

**ATTACHMENT 1
PROGRAM INTEGRITY ASSESSMENT SUPPLEMENT
Low Income Home Energy Assistance Program (LIHEAP)**

ABSTRACT:

HHS is requiring further detail from States on their FY2011 plans for preventing and detecting fraud, abuse, and improper payments. HHS is also requiring that States highlight and describe all elements of this FY2011 plan which represent improvements or changes to the State's FY2010 plan for preventing and detecting fraud, abuse and improper payment prevention.

State of Minnesota	FFY2011
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RECENT AUDIT FINDINGS

Describe any audit findings of material weaknesses and reportable conditions, questioned costs and other findings cited in FY2010 or the prior three years, in annual audits, State monitoring assessments, Inspector General reviews, or other Government Agency reviews of LIHEAP agency finances.	Please describe whether the cited audit findings or relevant operations have been resolved or corrected. If not, please describe the plan and timeline for doing so in FY2011.	If there is no plan in place, please explain why not.	Necessary outcomes from these systems and strategies
The State of Minnesota, Office of the Legislative Auditor conducts and annual audit of the LIHEAP, CFDA 93.568. There are no written findings as a result of their federal compliance audit work during the prior three years.	There were no written audit findings	The Minnesota Department of Commerce continually endeavors to improve LIHEAP by preventing weaknesses, questioned costs or reportable conditions. Minnesota implements policy and operational procedures based on oral and written recommendations from the Office of the Legislative Auditor.	<i>The timely and thorough resolution of weaknesses or reportable conditions as revealed by the audit.</i>

FFY2009 is the last full program year audited. The following is the letter from the OFFICE OF THE LEGISLATIVE AUDITOR STATE OF MINNESOTA • James Nobles, Legislative Auditor at the conclusion of the EAP audit.
February 17, 2010
Mr. Glenn Wilson, Commissioner Department of Commerce 85 7th Place East, Suite 500 Saint Paul, MN 55101
Dear Commissioner Wilson:
We are pleased to inform you that we did not identify any written findings or recommendations as a result of our federal compliance audit work at the Department of Commerce for fiscal year 2009.
We conducted this work in your department as part of our annual audit of the state's compliance with federal program requirements. Our work was limited to the Low-Income Home Energy Assistance Program, CFDA 93.568, which had expenditures of \$137,119,360 for fiscal year 2009. Our work was not a comprehensive audit of the Department of Commerce.

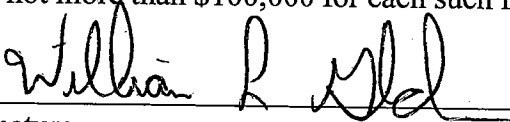
officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions. Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.



Signature
Deputy Commissioner

Title
Minnesota Department of Commerce

Organization

If you have any questions about our audit work, please call me at (651) 296-1444. Thank you for the cooperation extended to our staff during the audit.

Sincerely,
Brad White, CPA, CISA, CFE Audit Manager

Minnesota was provided with six oral recommendations for EAP Program Improvement. The following are the recommendations and actions taken.



Improvement Considerations to OLA Informal Exit Interview Comments

January 27, 2010

This outlines an approach to addressing issues the OLA provided in an informal exit interview in January 2010.

OLA Name	Action Steps
LIHEAP- Incomplete/Missing Eligibility Testing evidence	Improve monitoring process controls regarding testing by: <ol style="list-style-type: none"> 1. Developing documentation and retention process 2. Instituting cross check on visit documentation <ul style="list-style-type: none"> ▪ Peer and non-monitoring staff review ▪ Supervisor review 3. Standardizing information transfer and backup to central files 4. Analyzing for additional monitoring process improvements
LIHEAP/eHEAT Security Access (Agency)	Improve LIHEAP/eHEAT security access by: <ol style="list-style-type: none"> 1. Assessing current eHEAT role assignments 2. Instituting process for future assignment of eHEAT roles by supervisor 3. Institute regular review of eHEAT roles and update as needed 4. Update current security agreements and institute regular review process
eHEAT Reconciliation issues	Improve eHEAT/MAPS reconciliation process by: <ol style="list-style-type: none"> 1. Assigning more time to the reconciliation process each month 2. Correcting spreadsheet formula 3. Ensuring spreadsheet formula accuracy as part of the monthly reconciliation process
LIHEAP Expenditure Issues	Address LIHEAP expenditure issues by: Adhere to DOC prompt payment requirements, continuing DOC 99.01% response rate, which exceeds the 98% State standard.
Employee Apps	Improvement of local Service Provider employee application controls by: Assigning new segregation of duty in the control of employee applications. The process ensures Field Representatives do not approve employee applications from Service Providers they monitor.
Add Award Identification to the contracts and the NFA	Improve contract and NFA detail data on source documents by: Adding language to contract and NFA using OMB A-133 3-M-1 (Compliance Requirements : A pass-through entity is responsible for: - Award Identification – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.)

