



Implementation of 2023 Performance Audit Recommendations

September 2025

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

Financial Audit Division

The division has authority to audit organizations and programs in the state's executive and judicial branches, metropolitan agencies, several "semi-state" organizations, state-funded higher education institutions, and state-funded programs operated by private organizations.

Each year, the division selects several of these organizations and programs to audit. The audits examine the policies and procedures—called internal controls—of the organizations to ensure they are safeguarding public resources and complying with laws that govern their financial and program operations. In addition, the division annually audits the State of Minnesota's financial statements and the financial statements of three state public pension systems. The primary objective of these financial audits is to assess whether the statements fairly present the organization's financial position according to Generally Accepted Accounting Principles.

The Office of the Legislative Auditor (OLA) also has a Program Evaluation Division. The Program Evaluation Division's mission is to determine the degree to which state agencies and programs are accomplishing their goals and objectives and utilizing resources efficiently.

OLA also conducts special reviews in response to allegations and other concerns brought to the attention of the Legislative Auditor. The Legislative Auditor conducts a preliminary assessment in response to each request for a special review and decides what additional action will be taken by OLA.

For more information about OLA and to access reports and report updates, go to: www.auditor.leg.state.mn.us.

September 22, 2025

Members
Legislative Audit Commission

Matt Varilek, Commissioner
Department of Employment and
Economic Development

Shireen Gandhi, Temporary Commissioner
Department of Human Services

Reena Shetty, Executive Director
Minnesota Board on Aging

Tamar Gronvall, Commissioner
Minnesota Department of Administration

Willie Jett, Commissioner
Minnesota Department of Education

Dr. Brooke Cunningham, Commissioner
Minnesota Department of Health

Brad Lindsay, Commissioner
Minnesota Department of Veteran's Affairs

Tarek Tomes, Commissioner and
Chief Information Officer
Minnesota IT Services

The Honorable Tim Walz, Governor
Office of the Governor and Lieutenant Governor

This report presents the results of our follow-up work related to recommendations from three performance audit reports we issued in 2023: *COVID-19-Related Emergency Purchases*; *Minnesota Board on Aging: Senior Nutrition Program*; and *Minnesota Immunization Information Connection*. The objective of this follow-up work was to evaluate the implementation status of the recommendations made to each agency in their respective reports.

Laws of Minnesota 2025, chapter 39, art. 2, sec. 11, amends *Minnesota Statutes* 2024, 3.971, to require the Office of the Legislative Auditor (OLA), as resources permit, to submit annual reports to the Legislature detailing whether an entity has implemented audit recommendations that were identified in the previous five years. This is OLA's first report under the 2025 law.

This follow-up work was overseen by Zach Yzermans, CPA (Audit Director). We received the full cooperation of agency personnel while performing this work, and we thank them for their participation.

Sincerely,



Judy Randall
Legislative Auditor



Lori Leysen, CPA
Deputy Legislative Auditor



OLA

Implementation of 2023 Performance Audit Recommendations

The Office of the Legislative Auditor's (OLA's) Financial Audit Division conducts performance audits of the state's executive and judicial branches, metropolitan agencies, state-funded higher education institutions, and state-funded programs operated by private organizations. We select which entities to audit each year based on factors such as risk and legislative interest. In 2023, we released four performance audit reports and one information technology performance audit report with findings and recommendations to state agencies for improvements to internal controls, policies, and programs. This document reports on the extent to which agencies implemented those findings.¹

To conduct our work, we asked state agencies to report to us the extent to which they had addressed our recommendations by March 2025. We also asked agencies to supply supporting documentation, such as agency policies, proof of corrective actions, or current transaction examples.

In some cases, when the information provided by the agency was not sufficient to confirm that the findings had been implemented, we performed independent and detailed testing. For example, in our audit report, *COVID-19-Related Emergency Purchases* (2023), OLA recommended that the Minnesota Department of Administration approve only Request for Emergency Purchasing Authorization forms that had sufficient detail. For this recommendation, we tested a sample of recently approved forms and determined whether it had implemented, partially implemented, or not implemented the recommendation.

