

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

City of Minneapolis (Including the Municipal Building Commission) Minneapolis, Minnesota

Management and Compliance Report

Year Ended December 31, 2021

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
(Including the Municipal
Building Commission)
Minneapolis, Minnesota**

Year Ended December 31, 2021



Management and Compliance Report

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

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

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**CITY OF MINNEAPOLIS
MANAGEMENT AND COMPLIANCE REPORT**

YEAR ENDED DECEMBER 31, 2021



**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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 19, 2022. Our report includes a reference to other auditors who audited the financial statements of the Meet Minneapolis component unit 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 a separate Management and Compliance Report for the Minneapolis Park and Recreation Board component unit. 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 component unit 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.

Report on 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 as a basis for designing 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.

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 a combination of deficiencies, in internal control over financial reporting, 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. A significant deficiency is a deficiency, or a 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.

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. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001, that we consider to be a material weakness.

Report on 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 financial statements. 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 – bid laws, depositories of public funds and public 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. 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 Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City of Minneapolis' response to the internal control finding identified in our audit and described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

July 19, 2022



**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

Opinion on Each Major Federal Program

We have audited the City of Minneapolis' compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

In our opinion, the City of Minneapolis complied, in all material respects, with the 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, 2021.

Basis for Opinion on Each Major Federal Program

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Minneapolis and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our

opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Minneapolis' compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The City of Minneapolis' basic financial statements include the operations of the Minneapolis Park and Recreation Board component unit, which expended \$62,057 in federal awards which are not included in the City of Minneapolis' Schedule of Expenditures of Federal Awards during the year ended December 31, 2021. Our compliance audit, described in the "Opinion on Each Major Federal Program," does not include the operations of the Minneapolis Park and Recreation Board component unit because the component unit is legally separate from the primary government, and because it expended less than \$750,000 of federal awards for the year ended December 31, 2021, it was not subject to Uniform Guidance audit requirements.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Minneapolis' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Minneapolis' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Minneapolis' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Minneapolis' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and

- obtain an understanding of the City of Minneapolis' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Minneapolis' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Minneapolis' response to the noncompliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City of Minneapolis' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a 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 a 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 attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Minneapolis' response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City of Minneapolis' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the City of Minneapolis as of and for the year ended December 31, 2021, and have issued our report thereon dated July 19, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

July 19, 2022

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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 the major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

Assistance Listing Number	Name of Federal Program or Cluster
14.231	Emergency Solutions Grant Program
14.231	COVID-19 – Emergency Solutions Grant Program
14.239	Home Investment Partnerships Program
	WIOA Cluster
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.278	WIA Dislocated Worker Formula Grants
21.023	COVID-19 – Emergency Rental Assistance Program
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

The threshold for distinguishing between Types A and B programs was \$1,872,810.

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

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

2021-001 Audit Adjustment

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

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 related to pensions was reviewed and approved by the appropriate City of Minneapolis staff and is reflected in the financial statements:

- in the governmental activities, deferred outflows of resources – pensions decreased \$125,096,540, deferred inflows of resources – pensions increased \$75,703,604, and pension expense increased \$200,800,144, which includes the aggregate remaining fund information adjustment;

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

- in the Solid Waste and Recycling Enterprise Fund, deferred outflows of resources – pensions decreased \$6,192,343, deferred inflows of resources – pensions increased \$4,805,166, and pension expense increased \$10,997,509;
- in the Water Treatment and Distribution Services Enterprise Fund, deferred outflows of resources – pensions decreased \$11,000,706, deferred inflows of resources – pensions increased \$8,536,386, and pension expense increased \$19,537,092; and
- in the aggregate remaining fund information, which includes internal service funds, deferred outflows of resources – pensions decreased \$18,608,405, deferred inflows of resources – pensions increased \$14,439,848, and pension expense increased \$33,048,253.

Cause: The City relied on calculations made by an actuary to calculate an alternative method for pension liabilities, deferred inflows of resources, deferred outflows of resources, and pension expense. The actuary incorrectly included a deferred inflow of resources as a deferred outflow of resources. The actuary also used the prior year proportionate share percentage to calculate the deferred inflow net pension liability change in proportion amount instead of the current year percentage.

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

2021-002 Procurement, Suspension, and Debarment

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Agency: U.S. Department of Housing and Urban Development

Program: 14.231 Emergency Solutions Grant Program and

14.231 COVID-19 – Emergency Solutions Grant Program

Award Number and Year: E-20-MW-27-0003, 2020; E-20-MC-27-0003, 2020;
E-21-MC-27-0003, 2021

Pass-Through Agency: N/A

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal awards. In addition, non-federal entities must follow federal guidance regarding verifying debarment, suspension, and exclusions, as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, and 200.318(h), when entering into covered transactions.

Condition: In a sample of two contracts tested over the covered transaction amount, the City did not have documentation to meet the verification requirements as to whether the vendor was suspended, debarred, or otherwise excluded.

Questioned Costs: None.

Context: Two contracts from a total population of 14 were tested for suspension and debarment.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The City is not in compliance with federal grant requirements.