This letter was sent to the Office of Legislative Auditor after their informal exit interview with DOC staff.
Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-3165
www.commerce.state.mn.us 651.296.4026 FAX 651.297.1959 An equal opportunity employer

January 27, 2010

Brad White, Audit Manager
Office of the Legislative Auditor
Room 140, Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Mr. White:

We are providing this letter in connection with your audit of our major federal programs as presented in the State of Minnesota's Financial and Compliance Report on Federally Assisted Programs for the period from July 1, 2008, through June 30, 2009. We understand that certain activities and programs within our department represent major programs or material components of the state's financial operations and have been audited under the Federal Single Audit Act of 1996, and may also include programs authorized under the American Recovery and Reinvestment Act of 2009 (ARRA). You have inquired whether we have knowledge of any significant facts not made known to you concerning our major federal programs.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of January 27, 2010, the following representations were made to you during your audit.

1. We are responsible for establishing and maintaining effective internal control over financial reporting and compliance for our federal programs, including any new or expanded federal programs authorized under the American Recovery and Reinvestment Act of 2009. We have established and maintained internal control that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs. Also, we have disclosed to you whether any changes in internal controls, other significant factors, or any corrective action taken by management with regard to reportable conditions (including material weaknesses), have occurred subsequent to June 30, 2009, and through January 27, 2010.
2. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each of our federal programs, including any new or expanded programs authorized under the American Recovery and Reinvestment Act of 2009. Our responsibility includes compliance with the requirements of OMB Circular A133, "Audits of States, Local Governments, and Non-Profit Organizations," including, when applicable, those compliance requirements set forth in the OMB Circular A-133 *Compliance Supplement*. We have complied with these requirements, or we have disclosed to you any known noncompliance occurring subsequent to June 30, 2009, through January 27, 2010.
3. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on our federal programs, including any ARRA programs.

4. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
5. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133. We have specifically identified and separately reported federal expenditures related to the American Recovery and Reinvestment Act of 2009. We have included expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, commodities such as food and immunizations, direct appropriations, and other assistance.
6. We have properly recorded all material transactions of our federal programs in the accounting records underlying the schedule of expenditures of federal awards.
7. We have charged costs to federal awards in accordance with applicable cost principles.
8. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the schedule of expenditures of federal awards.
9. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable, including any specific ARRA Section 1512 reporting requirements.
10. We have made available to you all financial records and related data of the department, including all contracts, grant agreements, and amendments, if any, and any other correspondence that has taken place with federal agencies or pass-through entities related to our federal programs.
11. We have also made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
12. We have identified and disclosed to you all instances of fraud, suspected fraud, amounts questioned, and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
13. We have taken timely and appropriate steps to remedy reported cases of fraud, illegal acts, abuse, and violations of contracts or grant agreements that were reported to us.
14. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133, *"Audits of States, Local Governments, and Non-Profit Organizations."*
15. We have issued management decisions on a timely basis after receipt of subrecipient's audit reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
16. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
17. We have identified for you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken. We have identified for you the corrective actions taken to address significant findings and recommendations.
18. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required by OMB Circular A-133.

19. We have a process to track the status of audit findings and recommendations and have provided management's responses and planned corrective actions on these findings, conclusions, and recommendations.

20. We have given you all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

William Glahn, Deputy Commissioner

FFY2008

Establishment of the EAP Internal Control Framework (ICF) document. The Office of the Legislative Auditor requested the ICF "COSO" document for the program. At that time Minnesota's EAP program did not have the various business practices, principles, policies and related documents incorporated into a single ICF document. In a short time EAP staff compiled the documents into an ICF document following the COSO structure.

OFFICE OF THE LEGISLATIVE AUDITOR, STATE OF MINNESOTA • James Nobles, Legislative Auditor

March 17, 2009

Mr. Glenn Wilson, Commissioner, Department of Commerce, 85 7th Place East, Suite 500, Saint Paul, MN 55101

Dear Commissioner Wilson:

We are pleased to inform you that we did not identify any written findings or recommendations as a result of our federal compliance audit work at the Department of Commerce for fiscal year 2008.

We conducted this work in your department as part of our annual audit of the state's compliance with federal program requirements. Our work was limited to the Low-Income Home Energy Assistance Program, CFDA 93.568, which had expenditures of \$102,120,376 for fiscal year 2008. Our work was not a comprehensive audit of the Department of Commerce.

If you have any questions about our audit work, please call me at (651) 296-1444. Thank you for the cooperation extended to our staff during the audit.

Sincerely,

Brad White, CPA, CISA, CFE, Audit Manager

FFY2007

OFFICE OF THE LEGISLATIVE AUDITOR STATE OF MINNESOTA • James Nobles, Legislative Auditor

February 18, 2008

Mr. Glenn Wilson, Commissioner, Department of Commerce, 85 7th Place East, Suite 500, Saint Paul, MN 55101

Dear Commissioner Wilson:

We are pleased to inform you that we did not identify any written findings or recommendations as a result of our federal compliance audit work at the Department of Commerce for fiscal year 2007.

