

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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MANAGEMENT AND COMPLIANCE REPORT  
PREPARED AS A RESULT OF THE AUDIT OF THE

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY**  
**MINNEAPOLIS, MINNESOTA**

YEAR ENDED DECEMBER 31, 2012

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits of local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

**Tax Increment Financing** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

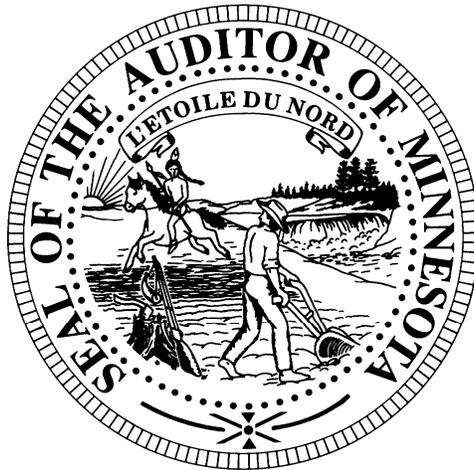
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**Year Ended December 31, 2012**



**Management and Compliance Report**

**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

Noncompliance material to the financial statements noted? **No**

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

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

The major programs are:

Moving to Work Demonstration Program	CFDA #14.881
Public Housing Capital Fund Competitive Grant - ARRA	CFDA #14.884

The threshold for distinguishing between Types A and B programs was \$2,570,274.

MPHA qualified as a low-risk auditee? **Yes**

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

None.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

**PREVIOUSLY REPORTED ITEM NOT RESOLVED**

11-1 Eligibility

**Program:** U.S. Department of Housing and Urban Development's (HUD) Moving to Work Demonstration Program (CFDA No. 14.881)

**Pass-Through Agency:** None.

**Criteria:** Per 24 C.F.R. § 960.257 (2011) re-examinations of eligibility are required to be completed at least annually. The Department of Housing and Urban Development (HUD) publishes the *Public Housing Occupancy Guidebook*, which describes recertification requirements in Chapter 12, Annual Reexaminations of Income and Family Circumstances. The Guidebook states the housing authority must begin the re-examination process timely so as to ensure rents can be adjusted at the beginning of each twelve month lease term.

**Condition:** We reviewed a sample of 20 Public Housing participant files and noted the following:

- For one of the case files tested, the annual re-examination was not conducted in a timely manner. This re-examination was three weeks late.

**Questioned Costs:** None.

**Context:** MPHA policy is to re-examine all tenants of a specific high rise building in accordance with that particular building's re-examination dates.

**Effect:** Noncompliance with federal requirements. Failure to complete re-examinations timely could result in the extension of benefits to ineligible individuals.

**Cause:** In accordance with policy, the MPHA examines individuals following preset high rise building re-examination dates. Human oversight caused this re-exam to be completed three weeks late.

**Recommendation:** We recommend the MPHA establish policies and procedures to ensure that tenants complete re-examinations within 365 days of the previous examination.

Corrective Action Plan:

Name of Contact Persons Responsible for Corrective Action:

*Mary Boler, Managing Director of LIPH  
Kim Hamilton, Supervisor of Leasing and Occupancy*

Corrective Action Planned:

*MPHA strives to complete all re-examinations on time. There are instances where third party verifications are not returned in a timely manner. When this occurs, staff should then go to alternative sources per the Statement of Policies Part V Reexamination of Tenant Eligibility and Rent Adjustments #5. A. Staff training will be conducted to refresh their knowledge of the verification hierarchy in the Statement of Policies. When there is a delay in the process, MPHA charges retro rent back to the date any increases should have gone into effect, thus recovering the lost revenue. In this case, there was an interim reexamination effective June 1, 2012, adjusting rent to the Flat Rate; thus, this annual reexamination had no effect on the rent charged.*

*Staff will be retrained on the Verification of Tenant's Statements and Income procedure, Part V of the Statement of Policies.*

Anticipated Completion Date:

*Specific training will occur on September 9, 2013, and will be ongoing.*

ITEMS ARISING THIS YEAR

12-1 Davis-Bacon Act

**Program:** U.S. Department of Housing and Urban Development's (HUD) Moving to Work Demonstration Program (CFDA No. 14.881)

**Pass-Through Agency:** None.

**Criteria:** OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs.

**Condition:** The Davis-Bacon Act requires the contractors and subcontractors hired by the MPHA on projects funded by federal dollars to pay prevailing wage rates not less than those established by the U.S. Department of Labor. We reviewed a sample of five contracts for which the Davis-Bacon Act was applicable. One of the contractors had not submitted payrolls since September 2012.

