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UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

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**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**

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, 2007, and have issued our report thereon dated October 16, 2007. 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 University'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 University's consolidated financial statements that is more than inconsequential will not be prevented or detected by the University's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. See findings 07-1 and 07-2.

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 consolidated financial statements will not be prevented or detected by the University's internal control. Our consideration of 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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the University's consolidated 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*.

We noted other matters that we have reported to management of the University in a separate letter dated October 16, 2007.

The University's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on them.

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.



LarsonAllen LLP

Minneapolis, Minnesota
October 16, 2007

**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, 2007. 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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. In planning and performing our audit, we did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or 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, 2007, and have issued our report thereon dated October 16, 2007. 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.



LarsonAllen LLP

Minneapolis, Minnesota
December 12, 2007

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	CFDA#	Pass-through Expenditures	Direct Expenditures	Total Expenditures
Clustered Programs				
Research and Development				
Department of Agriculture:				
Agriculture Research Service	10.RD	\$ 48,995	\$ 2,371,131	\$ 2,420,126
Animal and Plant Health Inspection Service	10.RD	110,088	426	110,514
Cooperative State Research, Education, & Extension	10.RD	1,729,907	10,424,166	12,154,073
Economic Research Service	10.RD	1,392	89,150	90,542
Foreign Agricultural Service	10.RD	-	2,867	2,867
Forest Service	10.RD	166,179	146,676	312,855
Other	10.RD	178,884	1,463,752	1,642,636
Risk Management Agency	10.RD	3,540	149,960	153,500
Rural Business-Cooperative Service, subcontracts	10.RD	13,528	-	13,528
Rural Utilities Service, subcontracts	10.RD	9,995	-	9,995
Department of Commerce:				
Economic Development Administration	11.RD	-	262,842	262,842
National Institute for Standards and Technology	11.RD	-	1,859	1,859
National Oceanic and Atmospheric Administration	11.RD	175,570	300,061	475,631
National Telecommunications and Information Administration	11.RD	-	106,586	106,586
Other	11.RD	98,128	39,742	137,870
Department of Defense:				
Advanced Research Projects Agency	12.RD	138,075	35,508	173,583
Department of the Air Force, Material Command	12.RD	236,150	3,252,808	3,488,958
Department of the Navy, Office of the Chief of Naval Research	12.RD	556,779	3,829,560	4,386,339
National Security Agency	12.RD	-	65,492	65,492
Office of the Secretary of Defense	12.RD	46,680	290,860	337,540
Other	12.RD	2,061,988	3,587,723	5,649,711
U.S. Army Material Command	12.RD	158,048	1,152,815	1,310,863
U.S. Army Medical Command	12.RD	327,604	2,465,792	2,793,396
Department of Education:				
Office of Educational Research and Improvement	84.RD	476,522	514,192	990,714
Office of Postsecondary Education	84.RD	-	191,199	191,199
Office of Special Education and Rehabilitative Services	84.RD	412,111	1,971,383	2,383,494
Other	84.RD	70,561	9,336	79,897

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Pass-through Expenditures</u>	<u>Direct Expenditures</u>	<u>Total Expenditures</u>
Department of Energy:				
National Nuclear Security Administration	81.RD	\$83,341	\$613,707	\$697,048
Office of Energy Efficiency and Renewable Energy	81.RD	420,370	84,736	505,106
Office of Nonproliferation and National Security	81.RD	-	79,620	79,620
Office of Science	81.RD	2,370,567	2,402,264	4,772,831
Other	81.RD	944,902	4,468,442	5,413,344
Department of Health and Human Services:				
Administration for Children and Families	93.RD	276,659	313,285	589,944
Agency for Health Care Policy and Research	93.RD	571,288	1,132,823	1,704,111
Agency for Toxic Substances and Disease Registry	93.RD	-	285,041	285,041
Centers for Disease Control	93.RD	632,865	1,906,248	2,539,113
Centers for Medicare and Medicaid Services	93.RD	60,248	183,476	243,724
Health Resources and Services Administration	93.RD	457,706	1,195,601	1,653,307
National Institutes of Health	93.RD	21,947,321	225,811,820	247,759,141
Office of the Secretary, subcontracts	93.RD	(19,712)	-	(19,712)
Other, subcontracts	93.RD	333,802	-	333,802
Substance Abuse and Mental Health Services Administration	93.RD	-	17,467	17,467
Department of Homeland Security:				
Department of Homeland Security	97.RD	-	4,044,140	4,044,140
Other	97.RD	-	1,304,126	1,304,126
Department of Housing and Urban Development:				
Office of Healthy Homes and Lead Hazard Control	14.RD	-	95,373	95,373
Office of Policy Development and Research	14.RD	-	33,018	33,018
Department of Justice:				
National Institute of Peace	16.RD	-	31,218	31,218
Office of Community Oriented Policing Services, subcontracts	16.RD	46,660	-	46,660
Other	16.RD	-	(1,023)	(1,023)
Violence Against Women Office	16.RD	-	57,014	57,014
Department of Labor:				
Other, subcontracts	17.RD	45,628	-	45,628
Department of the Interior:				
Geological Survey	15.RD	-	585,229	585,229
Other	15.RD	4,380	236,114	240,494
U.S. Fish and Wildlife Service	15.RD	242,279	87,176	329,455

