedures	P
10.550	Food Distribution	Economic Security	97-17	5	RC			No written disaster recovery plan	P
10.550	Food Distribution	Economic Security	97-17	6	RC			Inappropriate access to mainframe data and resources	P
10.555	National School Lunch Program	Children, Families & Learning	97-12	3	RC			Inadequate controls in computing environment	P
10.558	Child Care Food Programs	Children, Families & Learning	97-12	3	RC			Inadequate controls in computing environment	P

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS FOR FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1996

U. S. Department of Education

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMPLIANCE GEN SPEC	PROBLEM	FIN IMPACT
84.007	Supplemental Education Opportunity Grants	Central Lakes College	96-35	16	RC		Inadequate controls over financial aid checks	P
84.007	Supplemental Education Opportunity Grants	Century College	96-24	20	RC	I	Inadequate controls over federal cash	NQ
84.007	Supplemental Education Opportunity Grants	Hibbing C.C. & T.C.	96-24	25	RC		Inadequate separation of duties over tuition receipts	P
84.007	Supplemental Education Opportunity Grants	Inver Hills C.C.	96-24	36	RC		Inadequate security controls over computer system	P
84.007	Supplemental Education Opportunity Grants	Itasca C.C.	96-24	26	RC		Inadequate separation of duties over financial aid account	P
84.007	Supplemental Education Opportunity Grants	Lake Superior College	96-35	17	RC	I	Insufficient accounting records for financial aid	P
84.007	Supplemental Education Opportunity Grants	Mankato State University	96-24	3	RC		Access controls over financial aid system need improvement	P
84.007	Supplemental Education Opportunity Grants	Mesabi Range C. & T.C.	96-24	29	RC	I	Inadequate federal cash needs forecasting	NQ
84.007	Supplemental Education Opportunity Grants	Mesabi Range C. & T.C.	96-24	30	RC	I	Inadequate controls over student financial aid account	P
84.007	Supplemental Education Opportunity Grants	Metropolitan State University	96-24	17	RC		Bank reconciliations not performed on timely basis	P
84.007	Supplemental Education Opportunity Grants	Normandale C.C.	96-24	21	RC	I	Inadequate controls over federal cash	NQ
84.007	Supplemental Education Opportunity Grants	North Hennepin C.C.	96-24	38	RC		Inadequate security controls over computer system	P
84.007	Supplemental Education Opportunity Grants	North Hennepin C.C.	97-29	7	RC		Inadequate security controls over computer system	P
84.007	Supplemental Education Opportunity Grants	NW T.C. - Bemidji	97-29	5		I	Questionable adjustments to cost of attendance budgets	P
84.007	Supplemental Education Opportunity Grants	NW T.C. - East Grand Forks	96-35	16	RC		Inadequate controls over financial aid checks	P
84.007	Supplemental Education Opportunity Grants	NW T.C. - East Grand Forks	96-35	19		I	Progress policy did not meet federal guidelines	NQ
84.007	Supplemental Education Opportunity Grants	NW T.C. - East Grand Forks	96-35	23		I	Cost of attendance budget did not comply with regulations	NQ
