

UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Regents
University of Minnesota
Minneapolis, Minnesota

We have audited the consolidated financial statements of the University of Minnesota (the University), as of and for the year ended June 30, 2005, and have issued our report thereon dated October 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the University in a separate letter dated October 21, 2005.

Board of Regents
University of Minnesota

This report is intended solely for the information and use of the Board of Regents, the Audit Committee, management, federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LARSON, ALLEN, WEISHAIR & CO., LLP

Minneapolis, Minnesota
October 21, 2005

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Regents
University of Minnesota
Minneapolis, Minnesota

Compliance

We have audited the compliance of the University of Minnesota (the University) 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, 2005. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 05-1 through 05-3.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2005, and have issued our report thereon dated October 21, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the University's consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Regents, the Audit Committee, management, federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LARSON, ALLEN, WEISHAIR & CO., LLP

Minneapolis, Minnesota
December 22, 2005

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
Clustered Programs		
Research and Development		
<i>Agency for International Development:</i>		
Agency for International Development	98.RD	\$ 24,330
Agency for International Development, subcontracts	98.RD	183,625
<i>Department of Agriculture:</i>		
Agriculture Marketing Service, subcontracts	10.RD	726
Agriculture Research Service	10.RD	2,188,377
Agriculture Research Service, subcontracts	10.RD	5,566
Animal and Plant Health Inspection Service	10.RD	6,183
Animal and Plant Health Inspection Service, subcontracts	10.RD	91,950
Cooperative State Research, Education, & Extension	10.RD	8,967,464
Cooperative State Research, Education, & Extension, subcontracts	10.RD	1,405,552
Food and Nutrition Service, subcontracts	10.RD	17,289
Foreign Agricultural Service	10.RD	10,500
Forest Service	10.RD	236,613
Forest Service, subcontracts	10.RD	66,544
Other	10.RD	1,886,244
Other, subcontracts	10.RD	227,899
<i>Department of Commerce:</i>		
National Institute for Standards and Technology	11.RD	116,249
National Oceanic and Atmospheric Administration	11.RD	69,043
National Oceanic and Atmospheric Administration, subcontracts	11.RD	23,666
National Telecommunications and Information Administration	11.RD	177,302
Other, subcontracts	11.RD	377,016

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
<i>Department of Defense:</i>		
Advanced Research Projects Agency	12.RD	\$ 664,269
Advanced Research Projects Agency, subcontracts	12.RD	94,289
Air Force	12.RD	164,971
Department of the Air Force, Materiel Command	12.RD	1,802,076
Department of the Air Force, Materiel Command, subcontracts	12.RD	244,122
Department of the Navy, Office of the Chief of Naval Research	12.RD	2,055,846
Department of the Navy, Office of the Chief of Naval Research, subcontracts	12.RD	474,194
National Security Agency	12.RD	68,917
Office of the Secretary of Defense	12.RD	378,140
Office of the Secretary of Defense, subcontracts	12.RD	219,045
Other	12.RD	5,542,864
Other, subcontracts	12.RD	1,784,558
U.S. Army Materiel Command	12.RD	1,248,236
U.S. Army Materiel Command, subcontracts	12.RD	84,400
U.S. Army Medical Command	12.RD	2,029,618
U.S. Army Medical Command, subcontracts	12.RD	68,478
<i>Department of Education:</i>		
Office of Educational Research and Improvement	84.RD	260,657
Office of Educational Research and Improvement, subcontracts	84.RD	211,861
Office of Elementary and Secondary Education, subcontracts	84.RD	344,121
Office of Postsecondary Education	84.RD	269,600
Office of Postsecondary Education, subcontracts	84.RD	29,109
Office of Special Education and Rehabilitative Services	84.RD	2,224,765
Office of Special Education and Rehabilitative Services, subcontracts	84.RD	240,749
Other	84.RD	13,196
Other, subcontracts	84.RD	69,978
<i>Department of Energy:</i>		
Battelle-Northwestern National Laboratory, subcontracts	81.RD	14,809
Brookhaven National Laboratory	81.RD	20,159
Fermi National Accelerator Laboratory, subcontracts	81.RD	2,308,593
Lawrence Livermore Laboratory	81.RD	121,320
Lawrence Livermore Laboratory, subcontracts	81.RD	80,786
Los Alamos National Laboratory	81.RD	64,526
Office of Energy Efficiency and Renewable Energy, subcontracts	81.RD	70,861
Office of Energy Research	81.RD	6,224
Office of Science	81.RD	1,866,418
Office of Science, subcontracts	81.RD	41,952
Other	81.RD	4,675,166
Other, subcontracts	81.RD	905,371
Sandia National Laboratory	81.RD	342,447