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	CFDA#	Pass-through Expenditures	Direct Expenditures	Total Expenditures
Department of Treasury:				
Other, subcontracts	21.RD	\$ 10,922	\$ -	\$ 10,922
Department of Transportation:				
Federal Highway Administration	20.RD	-	260,984	260,984
Other		3,214,821	1,964,924	5,179,745
Department of Veterans Affairs:				
Other	62.RD	-	890,933	890,933
Environmental Protection Agency:				
Office of Administration	66.RD	143,671	33,726	177,397
Office of Air and Radiation, subcontracts	66.RD	6,404	-	6,404
Office of Enforcement and Compliance Assurance, subcontracts	66.RD	22,779	-	22,779
Office of Prevention, Pesticides, and Toxic Substances	66.RD	-	35,175	35,175
Office of Research and Development	66.RD	339,291	464,531	803,822
Office of Water	66.RD	165,533	75,729	241,262
Other	66.RD	48,363	9,208	57,571
National Aeronautics and Space Administration:				
National Aeronautics and Space Administration	43.RD	-	(1,586)	(1,586)
Other	43.RD	652,300	4,833,054	5,485,354
Space Telescope Science Institute, subcontracts	43.RD	228,272	-	228,272
National Foundation on the Arts and the Humanities:				
National Foundation for the Humanities, subcontracts	NA	39,849	-	39,849
National Science Foundation:				
National Science Foundation	47.RD	3,630,571	48,991,454	52,622,025
Other	47.RD	46,721	323,098	369,819
United States Agency for International Development:				
Other	98.RD	96,384	72,295	168,679
United States Agency for International Development	98.RD	62,705	187,548	250,253
United States Institute of Peace:				
United States Institute of Peace	NA	-	53,286	53,286
Total Research and Development		\$ 44,147,614	\$ 335,887,160	\$ 380,034,774

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Pass-through Expenditures</u>	<u>Direct Expenditures</u>	<u>Total Expenditures</u>
Student Financial Aid				
Department of Education:				
Federal Direct Loan Advances	84.268	\$ -	\$ 283,388,834	\$ 283,388,834
Federal Work-Study Program	84.033	-	2,962,306	2,962,306
Pell Grant Program	84.063	-	20,564,126	20,564,126
Supplemental Educational Opportunity Grants	84.007	-	3,409,070	3,409,070
ACG	84.375	-	1,284,013	1,284,013
SMART	84.376	-	1,440,769	1,440,769
Department of Health and Human Services:				
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	-	1,668,883	1,668,883
Total Student Financial Aid		-	314,718,001	314,718,001
CCDF Cluster				
Department of Health and Human Services:				
Child Care and Development Block Grant, subcontracts	93.575	153,477	-	153,477
Total CCDF Cluster		153,477	-	153,477
CDBG-Entitlement and (HUD-Administered) Small Cities Cluster:				
Department of Housing and Human Development:				
Community Development Block Grants/Entitlement Grants, subcontracts	14.218	(97)	-	(97)
Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster		(97)	-	(97)
Child Nutrition Cluster				
Department of Agriculture:				
Summer Food Service Program for Children, subcontracts	10.559	9,142	-	9,142
Total Child Nutrition Cluster		\$ 9,142	\$ -	\$ 9,142

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	CFDA#	Pass-through Expenditures	Direct Expenditures	Total Expenditures
Food Stamp Cluster				
Department of Agriculture:				
State Administrative Matching Grants for Food Stamp Program, subcontracts	10.561	\$ 5,689,240	\$ -	\$ 5,689,240
Total Food Stamp Cluster		5,689,240	-	5,689,240
Homeland Security Cluster				
Department of Homeland Security:				
Homeland Security Grant Program , subcontracts	97.067	93,479	-	93,479
Total Homeland Security Cluster		93,479	-	93,479
Medicaid Cluster				
Department of Health and Human Services:				
Medical Assistance Program, subcontracts	93.778	59,381	-	59,381
Total Medicaid Cluster		59,381	-	59,381
Special Education Cluster				
Department of Education:				
Special Education -- Preschool Grants, subcontracts	84.173	145,932	-	145,932
Special Education--Grants to States, subcontracts	84.027	194,869	-	194,869
Total Special Education Cluster		340,801	-	340,801
TRIO Cluster				
Department of Education:				
TRIO--McNair Post-Baccalaureate Achievement	84.217	-	264,574	264,574
TRIO--Student Support Services	84.042	-	573,321	573,321
TRIO--Upward Bound	84.047	-	1,027,384	1,027,384
Total TRIO Cluster		-	1,865,279	1,865,279
Total Clustered Programs		\$ 50,493,037	\$ 652,470,440	\$ 702,963,477