84.007	Supplemental Education Opportunity Grants	NW T.C. - East Grand Forks	97-29	4		I	Aid paid to ineligible student	\$400
84.007	Supplemental Education Opportunity Grants	NW T.C. - Moorhead	96-35	16	RC		Inadequate controls over financial aid checks	P
84.007	Supplemental Education Opportunity Grants	NW T.C. - Moorhead	96-35	22		I	Questionable adjustments to cost of attendance budgets	NQ
84.007	Supplemental Education Opportunity Grants	NW T.C. - Wadena	96-35	17	RC	I	Accounting records not updated timely for transactions	P
84.007	Supplemental Education Opportunity Grants	Pine T.C.	96-35	16	RC		Inadequate controls over financial aid checks	P
84.007	Supplemental Education Opportunity Grants	Rainy River C.C.	96-24	32	RC	I	Inadequate controls over federal cash	NQ
84.007	Supplemental Education Opportunity Grants	Rochester C.C. & T.C.	97-29	5		I	Questionable adjustments to cost of attendance budgets	\$300
84.007	Supplemental Education Opportunity Grants	Southwest State University	96-24	9	RC		Bank reconciliation not performed on timely basis	P
84.007	Supplemental Education Opportunity Grants	Southwest State University	96-24	11	RC		Access controls over financial aid system need improvement	P
84.007	Supplemental Education Opportunity Grants	St. Cloud State University	96-24	6	RC		Cash management procedures need improvement	NQ
84.007	Supplemental Education Opportunity Grants	St. Cloud State University	96-24	8	RC		Access controls over financial aid system need improvement	P
84.007	Supplemental Education Opportunity Grants	St. Cloud State University	97-29	7	RC		Inadequate security controls over computer system	P
84.007	Supplemental Education Opportunity Grants	St. Cloud T.C.	96-35	16	RC		Inadequate controls over financial aid checks	P
84.007	Supplemental Education Opportunity Grants	St. Cloud T.C.	96-35	17	RC	I	Insufficient accounting records for financial aid	P
84.007	Supplemental Education Opportunity Grants	St. Cloud T.C.	96-35	18	RC	I	Inaccurate information on monthly reports	P
84.007	Supplemental Education Opportunity Grants	St. Cloud T.C.	96-35	19		I	Progress policy does not meet federal guidelines	NQ
84.007	Supplemental Education Opportunity Grants	St. Paul T.C.	96-35	17	RC	I	Insufficient accounting records for financial aid	P
84.007	Supplemental Education Opportunity Grants	Vermilion C.C.	96-24	35	RC	I	Inadequate controls over federal cash	NQ
84.007	Supplemental Education Opportunity Grants	Worthington C.C.	96-24	44	RC		Inadequate security controls over computer system	P
84.007	Supplemental Education Opportunity Grants	Worthington C.C.	96-24	45		I	Aid paid to ineligible student	\$400
84.010	Educationally Deprived Children	Children, Families & Learning	97-12	1	RC	I	Overawards and inadequate procedures	\$303,936
84.010	Educationally Deprived Children	Children, Families & Learning	97-12	3	RC		Inadequate controls in computing environment	P