We conducted this work in your department as part of our annual audit of the state's compliance with federal program requirements. Our work was limited to the Low-Income Home Energy Assistance Program, CFDA 93.568, which had expenditures of \$109,978,385 for fiscal year 2007. Our work was not a comprehensive audit of the Department of Commerce.

If you have any questions about our audit work, please call me at (651) 296-1444. Thank you for the cooperation extended to our staff during the audit.

Sincerely,

Brad White, CPA, CISA, CFE Audit Manager

COMPLIANCE MONITORING

Describe the State's FY2010 strategies that will continue in FY2011 for monitoring compliance with State and Federal LIHEAP policies and procedures by the State and local administering agencies.

Please highlight any strategies for compliance monitoring from your plan which will be newly implemented as of FY2011.

If you don't have a firm compliance monitoring system in place for FY11, please describe how the State is verifying that LIHEAP policy and procedures are being followed.

Necessary outcomes from these systems and strategies

The state will continue to be monitored annually by the Office of the Legislative Auditor

- Local agencies are monitored onsite twice a year
- Local program activity is monitored continually
- Application data is entered into a central database

Minnesota continues to refining its:

- EAP Policy Manual
- Monitoring tools to extract better information from Service Providers
- EAP Local Plan
 - Service Provider local workplan to assure how policies and procedures are followed and addresses program compliance and delivery.

A sound methodology, with a schedule for regular monitoring and a more effective monitoring tool to gather information.

Full Monitoring Visits

Full monitoring is a review of how the SP has performed. Performance is verified by an onsite visit, reviewing of various reports and a file review.

Before Full monitoring FRs go through and review following:

- Previous years reports including findings, etc.
- Local plan,
- Initial monitoring tool
- File download from EAP eHEAT online computer software
- Additional information from eHEAT
- ERR and crisis reports
- Weekly Application Count Targets
- Average number of days for incomplete applications
- Average number of days to terminal state of application
- Full Monitoring Tool
- Staff input
- Fiscal Audit

While at the visit FR's review the following:

- Performance Indicator Report from eHEAT

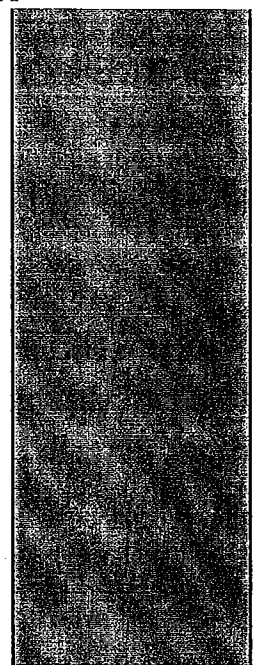
State of Minnesota

FFY2011

- EAP files – including crisis and ERR records
- Payroll Records
- Assurance 16 records of activity recorded in eHEAT

For the past seven years Minnesota has written and implemented a business approach, program models and effort definitions to require and promote sound program and fiscal controls.

During FFY2009 Minnesota combined these business models, philosophies, efforts, manuals, policies, policies and monitoring tools into an Internal Control Framework (ICF).



MINNESOTA COMMERCE **Energy Assistance Program**
Minnesota EAP

EAP Internal Control – Integrated Framework Updated

2-25-2009

Item #	Actions to be Performed	Responsible	Documents & Description/Comments
Control Environment			
1.	Set a positive tone at the top that instills integrity, builds control consciousness among employees, and fosters shared ethical values and teamwork in pursuit of agency objectives.	Agency Head	<p>COSO Cube 2004 Ongoing COSO Effort MDOC Our mission is to ensure equitable commercial and financial transactions and reliable utility services by: regulating and licensing business activity in more than 20 industries; investigating and resolving consumer complaints; advocating the public's interest before the Public Utilities Commission; and, administering various state programs</p> <p>Office of Energy Security, Minnesota Department of Commerce ...Working to move Minnesota toward a sustainable energy future, managing energy assistance funds, advocating in the public interest on energy utility rates and facility siting. We provide information and assistance to residents, builders, utilities, non-profits and policy-makers on home improvements, financial assistance, renewable technologies, policy initiatives, and utility regulations.</p>