**Questioned Costs:** None.

**Context:** The MPHA's procedure is to set up a contract in the LCPtracker system (a web-based software used to collect, verify and manage prevailing wage-certified payrolls), upon receipt of a Request For Wage Determination form, and to attach the contractor to the contract upon completion of the MPHA Notice to Proceed. In this instance where the contractor had not submitted payrolls, the Request For Wage Determination form was not completed, resulting in the contract not being set up in the LCPtracker system.

**Effect:** On this contract, wages were not monitored. The MPHA had no assurance the wages paid were in compliance with Davis-Bacon Act requirements.

**Cause:** In accordance with MPHA policy, the Facilities and Development Contract Administrator sends a Request For Wage Determination form to the Procurement Department. This form, along with the MPHA Notice to Proceed, are forms that prompt the Procurement Buyer responsible for entering contractors into the LCPtracker system to set up the contractor in the system. The contract for which payrolls had not been submitted was issued without completion of the Request For Wage Determination form. The Contract Administrator was to complete the remainder of the Request For Wage Determination form and return it to the Procurement Department once the contractor vendor was awarded the contract, though this did not occur.

**Recommendation:** Before issuing the initial payment to a contractor, we recommend Facilities and Development ensure that the contract and contractor are set up in LCPtracker by contacting and checking with the Procurement Buyer responsible for entering the contractors into the LCPtracker system.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Larry Bruckner, Acting Manager, MPHA Procurement Department*

Corrective Action Planned:

*Monthly, the Acting Manager of Procurement will review the following items with the Buyer entering information on LCPtracker:*

- *that a “Request For Wage Determination” form is on file for each wage determination issued;*
- *that after a contract is issued, the prime contractor and any subcontractors are entered into LCPtracker relative to each wage determination issued; and,*
- *that the Buyer entering information into LCPtracker can confirm that wage information has been received on any contract where payments have been made.*

Anticipated Completion Date:

*Changes will be effective immediately.*

12-2 Special Tests and Provisions - Housing Quality Standards (HQS) Enforcement  
Re- inspections

**Program:** U.S. Department of Housing and Urban Development’s (HUD) Moving to Work Demonstration Program (CFDA No. 14.881)

**Pass-Through Agency:** None.

**Criteria:** OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs.

**Condition:** The MPHA tracks HQS inspections and re-inspections in the Visual Homes system. From Visual Homes, we selected 25 files for housing units that had failed HQS inspections and sought documentation related to the re-inspections. When housing units under HAP contract fail to meet HQS, the PHA must require the owner to correct any life-threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension.

Re-inspections must be within 24 hours for life-threatening deficiencies and within 30 calendar days or within a specified PHA-approved extension for all other HQS deficiencies. In 7 of the 25 files tested, all 7 of which were for other HQS deficiencies, re-inspections were not performed within the specified time, ranging from 3 to 42 days late.

**Questioned Costs:** None.

**Context:** For housing units that fail to meet HQS, the MPHA must require the owner to correct any life-threatening HQS deficiencies within 24 hours after the inspection and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. The original inspectors of the units are responsible for scheduling re-inspections for life-threatening or for all other HQS deficiencies.

**Effect:** Failure to properly re-inspect the housing units that failed to meet HQS could lead to the housing unit's landlord receiving Housing Assistance Payments for housing units that are not meeting the requirements necessary to receive the HAP payments.

**Cause:** A failure in design and implementation of internal control.

**Recommendation:** We recommend the MPHA establish policies and procedures improving oversight of the re-inspection process to ensure re-inspections are performed timely.

