Department of Children, Families & Learning

Statewide Audit – Selected Programs
Fiscal Year Ended June 30, 1998

March 1999

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

99-13

Centennial Office Building, Saint Paul, MN 55155 • 651/296-4708

SUMMARY

State of Minnesota
Office of the Legislative Auditor
1st Floor Centennial Building
658 Cedar Street • St. Paul, MN 55155
(651)296-1727 • FAX (651)296-4712
TDD Relay: 1-800-627-3529
email: auditor@state.mn.us
URL: http://www.auditor.leg.state.mn.us

Department of Children, Families & Learning

Selected Programs
Statewide Audit Fiscal Year 1998

Public Release Date: March 5, 1999 No. 99-13

Agency Background

The Department of Children, Families & Learning is responsible for providing educational assistance to school districts and local educational agencies. In addition, the department provides programs that address social and economic concerns, such as the Head Start Program and energy, health, and nutrition programs. The department is funded primarily from General Fund appropriations and federal grants. Department expenditures for fiscal year 1998 totaled approximately $4 billion. Mr. Robert Wedl was the commissioner of the department during our audit scope. In January 1999, the Governor appointed Ms. Christine Jax as the new commissioner.

Selected Audit Areas and Conclusions

Our audit scope was limited to those activities material to the State of Minnesota's general purpose financial statements for the year ended June 30, 1998, and to the federal Single Audit objectives. Our primary audit objective was to render an opinion on the State of Minnesota's financial statements. Our scope within the Department of Children, Families & Learning included General Fund School Aids, Maximum Effort School Loans, and Endowment School Apportionment Aids. Federal programs included Title I Grants to Local Educational Agencies, Special Education State Grants, Child and Adult Care Food, Low Income Home Energy Assistance, Child Care and Development, and Adult Education State Grants.

We qualified our report, dated December 1, 1998, on the State of Minnesota's financial statements because insufficient audit evidence exists to support the State of Minnesota's disclosures with respect to the year 2000. Auditing the state's year 2000 compliance efforts was not an objective of this audit. As a result, we do not provide assurance that the Department of Children, Families & Learning is or will be year 2000 ready, that its year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Department of Children, Families & Learning does business will be year 2000 ready.

For the areas audited, the Department of Children, Families & Learning's financial activities were fairly presented in the general purpose financial statements of the State of Minnesota for the year ended June 30, 1998. However, we did identify two concerns relating to financial reporting. The department did not certify some liabilities to the Department of Finance. In addition, the department did not prepare supplemental federal expenditure schedules accurately and timely. For the federal programs tested, the department complied, in all material respects, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1998. However, we identified certain weaknesses in internal control and noncompliance with program requirements. For the Low Income Home Energy Assistance Program, we identified concerns relating to the refund process, the Cash Management Improvement Act, recording of grant amounts, and monitoring of subrecipients. We also found that the department did not accurately prepare a quarterly report for the Child Care and Development Program and did not review the manual entries of county expenditures for the program. Finally, the department did not monitor Adult Education subgrantee administrative expenditures.

The Department of Children, Families & Learning agreed with the report conclusions. The department has started corrective action to resolve several of the audit issues.

Table of Contents

Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Renee Redmer, LPA	Audit Manager
Joan Haskin, CPA, CISA	Auditor-in-Charge
Brad Falteysek	Auditor
Anna Lamin	Auditor
Charlie Klein	Auditor
Kristine Helstrom	Intern

Exit Conference

The findings and recommendations in this report were discussed with the following staff of the Department of Children, Families & Learning on February 17, 1999:

Christine Jax	Commissioner
Barbara Yates	Deputy Commissioner
Cindy Lavorato	Assistant Commissioner
John Bulger	Agency Finance Manager
Mark Kaszynski	Office of Energy
Cherie Kotilinek	Child Care Assistance
Barry Shaffer	Adult Basic Education
Troy Vick	Child Care Assistance
Don Johnson	Fiscal Services
Bill Anderson	Fiscal Services

STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dan McElroy, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Christine Jax, Commissioner
Department of Children, Families & Learning

We have performed certain audit procedures at the Department of Children, Families & Learning (CFL) as part of our audit of the financial statements of the State of Minnesota as of and for the year ended June 30, 1998. We also have audited certain federal financial assistance programs administered by the Department of Children, Families & Learning as part of our audit of the state's compliance with the requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1998. We emphasize that this has not been a comprehensive audit of the Department of Children, Families & Learning.