<p>EAP Business Strategy Model (BSM) Maintain and promote Business visions.</p> <p>Promote Vision to Delivery System & Partners</p>	<p>EAP Director</p>	<p>The Business Strategy Model (BSM) provides a shared vision. The shared vision ensures we are serving the same goals and are all working together. The BSM helps build a high-performing team, helps provide consistent messages to key stakeholders and guide day-to-day decisions and actions. The PAC and EAP staff's each have a BSM. They share intentions, values and markets and differ in the offerings</p> <ul style="list-style-type: none"> • State Energy Assistance Program: <u>EAP BSM</u> (Org. 2008) • Policy Advisory Committee: <u>PAC BSM</u> (Org. 2008) • EAP Mission and Values Repeated in EAP Policy Manuals (Org. 2002)
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Item #	Actions to be Performed	Responsible	Documents & Description/Comments
2.	Maintain a positive control environment that meets the following criteria:	DOC Head & Director	
	<ul style="list-style-type: none"> • Shared ethical values, including integrity, are established, communicated, and practiced throughout the Unit. 	Director	<ul style="list-style-type: none"> • Code of ethics for employees in the Executive Branch <u>Go to web page.</u> • Code of ethics -- Acceptance of special discounts <u>Go to web page.</u> • Gift Policy <u>Open Word.doc</u> • Deductions from pay for Disciplinary Suspensions for Exempt Employees <u>View .PDF file</u> • Federal Labor Standards Act Update <u>Acrobat.pdf file</u> or <u>Word.doc</u> • Harassment <ul style="list-style-type: none"> • <u>Policy Outline</u> • <u>Grievance Procedure</u> • <u>Grievance Filing Form</u> • Zero Tolerance for Sexual Harassment Policy DOC Intranet web page. • Zero tolerance for workplace violence <u>web page.</u>

<ul style="list-style-type: none"> • People have the necessary knowledge, skills, and tools to support achieving the organization's objectives. Management must demonstrate a commitment to competence by specifying the knowledge and skills required for a job, keeping position descriptions current, hiring qualified individuals for positions, providing employees with the training and tools necessary to accomplish their assigned job duties, and periodically evaluating each employee's performance. 	<p>Director</p>	<p><u>State Plan</u> <u>EAP Mission and Values</u></p> <ul style="list-style-type: none"> • Repeated in EAP Policy Manuals • BSM Values Section • Values are identified in each effort <p><u>Position Descriptions</u> - (see sample)</p>
<ul style="list-style-type: none"> • Management's philosophy and operating style is consistent with agency beliefs and values. 		<p>Office Procedure:</p> <ul style="list-style-type: none"> • Human Resources <u>Org Charts</u> • Telecommuting These are all Word docs. <ul style="list-style-type: none"> ○ <u>Telecommuting Policy</u> ○ <u>Q & A for Employees</u> ○ <u>Guidelines for Supervisors</u> ○ <u>Telecommuting Safety Checklist</u> • Travel Policy <u>Open Word.doc</u> • Electronic Mail Policy and Procedures <u>Open EmailPolicy.doc</u> • Electronic Document and E-Mail Retention <u>Open EDocRetention.Doc</u> • Acceptable Internet Use <u>Open Word.doc</u> • Political Activities of Employees <u>View .PDF file</u> • Statewide Policy on Use of Electronic Communication and Technology <u>View .PDF file</u> • Solicitation Policy Vendors should not be permitted to conduct individual solicitations of employees while they are at work <u>View .PDF file</u> • Policy on Sick Leave Go to web page. • Alcohol and drug use by state employees DOC Intranet web page.

<ul style="list-style-type: none"> Organization structure within each unit provides an appropriate framework within which activities for achieving unit and agency objectives are planned, executed, controlled, and monitored. 	<p>EAP Director</p>	<p><u>EAP Management Methodology</u> (Org. 2003) <u>Master Plan</u> (Org. 2004) <u>EAP Policy Manual</u> (Internet Link)</p> <ul style="list-style-type: none"> The EAP Policy Manual contains 26 Chapters, which provides values, authority, policy and procedures, reporting, errors and fraud and other objectives and activities to administer the program, contains copies of: LIHEAP Grant Contract Approved Local Plan Tennessee Warning – with application Yearly Formal Training Field Monitoring Effort Definition, Tools and reports Quality and performance control oversight (Weekly Staff Meeting review)
<ul style="list-style-type: none"> An atmosphere of mutual trust is fostered to support the flow of information between individuals and their effective performance toward achieving objectives. 	<p>DOC Head EAP Director</p>	<p>EAP Management approach places the business team, including stakeholders, in the center of all efforts in terms of contributing expertise, Making policy, priority, and economic decisions, determining the ongoing and final success of the effort, assuring the business needs for serving to the program participants are the ones being served.</p> <p>The approach requires consensus among a variety of participants representing multiple, potentially conflicting, perspectives and needs. By allowing the business experts to openly communicate (including agreement and disagreement), reveals key underlying business issues and beliefs.</p> <p>Tools include:</p> <ul style="list-style-type: none"> Issues management using issues log and reviewing and discussing at staff meeting Effort Definitions, Plans and mini plans jointly developed and agreed upon

	<ul style="list-style-type: none"> Authority, responsibility, and accountability are clearly defined and consistent with the agency's objectives so that appropriate personnel make decisions and take necessary actions. Within the agency, authority and access to resources (e.g., clearance to information systems) are restricted to only those individuals who need it to perform their assigned duties. 	EAP Director	<p>eHEAT Administration is assigned through the Ssystem administrator. The Monitor review agreement and user status a local levels for compliance.</p> <p><u>Data Practices</u> <u>Data Practices Chapter 19, Page 123 in EAP Policy Manual</u></p>
3.	<p>Obtain information and training about the COSO internal control framework, as it pertains to one's position, role, and responsibilities that enables each employee to contribute effectively to maintaining an effective internal control system.</p>	EAP Director	