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS FOR FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1996

U. S. Department of Education

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMPLIANCE GEN SPEC	PROBLEM	FIN IMPACT
84.027	Handicapped State Grants	Children, Families & Learning	97-12	3	RC		Inadequate controls in computing environment	P
84.032	Federal Family Education Loan Program	Central Lakes College	96-35	16	RC		Inadequate controls over incoming checks	P
84.032	Federal Family Education Loan Program	Fond du Lac C.C.	96-24	24	RC		Inadequate control over incoming checks	P
84.032	Federal Family Education Loan Program	Inver Hills C.C.	96-24	36	RC		Inadequate security controls over computer system	P
84.032	Federal Family Education Loan Program	Itasca C.C.	97-29	5		I	Undocumented adjustments to cost of attendance budgets	\$3,500
84.032	Federal Family Education Loan Program	Mankato State University	96-24	3	RC		Access controls over financial aid system need improvement	P
84.032	Federal Family Education Loan Program	Mankato State University	97-29	6	RC		Unresolved disbursement differences	P
84.032	Federal Family Education Loan Program	Mesabi Range C. & T.C.	96-24	31	RC		Inadequate control over incoming checks	P
84.032	Federal Family Education Loan Program	Metropolitan State University	96-24	16	RC	I	Aid paid to ineligible student	\$1,167
84.032	Federal Family Education Loan Program	Metropolitan State University	96-24	17	RC		Bank reconciliations not performed on timely basis	P
84.032	Federal Family Education Loan Program	Metropolitan State University	97-29	3		I	Aid paid to ineligible student	\$1,000
84.032	Federal Family Education Loan Program	Minneapolis C. & T.C.	96-35	16	RC		Inadequate controls over incoming checks	P
84.032	Federal Family Education Loan Program	Minneapolis C. & T.C.	96-35	21		I	Aid paid to ineligible student	\$2,332
84.032	Federal Family Education Loan Program	Minneapolis C. & T.C.	97-29	3		I	Aid paid to ineligible student	\$1,170
84.032	Federal Family Education Loan Program	North Hennepin C.C.	96-24	38	RC		Inadequate security controls over computer system	P
84.032	Federal Family Education Loan Program	North Hennepin C.C.	97-29	7	RC		Inadequate security controls over computer system	P
84.032	Federal Family Education Loan Program	NW T.C. - Bemidji	96-35	16	RC		Inadequate controls over incoming checks	P
84.032	Federal Family Education Loan Program	NW T.C. - Bemidji	97-29	5		I	Questionable adjustments to cost of attendance budgets	NQ
84.032	Federal Family Education Loan Program	NW T.C. - Detroit Lakes	96-35	16	RC		Inadequate controls over incoming checks	P
84.032	Federal Family Education Loan Program	NW T.C. - East Grand Forks	96-35	16	RC		Inadequate controls over incoming checks	P
84.032	Federal Family Education Loan Program	NW T.C. - East Grand Forks	96-35	19		I	Progress policy does not meet federal guidelines	NQ
84.032	Federal Family Education Loan Program	NW T.C. - East Grand Forks	96-35	23		I	Cost of attendance budget did not comply with regulations	NQ
84.032	Federal Family Education Loan Program	NW T.C. - East Grand Forks	97-29	4		I	Aid paid to ineligible student	\$6,625
84.032	Federal Family Education Loan Program	NW T.C. - Moorhead	96-35	16	RC		Inadequate controls over incoming checks	P
84.032	Federal Family Education Loan Program	NW T.C. - Moorhead	96-35	22		I	Questionable adjustments to cost of attendance budgets	NQ
84.032	Federal Family Education Loan Program	NW T.C. - Wadena	96-35	16	RC		Inadequate controls over incoming checks	P
84.032	Federal Family Education Loan Program	NW T.C. - Wadena	96-35	24		I	Conflicting information not resolved	NQ
84.032	Federal Family Education Loan Program	Pine T.C.	96-35	16	RC		Inadequate controls over incoming checks	P
84.032	Federal Family Education Loan Program	Rainy River C.C.	96-24	34	RC		Inadequate controls over incoming checks	P
84.032	Federal Family Education Loan Program	Rochester C.C. & T.C.	97-29	5		I	Questionable adjustments to cost of attendance budgets	\$300
84.032	Federal Family Education Loan Program	Southwest State University	96-24	9	RC		Bank reconciliation not performed on timely basis	P
84.032	Federal Family Education Loan Program	Southwest State University	96-24	10	RC	I	Inadequate separation of duties over financial aid	P
84.032	Federal Family Education Loan Program	Southwest State University	96-24	11	RC		Access controls over financial aid system need improvement	P
84.032	Federal Family Education Loan Program	St. Cloud State University	96-24	5	RC	I	Inadequate separation of duties over financial aid	P
84.032	Federal Family Education Loan Program	St. Cloud State University	96-24	6	RC		Cash management procedures need improvement	NQ
84.032	Federal Family Education Loan Program	St. Cloud State University	96-24	8	RC		Access controls over financial aid system need improvement	P
84.032	Federal Family Education Loan Program	St. Cloud State University	97-29	7	RC		Inadequate security controls over computer system	P
84.032	Federal Family Education Loan Program	St. Cloud T.C.	96-35	16	RC		Inadequate controls over incoming checks	P
84.032	Federal Family Education Loan Program	St. Cloud T.C.	96-35	19		I	Progress policy does not meet federal guidelines	NQ
84.032	Federal Family Education Loan Program	St. Paul T.C.	96-35	16	RC		Inadequate controls over incoming checks	P

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U. S. Department of Education

