

UNIVERSITY OF MINNESOTA

**Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2003 and
Independent Auditors' Reports**

UNIVERSITY OF MINNESOTA

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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, 2003 and have issued our report thereon dated October 10, 2003. 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.

Compliance:

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

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 assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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. 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.

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.

Deloitte + Touche LLP

October 10, 2003

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

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, 2003. 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 the 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 on 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, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that 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 03-1 through 03-4.

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 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 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 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. However, we noted other matters involving the internal control over financial reporting that we reported to management of the University in a separate letter.

Schedule of Expenditures of Federal Awards:

We have audited the basic consolidated financial statements of the University as of and for the year ended June 30, 2003 and have issued our report thereon dated October 10, 2003. Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. 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 consolidated financial statements. This schedule is the responsibility of the management of the University. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

This report is intended solely for the information 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.

Deloitte + Touche LLP

October 10, 2003

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
CLUSTERED PROGRAMS:		
Research and Development		
<i>Agency for International Development:</i>		
Agency for International Development	02.RD	\$ 97,438
Agency for International Development, subcontracts	02.RD	32,842
<i>Department of Agriculture:</i>		
Agriculture Research Service	10.RD	2,259,869
Agriculture Research Service, subcontracts	10.RD	16,344
Animal and Plant Health Inspection Service	10.RD	50,912
Cooperative State Research, Education, & Extension	10.RD	8,636,879
Cooperative State Research, Education, & Extension, subcontracts	10.RD	1,181,434
Food and Nutrition Service, subcontracts	10.RD	68,055
Foreign Agricultural Service	10.RD	33,943
Forest Service	10.RD	238,979
Forest Service, subcontracts	10.RD	42,149
Other	10.RD	1,807,229
Other, subcontracts	10.RD	350,530
<i>Department of Commerce:</i>		
Economic Development Administration	11.RD	2,944
National Institute for Standards and Technology	11.RD	111,698
National Institute for Standards and Technology, subcontracts	11.RD	167,123
National Oceanic and Atmospheric Administration	11.RD	375,039
National Oceanic and Atmospheric Administration, subcontracts	11.RD	21,791
Other	11.RD	34,548
Other, subcontracts	11.RD	1,860
<i>Department of Defense:</i>		
Advanced Research Projects Agency	12.RD	1,004,151
Advanced Research Projects Agency, subcontracts	12.RD	235,159
Air Force	12.RD	498,823
Air Force, subcontracts	12.RD	(176)
Department of the Air Force, Materiel Command	12.RD	524,661
Department of the Air Force, Materiel Command, subcontracts	12.RD	30,763
Department of the Navy, Office of the Chief of Naval Research	12.RD	2,602,938
Department of the Navy, Office of the Chief of Naval Research, subcontracts	12.RD	488,943
National Guard Bureau, subcontracts	12.RD	24,679
National Security Agency	12.RD	67,205
Office of the Secretary of Defense	12.RD	284,392
Office of the Secretary of Defense, subcontracts	12.RD	137,524
Other	12.RD	6,749,698