Item #	Actions to be Performed	Responsible	Documents & Description/Comments
Risk Assessment			
4.	<p>Identifies priority activities within the organization for risk assessment. EAP considered area that materially impact the state's financial position and results of operations (e.g., assets, liabilities, revenues, expenses or expenditures account balances that are material in dollar amount)</p>	Fiscal Director & EAP Director	<p>DOC has a fiscal department with procedure and delineated assignments with separation of duty and oversight.</p> <p>EAP considered these areas for Risk Analysis:</p> <ul style="list-style-type: none"> The agency's responsibility for preparing fund-level financial statements for inclusion in the state's Comprehensive Annual Financial Report. Significant programs, functions, statewide systems, and subsystems. Significant business processes. Examples include the payroll process, the process for reporting federal grant receipts and expenditures, and the process for managing capital assets. EAP Uncertainty Analysis <u>Risk Assessment</u> <p>The <i>EAP Risk Assessment Effort Definition</i> Defines the intentions, scope, values and context of the EAP risk analysis.</p>

5.	Identify, analyze, and manage business risks impacting EAP's ability to maintain financial strength, a positive public image, and the overall quality of its products and government services.	Management	<p>EAP Uncertainty Analysis (<u>Risk Analysis</u>) is used to conduct risk mitigation. EAP method & tools include processes designed to reduce risk, planning, agreements, routine monitoring visits to SP and vendor and oversight studies reviewed weekly and investigated. Weekly staff meetings are geared towards reviewing indicators, analysis and actions assigned.</p> <p>Risks arise from internal factors or external factors. The analysis estimates the significance of the risks, assesses possible impact and likelihood (or frequency) of the risks occurring, identifies indicators and determines needed actions to manage the risks at an acceptable, cost-effective level.</p>
6.	Develop a plan for establishing an internal control system. This plan, at a minimum, should require documentation of control policies and procedures designed to support the achievement of an agency's objectives, including financial management, analysis of relevant risks, and periodic evaluations of the effectiveness of the internal control system.	Agency Head	<ul style="list-style-type: none"> • Budget Allocation Effort Definition and Plan • EAP Issues Log • Monthly Financial Status Reports <ul style="list-style-type: none"> • (Chapter 18 – EAP Policy Manual) • <u>Assessing Risks and Internal Controls</u> • Monitoring visits, report findings recommendation and technical assistance

Item #	Actions to be Performed	Responsible	Documents & Description/Comments
Control Activities			
7.	Design and implement the internal control policies and other control activities as appropriate. These control activities include:		

<ul style="list-style-type: none"> • Proper approvals by persons acting within their scope of authority (delegation of authority, system security clearance). 			<ul style="list-style-type: none"> • Weekly Budget & Allocation Controls Process • Weekly Controls Review and follow up • DOC vendor Management Procedures • State Plan, Contracts, Local Plans -Copies in <u>EAP Policy Manual</u>
<ul style="list-style-type: none"> • Adequate retention of source documents (receipts, invoices) to evidence the nature, amount, and terms of a transaction. 			<ul style="list-style-type: none"> • EAP File Structure • EAP Paper files • EAP home database • eHEAT System • MAPS System
<ul style="list-style-type: none"> • Verifications or independent checks to ensure the existence of assets (petty cash counts, physical counts of consumable inventories or capital assets) by someone other than the person maintaining the asset records. 			<ul style="list-style-type: none"> • SP required to have annual audit • DOC is audited by OLA • Department of Finance Registers vendors and maintains payment status • DOC registers vendors for eHEAT • SP enters <u>Agreement Between SPs and Vendors</u> • SP monitor vendors
<ul style="list-style-type: none"> • Reconciliations (bank reconciliations for checking accounts) to ensure that the balance per the accounting records agrees with the balance per the bank or another source at a particular point in time. 	Fiscal SP for ERR		<ul style="list-style-type: none"> • Centralized Payments are validated by SP (eHEAT), Vendor (EFT eHEAT) Household recipient (Letters of notification) • Non Central Payments are verified through FSR matching eHEAT Service data, Field Monitoring reviews, household and contractor.