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
<i>Department of Health and Human Services:</i>		
Administration for Children and Families	93.RD	\$ 363,753
Administration for Children and Families, subcontracts	93.RD	43,703
Administration on Aging, subcontracts	93.RD	40,735
Agency for Health Care Policy and Research	93.RD	207,138
Agency for Health Care Policy and Research, subcontracts	93.RD	98,941
Centers for Disease Control	93.RD	933,868
Centers for Disease Control, subcontracts	93.RD	328,627
Health Care Financing Administration, subcontracts	93.RD	1,458
Health Resources and Services Administration	93.RD	1,878,839
Health Resources and Services Administration, subcontracts	93.RD	345,571
Indian Health Service	93.RD	35,289
National Institutes of Health	93.RD	204,195,491
National Institutes of Health, subcontracts	93.RD	18,554,058
Office of the Secretary, subcontracts	93.RD	15,788
Other	93.RD	9,620,611
Other, subcontracts	93.RD	955,861
<i>Department of Homeland Security:</i>		
Department of Homeland security	97.RD	2,252,725
Department of Homeland security, subcontracts	97.RD	58,623
<i>Department of Housing and Urban Development:</i>		
Office of Lead Hazard Control	14.RD	365,197
Office of Policy Development and Research	14.RD	23,376
<i>Department of Justice:</i>		
Department of Justice	16.RD	156,883
Bureau of Justice Assistance, subcontracts	16.RD	45,942
National Institute of Peace, subcontracts	16.RD	8,185
Office of Juvenile Justice and Delinquency Prevention	16.RD	287,339
<i>Department of Labor:</i>		
Other, subcontracts	17.RD	22,061

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
<i>Department of the Interior:</i>		
Geological Survey	15.RD	\$ 649,304
Geological Survey, subcontracts	15.RD	41,098
Other	15.RD	879,885
Other, subcontracts	15.RD	5,271
U.S. Fish and Wildlife Service	15.RD	80,529
U.S. Fish and Wildlife Service, subcontracts	15.RD	103,390
<i>Department of Transportation:</i>		
Federal Aviation Administration, subcontracts	20.RD	43,778
Federal Transit Administration, subcontracts	20.RD	5,156
Other	20.RD	1,148,487
Other, subcontracts	20.RD	596,814
<i>Department of Veterans Affairs:</i>		
Other	64.RD	932,887
<i>Environmental Protection Agency:</i>		
Office of Administration	66.RD	3,448
Office of Administration, subcontracts	66.RD	52,750
Office of Enforcement and Compliance Assurance, subcontracts	66.RD	26,276
Office of Federal Activities	66.RD	(8,228)
Office of Research and Development	66.RD	1,193,102
Office of Research and Development, subcontracts	66.RD	85,161
Office of Water	66.RD	209,648
Office of Water, subcontracts	66.RD	132,044
Other	66.RD	563,853
Other, subcontracts	66.RD	139,722
<i>National Aeronautics and Space Administration:</i>		
National Aeronautics and Space Administration	43.RD	5,146,383
National Aeronautics and Space Administration, subcontracts	43.RD	897,201
<i>National Science Foundation:</i>		
National Science Foundation	47.RD	49,490,483
National Science Foundation, subcontracts	47.RD	3,304,286
<i>Smithsonian Institute:</i>		
Smithsonian Institute	60.RD	15,956
<i>Social Security Administration:</i>		
Social Security Administration, subcontracts	96.RD	7,036
Total Research and Development		353,774,615

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
Student Financial Aid		
<i>Department of Defense:</i>		
Other	12.000	\$ (14,562)
<i>Department of Education:</i>		
Federal Direct Loan Advances	84.268	254,026,158
Health Profession Loan Advances	93.342	3,349,862
Nursing Loan Advances	93.364	76,756
Federal Pell Grant	84.063	21,572,695
Federal Work Study	84.033	4,304,835
Federal Supplemental Educational Opportunity Grant	84.007	2,666,339
Perkins Loan Program--Federal Capital Contributions	84.038	416,236
<i>National Science Foundation:</i>		
Other	47.000	<u>(291,535)</u>
Total Student Financial Aid		286,106,784
 CCDF Cluster		
<i>Department of Health and Human Services:</i>		
Child Care and Development Block Grant, subcontracts	93.575	<u>8,588</u>
Total CCDF Cluster		8,588
 CDBG-Entitlement and (HUD-Administered) Small Cities Cluster:		
<i>Department of Housing and Human Development:</i>		
Community Development Block Grants/Entitlement Grants, subcontracts	14.218	<u>395,198</u>
Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster		395,198
 Child Nutrition Cluster		
<i>Department of Agriculture:</i>		
School Breakfast Program, subcontracts	10.553	<u>47,647</u>
Total Child Nutrition Cluster		47,647