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
Research and Development (continued):		
<i>Department of Defense (continued):</i>		
Other, subcontracts	12.RD	\$ 1,550,754
U.S. Army Material Command	12.RD	1,280,011
U.S. Army Material Command, subcontracts	12.RD	51,942
U.S. Army Medical Command	12.RD	1,963,604
<i>Department of Education:</i>		
Office of Educational Research and Improvement	84.RD	60,391
Office of Elementary and Secondary Education, subcontracts	84.RD	3,205
Office of Postsecondary Education	84.RD	98,785
Office of Postsecondary Education, subcontracts	84.RD	28,887
Office of Special Education and Rehabilitative Services	84.RD	1,082,881
Office of Special Education and Rehabilitative Services, subcontracts	84.RD	194,331
Other, subcontracts	84.RD	23,261
<i>Department of Energy:</i>		
Argonne National Laboratory	81.RD	5,000
Battelle-Northwestern National Laboratory, subcontracts	81.RD	41,099
Fermi National Accelerator Laboratory, subcontracts	81.RD	3,355,444
Lawrence Livermore Laboratory	81.RD	155,721
Lawrence Livermore Laboratory, subcontracts	81.RD	61,408
Los Alamos National Laboratory	81.RD	211,415
Office of Energy Efficiency and Renewable Energy, subcontracts	81.RD	34,808
Office of Energy Research	81.RD	93,583
Office of Science	81.RD	680,100
Office of Science, subcontracts	81.RD	238,346
Other	81.RD	6,066,117
Other, subcontracts	81.RD	781,636
Sandia National Laboratory	81.RD	136,623
<i>Department of Health and Human Services:</i>		
Administration for Children and Families	93.RD	224,955
Administration for Children and Families, subcontracts	93.RD	17,199
Agency for Health Care Policy and Research	93.RD	58,515
Agency for Health Care Policy and Research, subcontracts	93.RD	398,766
Centers for Disease Control	93.RD	1,533,637
Centers for Disease Control, subcontracts	93.RD	696,518
Health Care Financing Administration	93.RD	36,719
Health Care Financing Administration, subcontracts	93.RD	20,987
Health Resources and Services Administration	93.RD	768,156
Health Resources and Services Administration, subcontracts	93.RD	496,406
National Institutes of Health	93.RD	186,849,313
National Institutes of Health, subcontracts	93.RD	12,203,502
Other	93.RD	9,843,020
Other, subcontracts	93.RD	829,694

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
Research and Development (continued):		
<i>Department of Housing and Urban Development:</i>		
Office of Policy Development and Research	14.RD	\$ 6,841
<i>Department of Justice:</i>		
Department of Justice	16.RD	266,132
National Institute of Peace	16.RD	15,613
National Institute of Peace, subcontracts	16.RD	19,442
Office of Juvenile Justice and Delinquency Prevention	16.RD	325,062
<i>Department of Labor:</i>		
Employment and Training Administration, subcontracts	17.RD	22,177
Other, subcontracts	17.RD	20,876
<i>Department of the Interior:</i>		
Geological Survey	15.RD	697,028
Geological Survey, subcontracts	15.RD	32,139
Other	15.RD	530,217
Other, subcontracts	15.RD	18,652
U.S. Fish and Wildlife Service	15.RD	80,518
<i>Department of Transportation:</i>		
Federal Transit Administration, subcontracts	20.RD	321,099
Other	20.RD	2,103,422
Other, subcontracts	20.RD	1,055,323
<i>Department of Veterans Affairs:</i>		
Other	64.RD	566,775
<i>Environmental Protection Agency:</i>		
Office of Administration	66.RD	21,269
Office of Administration, subcontracts	66.RD	122,559
Office of Enforcement and Compliance Assurance, subcontracts	66.RD	20,582
Office of Research and Development	66.RD	1,713,656
Office of Research and Development, subcontracts	66.RD	287,405
Office of Water	66.RD	237,909
Office of Water, subcontracts	66.RD	215,511
Other	66.RD	618,996
Other, subcontracts	66.RD	165,557
<i>National Aeronautics and Space Administration:</i>		
National Aeronautics and Space Administration	43.RD	5,836,767
National Aeronautics and Space Administration, subcontracts	43.RD	540,553
<i>National Foundation on the Arts and the Humanities:</i>		
National Endowment for the Arts, subcontracts	45.RD	9,534
National Endowment for the Humanities, subcontracts	45.RD	1,500
<i>National Science Foundation:</i>		
National Science Foundation	47.RD	38,193,654
Subcontracts	47.RD	3,165,013
<i>Smithsonian Institute:</i>		
Other	60.RD	43,214
Total Research and Development Cluster		317,632,100