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	CFDA#	Pass-through Expenditures	Direct Expenditures	Total Expenditures
Non-Clustered Programs				
PUBLIC SERVICE				
Corporation for National and Community Service:				
Learn and Serve America--Higher Education	94.005	\$ 7,081	\$ 57,948	\$ 65,029
Retired and Senior Volunteer Program	94.002	-	71,085	71,085
Department of Agriculture:				
Agricultural Research--Basic and Applied Research	10.001	-	67,601	67,601
Animal Health and Disease Research, subcontracts	10.207	584,276	-	584,276
Commodity Partnerships for Risk Management Education, subcontracts	10.457	21,825	-	21,825
Commodity Partnerships for Small Agricultural Risk Management Education Sessions	10.459	-	1,576	1,576
Contract-Department of Agriculture	10.CXX	12,375	231,404	243,779
Cooperative Extension Service	10.500	165,110	12,562,617	12,727,727
Cooperative Forestry Assistance	10.664	46,274	41,169	87,443
Environmental Quality Incentives Program	10.912	-	2,700	2,700
Grants for Agricultural Research, Special Research Grants	10.200	16,415	622,407	638,822
Grants for Agricultural Research--Competitive Research Grants	10.206	-	8,713	8,713
Higher Education Multicultural Scholars Program	10.220	-	18,000	18,000
Homeland Security Agricultural	10.304	-	83,788	83,788
Integrated Programs	10.303	74,849	80,428	155,277
International Training--Foreign Participant	10.962	-	38,011	38,011
National Forest--Dependent Rural Communities, subcontracts	10.670	9,967	-	9,967
Partnership Agreements to Develop Non-Insurance Risk Management Tools for Producers (Farmers), subcontracts	10.456	18,416	-	18,416
Plant and Animal Disease, Pest Control, and Animal Care	10.025	87,595	187,261	274,856
State Mediation Grants	10.435	-	496,743	496,743
Technical Agricultural Assistance	10.960	-	64,332	64,332
Unid CFDA-Department of Agriculture	10.UXX	30,492	6,990	37,482
Urban and Community Forestry Program	10.675	-	7,625	7,625
WIC Farmers' Market Nutrition Program (FMNP), subcontracts	10.572	1,554	-	1,554
Department of Commerce:				
Coastal Zone Management Administration Awards, subcontracts	11.419	28,366	-	28,366
Contract-Department of Commerce, subcontracts	11.CXX	8,652	-	8,652
Measurement and Engineering Research and Standards	11.609	-	13,100	13,100
Sea Grant Support	11.417	-	983,576	983,576
Telecommunications & Information Infrastructure	11.552-DNU	-	179,129	179,129
Unid CFDA-Department of Commerce, subcontracts	11.UXX	8,071	-	8,071
Department of Defense:				
Air Force Defense Research Sciences Program	12.800	-	41,952	41,952
Basic and Applied Scientific Research	12.300	-	48,853	48,853
Contract-Department of Defense, subcontracts	12.CXX	321,485	-	321,485
Mathematical Sciences Grants Program	12.901	-	11,310	11,310
Unid CFDA-Department of Defense, subcontracts	12.UXX	123,915	-	123,915

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	CFDA#	Pass-through Expenditures	Direct Expenditures	Total Expenditures
Department of Education:				
After School Learning Centers, subcontracts	84.287	\$ 218,950	\$ -	218,950
Arts in Education , subcontracts	84.351	41,256	-	41,256
Charter Schools	84.282	76,227	102,378	178,605
Child Care Access Means Parents in School	84.335	-	174,848	174,848
Comprehensive Regional Assistance Centers, subcontracts	84.283	29,822	-	29,822
Contract-Department of Education	84.CXX	39,513	1,188,925	1,228,438
Cooperative Education Exchange Program, subcontracts	84.304	108,695	-	108,695
Fund for the Improvement of Education	84.215	49,016	89,180	138,196
Fund for the Improvement of Postsecondary Education, subcontracts	84.116	18,094	-	18,094
Higher Education--Institutional Aid, subcontracts	84.031	155,262	-	155,262
Hurricane Education Recovery	84.938	-	40,258	40,258
Improving Teacher Quality State Grants, subcontracts	84.367	280,793	-	280,793
Indian Education-Special Programs, subcontracts	84.299-DNU	81,672	-	81,672
Mathematics and Science Partnerships, subcontracts	84.366	82,904	-	82,904
Minority Science and Engineering Improvement, subcontracts	84.120	33,238	-	33,238
National Institute On Disability and Rehabilitation Research	84.133	-	796,480	796,480
National Resource Centers and Fellowships Program for Language and Area or Languages and International Studies	84.015	-	565,705	565,705
Reading First State Grants, subcontracts	84.357	158,133	-	158,133
Rehabilitation Services--Basic Support, subcontracts	84.126	218,770	-	218,770
Rehabilitation Training--Continuing Education, subcontracts	84.264	2,597	-	2,597
Safe and Drug-free Schools and Communities--National Program	84.184	4,309	66,720	71,029
Special Education Technical Assistance on State Data Collection, subcontracts	84.373	19,401	-	19,401
Special Education--Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	140,351	204,079	344,430
Special Education--State Program Improvement Grants for Children with Disabilities, subcontracts	84.323	74,974	-	74,974
Special Education--Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	4,148	3,185,694	3,189,842
Special Education--Technology and Media Services for Individuals with Disabilities	84.327	-	106,758	106,758
Unid CFDA-Department of Education, subcontracts	84.UXX	287,838	-	287,838
Vocational Education--Basic Grants to States, subcontracts	84.048	31,306	-	31,306
Vocational Education--National Centers for Career and Technical Education	84.051	-	981,273	981,273
Department of Energy:				
Conservation Research and Development, subcontracts	81.086	104,573	-	104,573
Contract-Department of Energy-Battelle-Pacific Northwest National Laboratory, subcontracts	81.C02	24,890	-	24,890
Contract-Department of Energy-Fermi National Accelerator Laboratory, subcontracts	81.C06	32,529	-	32,529
Contract-Department of Energy-Lawrence Berkley National Laboratory, subcontracts	81.C08	675	-	675
Renewable Energy Research and Development	81.087	-	282,655	282,655
Unid CFDA-Department of Energy	81.UXX	-	11,000	11,000