In a few cases, we could not assess whether the agency had implemented OLA's original recommendation because no related activity had occurred. For example, in our audit report,

Resolution Status

- **Implemented:** The agency has implemented OLA's recommendation.
- **Partially Implemented:** The agency has implemented OLA's recommendation in part but should continue its efforts to fully implement the recommendation.
- **Not Implemented:** The agency has not implemented OLA's recommendation.
- **Work needed to determine implementation:** OLA would need to conduct further testing to determine to what extent the agency has implemented OLA's recommendation.
- **Not applicable:** The recommendation is not currently applicable to the agency's circumstances.

¹ OLA audits each constitutional office every four years. As a result, the findings issued in 2023 for the Office of the Attorney General and the Office of the Secretary of State were not reviewed as part of this work and will be examined in the next performance audit of those offices.

COVID-19-Related Emergency Purchases (2023), OLA recommended that the Office of the Governor and Lieutenant Governor strengthen internal controls to ensure it only charged allowable expenditures to federal awards. However, the office has not charged any additional expenditures to a federal award since that time.

This document presents the recommendations from our 2023 performance audits by individual state agency. To review the resolution status of all recommendations from a specific report, which may impact several state agencies, see the Table of Contents (by OLA Report Name).

Following our description of the agency's implementation of OLA recommendations, we include a graphic that shows the number of recommendations the agency has implemented, not implemented, or partially implemented. We note that not all recommendations are of the same magnitude; some may require extensive or ongoing work from the agency while others may be accomplished more quickly.

Table of Contents

By Agency

	<u>Page</u>
Department of Employment and Economic Development	1
Department of Human Services	2
Minnesota Board on Aging	3
Minnesota Department of Administration	5
Minnesota Department of Education	6
Minnesota Department of Health	7
Minnesota Department of Veterans Affairs	9
Minnesota IT Services	10
Office of the Governor and Lieutenant Governor	12

By OLA Report Name

	<u>Page</u>
COVID-19-Related Emergency Purchases (2023)	1, 2, 5, 6, 7, 9, 12
Minnesota Board on Aging: Senior Nutrition Program (2023)	3–4
Minnesota Immunization Information Connection (2023)	7–8, 10–11






OLA

Department of Employment and Economic Development (DEED)

COVID-19-Related Emergency Purchases (2023)

Recommendation	Status	Notes
DEED should obtain delegated authority to make emergency purchases before bypassing the vendor solicitation process.	Implemented	We tested all DEED emergency purchases made between April 2023 and March 2025. DEED obtained the appropriate delegated authority for all tested purchases.
DEED should resolve inaccurate payments and prepayments with vendors.	Not Implemented	DEED told us it is not recovering an overpayment of \$3,750 due to the low dollar amount.
DEED should enhance internal controls over advanced payments.	Work needed to determine resolution	DEED's standard process is to pay invoices after goods or services are received. DEED told us that any exception to that process would require justification and special approval by the appropriate approval authority. More work is needed to determine if a preapproval practice is in place.

DEED Recommendation Summary		
Implemented	Not Implemented	More Work Needed
		

Department of Human Services (DHS)

COVID-19-Related Emergency Purchases (2023)

Recommendation	Status	Notes
DHS should resolve inaccurate sales and use tax payments with the Department of Revenue.	Implemented	DHS remitted to the Department of Revenue all unpaid sales and use taxes identified in the audit.
DHS should strengthen internal controls to ensure it accurately pays sales and use taxes.	Implemented	DHS updated its process, and we reviewed examples of the internal controls it uses to accurately pay sales and use taxes.

DHS Recommendation Summary

Implemented

2


Minnesota Board on Aging (MBA)

Minnesota Board on Aging: Senior Nutrition Program (2023)