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
Student Financial Assistance		
<i>Department of Education:</i>		
Federal Work-Study Program	84.033	\$ 4,707,814
Perkins Loan Program - Loan Cancellations	84.038	621,111
Pell Grant Program	84.063	20,020,094
Perkins Loan Program - Loan Advances	84.038	9,154,308
Perkins Loan Program - Federal Capital Contributions	84.038	343,748
Supplemental Educational Opportunity Grants	84.007	4,665,869
Direct Loan Program	84.268	<u>206,477,755</u>
Total Department of Education		<u>245,990,699</u>
<i>Department of Health and Human Services:</i>		
Health Professions Loan Advances	93.342	4,130,636
Nursing Loan Program - Loan Advances	93.364	<u>201,284</u>
Total Department of Health and Human Services		<u>4,331,920</u>
Total Student Financial Assistance Cluster		250,322,619
Child Care		
<i>Department of Health and Human Services:</i>		
Child Care and Development Block Grant, subcontracts	93.575	136,900
Child Nutrition		
<i>Department of Agriculture:</i>		
School Breakfast Program, subcontracts	10.553	94,991
Consolidated Health Centers		
<i>Department of Health and Human Services:</i>		
Community Health Centers	93.224	929,362
Community Health Centers, subcontracts	93.224	<u>115,444</u>
Total Consolidated Health Centers Cluster		1,044,806
Federal Transit		
<i>Department of Transportation:</i>		
Formula Grants, subcontracts	20.507	711,408
Fish and Wildlife Cluster		
<i>Department of the Interior:</i>		
Sport fish Restoration, subcontracts	15.605	14,000
Food Stamp		
<i>Department of Agriculture:</i>		
State Administrative Matching Grants for Food Stamp Program, subcontracts	10.561	1,092,179

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
Public Works and Economic Development		
<i>Department of Commerce:</i>		
Economic Adjustment Assistance	11.307	\$ 1,086,426
Special Education		
<i>Department of Education:</i>		
<i>Special Education:</i>		
Preschool Grants, subcontracts	84.173	116,801
Grants to States, subcontracts	84.027	<u>645,211</u>
Total Special Education Cluster		762,012
TRIO		
<i>Department of Education:</i>		
<i>TRIO:</i>		
McNair Post-Baccalaureate Achievement	84.217	661,975
Student Support Services	84.042	566,020
Upward Bound	84.047	<u>1,087,045</u>
Total TRIO Cluster		<u>2,315,040</u>
Total Clustered Programs		<u>575,212,481</u>
NONCLUSTERED PROGRAMS:		
Public Service		
<i>Agency for International Development:</i>		
Agency for International Development	02.000	1,376,305
Subcontracts	02.000	2,218
<i>Corporation for National and Community Service:</i>		
Learn and Serve America - Higher Education	94.005	68,994
Retired and Senior Volunteer Program	94.002	26,474
Retired and Senior Volunteer Program, subcontracts	94.002	36,059
<i>Department of Agriculture:</i>		
Agricultural Research - Basic and Applied Research	10.001	5,000
Agricultural Telecommunications Program, subcontracts	10.501	10,779
Animal Health and Disease Research, subcontracts	10.207	233,190
Cooperative Extension Service	10.500	10,390,354
Cooperative Extension Service, subcontracts	10.500	94,383
Cooperative Forestry Assistance	10.664	38,989
Cooperative Forestry Assistance, subcontracts	10.664	40,307
Corp Insurance, subcontracts	10.450	56,438
Forestry Research	10.652	1,028
Forestry Research, subcontracts	10.652	6,110
Fund for Rural America - Research, Education, and Extension Activities	10.224	834,135

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
Public Service (continued)		
<i>Department of Agriculture (continued):</i>		
Grants for Agricultural Research, Special Research Grants	10.200	\$ 21,119
Grants for Agricultural Research, Special Research Grants subcontracts.	10.200	209
Higher Education Challenge Grants	10.217	25,091
Initiative for Future Agriculture and Food Systems	10.302	85,110
Initiative for Future Agriculture and Food Systems, subcontracts	10.302	64,884
Integrated Programs	10.303	87,423
Integrated Programs, subcontracts	10.303	50,146
International Training - Foreign Participant	10.962	45,981
Other	10.000	134,526
Other, subcontracts	10.000	206,612
Plant and Animal Disease, Pest Control, and Animal Care	10.025	17,900
Rural Business Enterprise Grants	10.769	1
Rural Development, Forestry and Communities	10.672	10,260
Secondary Agriculture Education Grants, subcontracts	10.226	1,927
Soil and Water Conservation	10.902	11,840
Soil and Water Conservation, subcontracts	10.902	22,500
State Mediation Grants	10.435	333,850
Sustainable Agricultural Research and Education	10.215	57,027
Technical Agricultural Assistance	10.960	212,795
<i>Department of Commerce:</i>		
Coastal Zone Management Administration Awards, subcontracts	11.419	42,414
Sea Grant Support	11.417	824,864
Telecommunications & Information Infrastructure, subcontracts	11.552	75,032
<i>Department of Defense:</i>		
Basic and Applied Scientific Research	12.300	66,241
Basic Scientific Research	12.431	17,981
Other	12.000	(16,531)
Other, subcontracts	12.000	678,905
<i>Department of Education:</i>		
Adult Education - State Grant Program, subcontracts	84.002	44,302
Bilingual Education - Research Programs, subcontracts	84.292	28,946
Charter Schools	84.282	198
Demonstration Projects to Ensure Students with Disabilities		
Receive a Higher Education	84.333	85,332
Early Childhood Educator Professional Development	84.349	531,299
Early Education for Children with Disabilities	84.024	35,745
Eisenhower Professional Development State Grants, subcontracts	84.281	321,093
Fund for the Improvement of Postsecondary Education	84.116	103,337
Higher Education - Institutional Aid, subcontracts	84.031	147,973
Immigrant Education, subcontracts	84.162	9,309
Language Resource Centers	84.229	111,454
National Institute On Disability and Rehabilitation Research	84.133	1,075,783