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMPLIANCE GEN SPEC	PROBLEM	FIN IMPACT
84.032	Federal Family Education Loan Program	Worthington C.C.	96-24	44	RC		Inadequate security controls over computer system	P
84.032	Federal Family Education Loan Program	Worthington C.C.	96-24	45		I	Aid paid to ineligible student	\$3,712
84.033	Federal Work Study Program	Century College	96-24	20	RC	I	Inadequate controls over federal cash	NQ
84.033	Federal Work Study Program	Inver Hills C.C.	96-24	36	RC		Inadequate security controls over computer system	P
84.033	Federal Work Study Program	Lake Superior College	96-35	17	RC	I	Insufficient accounting records for financial aid	P
84.033	Federal Work Study Program	Mankato State University	96-24	3	RC		Access controls over financial aid system need improvement	P
84.033	Federal Work Study Program	Mesabi Range C. & T.C.	96-24	29	RC	I	Inadequate federal cash needs forecasting	NQ
84.033	Federal Work Study Program	Mesabi Range C. & T.C.	96-24	30	RC	I	Inadequate controls over student financial aid account	P
84.033	Federal Work Study Program	Metropolitan State University	96-24	17	RC		Bank reconciliations not performed on timely basis	P
84.033	Federal Work Study Program	Normandale C.C.	96-24	21	RC	I	Inadequate controls over federal cash	NQ
84.033	Federal Work Study Program	North Hennepin C.C.	96-24	38	RC		Inadequate security controls over computer system	P
84.033	Federal Work Study Program	North Hennepin C.C.	97-29	7	RC		Inadequate security controls over computer system	P
84.033	Federal Work Study Program	NW T.C. - East Grand Forks	96-35	19		I	Progress policy does not meet federal guidelines	NQ
84.033	Federal Work Study Program	NW T.C. - East Grand Forks	96-35	23		I	Cost of attendance budget did not comply with regulations	NQ
84.033	Federal Work Study Program	NW T.C. - Moorhead	96-35	22		I	Questionable adjustments to cost of attendance budgets	NQ
84.033	Federal Work Study Program	NW T.C. - Wadena	96-35	17	RC	I	Accounting records not updated timely for transactions	P
84.033	Federal Work Study Program	Rainy River C.C.	96-24	32	RC	I	Inadequate controls over federal cash	NQ
84.033	Federal Work Study Program	Rochester C.C. & T.C.	97-29	3		I	Aid paid to ineligible student	\$437
84.033	Federal Work Study Program	Southwest State University	96-24	9	RC		Bank reconciliation not performed on timely basis	P
84.033	Federal Work Study Program	Southwest State University	96-24	11	RC		Access controls over financial aid system need improvement	P
84.033	Federal Work Study Program	St. Cloud State University	96-24	6	RC		Cash management procedures need improvement	NQ
84.033	Federal Work Study Program	St. Cloud State University	96-24	8	RC		Access controls over financial aid system need improvement	P
84.033	Federal Work Study Program	St. Cloud State University	97-29	7	RC		Inadequate security controls over computer system	P
84.033	Federal Work Study Program	St. Cloud T.C.	96-35	17	RC	I	Insufficient accounting records for financial aid	P
84.033	Federal Work Study Program	St. Cloud T.C.	96-35	18	RC	I	Inaccurate information on monthly reports	P
84.033	Federal Work Study Program	St. Cloud T.C.	96-35	19		I	Progress policy does not meet federal guidelines	NQ
84.033	Federal Work Study Program	St. Paul T.C.	96-35	17	RC	I	Insufficient accounting records for financial aid	P
84.033	Federal Work Study Program	Vermilion C.C.	96-24	35	RC	I	Inadequate controls over federal cash	NQ
84.033	Federal Work Study Program	Worthington C.C.	96-24	44	RC		Inadequate security controls over computer system	P
84.038	Federal Perkins Loan Program	Century College	96-24	20	RC	I	Inadequate controls over federal cash	\$313
84.038	Federal Perkins Loan Program	Hibbing C.C. & T.C.	96-24	25	RC		Inadequate separation of duties over tuition receipts	P
84.038	Federal Perkins Loan Program	Inver Hills C.C.	96-24	36	RC		Inadequate security controls over computer system	P
84.038	Federal Perkins Loan Program	Itasca C.C.	96-24	26	RC		Inadequate separation of duties over financial aid account	P
84.038	Federal Perkins Loan Program	Itasca C.C.	96-24	27	RC	I	Loan funds not properly managed	NQ
84.038	Federal Perkins Loan Program	Mankato State University	96-24	3	RC		Access controls over financial aid system need improvement	P
84.038	Federal Perkins Loan Program	Mankato State University	97-29	3		I	Aid paid to ineligible student	\$1,446
84.038	Federal Perkins Loan Program	Mesabi Range C. & T.C.	96-24	28	RC	I	Loan funds not properly managed	NQ
84.038	Federal Perkins Loan Program	Mesabi Range C. & T.C.	96-24	29		I	Loan funds not properly managed	NQ
84.038	Federal Perkins Loan Program	Mesabi Range C. & T.C.	96-24	30	RC	I	Inadequate controls over student financial aid account	P

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STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS FOR FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1996

