

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**City of Minneapolis
Minneapolis, Minnesota**

Management and Compliance Report

Year Ended December 31, 2019

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 100 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 Minnesota’s local 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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City of Minneapolis Minneapolis, Minnesota

Year Ended December 31, 2019



Management and Compliance Report

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

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**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

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**CITY OF MINNEAPOLIS
MANAGEMENT AND COMPLIANCE REPORT**

YEAR ENDED DECEMBER 31, 2019

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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

The Honorable Jacob Frey, Mayor,
and Members of the City Council
City of 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Minneapolis, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 13, 2020. Our report includes a reference to other auditors who audited the financial statements of Meet Minneapolis, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Meet Minneapolis were not audited in accordance with *Government Auditing Standards*. We issue separate Management and Compliance Reports for the Minneapolis Park and Recreation Board and the Municipal Building Commission. This report does not include the results of our audit testing of the Minneapolis Park and Recreation Board component unit's internal control over financial reporting or on compliance and other matters. The Management and Compliance Report for the Minneapolis Park and Recreation Board includes the reports required for an audit in accordance with *Government Auditing Standards*. The results of our audit testing of the Municipal Building Commission component unit's internal control over financial reporting and on compliance and other matters is reported on separately within this Management and Compliance Report.

Internal Control Over Financial Reporting

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

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 City'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 attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Minneapolis' financial statements are free from 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

In connection with our audit, nothing came to our attention that caused us to believe that the City of Minneapolis failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the Schedule of Findings and Questioned Costs as item 2019-003. 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 City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

City of Minneapolis' Response to Findings

The City of Minneapolis' responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Cities* and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 13, 2020

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JULIE BLAHA
STATE AUDITOR

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

The Honorable Jacob Frey, Mayor,
and Members of the City Council
City of Minneapolis, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Minneapolis' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City of Minneapolis' major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

The City of Minneapolis' basic financial statements include the operations of the Minneapolis Park and Recreation Board (Park and Recreation Board) component unit, which expended \$903,909 in federal awards during the year ended December 31, 2019, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Park and Recreation Board because it had a separate single audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Minneapolis' 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 the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance 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 City of Minneapolis' 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 City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Minneapolis 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, 2019.

Report on Internal Control Over Compliance

Management of the City of Minneapolis 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 City'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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 City'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Minneapolis, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated August 13, 2020, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Meet Minneapolis component unit, which was audited by other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Minneapolis' basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by the Uniform Guidance, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA 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. Such 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.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

August 13, 2020

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

I. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal programs are:

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA No. 20.205
Drinking Water State Revolving Fund Cluster	
Capitalization Grants for Drinking Water State Revolving Funds	CFDA No. 66.468

The threshold for distinguishing between Types A and B programs was \$1,458,713.

City of Minneapolis qualified as a low-risk auditee? **No**

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

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

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Audit Adjustment

Criteria: 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 of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: A material audit adjustment was identified that resulted in significant changes to the City's financial statements.

Context: The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustment was found in the audit; however, independent external auditors cannot be considered part of the City's internal control.

Effect: The following audit adjustment was reviewed and approved by the appropriate City of Minneapolis staff and is reflected in the financial statements: in the Permanent Improvement Capital Projects Fund, unearned revenue was decreased, while revenue and fund balance were increased by \$12,882,000 for Highway User Tax allotments. This adjustment also affected the government-wide financial statements.

Cause: This activity was incorrectly recorded when the financial statement information was prepared.

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Recommendation: We recommend staff implement additional procedures over financial reporting that include a comprehensive review of balances, disclosures, and supporting documentation by a qualified individual to ensure the information is complete and accurate so the City's financial statements are fairly presented in accordance with generally accepted accounting principles.

View of Responsible Official: Concur

Finding Number: 2019-002

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Prior Period Adjustment

Criteria: 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 of the financial statements on a timely basis. One indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of misstatements due to error.

Condition: The governmental activities capital assets reconciliation performed by the City identified assets that had been recorded in previous periods in the Comet asset module system had been recorded a second time as additions in the City's reconciliation workbook.

Context: The need for prior period adjustments can raise doubts as to the reliability of the City of Minneapolis' financial information being presented.

Effect: The January 1, 2019, net position for governmental activities was restated (decreased) by \$82,475,000 as a result of this error. Non-depreciable capital assets were reduced by \$7,200,000, depreciable capital assets were reduced by \$78,589,000, and related accumulated depreciation was reduced by \$3,314,000.