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
Public Service (continued)		
<i>Department of Education (continued):</i>		
National Institute On Disability and Rehabilitation Research, subcontracts	84.133	\$ 158,990
National Resource Centers and Fellowships Program for Language and Area or Languages and International Studies	84.015	225,399
Other, subcontracts	84.000	130,798
Preparing Tomorrow's Teachers to Use Technology	84.342	287,590
Reading Excellence, subcontracts	84.338	175,611
Ready to Change, subcontracts	84.286	18,962
Rehabilitation Services - Basic Support, subcontracts	84.126	35,041
Rehabilitation Services - Service Project	84.128	34,758
Special Education:		
Innovation and Development	84.023	48,876
Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	175,423
Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	977,120
Research and Innovation to Improve Services and Results for Children with Disabilities, subcontracts	84.324	121,541
State Program Improvement Grants for Children with Disabilities, subcontracts	84.323	13,246
Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	2,597,334
Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities, subcontracts	84.326	173,638
Technology and Media Services for Individuals with Disabilities	84.327	99,958
Technological Innovation and Cooperation for Foreign Information Access, subcontracts	84.337	9,831
Vocational Education:		
National Centers for Career and Technical Education	84.051	1,621,885
National Centers for Career and Technical Education, subcontracts	84.051	74,666
<i>Department of Energy:</i>		
Office of Scientific and Technical Information	81.064	250,000
Other	81.000	5,000
Other, subcontracts	81.000	58,436
State Energy Program Special Projects, subcontracts	81.119	(7)
State Energy Program, subcontracts	81.041	3,215
<i>Department of Health and Human Services:</i>		
Administration on Developmental Disabilities - Projects of National Significance, subcontracts	93.631	47,635

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
Public Service (continued)		
<i>Department of Health and Human Services (continued):</i>		
Aging Research	93.866	\$ (86)
Aging Research, subcontracts	93.866	36,020
Applied Toxicological Research and Testing, subcontracts	93.114	164,066
Basic/Core Area Health Education Centers	93.824	5,098
Biomedical Technology	93.371	253,900
Centers for Disease Control:		
Investigations and Technical Assistance	93.283	225,988
Investigations and Technical Assistance, subcontracts	93.283	75,443
Clinical Research	93.333	116,552
Consolidated Knowledge Development and Application (KD&A) Program, subcontracts	93.230	336,321
Emergency Medical Services for Children	93.127	202,572
Family Violence Prevention and Services/Grants for Battered Women's Shelter - Discretionary Grants	93.592	539,277
Foster Care - Title IV-E, subcontracts	93.658	421,089
Health Services Research and Development Grants, subcontracts	93.226	9,913
HIV Demonstration, Research, Public and Professional Education Projects	93.941	1,358,972
HIV Prevention Activities - Health Department Based, subcontracts	93.940	240,061
Human Genome Research	93.172	28,997
Maternal and Child Health Federal Consolidated Programs	93.110	376,120
Maternal and Child Health Services Block Grant to the States, subcontracts	93.994	11,737
Medical Library Assistance	93.879	22,986
National AIDS Education and Training Centers, subcontracts	93.145	161,865
Other	93.000	1,324,425
Other National Institutes of Health	93.000	167,082
Other National Institutes of Health, subcontracts	93.000	242,223
Other Public Health Service	93.000	438,857
Other Public Health Service, subcontracts	93.000	71,771
Other, subcontracts	93.000	843,198
Population Research	93.864	15,000
Refugee and Entrant Assistance:		
Discretionary Grants	93.576	6,661
State Administered Programs, subcontracts	93.566	22,927
Research and Training in Complementary and Alternative Medicine, subcontracts	93.213	33,779
Research, Treatment and Education Programs on Lyme Disease in the United States	93.942	29,800
Universal Newborn Hearing Screening, subcontracts	93.251	80,885