U. S. Department of Education

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMPLIANCE GEN SPEC	PROBLEM	FIN IMPACT
84.038	Federal Perkins Loan Program	Metropolitan State University	96-24	17	RC		Bank reconciliations not performed on timely basis	P
84.038	Federal Perkins Loan Program	MnSCU-System Office	97-29	11	RC		Differences in loan balances	P
84.038	Federal Perkins Loan Program	Normandale C.C.	96-24	22		I	Inadequate controls over federal cash	NQ
84.038	Federal Perkins Loan Program	Normandale C.C.	97-29	8	RC	I	Inaccurate federal reporting	P
84.038	Federal Perkins Loan Program	North Hennepin C.C.	96-24	38	RC		Inadequate security controls over computer system	P
84.038	Federal Perkins Loan Program	North Hennepin C.C.	97-29	7	RC		Inadequate security controls over computer system	P
84.038	Federal Perkins Loan Program	North Hennepin C.C.	97-29	8		I	No signed copy of promissory note	\$750
84.038	Federal Perkins Loan Program	Rainy River C.C.	96-24	32	RC	I	Inadequate controls over federal cash	NQ
84.038	Federal Perkins Loan Program	Rainy River C.C.	96-24	33	RC	I	Loan funds not properly managed	\$4,099
84.038	Federal Perkins Loan Program	Southwest State University	96-24	9	RC		Bank reconciliation not performed on timely basis	P
84.038	Federal Perkins Loan Program	Southwest State University	96-24	11	RC		Access controls over financial aid system need improvement	P
84.038	Federal Perkins Loan Program	St. Cloud State University	96-24	6	RC		Cash management procedures need improvement	NQ
84.038	Federal Perkins Loan Program	St. Cloud State University	96-24	8	RC		Access controls over financial aid system need improvement	P
84.038	Federal Perkins Loan Program	St. Cloud State University	97-29	7	RC		Inadequate security controls over computer system	P
84.038	Federal Perkins Loan Program	Vermilion C.C.	96-24	35	RC	I	Inadequate controls over federal cash	NQ
84.038	Federal Perkins Loan Program	Worthington C.C.	96-24	44	RC		Inadequate security controls over computer system	P
84.038	Federal Perkins Loan Program	Worthington C.C.	96-24	45		I	Aid paid to ineligible student	\$400
84.048	Basic Grants to State Program	MnSCU-System Office	97-29	12	RC		Federal payroll not posted timely	P
84.063	Federal Pell Grant Program	Central Lakes College	96-35	16	RC		Inadequate controls over financial aid checks	P
84.063	Federal Pell Grant Program	Century College	96-24	20	RC	I	Inadequate controls over federal cash	NQ
84.063	Federal Pell Grant Program	Hibbing C.C. & T.C.	96-24	25	RC		Inadequate separation of duties over tuition receipts	P
84.063	Federal Pell Grant Program	Inver Hills C.C.	96-24	36	RC		Inadequate security controls over computer system	P
84.063	Federal Pell Grant Program	Itasca C.C.	96-24	26	RC		Inadequate separation of duties over financial aid account	P
84.063	Federal Pell Grant Program	Lake Superior College	96-35	17	RC	I	Insufficient accounting records for financial aid	P
84.063	Federal Pell Grant Program	Lake Superior College	97-29	3		I	Aid paid to ineligible student	\$390
84.063	Federal Pell Grant Program	Mankato State University	96-24	3	RC		Access controls over financial aid system need improvement	P
84.063	Federal Pell Grant Program	Mesabi Range C. & T.C.	96-24	29	RC	I	Inadequate federal cash needs forecasting	NQ
84.063	Federal Pell Grant Program	Mesabi Range C. & T.C.	96-24	30	RC	I	Inadequate controls over student financial aid account	P
84.063	Federal Pell Grant Program	Metropolitan State University	96-24	16	RC	I	Aid paid to ineligible student	\$968
84.063	Federal Pell Grant Program	Metropolitan State University	96-24	17	RC		Bank reconciliations not performed on timely basis	P
84.063	Federal Pell Grant Program	Metropolitan State University	96-24	18	RC	I	Errors in federal reports	P
84.063	Federal Pell Grant Program	Minneapolis C. & T. C.	96-35	18		I	Incorrect disbursements reported on three monthly reports	P
84.063	Federal Pell Grant Program	Minneapolis C. & T. C.	96-35	21		I	Aid paid to ineligible student	\$1,170
84.063	Federal Pell Grant Program	Minneapolis C. & T. C.	97-29	3		I	Aid paid to ineligible student	\$585
84.063	Federal Pell Grant Program	Normandale C.C.	96-24	21	RC	I	Inadequate controls over federal cash	NQ
84.063	Federal Pell Grant Program	North Hennepin C.C.	96-24	38	RC		Inadequate security controls over computer system	P
84.063	Federal Pell Grant Program	North Hennepin C.C.	97-29	7	RC		Inadequate security controls over computer system	P
84.063	Federal Pell Grant Program	NW T.C. - Bemidji	97-29	5		I	Questionable adjustments to cost of attendance budgets	P
84.063	Federal Pell Grant Program	NW T.C. - East Grand Forks	96-35	16	RC		Inadequate controls over financial aid checks	P