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	CFDA#	Pass-through Expenditures	Direct Expenditures	Total Expenditures
Department of Health and Human Services:				
Basic/Core Area Health Education Centers	93.824	\$ -	\$ 887,022	\$ 887,022
Biological Response to Environmental Health Hazards, subcontracts	93.113	22,795	-	22,795
Block Grants for Community Mental Health Services, subcontracts	93.958	135,543	-	135,543
Blood Diseases and Resources Research, subcontracts	93.839	27,393	-	27,393
Cancer Cause and Prevention Research, subcontracts	93.393	22,224	-	22,224
Cancer Treatment Research, subcontracts	93.395	11,865	-	11,865
Centers for Disease Control--Investigations and Technical Assistance	93.283	5,164	64,629	69,793
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations, subcontracts	93.779	100,566	-	100,566
Child Welfare Services Training Grants	93.648	-	89,902	89,902
Clinical Research	93.333	-	318,951	318,951
Clinical Research Related to Neurological Disorders	93.853	-	60,000	60,000
Contract-Department of Health and Human Services	93.CXX	18,025	384,270	402,295
Contract-Department of Health and Human Services-Administration for Children and Families, subcontracts	93.C01	2,120	-	2,120
Contract-Department of Health and Human Services-Centers for Disease Control	93.C05	14,789	248,986	263,775
Contract-Department of Health and Human Services-Centers for Medicare and Medicaid Services	93.C07	795,483	883,078	1,678,561
Contract-Department of Health and Human Services-Food and Drug Administration	93.C08	-	36,467	36,467
Contract-Department of Health and Human Services-Health Resources and Services Administration	93.C09	-	230,850	230,850
Contract-Department of Health and Human Services-National Institutes of Health, subcontracts	93.C11	61,854	-	61,854
Development and Coordination of Rural Health Services	93.223	-	532,355	532,355
Developmental Disabilities Basic Support and Advocacy Grants, subcontracts	93.630	189,654	-	189,654
Diabetes, Endocrinology and Metabolism Research, subcontracts	93.847	50,386	-	50,386
Emergency Medical Services for Children	93.127	-	230,601	230,601
Family Violence Prevention and Services/Grants for Battered Women's Shelter-- Discretionary Grants	93.592	-	473,738	473,738
Foster Care--Title IV-E, subcontracts	93.658	293	-	293
Grants for Residency Training in General Internal Medicine and/or General Pediatrics	93.884	-	351,223	351,223
Health Services Research and Development Grants	93.226	4,009	43,757	47,766
HIV Demonstration, Research, Public and Professional Education Projects	93.941	-	(40)	(40)
HIV Prevention Activities--Health Department Based, subcontracts	93.940	45,853	-	45,853
HIV Prevention Activities--Non-governmental Organization Base, subcontracts	93.939	12,518	-	12,518
Improving, Enhancing, and Evaluating Outcomes of Comprehensive Heart Health Care Programs for High-Risk Women	93.012	-	231,681	231,681
Indian Health Service--Health Management Development Program	93.228	-	(2)	(2)
Maternal and Child Health Federal Consolidated Programs	93.110	(10)	229,431	229,421
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities, subcontracts	93.768	1,151	-	1,151
Medical Library Assistance, subcontracts	93.879	16,538	-	16,538
Mental Health Clinical and AIDS Service Related Training Grants	93.244	-	625,725	625,725
Mental Health Research Grants	93.242	-	26,865	26,865