Table 1-1 identifies the financial activities within CFL that were material to the state's financial statements. We performed certain audit procedures on these CFL programs as part of our objective to obtain reasonable assurance about whether the State of Minnesota's financial statements for the year ended June 30, 1998, were free of material misstatement.

Table 1-1
Programs Material to the State's Financial Statements
Fiscal Year 1998
(in thousands)

Expenditures	Amount
General Fund - School Aids (1)	$3,362,443
Expendable Trust Fund – Endowment School Fund Apportionment	23,392
Federal Fund	
Title I Grants to Local Educational Agencies	81,131
Child & Adult Care Food Program	51,631
Special Education Grants to States	45,354
Child Care & Development Program	43,420
Low Income Home Energy Assistance Program	36,978
Loans Receivable	
Maximum Effort School Loan Fund	13,663

(1) State education aids paid through the department's centralized payment system.

Source Minnesota Accounting and Procurement System (MAPS) for fiscal year 1998.

Department of Children, Families & Learning

Table 2-1 identifies the State of Minnesota's major federal programs administered by the Department of Children, Families & Learning. We performed certain audit procedures on these CFL programs as part of our objective to obtain reasonable assurance about whether the State of Minnesota complied with the types of compliance requirements that are applicable to each of its major federal programs.

Table 2-1
Major Federal Programs
Fiscal Year 1998
(in thousands)

CDFA No.	Program Name	Total Expenditures
84.010	Title I Grants to Local Educational Agencies	$82,451
84.027	Special Education State Grants	53,953
10.558	Child & Adult Care Food	51,631
93.596	Child Care & Development Program	43,420
93.568	Low Income Home Energy Assistance Program	36,978
84.002	Adult Education	4,658

Source: Minnesota Accounting and Procurement System (MAPS) for fiscal year 1998.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Conclusions

We qualified our report dated December 1, 1998, on the State of Minnesota's general purpose financial statements because of uncertainties about the potentially adverse effect the year 2000 computer issue may have on state operations. Information technology experts believe that many computer applications in private businesses and government may fail as a result of data integrity problems and erroneous calculations beyond December 31, 1999. The state is currently addressing year 2000 issues related to its computer systems and other electronic equipment. During fiscal year 1996, the state established the Minnesota Year 2000 Project Office to develop and monitor the overall statewide effort for executive branch agencies. The project office is tracking over 1,300 mission-critical applications owned by state agencies. As of September 1998, the project office believed that 75 percent of the applications were compliant or had completed the necessary modifications. However, because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter.

Auditing the state's year 2000 compliance efforts was not an objective of this audit. As a result, we do not provide assurance that the Department of Children, Families & Learning is or will be year 2000 ready, that its year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Department of Children, Families & Learning does business will be year 2000 ready.

Department of Children, Families & Learning

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 1, 1998, on our consideration of the State of Minnesota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. At a later date, we will issue our report on compliance with requirements applicable to each major federal program and internal control over compliance in accordance with OMB Circular A-133.

For the areas audited, the Department of Children, Families & Learning's financial activities were fairly presented in the general purpose financial statements of the State of Minnesota for the year ended June 30, 1998. For the federal programs tested, the department complied, in all material respects, with the types of compliance requirements described in OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1998. However, as a result of our procedures, we identified the following weaknesses in internal control and noncompliance with program requirements at CFL.

