

**MINNESOTA OFFICE OF HIGHER EDUCATION**

(A component unit of the State of Minnesota)  
Saint Paul, Minnesota

**REPORT ON FEDERAL AWARDS**

For the Year Ended June 30, 2009

# MINNESOTA OFFICE OF HIGHER EDUCATION

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June 30, 2009

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

Director  
Minnesota Office of Higher Education  
Saint Paul, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Minnesota Office of Higher Education (the "agency"), a component unit of the State of Minnesota, as of and for the year ended June 30, 2009, which collectively comprise the agency's basic financial statements and have issued our report thereon dated October 14, 2009. 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 agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the agency's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the agency's internal control over financial reporting that we consider to be material weaknesses, as defined above.

Director  
Minnesota Office of Higher Education

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the agency's basic 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*.

This report is intended solely for the information and use of the director, 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.

*Baker Tilly Wicshaw Krause, LLP*

Minneapolis, Minnesota  
October 14, 2009

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Director  
Minnesota Office of Higher Education  
Saint Paul, Minnesota

**Compliance**

We have audited the compliance of the Minnesota Office of Higher Education (the "agency"), a component unit of the State of Minnesota, 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 its major federal programs for the year ended June 30, 2009. The agency's major federal programs are identified in the summary of auditors' 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 agency's management. Our responsibility is to express an opinion on the agency'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 the agency'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 on the agency's compliance with those requirements.

In our opinion, the agency 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, 2009.

Director  
Minnesota Office of Higher Education

***Internal Control Over Compliance***

The management of the agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the agency'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, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

***Schedule of Expenditures of Federal Awards***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the Minnesota Office of Higher Education (the "agency") as of and for the year ended June 30, 2009, which collectively comprise the agency's basic financial statements and have issued our report thereon dated October 14, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the agency's basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the director, 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.

*Barbara Kelly Wischow Krause, LLP*

Minneapolis, Minnesota  
October 14, 2009

# MINNESOTA OFFICE OF HIGHER EDUCATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2009

### SECTION I – SUMMARY OF AUDITORS' RESULTS

#### FINANCIAL STATEMENTS

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- > Material weakness(es) identified?                   yes              X   No
- > Reportable condition(s) identified that  
are not considered to be material  
weaknesses?                                           yes              X   none reported
- > Noncompliance material to basic  
financial statements noted?                        yes              X   No

#### FEDERAL AWARDS

Internal control over major programs:

- > Material weakness(es) identified?                   yes              X   No
- > Reportable condition(s) identified that  
are not considered to be material  
weakness(es)?                                        yes              X   none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to  
be reported in accordance with section 510(a) of  
Circular A-133?

       yes              X   No

Identification of major federal programs:

CFDA Number

Name of Federal Program

84.334S

Gaining Early Awareness and Readiness for  
Undergraduate Programs

84.367

Improving Teacher Quality State Grants

84.378A

College Access Challenge Grant Program

Dollar threshold used to distinguish between  
type A and type B programs:

  \$ 300,000  

Auditee qualified as low-risk auditee?

  X   yes                   no

**MINNESOTA OFFICE OF HIGHER EDUCATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (cont.)**  
For the Year Ended June 30, 2009

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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None.

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**SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS**

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None.



**MINNESOTA OFFICE OF HIGHER EDUCATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2009

Grantor Agency / Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
<b>U. S. Department of Education</b>			
Leveraging Education Assistance Partnership	84.069A	\$ 581,461	\$ 581,461
Special Leveraging Education Assistance Partnership	84.069A	654,259	654,259
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S	2,934,851	495,172
Improving Teacher Quality State Grants	84.367	1,094,232	1,044,299
College Access Challenge Grant Program	84.378A	373,755	-
Total U.S. Department of Education		<u>5,638,558</u>	<u>2,775,191</u>
 <b>TOTAL FEDERAL PROGRAMS</b>		 <u>\$ 5,638,558</u>	 <u>\$ 2,775,191</u>

See accompanying notes to schedule of expenditures of federal awards.

## MINNESOTA OFFICE OF HIGHER EDUCATION

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2009

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#### **NOTE 1 – REPORTING ENTITY**

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This report on Expenditures of Federal Awards includes the federal financial assistance of the Minnesota Office of Higher Education (the "agency"), a component unit of the State of Minnesota. The reporting entity of the agency is based upon criteria established by the Governmental Accounting Standards Board.

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#### **NOTE 2 – BASIS OF PRESENTATION**

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The accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for the other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.