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
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SCHEDULE OF AUDIT FINDINGS FOR FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1996

U. S. Department of Education

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMPLIANCE GEN SPEC	PROBLEM	FIN IMPACT
84.063	Federal Pell Grant Program	NW T.C. - East Grand Forks	96-35	19		I	Cost of attendance budget did not comply with regulations	NQ
84.063	Federal Pell Grant Program	NW T.C. - East Grand Forks	96-35	23		I	Progress policy does not meet federal guidelines	NQ
84.063	Federal Pell Grant Program	NW T.C. - East Grand Forks	97-29	4		I	Aid paid to ineligible student	\$780
84.063	Federal Pell Grant Program	NW T.C. - Moorhead	96-35	16	RC		Inadequate controls over financial aid checks	P
84.063	Federal Pell Grant Program	NW T.C. - Wadena	96-35	17	RC	I	Accounting records not updated timely for transactions	P
84.063	Federal Pell Grant Program	NW T.C. - Wadena	96-35	24		I	Conflicting information not resolved	NQ
84.063	Federal Pell Grant Program	Pine T.C.	96-35	16	RC		Inadequate controls over financial aid checks	P
84.063	Federal Pell Grant Program	Rainy River C.C.	96-24	32	RC	I	Inadequate controls over federal cash	NQ
84.063	Federal Pell Grant Program	Southwest State University	96-24	9	RC		Bank reconciliation not performed on timely basis	P
84.063	Federal Pell Grant Program	Southwest State University	96-24	11	RC		Access controls over financial aid system need improvement	P
84.063	Federal Pell Grant Program	St. Cloud State University	96-24	6	RC		Cash management procedures need improvement	NQ
84.063	Federal Pell Grant Program	St. Cloud State University	96-24	8	RC		Access controls over financial aid system need improvement	P
84.063	Federal Pell Grant Program	St. Cloud State University	97-29	7	RC		Inadequate security controls over computer system	P
84.063	Federal Pell Grant Program	St. Cloud T.C.	96-35	16	RC		Inadequate controls over financial aid checks	P
84.063	Federal Pell Grant Program	St. Cloud T.C.	96-35	17	RC	I	Insufficient accounting records for financial aid	P
84.063	Federal Pell Grant Program	St. Cloud T.C.	96-35	18	RC	I	Inaccurate information on monthly reports	P
84.063	Federal Pell Grant Program	St. Cloud T.C.	96-35	19		I	Progress policy does not meet federal guidelines	NQ
84.063	Federal Pell Grant Program	St. Paul T.C.	96-35	17	RC	I	Insufficient accounting records for financial aid	P
84.063	Federal Pell Grant Program	Vermilion C.C.	96-24	35	RC	I	Inadequate controls over federal cash	NQ
84.063	Federal Pell Grant Program	Worthington C.C.	96-24	44	RC		Inadequate security controls over computer system	P
84.063	Federal Pell Grant Program	Worthington C.C.	96-24	45		I	Aid paid to ineligible student	\$1,114
84.126	Rehabilitation Services Basic Support	Economic Security	97-17	2		I	Improper estimates of state match	NQ
84.126	Rehabilitation Services Basic Support	Economic Security	97-17	4	RC		Insufficient security administrative procedures	P
84.126	Rehabilitation Services Basic Support	Economic Security	97-17	5	RC		No written disaster recovery plan	P
84.126	Rehabilitation Services Basic Support	Economic Security	97-17	6	RC		Inappropriate access to mainframe data and resources	P