1. CFL did not certify some liabilities to the Department of Finance.

CFL did not have a process in place to review some encumbrances and balances carried forward at fiscal year-end to determine if any of these amounts represent liabilities for the state. For example, we found liabilities totaling $510,880 for the After School Enrichment Grant Program. These liabilities represent expenditures incurred by the program participants as of June 30, 1998. CFL reimburses participants for program expenditures. Fiscal services did not have a process in place to identify the timeframe for these reimbursements. As such, the agency did not identify any liabilities for this program. The Department of Finance (DOF) asks state agencies to report accrued liabilities for inclusion in the state's financial statements. CFL does have a process to identify liabilities for the major state aid programs. However, the department needs to develop a process that allows the agency to determine liability amounts for all programs and report them to DOF. The agency could have the program managers code the invoices to show when the liability was incurred.

Recommendation

- *CFL should develop a process to identify all liabilities at year-end and certify them to the Department of Finance.*

2. CFL did not prepare supplemental federal expenditure schedules accurately or timely.

CFL did not submit supplemental federal expenditure schedules to the Department of Finance (DOF) until December 18, 1998. DOF sent a memo to CFL requesting that all federal programs' financial statements be submitted to DOF by October 23, 1998. DOF prepared a preliminary summary of expenditures by program from information recorded on MAPS and provided it to CFL to assist the agency in preparing the schedules. DOF asked the agency to review and verify the expenditures. DOF needs to receive the schedules from the agencies in a timely manner. The Single Audit Act of 1984, as amended in 1996, requires the state to prepare a supplemental statement of expenditures by federal program. The Single Audit Report must be published by March 31, 1999. Not receiving the federal expenditure schedules timely increases the risk that the DOF will not meet its reporting deadline.

In addition, the CFL federal expenditure schedules were not accurate. After our review of the schedules, we made audit adjustments totaling $1,356,499 for seven major programs. CFL needs to ensure the expenditure schedules it prepares are accurate.

Recommendation

- *CFL should review and certify federal expenditure reports and prepare supplemental federal expenditure schedules accurately and timely.*

3. CFL did not comply with the Cash Management Improvement Act for the Low Income Home Energy Assistance Program (LIHEAP).

CFL did not ensure that subgrantees minimize the time elapsing between the transfer of funds from CFL and the actual disbursement. CFL allows LIHEAP subgrantees to hold up to 30 days' cash on hand. Subgrantees request cash once a month and receive payments in the form of 30-day cash advances. The Cash Management Improvement Act states that when advance payment procedures are used, recipients must minimize the time elapsing between the drawdown of cash from the federal government and actual disbursement of the funds. CFL should monitor cash drawdowns by their subrecipients to assure that they conform to the same timing standards. CFL could reimburse subgrantees for actual expenditures.

As a result of the cash advances, some subgrantees received excess cash and returned funds to CFL. We found several undeposited refund checks with dates ranging from October 23 to October 30, 1998. Agency staff had not restrictively endorsed the checks "for deposit only" and had not deposited the checks as of November 9, 1998. We found one check for $13,984 dated October 29, 1998. The department did not deposit this check until December 2, 1998. In addition, Minn. Stat. Section 16A.275 requires that all receipts exceeding $250 be deposited daily. The office should secure refund checks and deposit all receipts exceeding $250 daily. We also found improper separation of duties over the refund process which increases the risk of theft or loss.

Recommendations

- *CFL should monitor subgrantees' cash drawdowns to ensure compliance with the Cash Management Improvement Act.*

- *CFL should secure refund checks and deposit all receipts exceeding $250 daily.*

4. CFL incorrectly recorded encumbrances on MAPS for some LIHEAP grants.

During our review, we found nine of twenty LIHEAP grants tested had incorrect encumbrance amounts recorded on MAPS. For example, one encumbrance on MAPS was $20,000 higher than the amount on the Notice of Funds Available (NFA). An encumbrance higher than the grant amount would allow a subgrantee to draw more funds than authorized. Conversely, if the encumbrance entered is lower than the amount of the actual grant, the subgrantee may be prevented from drawing down its total grant. CFL prepares an NFA for each subgrantee. The notice outlines the funding limits for each energy program. Fiscal services enters these limits on

MAPS. No one at CFL reconciles the NFA to MAPS to ensure the amounts are recorded correctly. The department should ensure that grants are correctly entered so subgrantees can draw the correct entitlement amount.