Recommendation	Status	Notes
MBA or other responsible entity should have supporting documentation that substantiates the meal reimbursement rates for the tribal service providers.	Implemented	MBA gathered and maintained supporting documentation that substantiates the meal reimbursement rates for the tribal service providers.
MBA should ensure that the tribal service providers accurately calculate meal reimbursement rates and follow MBA's requirements.	Implemented	MBA ensured that tribal service providers incorporated the correct meal rates into agreements.
MBA should ensure that service providers have valid contracts with all entities that provide meals for the Senior Nutrition Program by reviewing and approving all of these contracts prior to use.	Partially Implemented	MBA reviewed contracts to ensure they existed and were signed but did not ensure they included all required provisions because a formalized checklist for Area Agencies on Aging (AAAs) is not finalized. MBA expects updated policies, which require the use of a checklist, to be implemented in October 2025.
MBA should clarify its responsibility for the review of contracts between service providers and subcontractors that are for-profit organizations.	Partially Implemented	MBA drafted policies clarifying its role and requiring the completion of a waiver when service providers contract with for-profit organizations. MBA expects these policies to be implemented in October 2025.
Either AAAs or MBA should review and approve all contracts between service providers and subcontractors.	Partially Implemented	MBA reviewed contracts to ensure they existed and were signed but did not ensure they included all required provisions because a formalized checklist for AAAs is not finalized. MBA expects updated policies, which require the use of a checklist, to be final in October 2025.
MBA should prescribe specific steps for how AAAs should document their review and approval of contracts between service providers and subcontractors.	Not Implemented	MBA drafted policies, expected to be implemented in October 2025, that will require AAAs to submit completed contracts, but it has not identified specific steps for how AAAs should document their review and approval of the contracts.
MBA and AAAs should ensure that the data in MBA's participant database are accurate and reliable.	Partially Implemented	MBA drafted policies, expected to be implemented in October 2025, which include a requirement to verify the accuracy and reliability of participant data during site visits. MBA also issued new participant data forms in additional languages to assist with the collection of data from participants. However, MBA has not yet started site visits to verify the accuracy and reliability of participant data.
MBA should ensure that service providers offer program participants an option to contribute but do not require them to pay for the Senior Nutrition Program meals.	Not Implemented	MBA has drafted a policy, expected to be implemented in October 2025, that requires providers to clearly communicate to program participants that payments are optional. MBA has also drafted a contribution letter for AAAs (or providers) to send to program participants, which includes language emphasizing that any payments are optional. MBA and AAA verification of optional contribution by participants has not yet started since the policy and letters have not yet been implemented.

Minnesota Board on Aging: Senior Nutrition Program (2023)




Recommendation	Status	Notes
MBA should ensure that service providers clearly communicate payment options to program participants.	Not Implemented	MBA has drafted a policy, expected to be implemented in October 2025, that requires providers to clearly communicate to program participants that payments are optional and to document this during site visits. MBA and AAA verification of optional contribution by participants has not yet started since the policy and letters have not yet been implemented.
MBA should complete required monitoring activities.	Partially Implemented	MBA has conducted financial reconciliations of advance and reimbursable payment requests, but it has not conducted site visits or grant closeout evaluations.
MBA should establish processes for conducting monitoring visits, financial reconciliations, advance payments reconciliations, and grant closeout evaluations.	Partially Implemented	MBA has drafted monitoring policies and procedures expected to go into effect October 2025 that address certain monitoring processes; however, the draft policies do not address conducting grant closeout evaluations.
MBA should have effective internal controls, such as clear policies and procedures, over monitoring activities.	Partially Implemented	MBA has drafted monitoring policies and procedures that are expected to be implemented in October 2025.
MBA should provide proper oversight to ensure that AAAs perform the required number of monitoring site visits each year.	Partially Implemented	MBA provided training to AAAs on how to submit site visit documentation electronically. Not all AAAs have provided documentation of their site visits, preventing MBA from ensuring all AAAs have performed required site visits. Additionally, MBA has not yet conducted site visits of AAAs, which is a second verification method. MBA said it plans to begin site visits between October and December 2025.
AAAs and MBA should perform regular monitoring activities, such as conducting site visits, reviewing recertification forms, and verifying participant data in the system, to ensure service providers annually recertify program participants.	Partially Implemented	MBA has partially implemented this recommendation through system improvements that provide functionality to filter and sort participant data. However, MBA has not yet conducted site visits or tested a sample of recertification forms. MBA said it plans to begin site visits between October and December 2025.
MBA should update its payment process for direct service payments to tribal service providers.	Implemented	MBA updated its process to require tribal service providers to submit a payment workbook when requesting payment.
MBA should ensure that it accurately pays tribal service providers based on documented meal counts.	Implemented	MBA updated its process to ensure that it accurately pays tribal service providers based on supporting documentation.