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
Consolidated Health Centers Cluster		
<i>Department of Health and Human Services:</i>		
Community Health Centers	93.224	<u>\$ 795,075</u>
Total Consolidated Health Centers Cluster		795,075
 Food Stamp Cluster		
<i>Department of Agriculture:</i>		
State Administrative Matching Grants for Food Stamp Program, subcontracts	10.561	<u>4,639,190</u>
Total Food Stamp Cluster		4,639,190
 Medicaid Cluster		
<i>Department of Health and Human Services</i>		
Medical Assistance Program, subcontracts	93.778	<u>209,528</u>
Total Medicaid Cluster		209,528
 Public Works and Economic Development Cluster		
<i>Department of Commerce:</i>		
Economic Adjustment Assistance	11.307	<u>468,433</u>
Total Public Works and Economic Development Cluster		468,433
 Special Education Cluster		
<i>Department of Education:</i>		
Special Education -- Preschool Grants, subcontracts	84.173	131,223
Special Education--Grants to States, subcontracts	84.027	<u>263,498</u>
Total Special Education Cluster		394,721
 TRIO Cluster		
<i>Department of Education</i>		
TRIO--McNair Post-Baccalaureate Achievement	84.217	271,926
TRIO--Student Support Services	84.042	553,324
TRIO--Upward Bound	84.047	<u>1,107,966</u>
Total TRIO Cluster		<u>1,933,216</u>
Total Clustered Programs		<u>648,772,995</u>

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
Non-Clustered Programs		
PUBLIC SERVICE		
<i>Agency for International Development:</i>		
Agency for International Development	98.000	\$ 2,576,007
Agency for International Development, subcontracts	98.000	230,449
<i>Corporation for National and Community Service:</i>		
Learn and Serve America--Higher Education	94.005	90,956
Learn and Serve America--Higher Education, subcontracts	94.005	15,419
Retired and Senior Volunteer Program	94.002	26,852
Retired and Senior Volunteer Program, subcontracts	94.002	38,225
<i>Department of Agriculture:</i>		
Agricultural Research-Basic and Applied Research	10.001	987
Agricultural Research-Basic and Applied Research, subcontracts	10.001	9,552
Animal Health and Disease Research, subcontracts	10.207	371,178
Cooperative Extension Service	10.500	10,331,694
Cooperative Extension Service, subcontracts	10.500	150,470
Cooperative Forestry Assistance	10.664	113,445
Cooperative Forestry Assistance, subcontracts	10.664	42,568
Corp Insurance, subcontracts	10.450	8,047
Food Distribution	10.550	4,498
Forestry Research	10.652	250
Fund for Rural America-Research, Education, and Extension Activities	10.224	632,132
Grants for Agricultural Research, Special Research Grants	10.200	257,140
Grants for Agricultural Research, Special Research Grants, subcontracts	10.200	1,392
Grants for Agricultural Research--Competitive Research Grants	10.206	41,925
Initiative for Future Agriculture and Food Systems, subcontracts	10.302	47,473
Integrated Programs	10.303	77,978
Integrated Programs, subcontracts	10.303	136,807
International Training--Foreign Participant	10.962	62,296
Other	10.000	334,228
Other, subcontracts	10.000	126,435
Plant and Animal Disease, Pest Control, and Animal Care	10.025	36,271
Plant and Animal Disease, Pest Control, and Animal Care, subcontracts	10.025	35,489
Secondary Agriculture Education Grants, subcontracts	10.226	2,147
Soil and Water Conservation	10.902	1,143

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
State Mediation Grants	10.435	\$ 80,504
Sustainable Agricore Research and Education, subcontracts	10.215	6,513
Technical Agricultural Assistance	10.960	168,011
Urban and Community Forestry Program	10.675	3,777
WIC Farmers' Market Nutrition Program (FMNP), subcontracts	10.572	4,642
<i>Department of Commerce:</i>		
Coastal Zone Management Administration Awards, subcontracts	11.419	54,993
Sea Grant Support	11.417	908,736
Telecommunications & Information Infrastructure	11.552	79,836
Telecommunications & Information Infrastructure, subcontracts	11.552	39,607
<i>Department of Defense:</i>		
Air Force Defense Research Sciences Program	12.800	6,541
Basic and Applied Scientific Research	12.300	31,537
Basic Scientific Research	12.431	1,019
Other	12.000	125,578
Other, subcontracts	12.000	518,257
<i>Department of Education:</i>		
Adult Education--State Grant Program, subcontracts	84.002	163
After School Learning Centers, subcontracts	84.287	175,209
Bilingual Education--Research Programs, subcontracts	84.292-DNU	25,760
Cooperative Education Exchange Program, subcontracts	84.304	77,012
Early Childhood Educator Professional Development	84.349	267,092
Fund for the Improvement of Education	84.215	138,742
Fund for the Improvement of Postsecondary Education	84.116	2,887
Fund for the Improvement of Postsecondary Education, subcontracts	84.116	21,746
Grants for Enhanced Assessment Instruments, subcontracts	84.368	1,023
Higher Education--Institutional Aid, subcontracts	84.031	135,794
Improving Teacher Quality State Grants, subcontracts	84.367	329,454
Indian Education-Special Programs, subcontracts	84.299-DNU	239,178
Mathematics and Science Partnerships, subcontracts	84.366	106,166
National Institute On Disability and Rehabilitation Research	84.133	993,170
National Institute On Disability and Rehabilitation Research, subcontracts	84.133	4,707
National Resource Centers and Fellowships Program for Language and Area or Languages and International Studies	84.015	361,745