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
Public Service (continued)		
<i>Department of Housing and Urban Development:</i>		
Community Outreach Partnership Center Program	14.511	\$ 70,825
<i>Department of Justice:</i>		
Crime Victim Assistance, subcontracts	16.575	19,980
Crime Victim Assistance/Discretionary Grants, subcontracts	16.582	(4,283)
Other	16.000	203,069
State Domestic Preparedness Equipment Support Program, subcontracts	16.007	66,797
Violence Against Women Formula Grants, subcontracts	16.588	58,317
<i>Department of Labor:</i>		
Occupational Safety and Health - Susan Harwood Training Grants	17.502	3,866
Other, subcontracts	17.000	150,345
<i>Department of State:</i>		
Other	19.000	100,532
Other, subcontracts	19.000	197,582
<i>Department of the Interior:</i>		
Other	15.000	71,843
<i>Department of the Treasury:</i>		
Low-Income Taxpayer Clinics	21.008	90,183
<i>Department of Transportation:</i>		
Other	20.000	18,470
Other, subcontracts	20.000	29,132
Transit Planning and Research, subcontracts	20.514	46,791
<i>Department of Veterans Affairs:</i>		
Other	64.000	467,428
<i>Environmental Protection Agency:</i>		
Nonpoint Source Implementation, subcontracts	66.460	140,764
Other	66.000	154,349
Other, subcontracts	66.000	135,166
State Indoor Radon Grants, subcontracts	66.032	10,871
Surveys, Studies, Investigations and Special Purpose Grants	66.606	75,813
<i>National Aeronautics and Space Administration:</i>		
Other	43.000	364,249
<i>National Foundation on the Arts and the Humanities:</i>		
Institute of Museum and Library Services	45.301	35,578
Institute of Museum and Library Services - National Leadership Grants	45.312	175,670
National Endowment for the Arts	05.000	2,052
National Endowment for the Arts, subcontracts	05.000	9,698
National Endowment for the Humanities, subcontracts	06.000	80,787
Promotion of the Arts - Challenge America Grants	45.027	10,000

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
Public Service (continued)		
<i>National Foundation on the Arts and the Humanities (continued):</i>		
Promotion of the Arts - Leadership Initiatives	45.026	\$ 19,560
Promotion of the Arts - Partnership Agreements, subcontracts	45.025	2,300
<i>National Science Foundation:</i>		
Promotion of the Humanities:		
Federal/State Partnership, subcontracts	45.129	21,293
Public Programs	45.164	25,292
State Library Program	45.310	2,000
State Library Program, subcontracts	45.310	616,560
Biological Sciences	47.074	62,572
Computer and Information Science and Engineering	47.070	36,241
Education and Human Resources	47.076	1,112,681
Education and Human Resources, subcontracts	47.076	46,100
Engineering Grants	47.041	74,869
Engineering Grants, subcontracts	47.041	9,784
Mathematical and Physical Sciences	47.049	91,163
Mathematical and Physical Sciences, subcontracts	47.049	8,953
Other	47.000	280,996
Other, subcontracts	47.000	30,446
Social, Behavioral, and Economic Sciences	47.075	46,483
<i>Office of Personnel Management:</i>		
Intergovernmental Personnel Act Mobility Program	27.011	162,817
<i>Peace Corps:</i>		
Other	08.000	17,000
<i>Small Business Administration:</i>		
Business Development Assistance to Small Business, subcontracts	59.005	267,305
<i>United States Information Agency:</i>		
College and University Partnerships Program	19.405	68,477
College and University Affiliations Program	19.406	18,744
Total Public Service		<u>39,809,596</u>
Instruction		
<i>Department of Agriculture:</i>		
Animal Health and Disease Research	10.207	36,476
Cooperative Forestry Research	10.202	463,721
Food and Agricultural Sciences National Needs Graduate Fellowship Grants	10.210	205,192
Initiative for Future Agriculture and Food Systems, subcontracts	10.302	11,345
International Training - Foreign Participant	10.962	6,613
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	1,678,481
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	38,225