MBA Recommendation Summary		
Implemented	Not Implemented	Partially Implemented
		

Minnesota Department of Administration (Admin)

COVID-19-Related Emergency Purchases (2023)

Recommendation	Status	Notes
Admin should develop emergency purchasing guidance related to its statutory authority.	Not Implemented	Admin has not developed new or additional guidance related to approving state agency emergency purchase requests. Admin does not plan to develop new or additional guidance.
Admin should not approve Request for Emergency Purchasing Authorization forms that are too general to be able to determine if the purchase meets an immediate need and requires an exception to the procurement process.	Implemented	We reviewed a sample of Emergency Purchasing Authorization forms. The forms included sufficient, detailed information to support an immediate need.
Admin should enforce its requirement for state entities to submit final reports on emergency purchases.	Not Applicable	Admin removed the requirement for state entities to submit final reports on emergency purchases.

Admin Recommendation Summary		
Implemented	Not Implemented	Not Applicable
		

Minnesota Department of Education (MDE)

COVID-19-Related Emergency Purchases (2023)

Recommendation	Status	Notes
MDE should only use its emergency authority to make purchases that meet an immediate need and that require exceptions to the procurement process.	Not Applicable	MDE has not requested any emergency authorization purchases since the issuance of the <i>COVID-19-Related Emergency Purchases</i> report.

MDE Recommendation Summary

Not Applicable

1

Minnesota Department of Health (MDH)

COVID-19-Related Emergency Purchases (2023)

Recommendation	Status	Notes
MDH should conduct and document a full physical inventory at least annually for its consumable inventory and at least biennially for capital assets, as required by state policy.	Implemented	MDH timely conducted and documented a physical inventory of its consumable inventory and capital assets.
MDH should update its inventory management system to reflect the results of its physical inventories and investigate discrepancies between its inventory counts and the inventory management system.	Not Implemented	We performed an unannounced audit of the inventory in MDH's Emergency Preparedness warehouse in May 2025, and we found discrepancies between the inventory management system and the actual inventory in the warehouse. MDH was unable to reconcile the discrepancies with our inventory counts.
MDH should restrict user access to the inventory management system or implement alternative procedures to address incompatible access, as required by policy.	Implemented	MDH distributes weekly inventory reports to supervisors to examine changes as a mitigating control to address incompatible access.
MDH should resolve inaccurate payments with vendors.	Implemented	MDH resolved all inaccurate payments with vendors identified in the audit.
MDH should enhance internal controls over vendor payments to ensure it accurately pays for goods and services actually received.	Implemented	MDH enhanced internal controls over payments by updating its policy and providing training to agency employees.
MDH should ensure it receives detailed and complete support of contractors' expenditures and payments during its reconciliation of advanced payments.	Not Applicable	MDH has not made advanced payments since the 2023 audit. MDH stopped distributing advanced payments for COVID-19 contractors.

Minnesota Immunization Information Connection (2023)

Recommendation	Status	Notes
MDH should monitor users and organizations to ensure compliance with data use agreements.	Not Implemented	MDH has not monitored users or organizations of the current system, Minnesota Immunization Information Connection (MIIC). MDH told us it is in the final stages of awarding a contract to develop a replacement system for MIIC, and the requested contract requirements include monitoring tools that may address this recommendation.
MDH should implement logging functionality to comply with Minnesota Information Technology Services' (MNIT's) logging and monitoring standard.	Not Implemented	MNIT told us that adding these functions in the current MIIC system will require an inappropriate amount of resources. MDH told us it is in the final stages of awarding a contract to develop a replacement system for MIIC, and the requested contract requirements include logging and monitoring tools that may address this recommendation.