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cause: Oversight. In one case, capital assets were mistakenly recorded at approximately \$80 million with depreciation taken, but the asset's beginning value should have been recorded at approximately \$8 million. In another instance, construction in progress worth \$7.2 million had been previously recorded as property held for resale. There were also additional assets discovered to be recorded incorrectly when the City was preparing the reconciliation of capital assets.

Recommendation: We recommend the City review its policies and procedures for the preparation of its financial statements to ensure that all amounts are properly reported in the financial statements.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2019-003

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Prompt Payment of Invoices

Criteria: As stated in Minn. Stat. § 471.425, the City is required to make payment on vendor invoices according to the terms of the contract, or within 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later.

Condition: Four of 30 invoices tested for compliance with this statute were not paid within 35 days.

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Context: The City's accounts payable function is centralized.

Effect: Making payment on invoices after 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later, is in noncompliance with Minnesota law.

Cause: The City went through an upgrade to their procurement process, including vendor payments during the year, which caused delays in payments. In addition, there was staff turnover which caused delays in the payment process.

Recommendation: We recommend that the City continue its efforts in making payments on vendor invoices in accordance with Minn. Stat. § 471.425.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2017-001 Monitoring Internal Controls

2018-001 Procurement, Suspension, and Debarment – Vendor Verification (CFDA
Nos. 17.258 and 17.278)

2018-002 Procurement, Suspension, and Debarment – Vendor Verification (CFDA
Nos. 14.218 and 93.757)

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**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019**

Finding Number: 2019-001
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Lyle Hodges, Controller

Corrective Action Planned:

As part of the process of recording and reconciling State revenues, the City will perform a thorough review of the classification of receipts from various State sources. We will follow the schedule of revenue sources and classifications, ensuring we use the appropriate accounting treatment for each revenue source.

Anticipated Completion Date:

March 2021

Finding Number: 2019-002
Finding Title: Prior Period Adjustment

Name of Contact Person Responsible for Corrective Action:

Lyle Hodges, Controller

Corrective Action Planned:

Additional staff training related to capital assets has already been implemented and will continue during each year. The reconciliation of asset additions, disposals, and the construction in process has been improved by the Finance Manager in charge of doing the work. These enhanced procedures led to the detection of the error and will be essential in finding any anomalies during the year so we can correct them in the current period to avoid a prior period adjustment.

Anticipated Completion Date:

June 2020

Finding Number: 2019-003

Finding Title: Prompt Payment of Invoices

Name of Contact Person Responsible for Corrective Action:

Jean Poppen, Accounts Payable Supervisor

Pam Fernandez, Director, Procurement

Corrective Action Planned:

The main reason for delays in payment is due to suppliers and city staff not following directions regarding submission of invoices to the central repository for invoices (submitinvoices@minneapolismn.gov). The City of Minneapolis has made great strides in timely payment of invoices by having the invoices come to this centralized email inbox. As of this date, about 55% of 68,498 invoices we receive annually, have been centralized.

A more concerted effort will be made in 2020-2021 years to bring the remaining invoices to the centralized process. Having the invoices directly from the supplier to this centralized email inbox will help Accounts Payable to monitor them appropriately to make sure that the departments are approving them for payment in a timely manner. This will be made possible by continuing the outreach to suppliers and contract managers and educating them on the process.

We are also planning to implement an Accounts Payable system where this process can be automated, so that the manual intervention is kept to a minimum to avoid delay in payments. The timeline for this will be between 2020-2022, if all factors are in place.

Anticipated Completion Date:

Communication to suppliers and contract managers: 07/2020-06/2021

AP Automation - 2020-2022

**REPRESENTATION OF THE CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Finding Number: 2017-001

Finding Title: Monitoring Internal Controls

Summary of Condition: Inquiry of City management found that a risk assessment and documentation of the internal controls had been completed and limited testing of internal controls had begun. The testing of internal controls documentation had either been started, but not yet completed, or was not yet started. As a result, management was not able to review the results of the monitoring performed to assess the effectiveness of the internal controls.

Summary of Corrective Action Previously Reported: The Finance Manager in Internal Controls will continue to work on documenting the process, assessing risk and testing internal controls.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2018-001

Finding Title: Procurement, Suspension and Debarment – Vendor Verification

Programs: WIA Adult Program (CFDA No. 17.258) and WIA Dislocated Worker Formula Grants (CFDA No. 17.278)

Summary of Condition: For three of five contracts tested, documentation was not maintained to demonstrate that vendor verification was completed prior to entering into a contract in accordance with City policy.