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
Other, subcontracts	84.000	\$ 66,519
Preparing Tomorrow's Teachers to Use Technology	84.342	27,564
Reading First State Grants, subcontracts	84.357	42,544
Ready to Change, subcontracts	84.286	11,615
Rehabilitation Services--Basic Support, subcontracts	84.126	142,968
Safe and Drug-free Schools and Communities--National Program	84.184	95,923
Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	61,987
Special Education--Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	809,007
Special Education--Research and Innovation to Improve Services and Results for Children with Disabilities, subcontracts	84.324	152,620
Special Education--State Program Improvement Grants for Children with Disabilities, subcontracts	84.323	140,205
Special Education--Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	3,893,814
Special Education--Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities, subcontracts	84.326	53,715
Special Education--Technology and Media Services for Individuals with Disabilities	84.327	9,773
Technological Innovation and Cooperation for Foreign Information Access, subcontracts	84.337	24,471
Vocational Education--Basic Grants to States, subcontracts	84.048	15,898
Vocational Education--National Centers for Career and Technical Education	84.051	3,897,809
 <i>Department of Energy:</i>		
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/ Assistance	81.117	15,479
Lawrence Livermore Laboratory	96.038	6
Office of Science Financial Assistance Program	81.049	699
Other	81.000	10,000
Other, subcontracts	81.000	223,643
State Energy Program, subcontracts	81.041	10,769
 <i>Department of Health and Human Services:</i>		
Applied Toxicological Research and Testing	93.114	4,827
Applied Toxicological Research and Testing, subcontracts	93.114	141,514
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	3,940
Basic/Core Area Health Education Centers	93.824	343,570
Block Grants for Community Mental Health Services, subcontracts	93.958	122,349
Cancer Cause and Prevention Research	93.393	9,743
Centers for Disease Control--Investigations and Technical Assistance, subcontracts	93.283	141,008

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
Child Welfare Services Training Grants	93.648	\$ 91,804
Clinical Research	93.333	462,991
Clinical Research Related to Neurological Disorders	93.853	49,600
Cooperative Agreements to Improve the Health Status of Minority Populations, subcontracts	93.004	8,005
Developmental Disabilities Basic Support and Advocacy Grants, subcontracts	93.630	387,620
Diabetes, Endocrinology and Metabolism Research, subcontracts	93.847	4,890
Digestive Diseases and Nutrition Research	93.848	2,000
Emergency Medical Services for Children	93.127	232,176
Family Violence Prevention and Services/Grants for Battered Women's Shelter--Discretionary Grants	93.592	323,777
Grants for Residency Training in General Internal Medicine and/or General Pediatrics	93.884	158,712
Health Services Research and Development Grants	93.226	35,375
HIV Demonstration, Research, Public and Professional Education Projects	93.941	(693)
HIV Prevention Activities--Health Department Based, subcontracts	93.940	45,574
HIV Prevention Activities--Non-governmental Organization Base, subcontracts	93.939	12,822
Indian Health Service--Health Management Development Program	93.228	5,121
Maternal and Child Health Federal Consolidated Programs	93.110	336,377
Maternal and Child Health Federal Consolidated Programs, subcontracts	93.110	14,913
National AIDS Education and Training Centers, subcontracts	93.145	187,923
Occupational Safety and Health Research Grants, subcontracts	93.262	12,021
Other	93.000	1,327,963
Other National Institutes of Health	93.000	313,728
Other National Institutes of Health, subcontracts	93.000	169,695
Other Public Health Service	93.000	149,285
Other Public Health Service, subcontracts	93.000	20,401
Other, subcontracts	93.000	504,663
Preventive Health and Health Services Block Grant, subcontracts	93.991	12,294
Research Centers in Minority Institutions	93.389	28,283
Research, Treatment and Education Programs on Lyme Disease in the United States	93.942	30,877
Rural Telemedicine Grants	93.211	242,214
Universal Newborn Hearing Screening, subcontracts	93.251	33,620
University Centers for Excellence in Developmental Disabilities Education, Research, and Services	93.632	406,627
Vision Research, subcontracts	93.867	18,176