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Pass-through Expenditures</u>	<u>Direct Expenditures</u>	<u>Total Expenditures</u>
National AIDS Education and Training Centers, subcontracts	93.145	\$ 219,412	\$ -	\$ 219,412
Occupational Safety and Health Research Grants	93.262	(151)	5,063	4,912
Rural Telemedicine Grants	93.211	26,626	136,573	163,199
State Planning Grant Health Care Access for the Uninsured, subcontracts	93.256	102,239	-	102,239
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	-	404,166	404,166
Unid CFDA-Department of Health and Human Services, subcontracts	93.UXX	367,226	-	367,226
Unid CFDA-Department of Health and Human Services-NIH, subcontracts	93.U01	50,731	-	50,731
Unid CFDA-Department of Health and Human Services-Other PHS	93.U02	181,065	37,810	218,875
University Centers for Excellence in Developmental Disabilities Education, Research, and Services	93.652	-	482,194	482,194
Vision Research, subcontracts	93.867	17,172	-	17,172
Department of Homeland Security:				
Contract-Department of Homeland Security	97.CXX	235,863	1,584,616	1,820,479
Department of Housing and Urban Development:				
Community Development Work-Study Program	14.512	-	74,284	74,284
Community Outreach Partnership Center Program	14.511	-	134,674	134,674
Unid CFDA-Department of Housing and Urban Development, subcontracts	14.UXX	5,299	-	5,299
Department of Justice:				
Crime Victim Assistance, subcontracts	16.575	78,165	-	78,165
Grants to Reduce Violent Crimes Against Women on Campus	16.525	-	138,416	138,416
Justice Research, Development, and Evaluation Project Grants, subcontracts	16.560	(29)	-	(29)
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	-	201,455	201,455
Technical Assistance and Training Initiative	16.526	-	1,137,700	1,137,700
Undi CFDA-Department of Justice, subcontracts	16.UXX	126,667	-	126,667

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	CFDA#	Pass-through Expenditures	Direct Expenditures	Total Expenditures
Department of Labor:				
Employment Programs for People with Disabilities, subcontracts	17.720	\$ 5,435	\$ -	5,435
Undi CFDA-Department of Labor, subcontracts	17.UXX	22,144	-	22,144
Department of State:				
College and University Partnerships Program	19.405-DNU	-	(7,261)	(7,261)
Contract-Department of State, subcontracts	19.CXX	109,491	-	109,491
Educational Partnerships Program	19.424-DNU	-	8,672	8,672
Department of the Interior:				
Contract-Department of the Interior	15.CXX	-	81,500	81,500
Geological Survey--Research and Data Acquisition	15.808	-	11,336	11,336
Landowner Incentive	15.633	-	41,342	41,342
Migratory Bird Joint Ventures	15.637	21,838	6,161	27,999
Rhinoceros and Tiger Conservation	15.619	-	32,373	32,373
Save America's Treasures	15.929	-	(27)	(27)
Unid CFDA-Department of the Interior, subcontracts	15.UXX	41,562	-	41,562
Department of the Treasury:				
Contract-Department of the Treasury	21.CXX	-	15,143	15,143
Low-Income Taxpayer Clinics	21.008	-	78,509	78,509
Department of Transportation:				
Contract-Department of Transportation	20.CXX	405,696	166,500	572,196
Highway Research and Development Program	20.200	-	102,322	102,322
Undi CFDA-Department of Transportation	20.UXX	44,547	6,928	51,475
Department of Veterans Affairs:				
Contract-Department of Veterans Affairs	64.CXX	-	237,183	237,183
Unid CFDA-Department of Veterans Affairs	64.UXX	-	55,371	55,371
Environmental Protection Agency:				
Consolidated Pesticide Enforcement Cooperative Agreements, subcontracts	66.700	20,436	-	20,436
Contract-Environmental Protection Agency	66.CXX	-	7,260	7,260
Great Lakes Program, subcontracts	66.469	33,412	-	33,412
Nonpoint Source Implementaion, subcontracts	66.460	229,035	-	229,035
State Indoor Radon Grants, subcontracts	66.032	8,846	-	8,846
Surveys, Studies Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	-	29,517	29,517
Institute of Museum and Library Services:				
Institute of Museum and Library Services	45.301	-	37,613	37,613
Institute of Museum and Library Services--National Leadership Grants	45.312	-	29,355	29,355
State Library Program, subcontracts	45.310	1,290,626	-	1,290,626