Summary of Corrective Action Previously Reported: The Procurement Division of Finance and Property Services will implement a process for checking and documenting the suspension and debarment status during the contracting process to ensure no suspended or debarred contractors are engaged to provide services or materials to the City.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2018-002

Finding Title: Procurement, Suspension and Debarment – Vendor Verification

Programs: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218) and State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health financed in part by Prevention and Public Health Funding (PPHF) (CFDA No. 93.757)

Summary of Condition: Documentation was not maintained to demonstrate that vendor verification was completed prior to entering into a contract in accordance with City policy for the following federal programs:

- two out of nine contracts tested for the CDBG – Entitlement Grants Cluster, and
- one contract tested for the State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health financed in part by Prevention and Public Health Funding (PPHF) program.

Summary of Corrective Action Previously Reported: The Procurement Division of Finance and Property Services will implement a process for checking and documenting the suspension and debarment status during the contracting process to ensure no suspended or debarred contractors are engaged to provide services or materials to the City.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Defense				
Direct				
Basic and Applied Scientific Research	12.300		\$ 2,120	\$ -
U.S. Department of Housing and Urban Development				
Direct				
CDBG – Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		\$ 9,323,414	\$ 2,094,493
Emergency Solutions Grant Program	14.231		1,093,231	497,866
Home Investment Partnerships Program	14.239		3,090,357	-
Housing Opportunities for Persons with AIDS	14.241		1,184,545	1,161,210
Neighborhood Stabilization Program – ARRA	14.256		156	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		1,157,379	-
Passed Through Minnesota Housing Finance Agency				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	02-2009-09A-NSP	(191,689)	-
Total U.S. Department of Housing and Urban Development			\$ 15,657,393	\$ 3,753,569
U.S. Department of the Interior				
Passed Through Minnesota Historical Society				
Historic Preservation Fund Grants-In-Aid	15.904	4810091	\$ 24,999	\$ -
U.S. Department of Justice				
Direct				
Public Safety Partnership and Community Policing Grants	16.710		\$ 338,657	\$ -
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		26,572	-
Children Exposed to Violence	16.818		23,950	10,743
Body Worn Camera Policy and Implementation	16.835		343,142	-
Equitable Sharing Program	16.922		88,779	-
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	A-CVSP-2018-MPLS-AO-00007	16,516	-
Crime Victim Assistance	16.575	A-CVSP-2020-MPLS-AO-041	16,644	-
(Total Crime Victim Assistance Grant 16.575 \$33,160)				
Violence Against Women Formula Grants	16.588	A-VAWA-2019-MPLS-AO-00021	25,717	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	131403	109,550	-
(Total Edward Byrne Memorial Justice Assistance Grant Program 16.738 \$398,566)				

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Justice (Continued)				
Passed Through Hennepin County, Minnesota				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A140666	(419)	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A165769-SR	164,021	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A177750	125,414	-
(Total Edward Byrne Memorial Justice Assistance Grant Program 16.738 \$398,566)				
Passed Through International Association of Police Chiefs Crime Victim Assistance/Discretionary Grants	16.582	Not available	<u>350,610</u>	<u>81,855</u>
Total U.S. Department of Justice			<u>\$ 1,629,153</u>	<u>\$ 92,598</u>
U.S. Department of Labor				
Direct				
Reintegration of Ex-Offenders	17.270		\$ 78,386	\$ -
Passed Through Minnesota Department of Employment and Economic Development				
WIOA Cluster				
WIA Adult Program	17.258	6103100	17,107	17,107
WIA Adult Program	17.258	7103100	4,990	3,729
WIA Adult Program	17.258	8103100	739,853	624,300
WIA Adult Program	17.258	9103100	190,900	184,074
(Total WIA Adult Program 17.258 \$952,850)				
WIA Youth Activities	17.259	7103600	47,632	31,398
WIA Youth Activities	17.259	8103600	949,546	823,358
WIA Youth Activities	17.259	9103600	7,380	-
(Total WIA Youth Activities 17.259 \$1,004,558)				
WIA Dislocated Worker Formula Grants	17.278	6108000	22,352	22,352
WIA Dislocated Worker Formula Grants	17.278	7108000	31,061	31,061
WIA Dislocated Worker Formula Grants	17.278	8108000	329,517	303,209
WIA Dislocated Worker Formula Grants	17.278	9108000	20,249	-
(Total WIA Dislocated Worker Formula Grants 17.278 \$403,179)				
Passed Through Employ Milwaukee H-1B Job Training Grants	17.268	HG-30128- 17-60-A-55	<u>244,392</u>	<u>204,962</u>
Total U.S. Department of Labor			<u>\$ 2,683,365</u>	<u>\$ 2,245,550</u>