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
<i>Department of Homeland Security</i>		
Interoperable Communications Equipment, subcontracts	97.055	\$ 147,086
Urban Areas Security Initiative, subcontracts	97.008	216,975
<i>Department of Housing and Urban Development:</i>		
Community Development Work-Study Program	14.512	9,808
Community Outreach Partnership Center Program	14.511	268,515
Other, subcontracts	14.000	31,862
<i>Department of Justice:</i>		
Byrne Formula Grant Program, subcontracts	16.579	2,244
Crime Victim Assistance, subcontracts	16.575	49,688
Grants to Reduce Violent Crimes Against Women on Campus	16.525	71,494
Justice Research, Development, and Evaluation Project Grants, subcontracts	16.560	82,641
Other	16.000	695,748
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	198,184
Technical Assistance and Training Initiative	16.526	150,000
Violence Against Women Formula Grants	16.588	93,086
Violence Against Women Formula Grants, subcontracts	16.588	(3,448)
<i>Department of Labor:</i>		
Employment Programs for People with Disabilities, subcontracts	17.720	94,729
Other, subcontracts	17.000	188,972
<i>Department of State:</i>		
Cooperative Grants, subcontracts	19.420	4,173
Educational Partnerships Program	19.424	48,878
Other	19.000	31,065
Other, subcontracts	19.000	403,826
<i>Department of the Interior:</i>		
Geological Survey--Research and Data Acquisition	15.808	11,980
Migratory Bird Joint Ventures	15.637	4,603
Other	15.000	145,701
State Wildlife Grants, subcontracts	15.634	20,000
<i>Department of the Treasury:</i>		
Low-Income Taxpayer Clinics	21.008	94,651
<i>Department of Transportation:</i>		
Other	20.000	49,654

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
Other, subcontracts	20.000	\$ 1,802
Transit Planning and Research, subcontracts	20.514	(6,071)
University Transportation Centers Program	20.701	160,194
 <i>Department of Veterans Affairs:</i>		
Other	64.000	278,099
 <i>Environmental Protection Agency:</i>		
Nonpoint Source Implementation, subcontracts	66.460	528,244
Other	66.000	(0)
State Indoor Radon Grants	66.032	153,030
State Indoor Radon Grants, subcontracts	66.032	28,296
Surveys, Studies, Investigations and Special Purpose Grants	66.606	-
 <i>Federal Communications Commission</i>		
Other, subcontracts	32.000	21,753
 <i>National Aeronautics and Space Administration:</i>		
Other	43.000	419,450
 <i>National Archives and Records Administration:</i>		
National Historical Publications and Records Grants	89.003	13,125
 <i>National Foundation on the Arts and the Humanities:</i>		
Institute of Museum and Library Services	45.301	85,521
Institute of Museum and Library Services--National Leadership Grants	45.312	142,968
National Endowment for the Arts	05.000	(49)
National Endowment for the Humanities, subcontracts	06.000	14,675
Promotion of the Arts--Leadership Initiatives	45.026	69,933
Promotion of the Arts--Partnership Agreements, subcontracts	45.025	2,400
Promotion of the Humanities--Education Development and Demonstration	45.162	8,901
Promotion of the Humanities-Federal/State Partnership, subcontracts	45.129	11,367
Promotion of the Humanities--Research, subcontracts	45.161	41,353
State Library Program, subcontracts	45.310	1,155,411
 <i>National Science Foundation:</i>		
Biological Sciences	47.074	64,854
Education and Human Resources	47.076	808,952
Education and Human Resources, subcontracts	47.076	178,577
Engineering Grants	47.041	283,178
Engineering Grants, subcontracts	47.041	711
Geosciences	47.050	4,444

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
Mathematical and Physical Sciences	47.049	\$ 56,804
Mathematical and Physical Sciences, subcontracts	47.049	23,091
Other	47.000	109,859
Other, subcontracts	47.000	140,617
Social, Behavioral, and Economic Sciences	47.075	6,047
 <i>Office of Personnel Management</i>		
Intergovernmental Personnel Act Mobility Program	27.011	345,686
 <i>Peace Corps:</i>		
Peace Corps	08.000	(303)
 <i>Small Business Administration:</i>		
Business Development Assistance to Small Business, subcontracts	59.005	<u>305,853</u>
Total Public Service		<u>45,386,557</u>
 Operations & Maintenance		
<i>Department of Agriculture</i>		
Other	10.000	299,695
 <i>National Science Foundation</i>		
Other	47.000	<u>3,509</u>
Total Operations & Maintenance		<u>303,204</u>
 Instruction		
<i>Department of Agriculture:</i>		
Animal Health and Disease Research	10.207	125,393
Cooperative Forestry Assistance, subcontracts	10.664	8,803
Cooperative Forestry Research	10.202	320,626
Food and Agricultural Sciences National Needs Graduate Fellowship Grants	10.210	115,839
Grants for Agricultural Research, Special Research Grants, subcontracts	10.200	18,918
Higher Education Challenge Grants	10.217	52,141
Initiative for Future Agriculture and Food Systems, subcontracts	10.302	43,316
International Training--Foreign Participant	10.962	13,004
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	2,163,035
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	57,710