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	CFDA#	Pass-through Expenditures	Direct Expenditures	Total Expenditures
National Aeronautics and Space Administration:				
Aerospace Education Services Program	43.001	\$ -	\$ 407,181	\$ 407,181
Contract-National Aeronautics and Space Administration	43.CXX	-	49	49
Unid CFDA-National Aeronautics and Space Administration, subcontracts	43.UXX	19,192	-	19,192
Unid CFDA-National Aeronautics and Space Administration-Space Telescope Science Institute, subcontracts	43.U01	9,549	-	9,549
National Foundation for the Arts:				
Promotion of the Arts-Grants to Organizations and Individuals, subcontracts	45.024	6,000	-	6,000
Promotion of the Arts--Partnership Agreements, subcontracts	45.025	5,590	-	5,590
National Foundation for the Humanities:				
Promotion of the Humanities-Federal/State Partnership, subcontracts	45.129	400	-	400
Unid CFDA-National Foundation for the Humanities, subcontracts	45.U03	2,047	-	2,047
National Science Foundation:				
Biological Sciences	47.074	-	411,330	411,330
Computer and Information Science and Engineering	47.070	-	13,407	13,407
Contract-National Science Foundation	47.CXX	-	203,219	203,219
Education and Human Resources	47.076	130,453	1,293,622	1,424,075
Engineering Grants	47.041	961,303	197,375	1,158,678
Geosciences	47.050	47,139	281,122	328,261
International Science and Engineering (OISE)	47.079	-	2,881	2,881
Mathematical and Physical Sciences	47.049	15,282	338,939	354,221
Unid CFDA-National Science Foundation	47.UXX	223,969	267,961	491,930
Small Business Administration:				
Business Development Assistance to Small Business, subcontracts	59.005	231,787	-	231,787
Social Security Administration:				
Unid CFDA-Social Security Administration, subcontracts	96.UXX	97,887	-	97,887
United States Agency for International Development:				
Contract-United States Agency for International Development	98.CXX	-	100,796	100,796
Unid CFDA-United States Agency for International Development, subcontracts	98.UXX	150,312	-	150,312
Vietnam Education Foundation:				
Unid CFDA-Vietnam Education Foundation	09.UXX	-	77,331	77,331
Total Public Service		\$ 10,969,130	\$ 38,545,721	\$ 49,514,851

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	CFDA#	Pass-through Expenditures	Direct Expenditures	Total Expenditures
Operations & Maintenance				
Department of Justice:				
Undi CFDA-Department of Justice	16.UXX	\$ -	\$ 37,152	\$ 37,152
National Science Foundation:				
Unid CFDA-National Science Foundation	47.UXX	-	(77,375)	(77,375)
Total Operations & Maintenance		-	(40,223)	(40,223)
Instruction				
Department of Agriculture:				
Animal Health and Disease Research	10.207	-	25,693	25,693
Commodity Partnerships for Small Agricultural Risk Management Education Sessions	10.459	-	9,941	9,941
Contract-Department of Agriculture	10.CXX	-	20,802	20,802
Cooperative Extension Service, subcontracts	10.500	24,996	-	24,996
Cooperative Forestry Research	10.202	-	365,378	365,378
Food and Agricultural Sciences National Needs Graduate Fellowship Grants	10.210	-	40,055	40,055
Grants for Agricultural Research, Special Research Grants, subcontracts	10.200	20,100	-	20,100
Grants for Agricultural Research--Competitive Research Grants	10.206	-	136,725	136,725
Higher Education Challenge Grants	10.217	-	84,097	84,097
Initiative for Future Agriculture and Food Systems, subcontracts	10.302-DNU	592	-	592
Integrated Programs	10.303	-	5,385	5,385
International Training--Foreign Participant, subcontracts	10.962	1,693	-	1,693
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	-	2,721,202	2,721,202
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	-	7,468	7,468
Department of Commerce:				
Measurement and Engineering Research and Standards	11.609	-	8,000	8,000
Sea Grant Support	11.417	-	44,375	44,375
Department of Defense:				
Military Medical Research and Development	12.420	-	121,493	121,493
Undi CFDA-Department of Defense	12.UXX	-	26,052	26,052

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	CFDA#	Pass-through Expenditures	Direct Expenditures	Total Expenditures
Department of Education:				
Bilingual Education--Professional Development	84.195-DNU	\$ -	\$ 271,812	\$ 271,812
Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	84.333	-	225,205	225,205
Fulbright-Hays Training Grants--Doctoral Dissertation Research Abroad (B)	84.022	-	100	100
Fund for the Improvement of Postsecondary Education	84.116	-	161,257	161,257
Graduate Assistance in Areas of National Need	84.200	-	106,906	106,906
International Research and Studies	84.017	-	60,879	60,879
Language Resource Centers	84.229	-	314,701	314,701
National Institute on Student Achievement, Curriculum, and Assessment	84.305	-	225,038	225,038
National Resource Centers and Fellowships Program for Language and Area or Languages and International Studies	84.015	-	736,444	736,444
National Writing Project, subcontracts	84.928	51,987	-	51,987
Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	-	294,420	294,420
Vocational Education--Basic Grants to States, subcontracts	84.048	50,000	-	50,000
Department of Health and Human Services:				
Advanced Education Nursing Grant Program	93.247	-	294,367	294,367
Alcohol Research Career Development Awards for Scientists and Clinicians	93.271	-	49,712	49,712
Allergy, Immunology and Transplantation Research	93.855	-	494,531	494,531
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	-	215,494	215,494
Biological Response to Environmental Health Hazards	93.113	203,256	22,544	225,800
Biomedical Imaging Research	93.286	-	23,921	23,921
Bioterrorism Training and Curriculum Development Program	93.996	-	933,734	933,734
Blood Diseases and Resources Research	93.839	-	462,383	462,383
Cancer Research Manpower	93.398	-	362,066	362,066
Centers for Disease Control--Investigations and Technical Assistance	93.283	-	1,150,939	1,150,939
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135	-	892,127	892,127
Centers of Excellence	93.157	-	344,932	344,932
Child Welfare Services Training Grants	93.648	-	91,788	91,788
Clinical Research Related to Neurological Disorders	93.853	-	95,767	95,767
Comparative Medicine	93.306-DNU	-	192,733	192,733
Diabetes, Endocrinology and Metabolism Research	93.847	-	755,515	755,515
Digestive Diseases and Nutrition Research	93.848	-	54,880	54,880
Drug Abuse National Research Service Awards for Research Training	93.278-DNU	-	592,031	592,031
Drug Abuse Research Programs	93.279	-	602,303	602,303
Foster Care--Title IV-E, subcontracts	93.658	1,867,663	-	1,867,663
Geriatric Education Centers	93.969	-	191,576	191,576
Grants for Residency Training in General Internal Medicine and/or General Pediatrics	93.884	-	636,442	636,442
Health Careers Opportunity Program	93.822	-	201,500	201,500
Health Professions Recruitment Program for Indians	93.970	-	233,249	233,249

