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STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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February 15, 2017

Mr. Myron Frans, Commissioner  
Minnesota Management & Budget  
400 Centennial Office Building  
658 Cedar Street  
Saint Paul, Minnesota 55155

Mr. James R. Nobles, Legislative Auditor  
Office of the Legislative Auditor  
Centennial Office Building, First Floor  
658 Cedar Street  
Saint Paul, Minnesota 55155

The Honorable Daniel R. Levinson, Inspector General  
Office of Inspector General  
U.S. Department of Health and Human Services  
330 Independence Avenue S.W.  
Washington, DC 20201

The Office of the State Auditor has completed its report on Federally Assisted Programs of Subrecipients of the State of Minnesota for the year ended June 30, 2016.

## General

The State of Minnesota, as a recipient of federal funds, is responsible for assuring that its subrecipients of federal funds have audits in accordance with the Single Audit Act Amendments of 1996, the Office of Management and Budget (OMB) Circular A-133, and the U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

This report on “Federally Assisted Programs of Subrecipients of the State of Minnesota” for the fiscal year ended June 30, 2016, is prepared to demonstrate the State of Minnesota’s compliance with the requirement for audit of federal funds granted to its subrecipients.

This report represents a compilation of financial and compliance information pertaining to federal grants. The data has been obtained from a combination of audited financial statements of subrecipients submitted to this office and information from the Federal Audit Clearinghouse. Subrecipients covered in this report include cities, counties, nonprofit agencies, regional development commissions, school districts and related agencies, tribal governments, and other local units of government in Minnesota.

### Memorandum of Understanding

In April 1983, a Memorandum of Understanding (Memorandum) was signed that documented the arrangement for conducting a single audit of federal funds awarded directly to the State of Minnesota and expended either by the State or an authorized subrecipient. This Memorandum remains in effect for the current-year single audit report of the State of Minnesota.

The Memorandum outlines the broad issues agreed to, as well as the specific responsibilities of each party. The parties participating in the Memorandum and their duties are:

- Minnesota Management & Budget serves as the lead state agency, representing all Minnesota state agencies receiving federal funds, and coordinates single audit requirements.
- The Minnesota Office of the Legislative Auditor performs the statewide single audit and prepares the audit report at the state level.
- The U.S. Department of Health and Human Services\* - Office of the Inspector General serves as the lead cognizant audit agency, representing all federal agencies awarding funds to the State of Minnesota, and serves as liaison with the other parties participating in the Memorandum and federal agencies.
- The Minnesota Office of the State Auditor monitors subrecipient audits by reviewing audit reports for timeliness and compliance with federal reporting standards. Subrecipient audit reports are considered acceptable when they include the reporting elements required by *Government Auditing Standards*, issued by the Comptroller General of the United States; by the American Institute of Certified Public Accountants; by the Single Audit Act Amendments of 1996; and by Office of Management and Budget (OMB) Circular A-133 or the U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Office prepares this summary report, which includes expenditures of federal awards by subrecipients, along with their auditor's questioned costs and noncompliance findings.

\*When the Memorandum was signed, the U.S. Department of Agriculture was the cognizant agency for the State of Minnesota; currently, the cognizant agency is the U.S. Department of Health and Human Services.

## Review of Subrecipient Audit Reports

For the fiscal year ended June 30, 2016, 391 entities were determined to have received sufficient federal funds from the State of Minnesota to require them to submit audited financial statements. Not all subrecipients submitted audited financial statements in time to be included in this report.

Audits expected and audits received, by type, are:

|                                  | <u>Total</u> | <u>Received</u> | <u>Failed to Report</u> | <u>Not Received in Time for Publication</u> |
|----------------------------------|--------------|-----------------|-------------------------|---|
| Cities                           | 49           | 49              | -                       | -   |
| Counties                         | 73           | 73              | -                       | -   |
| Nonprofit Agencies               | 65           | 59              | 5                       | 1   |
| Other Governmental Agencies      | 25           | 23              | 1                       | 1   |
| Regional Development Commissions | 7            | 7               | -                       | -   |
| Schools and Related Agencies     | 166          | 166             | -                       | -   |
| Tribal Governments               | 6            | 3               | 3                       | -   |
| Totals                           | <u>391</u>   | <u>380</u>      | <u>9</u>                | <u>2</u>                                    |
| Percent                          | 100%         | 97.2%           | 2.3%                    | 0.5%  |

## Significant Items

To be included in this report, financial statements must have been received by February 7, 2017. Circular A-133 and Uniform Guidance require governments to file their single audit reports within nine months of year-end; therefore, governmental entities with fiscal years ending May 7, 2016, or earlier should have filed their financial statements in time for this report. In addition, the State requires school districts to file their financial statements by December 31. Nine entities failed to report in compliance with these requirements. An additional two reports were not received in time for this publication, reflecting the fact that entities (other than schools) with fiscal years ending between May 8 and July 1, 2016, may have reporting deadlines extending beyond the publication date of this report.

## Contents of This Report

This report contains six exhibits. The exhibits contain information included in audited financial statements of subrecipients having fiscal year-ends between July 1, 2015, and June 30, 2016. The resolution of questioned costs, noncompliance, and crosscutting findings is the responsibility of the administering agency.