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
<i>Department of Commerce:</i>		
Coastal Zone Management Administration Awards, subcontracts	11.419	\$ 434
Sea Grant Support	11.417	239,421
<i>Department of Defense:</i>		
Basic Scientific Research	12.431	21,834
Military Medical Research and Development	12.420	38,648
Other	12.000	12,946
<i>Department of Education:</i>		
Bilingual Education--Professional Development	84.195	303,144
Business and International Education Projects	84.153	6
Fulbright-Hays Training Grants--Doctoral Dissertation Research Abroad (B)	84.022	15,971
Fund for the Improvement of Postsecondary Education	84.116	311,570
Graduate Assistance in Areas of National Need	84.200	24,111
Improving Teacher Quality State Grants, subcontracts	84.367	37,200
Language Resource Centers	84.229	335,902
National Institute on Student Achievement, Curriculum, and Assessment	84.305	10,229
National Resource Centers and Fellowships Program for Language and Area or Languages and International Studies	84.015	360,660
Other, subcontracts	84.000	35,746
Preparing Tomorrow's Teachers to Use Technology, subcontracts	84.342	33,386
Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	410,738
Vocational Education--Basic Grants to States, subcontracts	84.048	100,071
<i>Department of Health and Human Services:</i>		
Advanced Education Nursing Grant Program	93.247	182,289
Allergy, Immunology and Transplantation Research	93.855	191,609
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	386,194
Blood Diseases and Resources Research	93.839	562,706
Cancer Research Manpower	93.398	456,963
Centers for Disease Control--Investigations and Technical Assistance	93.283	569,971
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135	722,253
Centers of Excellence	93.157	505,369
Child Welfare Services Training Grants	93.648	69,998
Child Welfare Services Training Grants, subcontracts	93.648	48,634
Clinical Research Related to Neurological Disorders	93.853	72,186
Diabetes, Endocrinology and Metabolism Research	93.847	275,713

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
Digestive Diseases and Nutrition Research	93.848	\$ 752
Drug Abuse Research Programs	93.279	1,111,467
Family Planning--Service Delivery Improvement research	93.974	295,043
Foster Care--Title IV-E, subcontracts	93.658	1,462,006
Geriatric Academic Career Awards	93.250	13,718
Geriatric Education Centers	93.969	278,479
Grants for Residency Training in General Internal Medicine and/or General Pediatrics	93.884	826,139
Health Administration Traineeships and Special Projects Program	93.962	28,242
Health Careers Opportunity Program	93.822	132,969
Health Services Research and Development Grants	93.226	35,360
Heart and Vascular Diseases Research	93.837	876,667
Innovations in Applied Public Health Research	93.061	290,090
Kidney Diseases, Urology and Hematology Research	93.849	363,697
Lung Diseases Research	93.838	557,876
Maternal and Child Health Federal Consolidated Programs	93.110	1,283,686
Medical Library Assistance	93.879	516,053
Mental Health National Research Service Awards for Research Training	93.282	637,104
Microbiology and Infectious Diseases Research	93.856	671,664
National Research Service Awards--Health Services Research Training	93.225	247,799
Nurse Anesthetist Traineeships	93.124	16,863
Nursing--Special Projects	93.359	226,578
Occupational Safety and Health--Training Grants	93.263	1,829,594
Oral Diseases and Disorders Research	93.121	969,696
Other	93.000	2,385
Other National Institutes of Health	93.000	(30,903)
Other Public Health Service, subcontracts	93.000	465,259
Other, subcontracts	93.000	1,774
Pharmacological, Physiology, and Biological Chemistry Research	93.859	1,692,544
Professional Nurse Traineeships	93.358	131,939
Public Health Traineeships	93.964	58,867
Public Health Training Centers Grant Program	93.249	529,349
Quentin N. Burdick Programs for Rural Interdisciplinary Training	93.192	193,199
Research and Training in Complementary and Alternative Medicine	93.213	318,633
Research and Training in Complementary and Alternative Medicine, subcontracts	93.213	19,234
Research Centers in Minority Institutions	93.389	155,594
Research for Mothers and Children	93.865	485,164
Research Related to Deafness and Communication Disorders	93.173	56,739

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Expenditures</u>
Resource and Manpower Development in the Environmental Health Sciences	93.894	\$ 92,205
Senior International Fellowships	93.989	31,195
Vision Research	93.867	296,213
 <i>Department of State:</i>		
Other	19.000	98,348
 <i>Department of Veterans Affairs:</i>		
Other	64.000	24,018
 <i>Environmental Protection Agency:</i>		
Training and Fellowships for the Environmental Protection Agency	66.607	9,048
 <i>National Aeronautics and Space Administration:</i>		
Other	43.000	251,920
Other, subcontracts	43.000	15,421
 <i>National Foundation on the Arts and the Humanities</i>		
Promotion of the Humanities--Fellowships and Stipends	45.160	40,000
 <i>National Science Foundation:</i>		
Education and Human Resources	47.076	2,414,775
Mathematical and Physical Sciences	47.049	5,184
Other	47.000	<u>2,792</u>
	Total Instructional	<u>29,287,125</u>
	Total Non-Clustered	<u>74,976,881</u>
	Total Expenditures	<u><u>\$ 723,749,872</u></u>

**UNIVERSITY OF MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

NOTE A SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the University of Minnesota (the University) and is prepared on the cash basis of accounting. The information presented in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the University's basic financial statements.

Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the schedule of expenditures of federal awards. The University is also the subrecipient of federal funds, which have been subject to testing and are reported as expenditures and have been listed as subcontracts on the schedule of expenditures or as federal pass-through in Note B.