Corrective Action Plan:

Name of Contact Persons Responsible for Corrective Action:

*Cheryl Borden, Managing Director of HCV Program  
Rita Ytzen, Senior Supervisor of HCV Program*

Corrective Action Planned:

*The HCV Program will be restructuring the Inspection staff, requiring a key staff person ("Senior" or "Lead" Inspector) to assume direct oversight responsibility of HQS enforcement. The restructuring will allow for a focused monitoring of the timely re-scheduling of inspections and the compliance with the HUD required time-frames for HQS enforcement.*

Anticipated Completion Date:

*The HCV Program will initiate the restructuring of staff immediately; however, it will take several months to put into place the new levels of staff responsibility. Training of Inspection staff has already begun, and we anticipate full implementation of the Corrective Action Plan (CAP) by the start of fiscal year 2014.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Reporting - Moving to Work Demonstration Program (CFDA No. 14.881), Public Housing Capital Fund Competitive Grant - ARRA (CFDA No. 14.884), and Formula Capital Fund Stimulus Grant - ARRA (CFDA No. 14.885) (11-2)**

There were no established policies and procedures to provide reasonable assurance that federal reports, specifically the HUD-60002 Section 3 reports, were reviewed by someone other than the preparer prior to submission.

**Resolution**

For the applicable 2012 HUD-60002 Section 3 reports, the information was compiled by a buyer in the Procurement Department and entered into the report by the acting Manager of Procurement. The acting Manager of Procurement reviewed the information while inputting it into the form.

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REBECCA OTTO  
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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***

### Independent Auditor's Report

Members of the Board of Commissioners  
Minneapolis Public Housing Authority  
Minneapolis, Minnesota

We have audited, 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, the financial statements of the Minneapolis Public Housing Authority (MPHA) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the MPHA's basic financial statements, and have issued our report thereon dated September 18, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the MPHA's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MPHA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MPHA's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 and correct, misstatements on a timely basis. A material

weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the MPHA's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the MPHA failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the MPHA's noncompliance with the above referenced provisions.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the MPHA's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the MPHA's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 18, 2013

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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

### Independent Auditor's Report

Members of the Board of Commissioners  
Minneapolis Public Housing Authority  
Minneapolis, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited the Minneapolis Public Housing Authority's (MPHA) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the MPHA's major federal programs for the year ended December 31, 2012. The MPHA's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the MPHA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain

reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the MPHA'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the MPHA's compliance with those requirements.

### ***Opinion on Each Major Federal Program***

In our opinion, the MPHA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 11-1, 12-1, and 12-2. Our opinion on each major federal program is not modified with respect to these matters.

The MPHA's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. The MPHA's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of the MPHA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the MPHA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 MPHA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 11-1, 12-1, and 12-2 that we consider to be significant deficiencies.

The MPHA's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. The MPHA's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the MPHA as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the MPHA's basic financial statements. We have issued our report thereon dated September 18, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 18, 2013

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>		
Direct Funding		
Section 8 Project-Based Cluster		
N/C S/R Section 8 Program	14.182	\$ 1,028,261
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	<u>951,281</u>
<b>Total Section 8 Project-Based Cluster</b>		<b>\$ 1,979,542</b>
Shelter Plus Care	14.238	66,334
General Research and Technology Activity	14.506	82
Moving to Work Demonstration Program	14.881	81,607,139
Public Housing Capital Fund Competitive Grant - ARRA	14.884	268,430
Section 8 Housing Choice Vouchers	14.871	1,686,822
Passed Through the City of Minneapolis		
Community Development Block Grants/Entitlement Grants	14.218	<u>67,454</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<b><u>\$ 85,675,803</u></b>

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Minneapolis Public Housing Authority (MPHA). The MPHA's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the MPHA under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the MPHA, it is not intended to and does not present the financial position, changes in net position, or cash flows of the MPHA.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Section 8 Project-Based Cluster	\$ 1,979,542
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5. Subrecipients

The MPHA did not pass any federal awards through to subrecipients during the year ended December 31, 2012.

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

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6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.