Minnesota Immunization Information Connection (2023)

Recommendation	Status	Notes
MDH should implement a process to regularly review and monitor MIIC audit logs, specifically looking for unusual or unauthorized activities.	Not Implemented	MNIT told us that adding these functions in the current MIIC system will require an inappropriate amount of resources. MDH told us that it is in the final stages of awarding a contract to develop a replacement system for MIIC, and the requested contract requirements include monitoring tools that may address this recommendation.
MDH should educate MIIC users not to enter test and training data into the production system.	Implemented	MIIC users now must acknowledge during their review and submission of their data use agreement that they will not enter test and training data.
MDH should have adequate controls to identify or prevent test and training data from entering into the production system.	Implemented	MNIT demonstrated how it now regularly reviews MIIC for test and training data at MDH.
MDH should prioritize mitigation of known MIIC system vulnerabilities.	Implemented	MNIT corrected the known vulnerabilities in MIIC.
MDH should regularly perform manual information security testing to ensure that system changes do not introduce vulnerabilities into the MIIC system.	Not Implemented	MNIT performs regular automated security scans at MDH; however, it does not perform regular manual security testing. MNIT told us its current approach allows it to efficiently manage risk across a large and complex environment with the resources available.
MDH should perform a risk assessment for the MIIC system according to MNIT standards and procedures.	Partially Implemented	MDH and MNIT assessed risks using a System Security Plan (SSP) that provided a certain assessment of risks, mitigations, and remediation, but they did not use the formal risk assessment required by the MNIT policy. MDH and MNIT did not file an exception to conduct the risk assessment using an SSP.
MDH should document known risks, mitigations, and remediations according to MNIT standards and procedures.	Partially Implemented	MDH and MNIT have documented certain risks, along with mitigations and remediation, in the SSP, but these risks are not documented in a formal risk assessment.
MDH should utilize the risk assessment to assist with prioritizing risk mitigation efforts and implementing audit recommendations.	Partially Implemented	MDH and MNIT did not utilize the formal risk assessment to document risks, mitigations, and remediation; instead, they used the SSP.

MDH Recommendation Summary			
Implemented	Not Implemented	Partially Implemented	Not Applicable
7	5	3	1

Minnesota Department of Veterans Affairs (MDVA)

COVID-19-Related Emergency Purchases (2023)

Recommendation	Status	Notes
MDVA should resolve inaccurate sales and use tax payments with the Department of Revenue.	Implemented	MDVA remitted to the Department of Revenue all unpaid sales and use taxes identified in the audit.
MDVA should strengthen internal controls to ensure it accurately pay sales and use taxes.	Implemented	MDVA explained its process and provided examples of the internal controls it uses to accurately pay sales and use taxes.

MDVA Recommendation Summary

Implemented

2




Minnesota IT Services (MNIT)

Minnesota Immunization Information Connection (2023)

Recommendation	Status	Notes
MNIT should utilize code analysis software to test for security coding vulnerabilities for all of its updates to the Minnesota Immunization Information Connection (MIIC) software.	Not Implemented	MNIT added a control to document vulnerability scan results within change management tickets. However, MNIT did not utilize code analysis software to test for security coding vulnerabilities for all of its updates to the MIIC software, and we identified gaps in the completion of static and dynamic scans.
MNIT should implement logging functionality to comply with its logging and monitoring standard.	Not Implemented	MNIT told us that adding these functions in the current MIIC application will require an inappropriate amount of resources. The Minnesota Department of Health (MDH) told us it is in the final stages of awarding a contract to develop a replacement system for MIIC, and the requested contract requirements include logging and monitoring tools that may address this recommendation.
MNIT should implement a process to regularly review and monitor MIIC audit logs, specifically looking for unusual or unauthorized activities.	Not Implemented	MNIT told us that adding these functions in the current MIIC application will require an inappropriate amount of resources. MDH told us it is in the final stages of awarding a contract to develop a replacement system for MIIC, and the requested contract requirements include monitoring tools that may address this recommendation.
MNIT should educate MIIC users not to enter test and training data into the production system.	Implemented	MIIC users now must acknowledge during their review and submission of their data use agreement that they will not enter test and training data.
MNIT should have adequate controls to identify or prevent test and training data from entering into the production system.	Implemented	MNIT demonstrated how it regularly reviews MIIC for test and training data at MDH.
MNIT should prioritize mitigation of known MIIC system vulnerabilities.	Implemented	MNIT corrected the known vulnerabilities in MIIC.
MNIT should regularly perform manual information security testing to ensure that system changes do not introduce vulnerabilities into the MIIC system.	Not Implemented	MNIT performs regular automated security scans at MDH; however, they do not perform regular manual security testing. MNIT told us its current approach allows it to efficiently manage risk across a large and complex environment with the resources available.
MNIT should prepare a full restoration plan describing the necessary procedures to restore MIIC from backup.	Implemented	MNIT updated the MIIC disaster recovery plan to describe the necessary procedures to restore MIIC from backup.
Working with MDH, MNIT should develop, implement, and test a strategy to meet the desired recovery time objective for MIIC.	Partially Implemented	A disaster recovery plan is present with an implementation strategy; however, no disaster recovery test was performed.