Cause: The City was not aware that they should check the local government for suspension and debarment, and the other contract not being verified for suspension and debarment of the vendor was an oversight.

Recommendation: We recommend the City review their policies and procedures related to the verification of vendors being suspended, debarred, or otherwise excluded and maintain documentation to support suspension and debarment procedures are performed in compliance with federal requirements.

View of Responsible Official: Concur

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

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2021**

Finding Number: 2021-001

Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Lyle Hodges, Controller

Corrective Action Planned:

We will establish a process for additional review of all pension schedules used to create the required entries and backup. Additional methodologies for preparing the required schedules will be researched.

Anticipated Completion Date:

December 31, 2022

Finding Number: 2021-002

Finding Title: Procurement, Suspension, and Debarment

Program: Emergency Solutions Grant Program (AL # 14.231)

Name of Contact Person Responsible for Corrective Action:

Tiffany Glasper, Senior Project Coordinator & ESG Program Manager

Corrective Action Planned:

We will immediately begin reviewing and checking all vendors for suspension and/or debarment, including any governmental agencies. We have beefed up the language in our overall program guidance and particularly on the standard Closing Checklist for Emergency Solutions Grant projects.

Anticipated Completion Date:

December 31, 2022

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Finding Number: 2020-001

Finding Title: Audit Adjustment

Year of Finding Origination: 2019

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

Summary of Corrective Action Previously Reported: Starting with training prior to year-end, we'll emphasize the importance of capitalizing any projects that are completed and removed from construction in progress (CIP). During our yearend closeout process, we will continue to reconcile the current year reductions in CIP with the additions to fixed assets. In addition, we'll ensure the reconciliation and tie-out of all amounts for capital assets are prepared and completed prior to turning our worksheets over for audit.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2020-002

Finding Title: Subrecipient Monitoring

Program: Coronavirus Relief Fund (CFDA No. 21.019)

Year of Finding Origination: 2020

Summary of Condition: The City did not document risk assessment procedures over its subrecipients.

Summary of Corrective Action Previously Reported: It is the City's standard practice to evaluate contracts for the presence of subrecipient relationships. That practice will continue with a more diligent effort to identify any and all such relationships going forward. In addition, the team tasked with subrecipient monitoring will be fully staffed during 2021, allowing us to more fully perform reviews and pre-award assessments.

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, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Direct				
CDBG – Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		\$ 9,825,628	\$ 1,691,573
COVID-19 – Community Development Block Grants/Entitlement Grants	14.218		4,454,686	4,261,411
(Total Community Development Block Grants/Entitlement Grants 14.218 \$14,280,314)				
Emergency Solutions Grant Program	14.231		923,988	837,625
COVID-19 – Emergency Solutions Grant Program	14.231		4,773,911	4,467,620
(Total Emergency Solutions Grant Program 14.231 \$5,697,899)				
Home Investment Partnerships Program	14.239		4,879,807	-
Housing Opportunities for Persons with AIDS	14.241		1,348,115	1,184,755
Neighborhood Stabilization Program – ARRA	14.256		14,692	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		1,072,929	-
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	33,601	-
Total U.S. Department of Housing and Urban Development			\$ 27,327,357	\$ 12,442,984
U.S. Department of Justice				
Direct				
COVID-19 – Coronavirus Emergency Supplemental Funding Program	16.034		\$ 237,898	\$ -
Public Safety Partnership and Community Policing Grants	16.710		357,777	-
National Sexual Assault Kit Initiative	16.833		255,427	-
Body Worn Camera Policy and Implementation	16.835		73,180	-
Comprehensive Opioid Abuse Site-Based Program	16.838		220,965	-
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	A-CVS-2020-MPLS- AO-041/3-62532 A-VAWA-2019- MPLS-AO- 00021/3-57878	44,083	-
Violence Against Women Formula Grants	16.588		13,685	-
Passed Through Hennepin County, Minnesota				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PR00000575	197,464	-
Edward Byrne Memorial Justice Assistance Grant Program (Total Edward Byrne Memorial Justice Assistance Grant Program 16.738 \$289,956)	16.738	PR00001610	92,492	-
Total U.S. Department of Justice			\$ 1,492,971	\$ -

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Labor				
Passed Through Minnesota Department of Employment and Economic Development				
WIOA Cluster				
WIA Adult Program	17.258	9103100	\$ 75,706	\$ 50,077
WIA Adult Program	17.258	0103100	814,609	720,543
WIA Adult Program	17.258	1103100	403,459	401,907
(Total WIA Adult Program 17.258 \$1,293,774)				
WIA Youth Activities	17.259	9103600	187,858	174,368
WIA Youth Activities	17.259	0130600	1,067,282	913,106
WIA Youth Activities	17.259	1103600	102,097	83,021
(Total WIA Youth Activities 17.259 \$1,357,237)				
WIA Dislocated Worker Formula Grants	17.278	9108000	52,812	-
WIA Dislocated Worker Formula Grants	17.278	0108000	343,269	309,351
WIA Dislocated Worker Formula Grants	17.278	1108000	120,076	104,290
(Total WIA Dislocated Worker Formula Grants 17.278 \$516,157)				
COVID-19 – Workforce Investment Act (WIA) National Emergency Grants	17.277	1100100	14,224	288
Total U.S. Department of Labor			\$ 3,181,392	\$ 2,756,951
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	1029973	\$ 2,133,947	\$ -
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC21-2021- MPLSPD-059	11,818	-
National Priority Safety Programs	20.616	A-ENFRC21-2021- MPLSPD-059	33,796	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-DGCT21-2021- 4TH-JD-014	2,718	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-DGCT22-2022- 4TH-JD-008	23,676	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC21-2021- MPLSPD-059	2,108	-
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$28,502)				
Total U.S. Department of Transportation			\$ 2,208,063	\$ -