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	1029973	\$ 10,435,251	\$ -
Passed Through Metropolitan Council				
Federal Transit Cluster				
Federal Transit – Formula Grants	20.507	SG-2014-075	(12,708)	-
Federal Transit – Formula Grants	20.507	MN-2017-013	3,082	3,082
(Total Federal Transit – Formula Grants 20.507 (\$9,626))				
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC19-2019- MPLSPD-056	27,466	-
State and Community Highway Safety	20.600	A-ENFRC20-2020- MPLSPD-034	7,706	-
(Total State and Community Highway Safety 20.600 \$35,172)				
National Priority Safety Programs	20.616	A-ENFRC19-2019- MPLSPD-056	15,593	-
National Priority Safety Programs	20.616	A-ENFRC20-2020- MPLSPD-034	3,121	-
National Priority Safety Programs	20.616	A-OFFICR19-2019- MPLSPD-018	25,324	-
National Priority Safety Programs	20.616	A-OFFICR29-2020- MPLSPD-019	4,820	-
(Total National Priority Safety Programs 20.616 \$48,858)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	DGCT19-2019- 4TH-JD-004	43,411	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-DGCT20-2020- 4TH-JD-006	4,817	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC19-2019- MPLSPD-056	41,051	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC20-2020- MPLSPD-034	12,559	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-OFFICR19-2019- MPLSPD-018	51,416	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-OFFICR29-2020- MPLSPD-019	9,786	-
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$163,040)				
Total U.S. Department of Transportation			\$ 10,672,695	\$ 3,082

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Treasury				
Direct				
Equitable Sharing	21.016		\$ 211,073	\$ -
U.S. Environmental Protection Agency				
Passed Through Minnesota Public Facilities Authority Drinking Water State Revolving Fund Cluster Capitalization Grants for Drinking Water State Revolving Funds	66.468	MPFA-DWRF-L- 049-FY19	\$ 11,925,423	\$ -
U.S. Department of Energy				
Direct				
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		\$ 161,582	\$ -
U.S. Department of Health and Human Services				
Direct				
Food and Drug Administration – Research	93.103		\$ 1,124	\$ -
Injury Prevention and Control Research and State and Community Based Programs	93.136		287,297	66,848
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243		1,087,672	271,535
Healthy Start Initiative	93.926		236,575	76,006
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	127925	220,025	-
Public Health Emergency Preparedness (Total Public Health Emergency Preparedness 93.069 \$323,078)	93.069	161418	103,053	-
Childhood Lead Poisoning Prevention Projects – State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	153595	15,000	-
Affordable Care Act (ACA) Abstinence Education Program	93.235	136481	86,436	-
Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke	93.435	152495	37,220	7,349
Pregnancy Assistance Fund Program	93.500	131721	(81,982)	-
Pregnancy Assistance Fund Program (Total Pregnancy Assistance Fund Program 93.500 \$173,244)	93.500	147624	255,226	242,000
TANF Cluster				
Temporary Assistance for Needy Families	93.558	127474	510,097	464,688
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$616,704)	93.558	165605	49,534	1,542

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health (Continued)				
Maternal, Infant, and Early Childhood Home Visiting Grant	93.870	118492	434,994	421,407
Maternal and Child Health Services Block Grant to the States	93.994	86869	892,379	285,561
Maternal and Child Health Services Block Grant to the States (Total Maternal and Child Health Services Block Grant to the States 93.994 \$1,051,365)	93.994	167257	158,986	54,180
Passed Through Minnesota Department of Employment and Economic Development				
TANF Cluster				
Temporary Assistance for Needy Families	93.558	9107400	13,856	13,856
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$616,704)	93.558	0107400	43,217	25,661
Passed Through Hennepin County, Minnesota				
Teenage Pregnancy Prevention Program	93.297	A-153906-SR	157,650	-
Passed Through National Association of County and City Health Officials (NACCHO)				
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	2019-052901	104,897	-
Total U.S. Department of Health and Human Services			\$ 4,613,256	\$ 1,930,633
U.S. Office of National Drug Control Policy				
Direct				
High Intensity Drug Trafficking Areas Program	95.001		\$ 45,000	\$ -
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	4182DRMN P00000001	\$ 10,471	\$ -
Emergency Management Performance Grants	97.042	A-EMPG-2018- MPLSEMER-050	2,496	-
Emergency Management Performance Grants (Total Emergency Management Performance Grants 97.042 \$32,496)	97.042	A-EMPG-2019- MPLSEMER-051	30,000	-