NOTE B INDIRECT COST RATES

The University utilized indirect cost rate that have been negotiated with and approved by its cognizant agent, the U.S. Department of Health and Human Services, and are effective for the period of July 1, 2003 through June 30, 2007.

NOTE C CFDA NUMBERS

Some of the programs, grants, and/or other awards included in the Schedule of Expenditures of Federal Awards are contracts which do not report CFDA numbers. The expenditure amounts related to these programs, grants, and/or other awards have been reported, generally, at an agency level.

**UNIVERSITY OF MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

NOTE D RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE UNIVERSITY'S STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSTS

The following schedule is a reconciliation of total expenditures as shown on the Schedule of Expenditures of Federal Awards to the general ledger accounts included in the operating expenses reported on the consolidated statement of revenue, expenses, and changes in net assets for the year ended June 30, 2005, which is included as part of the University's consolidated financial statements:

Expenditures per A-133	\$ 723,749,883
Less federal pass-through (Federal Perkins Loan Program Loan Advances (CFDA #84.038), Federal Direct Loan Program (CFDA #84.268), Health Professions Student Loan Program (CFDA #93.342), Nursing Student Loans (CFDA #93.364) not included on the consolidated	\$ (254,902,601)
Less expenditures not included on the consolidated statement of revenues, expenses, and changes in net assets (equipment, buildings, and structures)	(89,083,716)
Less matching grant and contract transfers on the consolidated statement of revenues, expenses and changes in net assets	(748,231)
Less difference of prior-year overdrafts added back and current-year overdrafts subtracted out	(1,761,596)
Less federal pass-through grants not on the consolidated statement of revenues, expenses, and changes in net assets	<u>(52,119,652)</u>
Subtotal A-133 expenses in federal fund class	(398,615,796)
Plus cash to accrual basis adjusting journal entries (year-end close)	<u>1,604,178</u>
Expenditures of federal program dollars included in consolidated operating expenses	326,738,265
Expenditures of non-federal dollars included in consolidated operating expenses	<u>1,874,500,430</u>
Total operating expenses as shown on the consolidated statement of revenues, expenses, and changes in net assets for the year ended June 30, 2005	<u><u>\$ 2,201,238,695</u></u>

**UNIVERSITY OF MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of the University of Minnesota.
2. No material weaknesses were identified during the audit of the consolidated financial statements of the University of Minnesota.
3. No instances of material noncompliance were disclosed during the audit of the consolidated financial statements of the University of Minnesota.
4. No material weaknesses were identified during the audit of the major federal award programs for the University of Minnesota.
5. The auditors' report on compliance for the major federal award programs for the University of Minnesota expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the University of Minnesota are reported in Part C of this schedule.
7. The programs tested as major programs include:

<u>Program</u>	<u>CFDA Number</u>
Research and Development Cluster*	Various
Student Financial Assistance Cluster	Various
Education and Human Resources	47.076

* This program has various and unidentified CFDA numbers.

8. The threshold for distinguishing type A and B programs was \$3,000,000.
9. The University of Minnesota was determined to be a low risk auditee.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

CURRENT YEAR

05-1 – Twin Cities Campus

Program: Research and Development

CFDA: 10.RD, 47.RD, 81.RD, 93.RD

Questioned Costs: none

Criteria: Reporting

Condition:

In 13 out of 60 instances, federal reports were not filed with the U.S. Department of Agriculture, the Department of Defense, Department of the Interior, the Department of Transportation, the National Aeronautics and Space Administration, the National Science Foundation, the Environmental Protection Agency, the Department of Energy, the Department of Health and Human Services, the Social Security Administration, or the Department of Homeland Security by the dates specified in the respective contracts. Required reporting deadlines are specified in the individual contract agreements. Based on the results of our testing, it appears that these filing deadlines are not always being met. This is a repeat finding from the prior year.

Effect:

As a result of the untimely filing of the reports, the University is not in compliance with the terms of the contract agreements.

Auditors' Recommendation:

The University should ensure that employees in all departments involved with federal programs are aware of the significance of providing the necessary information to complete the reports in a timely basis. Additionally, the University should evaluate its procedures and systems used to prepare and submit financial reports, and make changes as necessary to complete the reports on a timely basis.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(CONTINUED)**

CURRENT YEAR (CONTINUED)

05-1 – Twin Cities Campus (Continued)

Management's Response:

The University concurs with the auditors finding and recommendation and will continue to address this issue. Efforts underway to improve the timeliness of filing sponsored reports include:

- weekly review of the Sponsored Financial Reporting (SFR) management reports measuring individual performance and timeliness of submission, which has increased accountability and assisted in workload assignment;
- targeting the common barriers (including workload) to timely reporting which has led to implementation of new and revised departmental procedures to alleviate the barriers;
- ensuring that the new and revised departmental procedures are being followed by the entire department; and
- education of all the departments with sponsored programs as to the importance of providing the necessary information to complete reports/invoices timely, through presentations at user group meetings and academic departmental meetings.