Recommendation

- *CFL should develop procedures to ensure that Notices of Funds Available amounts are recorded correctly on MAPS.*

5. The CFL Office of Energy did not adequately monitor certain subrecipients as required by federal regulations.

The Office of Energy did not monitor certain subrecipients as required by the Single Audit Act. The office is responsible for tracking and resolving specific audit findings for its subrecipients. All subgrantees of the LIHEAP program are required to have an annual audit. The audit reports are submitted to the Office of Energy. However, the agency has not established procedures to review the audit reports and follow up on any findings. The office has not maintained a system to track and follow up on material findings and resolve issues with the subgrantees.

Recommendation

- *The Office of Energy should develop subgrantee monitoring procedures to ensure that subgrantees are in compliance with federal requirements.*

6. CFL did not accurately complete a required report for the Child Care and Development Program.

The department did not have adequate internal controls to ensure the accuracy of reports submitted to the federal government. The expenditure amounts reported on the June 1998 quarterly report for the Child Care and Development Program did not agree with agency accounting records. Total expenditures on the report were $5 million higher than the amount recorded on CFL accounting records. Agency staff prepare the quarterly reports. The director of fiscal services signs the reports but does not verify the accuracy of the amounts reported. Federal regulations require that accounting records support federal award reports. Quarterly reports for the Child Care and Development Program are required to be submitted to the Secretary of Health and Human Services. These reports provide data on families, children, and providers and expenditure information.

Recommendation

- *CFL should ensure that Child Care and Development Fund reports submitted to the federal government are accurate and supported by applicable accounting records.*

7. CFL did not review the manual entries of county expenditures onto spreadsheets for the Child Care and Development Program.

CFL did not verify that agency staff correctly recorded county expenditures for the Child Care and Development Program. A manual error when entering the county expenditure information onto the spreadsheets could result in an incorrect payment to the county. Not verifying that expenditures were recorded correctly increases that risk that counties could receive an incorrect payment. Counties send quarterly expenditure reports to CFL. The department manually enters the county expenditure data from these reports onto spreadsheets. Spreadsheet formulas then calculate the payments to the counties for the Basic Sliding Fee and Minnesota Family Investment programs based on the expenditures the counties reported. Although our review did not find any errors, the risk exists that the department could make incorrect payments to the counties.

Recommendation

- *Someone independent should review the data entry of county expenditures on a regular basis to ensure that payments to the counties for theChild Care and Development Program are accurate.*

8. CFL did not monitor Adult Education subgrantee administrative expenditures.

CFL did not have adequate controls in place to ensure that subgrantees correctly completed their final reports. The agency also did not have any controls to follow up on subgrantees that exceeded the allowable amount for administrative expenditures. During our review of subgrantee reports, we found six reports where administrative expenses exceeded the limits by $43,828. One subgrantee reported $24,716 in administrative expenses while the limit was $1,750. Another subgrantee reported $11,275 in administrative expenses, while the limit was $1,515. The OMB Compliance Supplement states that subrecipient administrative costs may not exceed five percent of the award unless the state agency determined that a higher percentage was necessary and reasonable. CFL did not review or follow up on those subgrantees whose administrative expenditures exceeded the five percent limit.

Recommendations

- *CFL should work with the subgrantees to ensure they are aware of the limitation on administrative expenditures and follow up when those limits are exceeded.*

- *CFL should recover from the subgrantees amounts overclaimed for administrative expenditures.*

Department of Children, Families & Learning

This report is intended for the information of the Legislative Audit Commission and the management of the Department of Children, Families & Learning. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 5, 1999.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: December 31, 1998

Report Signed On: February 26, 1999

Status of Prior Audit Issues
As of December 31, 1998

March 6, 1998, Legislative Audit Report 98-12 examined the CFL activities and programs material to the State of Minnesota's Annual Financial Report or the Single Audit for the year ended June 30, 1997. The scope included General Education Aids, Title I Grants to Local Educational Agencies, Special Education Aid, and other federal and state programs. The prior audit discussed improvement needed in the estimation of the allowance for doubtful accounts for the Maximum Effort School Loan Fund. The audit also cited incorrect payments made for the Child Care and Development Program. Finally, the audit found that the department did not properly establish a monitoring system for subrecipients of federal library grants. Our review of these issues during this audit found that the department implemented the recommendations discussed in the prior audit. In addition, the prior audit also found that the department lacked key quality control mechanisms in its computing environment for state and local programs. Our review found substantial progress in this area. The department states that the business continuation program should be implemented in 1999.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