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS FOR FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1996

<i>U. S. Department of Energy</i>										
CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMPLIANCE GEN SPEC		PROBLEM		FIN IMPACT
81.042	Weatherization	Economic Security	97-17	3		I		Unacceptable allocation of employee hours		NQ

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS FOR FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1996

U. S. Department of Health and Human Services

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMPLIANCE GEN SPEC	PROBLEM	FIN IMPACT
93.560	State Family Support Payments	Human Services	97-25	10		I	Noncompliance with federal cash management requirements	NQ
93.560	State Family Support Payments	Human Services	97-25	15	RC		System security officers' authority not sufficiently limited	P
93.560	State Family Support Payments	Human Services	97-25	16	RC		Inactive log-on IDs not deleted	P
93.568	Low Income Energy Assistance	Economic Security	97-17	3		I	Unacceptable allocation of employee hours	NQ
93.568	Low Income Energy Assistance	Economic Security	97-17	4	RC		Insufficient security administrative procedures	P
93.568	Low Income Energy Assistance	Economic Security	97-17	5	RC		No written disaster recovery plan	P
93.568	Low Income Energy Assistance	Economic Security	97-17	6	RC		Inappropriate access to mainframe data and resources	P
93.569	Community Services Block Grant	Economic Security	97-17	3		I	Unacceptable allocation of employee hours	NQ
93.778	Medical Assistance	Human Services	97-25	1		I	Department paid provider claims over one year old	NQ
93.778	Medical Assistance	Human Services	97-25	2		I	\$6.2 million overpayment to a provider	P
93.778	Medical Assistance	Human Services	97-25	3	RC		Inconsistent recipient eligibility information between systems	NQ
93.778	Medical Assistance	Human Services	97-25	4	RC	I	Admission certification numbers not verified	NQ
93.778	Medical Assistance	Human Services	97-25	5		I	System capabilities insufficient to complete HCFA-64 report	P
93.778	Medical Assistance	Human Services	97-25	7	RC		Inadequate accounting for drug rebate program	P
93.778	Medical Assistance	Human Services	97-25	8	RC	I	Inadequate resolution of outstanding drug rebate receivables	P
93.778	Medical Assistance	Human Services	97-25	9		I	Noncompliance with federal cash management requirements	NQ
93.778	Medical Assistance	Human Services	97-25	15	RC		System security officers' authority not sufficiently limited	P
93.778	Medical Assistance	Human Services	97-25	16	RC		Inactive log-on IDs not deleted	P

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SCHEDULE OF AUDIT FINDINGS FOR FEDERAL PROGRAMS
FISCAL YEAR ENDED JUNE 30, 1996

U. S. Department of Labor

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMPLIANCE GEN SPEC	PROBLEM	FIN IMPACT
17.207	Employment Services Administration	Economic Security	97-17	4	RC		Insufficient security administrative procedures	P
17.207	Employment Services Administration	Economic Security	97-17	5	RC		No written disaster recovery plan	P
17.207	Employment Services Administration	Economic Security	97-17	6	RC		Inappropriate access to mainframe data and resources	P
17.225	Unemployment Insurance Administration	Economic Security	97-17	4	RC		Insufficient security administrative procedures	P
17.225	Unemployment Insurance Administration	Economic Security	97-17	5	RC		No written disaster recovery plan	P
17.225	Unemployment Insurance Administration	Economic Security	97-17	6	RC		Inappropriate access to mainframe data and resources	P
17.246	Dislocated Workers	Economic Security	97-17	3		I	Unacceptable allocation of employee hours	NQ
17.246	Dislocated Workers	Economic Security	97-17	4	RC		Insufficient security administrative procedures	P
17.246	Dislocated Workers	Economic Security	97-17	5	RC		No written disaster recovery plan	P
17.246	Dislocated Workers	Economic Security	97-17	6	RC		Inappropriate access to mainframe data and resources	P
17.250	Job Training Partnership Act Title II	Economic Security	97-17	3		I	Unacceptable allocation of employee hours	NQ
17.250	Job Training Partnership Act Title II	Economic Security	97-17	4	RC		Insufficient security administrative procedures	P
17.250	Job Training Partnership Act Title II	Economic Security	97-17	5	RC		No written disaster recovery plan	P
17.250	Job Training Partnership Act Title II	Economic Security	97-17	6	RC		Inappropriate access to mainframe data and resources	P