<ul style="list-style-type: none"> Analytical procedures to identify variances in financial information that appear unusual and merit further examination. Examples of analytical procedures include trend analysis, comparison of current year's financial results to prior year's data, and comparisons of budgeted financial information to actual recorded results. 	<p>Director</p>	<ul style="list-style-type: none"> Duplication data review of vendor accounts Weekly all staff review of FSR matching, application status, payment trends, data integrity as it relates to benefit and expenditure Monitor review Fiscal Closeout reporting SP Audit requirements
<ul style="list-style-type: none"> Physical controls to secure assets against loss (cash kept in locked drawers or safe). 	<p>Fiscal</p>	<ul style="list-style-type: none">
<ul style="list-style-type: none"> Access controls (passwords) to restrict access to programs and data that reside on computerized information systems. 		<ul style="list-style-type: none"> DOC Network Security Controls eHEAT Security Structure and processes <ul style="list-style-type: none"> Password Protocols <ul style="list-style-type: none"> (See <u>eHEAT Administrator Security Agreement and eHEAT User Security Agreement</u>) Restricted access for each user based on duties (See <u>eHEAT Administrator Security Agreement and eHEAT User Security Agreement</u>) MAPS accessibility <u>OET Controls</u> <u>Security Tips</u>
<ul style="list-style-type: none"> Operational performance reviews to discuss performance goals, measured results, and reasons for favorable and unfavorable variances. 		<ul style="list-style-type: none"> Annual planning process OLA Audit External Service Provider Corporate Audits Submitted Yearly

	<ul style="list-style-type: none"> Separation of incompatible duties so no one person has control over an entire transaction or process. All documents need to involve at least two people: one to complete the document and another to review and approve the document for processing. 	Management	<ul style="list-style-type: none"> Payment certification functionality in eHEAT Cash Request Reasonableness Test Data Practices - EAP Policy Manual eHEAT Manual and Training Materials Weekly Production Reports Weekly Allocation Worksheets – See Sample
8.	Communicate the internal control policies and procedures to all staff so they understand what is expected of them and the scope of their freedom to act.	Management	<ul style="list-style-type: none"> DOC <i>News and Notes</i> email EAP Internal Home Page Position Descriptions EACA Meeting Presentations MinnCAP

Item #	Actions to be Performed	Responsible	Documents & Description/Comments
Monitoring			
9.	Monitor the internal control system to assess its quality over time. This can be accomplished in two ways or a combination of the two:	Management	
	<ul style="list-style-type: none"> Separate evaluations of internal control, such as control self-assessments or internal audits. 		<ul style="list-style-type: none"> OLA Audit External Service Provider Corporate Audits Submitted Yearly

	<ul style="list-style-type: none"> Ongoing management activities that are built into normal, recurring operations, including supervision. 		<p>The monitoring process identifies control deficiencies or weaknesses that merit immediate corrective action.</p> <ul style="list-style-type: none"> Initial Monitoring of each SP Full Monitoring of each SP (includes review for external Audit Findings) COSO <u>SP Vendor Monitoring</u> (See EAP Policy Manual and Form) EAP and eHEAT Issues Logs & Quality Control and Performance Oversight review at staff meeting
<p>10.</p>	<p>Establish and perform follow-up procedures to ensure that appropriate change or corrective actions have occurred in a timely manner, with complete elimination of any significant internal control deficiencies, and resolution of any detected problems. Follow-up procedures, at a minimum, should include mechanisms for monitoring results and reporting significant control deficiencies to individuals responsible for the process or activity involved, including executive management, and those individuals in a position to take corrective action.</p>	<p>Agency Head and Management</p>	<ul style="list-style-type: none"> Initial Monitoring Tool Full Monitoring Report Dynamic Watch List Review <u>Incident Reports</u> – Internet Link Appeals Process – See <u>EAP Policy Manual</u> Intervention Plan
<p>11.</p>	<p>For internal control weaknesses that the Office of the Legislative Auditor or other internal or external auditor detects and reports, develop a corrective action plan with the name of the person responsible to take action and a target date for resolution of the audit issue. Communicate progress periodically to Finance and/or other applicable parties, using the Corrective Action Plan form or similar document, until the audit issue is fully resolved or no longer applicable.</p>	<p>Agency Head</p>	<ul style="list-style-type: none"> External Audit of Grantees required by LIHEAP Grant Contract – Copy in EAP Policy Manual Full Monitoring Tool

12.	For internal control weaknesses that internal or external auditors detect and report verbally, develop a corrective action plan and monitor agency progress until the audit issue is fully resolved or no longer applicable.	Agency Head	<ul style="list-style-type: none"> • For SPs – Initial Monitoring • Desk Monitoring • <u>Full Monitoring – External Audit Review for Findings and Questioned Costs</u> – <p>Findings are resolved by SP and reviewed in Local Plan and Initial Monitoring with corrective actions from prior year</p> <ul style="list-style-type: none"> • <u>Full Monitoring Reports</u> – See Embedded Sample
13.	If applicable, monitor agency progress to resolve internal control weaknesses that the Office of the Legislative Auditor reports. Continue monitoring agency progress until audit issues are fully resolved or no longer applicable.	Finance Financial Reporting Unit	Complete response to OLA findings to fully meets their satisfaction/requirements
Communication and Information			
14.	Communicate sufficient and relevant (accurate and complete) information in a useable format and in a timely manner to employees and/or other parties who need it to perform their assigned duties.	All Employees All Grantees	<ul style="list-style-type: none"> • EAP <u>Communication Plan</u> • Weekly Staff Meetings • <u>Energizer</u> and Spark Copied to Energizer • <u>Energizer</u> (Internet Link) • EAP IntraWeb • PAC Meetings • EACA Presentations • MinnCAP Presentations • OES Director Meetings

The following document is the Revised EAP Program Audit Report (PAR) template that includes onsite Service Provider Compliance Monitoring. The document is structured to the ICF.