Minnesota Immunization Information Connection (2023)

Recommendation	Status	Notes
MNIT should perform a risk assessment for the MIIC system according to MNIT standards and procedures.	Partially Implemented	MDH and MNIT assessed risks using a System Security Plan (SSP) method that provided certain assessment of risks, mitigations, and remediation, but they did not use the formal risk assessment required by the MNIT policy. MDH and MNIT did not file an exception to conduct the risk assessment using an SSP.
MNIT should document known risks, mitigations, and remediations according to its standards and procedures.	Partially Implemented	MDH and MNIT have documented certain risks, along with mitigations and remediation, in the SSP, but these risks are not documented in a formal risk assessment.
MNIT should utilize the risk assessment to assist with prioritizing risk mitigation efforts and implementing audit recommendations.	Partially Implemented	MDH and MNIT did not utilize the formal risk assessment to document risks, mitigations, and remediation; instead, they used the SSP.

MNIT Recommendation Summary		
Implemented	Not Implemented	Partially Implemented
		

Office of the Governor and Lieutenant Governor (Office)

COVID-19-Related Emergency Purchases (2023)

Recommendation	Status	Notes
The office should develop emergency purchasing guidance related to its statutory authority.	Not Implemented	The office did not develop new or additional guidance related to its statutory authority for emergency purchases, and the office does not plan to develop guidance.
The office should only charge allowable expenditures to federal awards.	Implemented	The office properly reallocated from the Federal Fund into the General Fund unallowable expenditures identified in the audit.
The office should strengthen internal controls to ensure it only charges allowable expenditures to federal awards and that allocated expenditures are supported by sufficient documentation.	Not Applicable	The office has not charged any expenditures to federal awards since the issuance of the <i>COVID-19-Related Emergency Purchases</i> report.

Office of the Governor and Lieutenant Governor Recommendation Summary		
Implemented	Not Implemented	Not Applicable
1	1	1



OLA



OLA

Financial Audit Staff

Judy Randall, *Legislative Auditor*
Lori Leysen, CPA, *Deputy Legislative Auditor*

Audit Directors

Ryan Baker, CPA, CFE
Jordan Bjonfald, CPA
Kayla Borneman, CPA
Mark Mathison, CISA, CISSP, CPA (inactive)
Heather Rodriguez
Joe Sass, CISA
Valentina Stone, CPA
Scott Tjomsland, CPA
Zach Yzermans, CPA

Audit Team Leads

Shannon Hatch, CFE
Gabrielle Johnson, CPA
Holly Runia

Senior Auditors

Ria Bawek
Tyler Billig, CPA
Nicholai Broekemeier
Deb Frost, CISA
Dustin Juell, CompTIA Security+
Christian Knox
Sheena Kurth
Lisa Makinen, CPA
Alec Mickelson
Erick Olsen
Rob Riggins, CISA, CISSP
Zakeeyah Taddese
Emily Wiant

Auditors

Joseph Anderson
Gabrielle Gruber
Dylan Harris
Nicole Heggem
Benjamin Path
Peng Xiong

For more information about OLA and to access its reports, go to: www.auditor.leg.state.mn.us.

To offer comments about our work or suggest an audit, evaluation, or special review, call 651-296-4708 or email legislative.auditor@state.mn.us.

To obtain printed copies of our reports or to obtain reports in electronic ASCII text, Braille, large print, or audio, call 651-296-4708. People with hearing or speech disabilities may call through Minnesota Relay by dialing 711 or 1-800-627-3529.



Printed on Recycled Paper



Office of the Legislative Auditor
Suite 140
658 Cedar Street
Saint Paul, MN 55155