The University is working diligently toward improving the timeliness of report submission. In addressing this issue, it has been determined that cultural, as well as procedural and systems changes are needed to increase the timeliness of report submission to an acceptable level. The University will continue to closely monitor the JD Edwards reports on timeliness and will work to remedy the underlying causes for late submission, both within SFR and other University departments.

05-2 – Crookston Campus

Program: Student Financial Assistance

CFDA: All Student Financial Assistance programs

Questioned Costs: None

Criteria: Special Tests and Provisions -- Return of Title IV Funds

Condition:

In one out of 10 instances at the Crookston campus (40 total selected for all campuses), we were not able to obtain documentation that the student's respective lenders received the return of Title IV funds within 30 days.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(CONTINUED)**

CURRENT YEAR (CONTINUED)

05-2 – Crookston Campus (continued)

Effect:

The University is not in compliance with Student Financial Assistance requirements regarding Return of Title IV Funds.

Auditors' Recommendation:

The University should retain documentation to support that returns of Title IV funds are appropriately calculated and returned to lenders within 30 days.

Management's Response:

Management feels this is a rare and isolated occurrence. The calculation was completed in a timely manner, but the paperwork was misfiled before the funds were returned to the program. Procedures have been tightened to ensure full compliance in the future.

05-3 – Morris and Crookston Campuses

Program: Student Financial Assistance

CFDA: 84.268

Questioned Costs: none

Criteria: Special Tests and Provisions – Exit Counseling

Condition:

In 7 out of 10 instances for the Morris Campus and 1 out of 10 instances for the Crookston Campus, we were not able to obtain documentation that exit counseling meetings were conducted with students who had graduated or terminated attendance.

Effect:

The University is not in compliance with Student Financial Assistance requirements regarding documenting exit counseling meetings with students who have graduated or terminated attendance. Exit counseling is required to, among other things, advise students of their responsibility to repay amounts borrowed under the Direct Student Loan program.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(CONTINUED)**

CURRENT YEAR (CONTINUED)

05-3 – Morris and Crookston Campuses (Continued)

Auditors' Recommendation:

The University should implement procedures to ensure that graduating or terminating students complete exit counseling.

Management's Response:

Morris: Beginning fall 2005, the financial aid office instituted new processes to identify students requiring exit counseling and then document when exit counseling is completed. Students will receive a paper communication to their permanent address on file as well as an electronic communication, if an active e-mail address is available, notifying them of the exit counseling information.

Crookston: The financial aid office is now closely working with the Registrar to track graduating students and those who discontinue enrollment and have not completed exit counseling. The financial aid office will send letters with exit counseling information, including the link for online exit counseling, to these individuals with a copy retained in the students' permanent file.

PRIOR YEAR

04-01 – Twin Cities Campus

Program: Research and Development

CFDA: 93.RD, 43.RD

Condition:

In 10 out of 40 instances, federal reports were not filed with the National Institutes of Health ("NIH") by the date specified in the contract. In accordance with individual grant agreements, each grant specifies reporting deadlines. Based on the results of our testing as stated above, it appears that these filing dates are not always being met. This is a repeat finding from the prior year.

Auditors' Recommendation:

The University should ensure that employees in all departments involved with federal programs are aware of the significance of providing the necessary information to complete the reports in a timely basis. Additionally, the University should evaluate its procedures and systems used to prepare and submit financial reports, and make changes as necessary to complete the reports on a timely basis.

Current Year Status:

Similar instances noncompliance were noted in Finding 05-1.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2005**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(CONTINUED)**

PRIOR YEAR (CONTINUED)

04-02 – Morris Campus

Program: Federal Perkins Loan Program

CFDA: 84.038

Condition:

In 2 of 40 instances (one student for \$4,200 and one student for \$500), the University could not provide the original signed and executed promissory notes. In accordance with the Federal Register 34 CFR 674.19(e)(4), "An institution shall keep the original promissory notes and repayment schedules until the loans are satisfied. If required to release the original documents in order to enforce the loan, the institution must retain certified true copies of those documents." In the prior year there was a finding related to original signed and executed promissory notes at the Twin Cities Campus in the health profession loans program CFDA: 93.342.

Auditors' Recommendation:

The University should work to ensure that each student loan be evidenced by a properly executed promissory note and should safeguard the note against fire, theft, and tampering.

Current Year Status:

No instances of such noncompliance were noted in 2005.

04-03 – Morris Campus

Program: Student Financial Assistance Programs

CFDA: Various

Condition:

In 1 of 6 instances, the income and taxes paid reported on the ISIR data was not updated based on the verification through supporting tax documents. In accordance with the Federal Register 34 CFR 668.57, for acceptable documentation "an institution shall require an applicant selected for verification to verify Adjusted Gross Income ("AGI") and U.S. income tax paid."

Auditors' Recommendation:

The University should review its procedures in relation to 34 CFR 668.57 to ensure all necessary documentation is obtained during the verification procedures.

Current Year Status:

No instances of such noncompliance were noted in 2005.