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	CFDA#	Pass-through Expenditures	Direct Expenditures	Total Expenditures
Heart and Vascular Diseases Research	93.837	\$ -	\$ 798,331	\$ 798,331
Innovations in Applied Public Health Research	93.061	-	835,644	835,644
Kidney Diseases, Urology and Hematology Research	93.849	-	201,929	201,929
Lung Diseases Research	93.838	-	446,249	446,249
Maternal and Child Health Federal Consolidated Programs	93.110	-	1,379,153	1,379,153
Medical Library Assistance	93.879	-	666,908	666,908
Mental Health Research Grants	93.242	-	28,145	28,145
Mental Health National Research Service Awards for Research Training	93.282	-	757,749	757,749
Microbiology and Infectious Diseases Research	93.856	-	462,096	462,096
National Research Service Awards--Health Services Research Training	93.225	-	283,096	283,096
Nurse Anesthetist Traineeships	93.124	-	11,636	11,636
Nursing Research	93.361	-	18,224	18,224
Nursing--Special Projects	93.359	-	52,056	52,056
Occupational Safety and Health Research Grants	93.262	-	203,342	203,342
Occupational Safety and Health--Training Grants	93.263-DNU	-	1,247,686	1,247,686
Oral Diseases and Disorders Research	93.121	-	884,039	884,039
Pharmacological, Physiology, and Biological Chemistry Research	93.859	-	1,737,343	1,737,343
Professional Nurse Traineeships	93.358	-	103,614	103,614
Public Health Traineeships	93.964	-	56,780	56,780
Public Health Training Centers Grant Program	93.249	-	333,736	333,736
Quentin N. Burdick Programs for Rural Interdisciplinary Training	93.192	-	86	86
Research and Training in Complementary and Alternative Medicine, subcontracts	93.213	10,775	-	10,775
Research Centers in Minority Institutions	93.389	-	22,164	22,164
Research for Mothers and Children	93.865	-	501,530	501,530
Unid CFDA-Department of Health and Human Services-NIH, subcontracts	93.U01	14,261	-	14,261
Unid CFDA-Department of Health and Human Services-Other PHS, subcontracts	93.U02	(1,055)	-	(1,055)
Vision Research	93.867	-	296,091	296,091
Department of Justice:				
Criminal Justice Research and Development-Graduate Research	16.562	-	781	781

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

<u>Federal Agency</u>	<u>CFDA#</u>	<u>Pass-through Expenditures</u>	<u>Direct Expenditures</u>	<u>Total Expenditures</u>
Department of State:				
Contract-Department of State, subcontracts	19.CXX	\$ 221,545	\$ -	\$ 221,545
Undi CFDA-Department of State	19.UXX	12,604	-	12,604
Department of the Interior:				
Assistance to State Water Resources Research Institutes	15.805	-	21,221	21,221
Department of Veterans Affairs:				
Contract-Department of Veterans Affairs	64.CXX	-	21,078	21,078
Environmental Protection Agency:				
Science To Achieve Results (STAR) Fellowship Program	66.514	-	105,695	105,695
Training and Fellowships for the Environmental Protection Agency	66.607-DNU	-	60	60
National Aeronautics and Space Administration:				
Aerospace Education Services Program	43.001	-	143,536	143,536
Unid CFDA-National Aeronautics and Space Administration	43.UXX	-	56,206	56,206
National Science Foundation:				
Education and Human Resources	47.076	-	1,573,266	1,573,266
Engineering Grants	47.041	-	374,243	374,243
Geosciences	47.050	-	138,984	138,984
Mathematical and Physical Sciences	47.049	-	68,900	68,900
Unid CFDA-National Science Foundation	47.UXX	2,947	372,837	375,784
United States Agency for International Development:				
Undi CFDA-United States Agency for International Development, subcontracts	98.UXX	19,250	-	19,250
Total Instructional		\$ 2,500,614	\$ 29,112,396	\$ 31,613,010
Total Non-Clustered		\$ 13,469,744	\$ 67,617,894	\$ 81,087,638
Total Expenditures		\$ 63,962,781	\$ 720,088,334	\$ 784,051,115

UNIVERSITY OF MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007

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 consolidated 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 of federal awards.