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety (Continued)				
Homeland Security Grant Program	97.067	A-SHSP-2018- MPLSBOMB-010	164,800	-
Homeland Security Grant Program	97.067	A-UASI-2017- MPLSEMER-008	429,734	-
Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$954,745)	97.067	A-UASI-2018- MPLSEMER-009	360,211	-
Total U.S. Department of Homeland Security			\$ 997,712	\$ -
Total Federal Awards			\$ 48,623,771	\$ 8,025,432
Totals by Cluster				
Total expenditures for CDBG – Entitlement Grants Cluster			\$ 9,323,414	
Total expenditures for WIOA Cluster			2,360,587	
Total expenditures for Highway Planning and Construction Cluster			10,435,251	
Total expenditures for Federal Transit Cluster			(9,626)	
Total expenditures for Highway Safety Cluster			84,030	
Total expenditures for Drinking Water State Revolving Fund Cluster			11,925,423	
Total expenditures for TANF Cluster			616,704	

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Minneapolis. It does not include \$903,909 in federal awards expended by the Minneapolis Park and Recreation Board component unit, which had a separate single audit. The City's reporting entity is defined in Note 1 to the financial statements.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Minneapolis under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Minneapolis, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Minneapolis.

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of the City of Minneapolis. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

2. De Minimis Cost Rate

The City of Minneapolis has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 31,254,079
Federal fixed price contracts	
Equal Employment Opportunity Commission	(1,124)
Minnesota Family Investment Program	(90,000)
Minnesota Cold Case Investigations Task Force	(13,364)
Drug Enforcement Administration Task Force	(28,096)
Minnesota Cyber Crime Task Force	(26,039)
Organized Crime Drug Enforcement Task Force	(8,166)
Safe Streets Violent Crime Task Force	(166,985)
U.S. Marshals Overtime – Predatory Offenders Unit	(17,258)
Joint Terrorism Task Force	(8,218)
Violent Crimes Investigation – ATF	(65,629)
Violent Crimes Investigation – HIS	(20,564)
Violent Crimes Investigation – FBI	(7,788)
Toward Zero Deaths Partners	(125,608)
Expenditures occurring in 2018 and reimbursed in 2019	(277,472)
Revenue received in 2018 and expended in 2019	13,664
Revenue received in 2019 for future years' expenditures	(9,982)
Timing differences between expenditures and related reimbursements	(31,773)
Minnesota Public Facility Agency Loans	11,925,422
Federal program income	
CDBG – Entitlement Grants Cluster	5,141,233
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	36,225
Home Investment Partnerships Program	683,227
Neighborhood Stabilization Program – ARRA	205,989
Lead-Based Paint Hazard Control in Privately-Owned Housing	67,015
Energy Efficiency and Conservation Block Grant Program (EECBG)	161,582
Homeland Security Grant Program	33,401
	33,401
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 48,623,771

**MUNICIPAL BUILDING COMMISSION
MANAGEMENT AND COMPLIANCE REPORT**

YEAR ENDED DECEMBER 31, 2019

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JULIE BLAHA
STATE AUDITOR

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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

Municipal Building Commission Board
Municipal Building Commission
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 City of Minneapolis, Minnesota, which include as Other Supplemental Information the financial statements of the Municipal Building Commission, a discretely presented component unit, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipal Building Commission's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Building Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Building Commission'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 Building Commission'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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipal Building Commission's financial statements are free from 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

In connection with our audit, nothing came to our attention that caused us to believe that the Municipal Building Commission failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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 Building Commission's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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 Cities* and the results of that testing, and not to provide an opinion on the effectiveness of the Building Commission'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 Building Commission's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

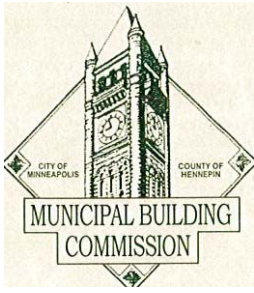
/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

August 13, 2020

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR



Municipal Building Commission

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REPRESENTATION OF THE MUNICIPAL BUILDING COMMISSION MINNEAPOLIS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2018-001

Finding Title: Audit Adjustment

Summary of Condition: During the audit, a material audit adjustment was identified that resulted in significant changes to the Building Commission's financial statements.

Summary of Corrective Action Previously Reported: A more thorough review of the financial transactions will be completed going forward.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X