MINNESOTA
DEPARTMENT OF

Children, Families & Learning

1500 HIGHWAY 36 WEST
ROSEVILLE, MN 55113-4266

T: (651) 582-8200
TTY: (651) 582-8201
http://cfl.state.mn.us

February 23, 1999

James R. Nobles
Legislative Auditor
Centennial Building
St. Paul, Minnesota 55115

Dear Mr. Nobles:

Enclosed are responses to the findings from the Fiscal Year 1998 Statewide Audit.

We would like the opportunity to thank the audit team for their helpfulness and professionalism. Please contact John Bulger, Manager of Agency Finance and Services at (651) 582-8239 if there are any questions regarding our response.

Sincerely,

Christine Jax

Christine Jax, Ph.D.
Commissioner

Enclosures

Department of Children, Families & Learning
Audit Response – Statewide Audit for F.Y. 1998

February 23, 1999

Finding #1
CFL did not certify some liabilities to the Department of Finance.

Recommendation:

- CFL should develop a process to identify all liabilities at year-end and certify them to the Department of Finance.

Agency Response: CFL will develop a process to identify all liabilities at year-end. Appropriate accounting and program management changes will be implemented to address this concern.

Pat Baggenstoss is responsible for the implementation and resolution of this finding.

Finding # 2
CFL did not prepare supplemental federal expenditures accurately or timely.

Recommendation:

- CFL should review and certify federal expenditures reports and prepare supplemental federal expenditure schedules accurately and timely.

Agency Response: The single audit report process will meet all timelines and guidelines in the future. As the number of federal programs managed by CFL continue to change and grow, additional training and communication between program managers and the federal program accounting staff will address the concern for accurate information and data.

Don Johnson is responsible for the implementation and resolution of this finding.

Finding #3
CFL did not comply with the Cash Management Improvement Act for the Low Income Home Energy Assistance Program (LIHEAP).

Recommendation:

- CFL should monitor subgrantees' cash drawdowns to ensure compliance with the Cash Management Improvement Act.
- CFL should secure refund checks and deposit all receipts exceeding $250.

Agency Response: CFL will minimize the elapse time between the draw down of cash from the federal government and actual reimbursement by allowing LIHEAP subgrantees to request cash from the CFL on an as-need-basis throughout the month. LIHEAP grantees will be allowed to request program cash several times throughout the month and CFL will honor the grantees' requests as required. CFL energy program staff will monitor LIHEAP subgrantees cash needs requests with program activities and other program reporting to ensure that subgrantees minimize elapse times between the transfer of funds from CFL and the actual disbursement.

The Office of Community Services will establish a procedure whereby all energy program refund checks will be deposited in accordance with Minn. Stat. {16A.275(1998). All LIHEAP checks received by the department will be approved for deposit by designated CFL energy program staff. The CFL energy program staff will develop a tracking system to record the receipt of checks received and the date sent to agency finance staff for deposit. Energy staff will indicate which federal accounts are impacted.

Mark Kaszynski is responsible for the implementation and resolution of this finding.

Finding # 4
CFL incorrectly recorded encumbrances on MAPS for some LIHEAP grants.

Recommendation:

- CFL should develop procedures to ensure that Notices of Funds Available amounts are recorded correctly on MAPS.

Agency Response: CFL's Finance and Management Services section receives the federal Notice of Funds Available (NFA's) from the CFL energy program staff. NFA's must be signed by the CFL energy manager and delivered to the agency's finance section. Agency accounting staff updates the accounting data at that time. This issue will be greatly reduced beginning in FY 1999 by the use of a new agency sub-accounting system for the payments of federal funds called PAYS. The Agency Finance and Management Services section runs the PAYS system and the accounting/finance staff will work with the energy manager and staff to develop a process to better track NFA's and to reconcile Notices of Funds Available (NFA) documents to the data in MAPS.