NOTE B INDIRECT COST RATES

The University utilized indirect cost rates 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. New rates were established for the period of July 1, 2007 through June 30, 2011.

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
JUNE 30, 2007**

NOTE D RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE UNIVERSITY'S CONSOLIDATED 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, 2007, which is included as part of the University's consolidated financial statements:

Expenditures per A-133	\$ 784,051,115
Less federal pass-through of Federal Direct Loan Program (CFDA #84.268) and Health Professions Student Loan Program (CFDA #93.342) not included on the consolidated financial statements	\$ (285,057,717)
Less expenditures not included on the consolidated statement of revenues, expenses, and changes in net assets (equipment, buildings, and structures)	(92,689,722)
Less matching grant and contract transfers on the consolidated statement of revenues, expenses and changes in net assets	(820,418)
Less difference of prior-year overdrafts added back and current-year overdrafts subtracted out	(555,735)
Less federal pass-through grants not on the consolidated statement of revenues, expenses, and changes in net assets	<u>(61,267,690)</u>
Subtotal A-133 expenses in federal fund class	(440,391,282)
Plus cash to accrual basis adjusting journal entries (year-end close)	<u>34,953</u>
Expenditures of federal program dollars included in consolidated operating expenses	343,694,786
Expenditures of non-federal dollars included in consolidated operating expenses	<u>2,212,972,214</u>
Total operating expenses as shown on the consolidated statement of revenues, expenses, and changes in net assets for the year ended June 30, 2007	<u>\$ 2,556,667,000</u>
Total operating expenses	\$ 2,525,353,000
Interest on capital asset-related debt	29,960,000
Other nonoperating revenues (expenses), net	<u>1,354,000</u>
Total operating expenses as shown on the consolidated statement of revenues, expenses, and changes in net assets for the year ended June 30, 2007	<u>\$ 2,556,667,000</u>

**UNIVERSITY OF MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of the University of Minnesota.
2. Two significant deficiencies were identified, and neither of the two significant deficiencies were considered material weaknesses. These were disclosed 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 significant deficiencies or 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. No audit findings relative to the major federal award programs for the University of Minnesota were disclosed during the audit.
7. The programs tested as major programs include:

<u>Program</u>	<u>CFDA #</u>
Research and Development Cluster *	Various
Student Financial Aid Cluster	Various
Foster Care--Title IV-E, subcontracts	93.658
State Administrative Matching Grants for Food Stamp Program, subcontracts	10.561
Cooperative Extension Service	10.500

* This program has various and unidentified CFDA numbers.

8. The threshold for distinguishing type A programs was \$3,000,000, and the threshold for distinguishing type B programs was \$300,000.
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, 2007**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

07-1

Condition:

The University has several construction projects in progress as of June 30, 2007, and University management have been aware of the untimely submission of contractors invoices to the University for payment. During our audit, we noted that the University received billings totaling approximately \$6.7 million from construction contractors well after June 30, 2007, that related to construction services performed during the year ended June 30, 2007. The costs were not recorded as property and equipment nor contracts liabilities as of June 30, 2007. After the discovery during the audit, the University recorded an adjustment to increase construction-in-progress assets and contract liabilities by \$6.7 million – change in net assets was not affected by this adjustment.

Criteria:

Any expenses incurred during the year-end regardless of timing of payment are to be recorded in the year incurred. Also, if the expenses are related to property and equipment, the recognition of the expense is to be included in assets as well as liabilities.

Effect:

Untimely billings from contractors, and the improper recognition of the invoices in the incorrect year puts the University at risk of misstating the financial statements.

Recommendation:

We recommend the University re-evaluate its contracts payable process in assuring proper recognition of both property and equipment and related liabilities. Also, we recommend management work closely with the construction contractors to ensure that the University is receiving all invoices in a timely fashion.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2007**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

07-2

Condition:

During our audit, we noted numerous large unresolved reconciling items within the operating bank account reconciliation. The most significant reconciling item totaled \$3,600,000, and University management recorded an entry to reduce cash and tuition revenue by this amount.

Criteria:

Generally accepted accounting principles require cash to be properly recorded.

Effect:

The University's reported amounts for cash and cash equivalents was not recorded at the proper amount due to unresolved items in the bank reconciliations.

Recommendation:

We recommend that the University review and strengthen its procedures for completing and reviewing bank reconciliations to ensure that all reconciling items are valid.

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

CURRENT YEAR

None.

PRIOR YEAR

None.