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STATEWIDE SINGLE AUDIT
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<i>U. S. Social Security Administration</i>									
CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMPLIANCE		PROBLEM	FIN IMPACT
96.001	Social Security - Disability Determination	Economic Security	97-17	4	RC			Insufficient security administrative procedures	P
96.001	Social Security - Disability Determination	Economic Security	97-17	5	RC			No written disaster recovery plan	P
96.001	Social Security - Disability Determination	Economic Security	97-17	6	RC			Inappropriate access to mainframe data and resources	P

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**Office of the Legislative Auditor
Statewide Single Audit**

**Schedule of Audit Findings
for Federal Programs
Fiscal Year Ended June 30, 1996**

Explanation of the Schedule

I. Purpose

This schedule is presented to accommodate the federal inspectors general, program staff, and other federal officials in resolving audit findings associated with specific major and nonmajor federal programs. This schedule is intended primarily to be a reference to the individual audit reports which we have issued to each affected state agency.

All audit report findings associated with major and nonmajor federal programs are included in this schedule. We classified findings separately related to internal control and program specific or general compliance.

This schedule is not intended to replace the individual audit reports and the respective state agency responses. The audit reports contain a detailed discussion of each finding, as well as the state agency's formal response to the findings. Therefore, 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 and Report Numbers" and "Finding Numbers"

The third through fifth columns provide the reference to our fiscal year 1996 audit reports which contain discussion of the respective audit finding. The name of the state agency and audit report number are shown in the third and fourth columns. The finding number, as identified in the audit report, is shown in the fifth column.

Audit reports are issued to state agencies during the Statewide Financial and Compliance Audit (Statewide Single Audit) and during our interim audit period. The state agency is allowed the opportunity to respond to the audit report. When their written response is received, it becomes an integral attachment to the audit report.

Column four refers to the number assigned to the audit report on the date of issuance. The first two digits identify the calendar year of issuance. The last two digits specify the report number. Column five refers to the 1996 finding number in the respective audit report which contains the discussion of the problem area.

III. Audit Findings

A. Internal Control

Internal control findings are referenced in the sixth column. The internal control findings are characterized as reportable conditions (RC) relative to the federal program. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the state's ability to administer a federal financial assistance program in accordance with applicable laws and regulations.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level of risk that noncompliance with laws and regulations that would be material to a federal program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe that none of the reportable conditions are a material weakness.

B. Compliance - General and Specific Requirements

Compliance findings are referenced in the seventh and eighth columns. Compliance findings relate to either the specific program requirements or the general requirements related to federal laws and regulations. Most of these requirements are outlined in the U.S. Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Compliance findings are categorized by immaterial (I) noncompliance with federal laws and regulations. Material (M) instances of noncompliance are failures to follow requirements or violations of prohibition, contained in laws, regulations, contracts, or grants, that cause the auditor to conclude that the aggregation of misstatements resulting from those failures or violations is material to a federal program. Our audit did not find a material instance of noncompliance at the program level.

C. Finding Summary -- "Problem"

Column nine contains a brief discussion of the specific problem cited in the respective state agency audit report. This discussion should be interpreted cautiously because of its brevity. 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 tenth column indicates the financial impact of the finding for 1996. 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. |
| Amount | Signifies that a finding results in a quantifiable 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 federal programs. Amounts are shown for specific dollars questioned. |

Examples of quantifiable amounts or questioned costs 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; (5) the appropriate disposition of unexpended funds in federal accounts has not been determined; (6) subrecipient questioned costs not collected by the respective state agency; and (7) excessive cash balances in federal accounts.

Quantifying an amount 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 an unauthorized purpose. However, certain quantified amounts may result in the state's having to repay some part of its federal grant monies. 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 financial aid 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.

IV. Subrecipients

Subrecipient single audits and related findings are shown in the State Auditor's *Report on Federally Assisted Programs of Subrecipients of the State of Minnesota* for the Year Ended June 30, 1996.

V. Conclusions

This was the fourteenth year for Minnesota's Statewide Single Audit. The statewide approach to conducting the Single Audit of Minnesota enabled us to observe various internal control and compliance concerns related to the state's administration of federal financial assistance programs. These issues are to be resolved between the federal officials and state agencies.

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

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