FFY 2010 EAP Program Audit Report

<<Service Provider Name>> (Report Date: <<Month Date>>, 2010)
 To ensure compliance with the Energy Assistance Program (EAP) requirements, the Department of Commerce (DOC) conducted a program audit of <<SP Name>> on <<Date range: month date-date, year>>. The program audit helps ensure efficient and effective program delivery within the intention, direction and guidance of the statewide program by reviewing the Service Provider under contract to deliver EAP services.

Program Audit Scope

The audit examines the EAP service provider's program and fiscal controls in accordance with *EAP State Plan*, *EAP Policy Manual*, *EAP Contract*, *EAP Local Plan*, federal rules and generally accepted practices for the period of October 1, 2009 through September 30, 2010. DOC uses the Internal Controls Framework (ICF) to assess organizational controls and competencies for EAP delivery.

Methodology

The program audit examines Service Provider operations by utilizing eHEAT data, monitoring visit tools, file review and other oversight activities to assess the Service Provider's program delivery and fiscal controls competence. These examinations are designed to measure competency based on the rules, plans and generally accepted practices guiding the program.

Conclusions

<<The program audit reports no findings or recommendations. or FR composes summary of findings and recommendations if above statement is not true and deletes this one. With reference to page number in Detailed Report for specifics >>

The following Program Audit Details section reports the results of DOC monitoring. Contact your Field Representative with questions: <<FR name>> <<phone>>. Thank you for your assistance during the program monitoring visits.

John M. Harvanko, Director
Office of Energy Assistance Program
Minnesota Department of Commerce

Date

FFY 2010 EAP Program Audit Details

<<Service Provider Name>>

1. Service Provider EAP Identification Number: <<ID#>>
2. Field Representative: <<FR Name>>
3. EAP Coordinator: <<SP EAP Coordinator Name>>
4. Executive Director: <<SP Executive Director>>
5. Fiscal Director: <<SP Fiscal Director>>
6. Other Relevant Staff: <<SP Other Staff>>
7. Dates of Initial Monitoring Visit: <<IMV date>>
8. Date(s) and reason of any other on-site visit(s): <<Other Visit dates and Reasons>>

Background

This section of the *EAP Program Audit Report* details DOC's oversight of the EAP Service Provider. The DOC Field Representative completes the information.

EAP uses an Internal Controls Framework (ICF) approach to assess program operations. ICF defines internal control as a process, affected by individuals within an organization, designed to provide reasonable assurance of the achievement of objectives in three categories:

1. Effectiveness and efficiency of operations
2. Reliability of financial reporting, and
3. Compliance with applicable laws & regulations

The Program Audit Details covers the following five interrelated ICF components supporting the three above-mentioned categories. The components focus on safeguarding assets against loss or unauthorized use and attaining strategic objectives. The ICF areas are:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information & Communication
5. Monitoring relates

The *EAP Program Audit Report* is not a financial audit of local Service Providers. Service Providers are required to have a scheduled independent financial audit and DOC fiscal division confirms this audit and reviews findings.

The following is the detailed Program Audit information prepared by the Field Representative from the DOC through observation, testing & sampling file testing, desk monitoring and other interactions with the Service Provider.

1. Control Environment relates to management and employees establishing and maintaining an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

Objective: The EAP Service Provider management must:

- Strive to maintain an environment promoting shared ethical values and integrity and to provide a well planned, executed, controlled and monitored framework to achieve EAP objectives.
- Provide a structure of authority, responsibility, and accountability so appropriate EAP personnel make proper decisions and take necessary actions.
- Demonstrate a commitment to EAP competence by specifying the knowledge and skills required for a job, keeping updated position descriptions, hiring qualified individuals for positions, providing employees with the training and tools necessary to accomplish their assigned job duties, including periodic performance evaluations.

Control Environment Audit Details

<<FR Response) (Source: As needed). Requires minimal level of response to Control Area, FR observations of the competency of the SP in this area and can include, but not limited to, overall impressions and did well >>

<<Optional Sections to be pasted where need by FR>>

Recommendation:

- << Comments, observations or recommendations as needed>>

Finding:

<<FR finding Statement>>

- <<FR Finding Description>>
- <<Finding Action Requirements like response and due dates etc.>>

2. Risk Assessment is the management of risk by identifying priority activities within the organization for risk assessment. Risks are areas outside of the normal control activities that cannot be covered by normal operations.

Objective: The EAP Service Provider management must:

- Have a Risk Assessment and conduct mitigation activities
- Have an incident handling plan to address appeals process, complaint, error and fraud.
- Have a Disaster Plan and procedures in place to continue EAP local services in case of loss of building facilities and/or equipment due to uncontrolled circumstances like fire, theft, flood, and natural disaster.