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
Instruction (continued)		
<i>Department of Commerce:</i>		
Coastal Zone Management Administration Awards, subcontracts	11.419	\$ 3,360
Sea Grant Support	11.417	252,826
<i>Department of Defense:</i>		
Basic Scientific Research	12.431	18,669
Military Medical Research and Development	12.420	50,306
Other	12.000	19,106
Other, subcontracts	12.000	(570)
<i>Department of Education:</i>		
Bilingual Education - Professional Development	84.195	53,093
Fund for the Improvement of Postsecondary Education	84.116	135,838
Fund for the Improvement of Postsecondary Education, subcontracts	84.116	21,993
Graduate Assistance in Areas of National Need	84.200	460,142
Language Resource Centers	84.229	281,143
National Resource Centers and Fellowships Program for Language and Area or Languages and International Studies	84.015	447,670
Other	84.000	633,963
Other, subcontracts	84.000	29,361
Preparing Tomorrow's Teachers to Use Technology	84.342	639,700
Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	304,230
Vocational Education - Basic Grants to States, subcontracts	84.048	166,417
<i>Department of Health and Human Services:</i>		
Academic Administrative Units in Primary Care	93.984	414,882
Administration on Developmental Disabilities - Projects of National Significance	93.631	159,690
Aging Research	93.866	372,561
Alcohol National Research Service Awards for Research Training	93.272	2,543
Allergy, Immunology, and Transplantation Research	93.855	183,479
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	191,501
Biological Basis Research in the Neurosciences	93.854	(48)
Blood Diseases and Resources Research	93.839	262,944
Cancer Research Manpower	93.398	546,964
Cell Biology and Biophysics Research	93.821	747,516
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135	790,005
Clinical Research Related to Neurological Disorders	93.853	5,624
Diabetes, Endocrinology, and Metabolism Research	93.847	188,041
Digestive Diseases and Nutrition Research	93.848	48,822
Drug Abuse National Research Service Awards for Research Training	93.278	1,137,881

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
Instruction (continued)		
<i>Department of Health and Human Services (continued):</i>		
Genetics and Developmental Biology Research	93.862	\$ 87,085
Geriatric Education Centers	93.969	251,732
Grants for Faculty Development in Family Medicine	93.895	270,356
Grants for Graduate Training in Family Medicine	93.379	4,130
Grants for Predoctoral Training in Family Medicine	93.896	55,381
Health Careers Opportunity Program	93.822	222,763
Health Services Research and Development Grants	93.226	31,033
Heart and Vascular Diseases Research	93.837	608,180
Kidney Diseases, Urology, and Hematology Research	93.849	233,288
Lung Diseases Research	93.838	572,767
Maternal and Child Health Federal Consolidated Programs	93.110	791,425
Maternal and Child Health Federal Consolidated Programs, subcontracts	93.110	(14,507)
Medical Library Assistance	93.879	376,374
Mental Health Research Grants	93.242	50,065
Mental Health National Research Service Awards for Research Training	93.282	458,322
Microbiology and Infectious Diseases Research	93.856	425,184
Minority Access to Research Careers	93.880	104,100
National Research Service Awards - Health Services Research Training	93.225	311,575
Nurse Anesthetist Traineeships	93.124	520,583
Nursing Research	93.361	43,812
Occupational Safety and Health - Training Grants	93.263	1,815,092
Oral Diseases and Disorders Research	93.121	396,085
Other	93.000	55,472
Other National Institutes of Health	93.000	518,453
Other Public Health Service	93.000	634,348
Other Public Health Service, subcontracts	93.000	573,540
Pharmacological, Physiology, and Biological Chemistry Research	93.859	761,480
Professional Nurse Traineeships	93.358	152,746
Public Health Traineeships	93.964	42,683
Public Health Training Centers Grant Program	93.249	372,905
Quentin N. Burdick Programs for Rural Interdisciplinary Training	93.192	185,930
Research and Training in Complementary and Alternative Medicine	93.213	411,398
Research and Training in Complementary and Alternative Medicine, subcontracts	93.213	6,942
Research for Mothers and Children	93.865	588,313