The exhibits are:

- Exhibit 1    Questioned Costs  
Exhibit 1 is a summary of questioned costs by administrative agency. For each questioned cost, the exhibit lists the subrecipient entity, the Catalog of Federal Domestic Assistance (CFDA) number, and the reason for and the amount of the questioned costs.
- Exhibit 2    Expenditures of Federal Awards by CFDA Number  
Exhibit 2 is a summary of expenditures of federal awards by CFDA number and by administering agency type--direct federal or passed through the State or other agency.
- Exhibit 3    Expenditures of Federal Awards by Subrecipient Entity  
Exhibit 3 is a summary of expenditures of federal awards by subrecipient entity and administrative agency type--direct federal or passed through the state or other agency. Also shown are those entities that were to file a single audit report and did not. The exhibit identifies whether the entity's audit report is acceptable; that is, if the audit report contains all reporting elements required by applicable auditing standards.
- Exhibit 4    Expenditures of Federal Awards by Administering Agency  
Exhibit 4 is a summary of expenditures of federal awards by the administrative agency and a breakdown of those agencies by the subrecipient entities and CFDA numbers. Also identified are federal or nonfederal crosscutting findings or grant noncompliance (refer to Exhibits 5 and 6 for detailed crosscutting findings). The exhibit also identifies if the entity's audit report is acceptable.
- Exhibit 5    Summary of Nonfederal Crosscutting Findings  
Exhibit 5 is a summary of nonfederal crosscutting findings by entity. Nonfederal crosscutting findings are non-monetary and do not pertain to federal programs.
- Exhibit 6    Summary of Federal Crosscutting Findings  
Exhibit 6 is a summary of federal crosscutting findings by entity. Federal crosscutting findings are non-monetary and do not pertain to a specific federal program.

For detail regarding information in these exhibits, the audit report should be reviewed or the subrecipient should be contacted.

## Report Distribution

This report will be posted on the Office of the State Auditor's website ([www.auditor.state.mn.us](http://www.auditor.state.mn.us)) and will be distributed to:

- U.S. Department of Health and Human Services, the cognizant agency for the State of Minnesota;
- Minnesota Management & Budget;
- Office of the Legislative Auditor; and
- any other agencies that request a copy.

## Statistical Information

The following table shows the number of subrecipients submitting single audits that were included in our reports for each of the ten years ended June 30, 2016:

| Year | Cities | Counties | Nonprofit Agencies | Other Governments | Regional Development Commissions | Schools and Related Agencies | Tribal Governments | Total |
|------|--------|----------|--------------------|-------------------|----------------------------------|------------------------------|--------------------|-------|
| 2016 | 49     | 73       | 59                 | 23                | 7                                | 166                          | 3                  | 380   |
| 2015 | 59     | 81       | 39                 | 21                | 3                                | 238                          | 4                  | 445   |
| 2014 | 54     | 82       | 49                 | 23                | 5                                | 239                          | 6                  | 458   |
| 2013 | 68     | 83       | 52                 | 21                | 3                                | 247                          | 3                  | 477   |
| 2012 | 81     | 86       | 53                 | 20                | 5                                | 247                          | 6                  | 498   |
| 2011 | 106    | 86       | 67                 | 35                | 8                                | 286                          | 8                  | 596   |
| 2010 | 94     | 85       | 60                 | 32                | 6                                | 347                          | 3                  | 627   |
| 2009 | 66     | 84       | 61                 | 26                | 4                                | 207                          | 4                  | 452   |
| 2008 | 57     | 74       | 54                 | 18                | 6                                | 201                          | 4                  | 414   |
| 2007 | 61     | 78       | 60                 | 15                | 5                                | 183                          | 5                  | 407   |

The following table summarizes the federal grant revenue by administering agency type included in this report for the last ten years: (Dollars in millions)

| Year | Administering Agency |          |        | Total    |
|------|----------------------|----------|--------|----------|
|      | Federal              | State    | Other  |          |
| 2016 | \$ 674               | \$ 1,489 | \$ 166 | \$ 2,329 |
| 2015 | 690                  | 1,464    | 171    | 2,325    |
| 2014 | 673                  | 1,473    | 182    | 2,328    |
| 2013 | 985                  | 1,537    | 246    | 2,768    |
| 2012 | 1,027                | 1,679    | 310    | 3,016    |
| 2011 | 1,034                | 2,139    | 163    | 3,336    |
| 2010 | 614                  | 2,476    | 135    | 3,225    |
| 2009 | 588                  | 1,569    | 86     | 2,244    |
| 2008 | 504                  | 1,238    | 82     | 1,824    |
| 2007 | 764                  | 1,226    | 99     | 2,089    |

The following is a tabulation of the questioned costs for the last ten years:

| <u>June 30</u> | <u>Amount</u> |
|----------------|---------------|
| 2016           | \$ 263,025    |
| 2015           | 269,112       |
| 2014           | 428,749       |
| 2013           | 88,352        |
| 2012           | 882,149       |
| 2011           | 414,066       |
| 2010           | 430,960       |
| 2009           | 767,712       |
| 2008           | 75,895        |
| 2007           | 550,025       |

Acknowledgment

The preparation of this report on Federally Assisted Programs of Subrecipients of the State of Minnesota for the year ended June 30, 2016, was accomplished through the effort of the Single Audit Division and the cooperation of various federal, state, and local agencies. I hereby acknowledge those local entities that submitted their annual reports in a timely manner.

Sincerely,

*/s/Rebecca Otto*

Rebecca Otto  
State Auditor