Risk Assessment Audit Details

<<FR Response) (Source: As needed). Requires minimal level of response to Control Area, FR observations of the competency of the SP in this area and can include, but not limited to, overall impressions and did well Option: Service Provider <did or did not> have a formal Risk Assessment. Service Provider <<Has or has not>> made progress in developing and implementing risk mitigation activities. (Source: *FFY2010 Local Plan, IMV*) or another statement of the FR choice>>

3. Control Activities

relates to the Service Provider design and implement of the internal control policies and other control activities as appropriate to deliver the program.

Objective: The EAP Service Provider management must:

- Have a timely and effective application process
- Determine and document eligibility in an efficient manner
- Deliver timely services
- Assign separation of duties for payment and fiscal reporting
- Use generally accepted fiscal practices and have internal control policies and activities for processing fiscal transactions, reporting and oversight.

Control Activities Audit Details

For the purposes of this section the primary source of information is the household file review.

1. Application Processing:

- Service Provider <<did or did not>> achieved its target numbers for Weekly Application Certification Targets
- (WACT) which is about <<% ahead or behind>>of last year. (Source FMV).
- Applications were signed and dated
- Applications were being dated as they were received

2. Eligibility: <<FR Response (Source: As needed)>>

- <<No or # of>> eligibility errors were identified during file review
- Tax forms <<were or were not>> properly verified for Self Employed clients
- "No Income" forms <<were or were not>> properly verified for no income households

3. Vendors: <<FR response (Source: As needed)>>

4. Payments: <<FR response (Source: As needed)>>

5. Refunds: <<FR response (Source: As needed)>>

6. Crisis/EB/EBA/Assurance 16: <<The Service Provider <<did or did not>> meet the 18 or 48 hour timeline in providing assistance in emergency or life-threatening situations. The Service Provider assisted <<# of HHDs>> households with Crisis and <<did or did not>> provide all crisis households with A16 referrals via agency letter and/or direct contact. The agency had <<# of records>> activities recorded in since the start of the program year. (Source: FMV).>>

- The Service Provider Crisis files <<did or did not>> contain appropriate documentation
- The Service Provider <<did or did not>> evaluate households properly for crisis when past due balances were received
- The Service Provider <<did or did not>> conduct timely follow-up with households enrolled in EBA

7. Energy Related Repair (ERR): The Service Provider <<did or did not>> meet the 18 or 48 hour timeline in

providing in emergency or life-threatening situations for furnace emergencies and <<kept or did not keep>> its average cost below average. (Source: FMV)

- ERR costs (including those for inspection) <<were or were not>> obligated when the event was initiated
- ERR payment information <<was or was not>> entered into eHEAT and reconciled with fiscal records
- ERR Completion Certificates <<were or were not>> in place for all replacements and repair work over \$1000
- Completion Certificates <<were or were not>> signed appropriately as stated on certificate
- The Service Provider <<inspected or did not inspect>> an appropriate number of furnace replacements/repairs
- The Service Provider <<did or did not>> apply the *ERR Furnace Replacement Final Inspection Tool* appropriately
- The Service Provider <<did or did not>> maintain a \$2000 average.

8. **Funding and Cash:** During the visit, the Service Provider submitted two months of payroll documents. <<# of staff>> of its staff get paid from EAP administrative funds and <<# of staff>> get paid from EAP Assurance 16 funds. (Source: FMV)

- The Service Provider's most recent Fiscal Audit on file at DOC is for the period <<Reported period>> (Source: DOC Fiscal)

9. **Admin/A16 Payroll Charging:** The staff <<did or did not>> use eHEAT to document time used for Assurance 16 activities. (Source: FMV)

- <<File review FR response>>

10. **Appeals/Incidents:** The Service Provider had <<#>> formal appeals pending and <<#>> incident reports filed. (Source: FMV)

11. **Security & Data Practices** <<FR Insert response for IMT or other Source. Minimal general observation is required (Source: As needed)>>

- The Service Provider <<had or did not have>> signed eHEAT Security Agreements on file

4. Information & Communication relates to communicating the internal control policies and procedures to all staff and stakeholders so they understand what is expected of them and the scope of their freedom to act in relation to program participants and partners.

Objective: The EAP Service Provider management must:

- Disseminate program information to staff, significant agency leadership and supporting partners
- Maintain effective communication tools
- Engage in activities to reach targeted populations
- Collaborate and coordinate with a wide variety of local community and social service organizations

Information & Communication Audit Details

1. **Outreach:** <<FR response (Source: As needed)>>
2. **Reporting:** The Service Provider had <<#>> late reports. (Source: FMV)
3. **ROFW:** The Service Provider raised \$<<Dollar Amount>> in donations and provided a household file with ROFW payment records. (Source: FMV)
4. **Leveraging:** <<FR response (Source: As needed)>>