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
Instruction (continued)		
<i>Department of Health and Human Services (continued):</i>		
Research Related to Deafness and Communication Disorders	93.173	\$ 102,193
Resource and Manpower Development in the Environmental Health Sciences	93.894	81,280
Rural Health Medical Education Demonstration Projects	93.906	627
Senior International Fellowships	93.989	101,067
Special Minority Initiatives	93.960	228,455
Special Programs for the Aging, Title IV and Title II - Discretionary Projects, subcontracts	93.048	742
University Centers for Excellence in Developmental Disabilities Education, Research, and Services	93.632	373,744
Vision Research	93.867	218,069
<i>Department of the Interior:</i>		
Assistance to State Water Resources Research Institutes	15.805	17,661
<i>Environmental Protection Agency:</i>		
Other	66.000	16,316
<i>National Aeronautics and Space Administration:</i>		
Other	43.000	182,470
Other, subcontracts	43.000	15,922
<i>National Foundation on the Arts and Humanities:</i>		
Promotion of the Humanities - Fellowships and Stipends	45.160	40,000
<i>National Science Foundation:</i>		
Education and Human Resources	47.076	1,482,334
Education and Human Resources, subcontracts	47.076	6,166
Mathematical and Physical Sciences, subcontracts	47.049	14,765
Other	47.000	929,129
Total Instruction		<u>26,739,680</u>

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA #	Expenditures
Other		
<i>Department of Defense:</i>		
Other	12.000	\$ 129
<i>National Science Foundation:</i>		
Other	47.000	(129,931)
<i>Department of Education—</i>		
Other	84.000	<u>26,148</u>
Total Other		<u>(103,654)</u>
Total Nonclustered Programs		<u>66,445,622</u>
Total Expenditures		<u>\$ 641,658,103</u>

See notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF MINNESOTA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federally sponsored transactions of the University of Minnesota (the University) reported on the modified cash basis of accounting.

Subrecipients - 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 listed as federal pass-through funds.

2. RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE UNIVERSITY'S CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

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 revenues, expenses, and changes in net assets for the year ended June 30, 2003, which is included as part of the University's basic consolidated financial statements:

Expenditures per A-133		\$ 641,658,103
Less federal non-cash assistance (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 statement of revenues, expenses, and changes in net assets	\$ (219,963,983)	
Less expenditures not included on the consolidated statement of revenues, expenses, and changes in net assets (equipment, buildings, and structures)	(85,049,717)	
Less matching grant and contract transfers on the consolidated statement of revenues, expenses, and changes in net assets	(838,555)	
Less difference of prior-year overdrafts added back and current-year overdrafts subtracted out	<u>(1,442,735)</u>	
Subtotal A-133 expenses in federal fund class		334,363,113
Plus cash to accrual basis adjusting journal entries (year-end close)		<u>1,028,904</u>
Operating expenses as shown on the consolidated statement of revenues, expenses and changes in net assets for the year ended June 30, 2002		<u>\$ 335,392,017</u>

3. INDIRECT COST RATES

The University utilizes indirect cost rates that have been negotiated with and approved by its cognizant agency, the U.S. Department of Health and Human Services, and are effective for the period of July 1, 1999 through June 30, 2003.

4. CFDA NUMBERS

Some of the programs, grants, and/or other awards included in the Schedule of Expenditures of Federal Awards are missing CFDA numbers. The missing numbers are due to the federal awarding agencies not providing the CFDA numbers. The expenditure amounts related to these missing numbers have been reported, generally, at an agency level.