Mark Kaszynski and Don Johnson are responsible for the implementation and resolution of this finding.

Finding #5
The CFL Office of Energy did not adequately monitor certain subrecipients as required by federal regulations.

Recommendation:

- The Office of Energy should develop subgrantee-monitoring procedures to ensure that subgrantees are in compliance with federal regulations.

Agency Response: Energy programs, since the audit findings, have established a system for logging, tracking, monitoring, reviewing and resolving specific audit findings for LIHEAP subrecipients as required by the Single Audit Act. Energy programs are doing this in coordination with the Office of Economic Opportunity. As of February 1999, the energy program section is up-to-date on its monitoring and review of audits.

Mark Kaszynski is responsible for the implementation and resolution of this finding.

Finding #6
CFL did not accurately complete a required report for the Child Care and Development Program.

Recommendation

- CFL should ensure that Child Care and Development Fund reports submitted to the federal government are accurate and supported by applicable accounting records.

Agency Response: The accounting records and support documentation, maintained by CFL, contain accurate and complete information on obligations, expenditures, and program statistics. However, all data is transferred to the federal reports via manual entry and calculation. In this instance all accounting records and support documentation included the correct obligation and expenditure data but numbers were incorrectly transferred to the federal report resulting in the submission of an erroneous report. The data in the report was corrected and submitted to the federal government.

In the future, additional review will be done by child care staff to ensure that reports are completed accurately. In addition, CFL has requested permission from the legislature to use federal funding to develop a technology system for managing the child care program in a more efficient manner. The proposed system would substantially reduce the amount of manual entry of data and the possibility of errors.

Troy Vick is responsible for the implementation and resolution of this finding.

Finding #7
CFL did not review the manual entries of county expenditures onto spreadsheets for the Child Care and Development Program.

Recommendation:

- Someone independent should review the data entry of county expenditures on a regular basis to ensure that payments to the counties for Child Care and Development Program are accurate.

Agency Response: All child care data that CFL receives from counties is on paper. This requires that agency staff manually enter the data into spreadsheets or databases. Currently, the child care program receives over 1,000 fiscal reports and over 2,400 statistical reports per year from the counties. The audit findings indicate that no errors were discovered for the period under review but point out that the risk does exist. The department will develop procedures to minimize the possibility of data entry error.

Again, CFL has requested permission from the legislature to use federal funding to develop a technology system for managing the child care program in a more efficient manner. The proposed system would substantially reduce the amount of manual entry of data and the possibility of errors.

Troy Vick is responsible for the implementation and resolution of this finding.

Finding #8
CFL did not monitor Adult Education subgrantee administrative expenditures.

Recommendation:
- CFL should work with the subgrantees to ensure they are aware of the limitation on administrative expenditures and follow up when those limits are exceeded.
- CFL should recover from the subgrantees amounts overclaimed for administrative expenditures.

Agency Response: The Adult Basic Education unit of CFL will take the following actions in response to the audit comment regarding local program administration costs:

1. CFL will contact the programs that are out of compliance (most have already been contacted via phone), and CFL will determine if the overages (amounts above 5%) were coded in error or were funds inappropriately spent on administration. If coded incorrectly, CFL will require that a new Fiscal Completion Report be filed with our office. If inappropriately spent, CFL will ask for a refund of the overage; and
2. CFL will notify all programs via administrative memo that CFL intends to monitor and enforce the administrative expenditure limit (and other financial requirements); and
3. CFL will amend the current Fiscal Completion Form for the next program year (school year 1999-2000) to highlight the 5% limit and other expenditure guidelines.

Barry Shaffer is responsible for the implementation and resolution of this finding.

Year 2000 Computer Concerns

In the last two years, the CFL has reviewed all computer systems and related software for compliance to year 2000 computer issues. This review included main frame functions and COBOL computer programs, the variety of servers and the mini computer systems and related software applications used by the department. Based on this review, CFL believes that the year 2000 will not have a major impact on agency operations and the related computer-based financial systems that the operations of CFL is so dependent upon.