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UNIVERSITY OF MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2003

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- A. Type of auditor's report issued: unqualified
- B. 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
- C. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

- D. Internal control over major programs:
- Material weakness(es) identified? _____ yes X no
 - Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported
- E. Type of auditor's report issued on compliance for major programs: unqualified
- F. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes _____ no
- G. Identification of major programs:

Name of Federal Program or Cluster	CFDA #
Research and Development*	Various
Student Financial Assistance**	Various
Special Education - Technical Assistance and Dissemination to improve Services and results for Children with Disabilities	84.326

* This program cluster has various and unidentified CFDA numbers.

** Includes Federal Supplemental Educational Opportunity Grant Program (CFDA #84.007), Federal Work-Study Program (CFDA #84.033), Federal Perkins Loan Program (CFDA #84.038), Federal Pell Grant Program (CFDA #84.063), National Defense/National Direct/Perkins Loan Cancellations (CFDA #84.038), Federal Direct Loan Program (CFDA #84.268), Health Professions Student Loan Program (CFDA #93.342), and Nursing Student Loans (CFDA #93.364).

- H. Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000
- I. Auditee qualified as a low-risk auditee? X yes _____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 03-01 - TWIN CITIES CAMPUS

Program Name:	Research and Development
CFDA:	93.RD, 43.RD
Questioned Cost:	None
Criteria or Specific Requirement	Reporting

Condition/Context:

In 17 of 40 instances, federal reports were not filed with the National Institutes of Health (NIH) by the date specified in the contract, and in 1 of 40 instances federal reports were not filed with National Aeronautics and Space Administration (NASA) 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.

Effect:

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

Cause:

The late filings are due to two factors. First, Sponsored Financial Reporting (SFR) had a backlog of reports due to fluctuations in workload and the associated staffing levels. Second, information used by SFR to generate accurate and timely financial reports is obtained from a variety of sources, both within and outside the University. There were delays encountered in receiving and compiling the necessary information from sources external to SFR.

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.

FINDING 03-02 - TWIN CITIES CAMPUS

Program Name:	Health Professions Loans
CFDA:	93.342
Questioned Cost:	\$10,000
Criteria or Specific Requirement	Loan Collection Procedures

Condition/Context:

In 1 of 40 instances, the University could not provide D&T the original signed and executed promissory notes. In accordance with Title 42 CFR 57.208 (a) of the Federal Register, "each health professions student loan must be evidenced by a properly executed promissory note in a form approved by the Secretary. The school must safeguard the promissory note against fire, theft, and tampering."

Effect:

Collectability of loan may be impaired.

Cause:

The promissory note has not been signed by the student.

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.

FINDING 03-03 - TWIN CITIES CAMPUS

Program Name:	Student Financial Assistance Programs
CFDA:	Various
Questioned Cost:	Not applicable
Criteria or Specific Requirement	Timeframe for the return of title IV funds

Condition/Context:

34 CFR 668.22(j)(1) states an institution must return the amount of title IV funds for which it is responsible as soon as possible but no later than 30 days after the date of the institution's determination that the student withdrew. In 12 of 25 instances, refunds were calculated and returns were necessary; however, the University did not return the funds to the proper program within the 30 day timeframe.

Effect:

The University did not disburse refunds on a timely basis to student financial assistance programs in accordance with 34 CFR 668.22(j)(1).

Cause:

Systems problems contributed to the delay in timely disbursement of refunds per 34 CFR 668.22(j)(1).

Recommendation:

The University should review its procedures in relation to 34 CFR 668.22(j)(1) to ensure refunds are remitted timely. These procedures should include alternative remittance plans in the event of system failures occur.

FINDING 03-04 - DULUTH CAMPUS

Program Name:	Health Professions Loans
CFDA:	93.342
Questioned Cost:	\$10,206
Criteria or Specific Requirement	Loan Collection Procedures

Condition/Context:

42 CFR 57.208(c)(2) states that the institution shall, prior to the borrower's completion or termination of studies at the institution, provide certain loan information to the student including each amount borrowed, total amount borrowed and a schedule of repayment. In 1 of 25 students tested, the student file did not contain a copy of the amortization schedule or exit interview documentation.

Effect:

The student may be unaware of the repayment terms or other pertinent loan information.

Cause:

The documentation may not have been received by the University or may have been misfiled.

Recommendation:

The University should send exit materials via certified mail and retain copies of the amortization schedule in the file. Additionally, the University should revisit loan procedures to ensure all required loan information is provided to students at the completion or termination of their studies at the institution.