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of the Treasury				
Direct				
COVID-19 – Emergency Rental Assistance Program	21.023		\$ 10,516,561	\$ 10,491,840
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		5,681,746	169,571
Total U.S. Department of the Treasury			\$ 16,198,307	\$ 10,661,411
U.S. Environmental Protection Agency				
Direct				
State Environmental Justice Cooperative Agreement Program	66.312		\$ 56,419	\$ -
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	5,132,226	-
Total U.S. Environmental Protection Agency			\$ 5,188,645	\$ -
U.S. Department of Energy				
Direct				
Energy Efficiency and Conservation Block Grant Program (EECBG) – ARRA	81.128		\$ 96,752	\$ -
U.S. Department of Education				
Passed Through the Wilder Foundation				
Education Research, Development and Dissemination	84.305	52229	\$ 18,400	\$ -
U.S. Department of Health and Human Services				
Direct				
Food and Drug Administration – Research	93.103		\$ 12,561	\$ -
Injury Prevention and Control Research and State and Community Based Programs	93.136		228,043	45,589
COVID-19 – Community Programs to Improve Minority Health Grant Program	93.137		104,036	-
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243		728,959	299,462
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391		137,737	8,314
(Total Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises 93.391 \$152,774)				

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Direct (Continued)				
PHFF: Racial and Ethnic Approaches to Community Health Program Financed Solely by Public Prevention and Health Funds	93.738		30,373	-
COVID-19 – PHFF: Racial and Ethnic Approaches to Community Health Program Financed Solely by Public Prevention and Health Funds	93.738		26,648	-
(Total PHFF: Racial and Ethnic Approaches to Community Health Program Financed Solely by Public Prevention and Health Funds 93.738 \$57,021)				
Passed Through Minnesota Department of Employment and Economic Development				
Temporary Assistance for Needy Families	93.558	1107400	79,577	75,077
(Total Temporary Assistance for Needy Families 93.558 \$1,106,482)				
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	161418	236,240	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	136481	66,132	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	163481	16,981	-
(Total Affordable Care Act (ACA) Personal Responsibility Education Program 93.092 \$83,113)				
Immunization Cooperative Agreements	93.268	185743	44,968	-
COVID-19 – Immunization Cooperative Agreements	93.268	186458	77,448	-
COVID-19 – Immunization Cooperative Agreements	93.268	191800	759,759	-
(Total Immunization Cooperative Agreements 93.268 \$882,175)				
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	191800	281,622	-
Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke	93.435	152495	120,858	85,057
Temporary Assistance for Needy Families	93.558	165605	636,186	574,332
Temporary Assistance for Needy Families	93.558	1801MNTANF	390,719	341,527
(Total Temporary Assistance for Needy Families 93.558 \$1,106,482)				
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	118492	619,160	610,237
Maternal and Child Health Services Block Grant to the States	93.994	167257	686,379	215,413
Passed Through Hennepin County, Minnesota				
Teenage Pregnancy Prevention Program	93.297	HS00000867	29,748	-

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
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	15,037	-
(Total Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises 93.391 \$152,774)				
COVID-19 – Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	2021-050403	15,834	-
Passed Through Minnesota Department of Human Services				
Opioid STR	93.788	191971	111,045	21,117
Opioid STR	93.788	193541	143,741	143,741
Opioid STR	93.788	H79T1080248	157,658	151,632
(Total Opioid STR 93.788 \$412,444)				
Total U.S. Department of Health and Human Services			\$ 5,757,449	\$ 2,571,498
U.S. Department of Homeland Security				
Direct				
COVID-19 – Assistance to Firefighters Grant	97.044		\$ 43,264	\$ -
Passed Through Minnesota Department of Public Safety				
Homeland Security Grant Program	97.067	A-SHSP-2020-MPLSBOMB-014	140,049	-
Homeland Security Grant Program	97.067	A-UASI-2019-MPLSEMER-008	533,536	-
Homeland Security Grant Program	97.067	A-UASI-2020-MPLSEMER-008	240,805	-
(Total Homeland Security Grant Program 97.067 \$914,390)				
Total U.S. Department of Homeland Security			\$ 957,654	\$ -
Total Federal Awards			\$ 62,426,990	\$ 28,432,844
Totals by Cluster				
Total expenditures for CDBG – Entitlement Grants Cluster			\$ 14,280,314	
Total expenditures for WIOA Cluster			3,167,168	
Total expenditures for Highway Planning and Construction Cluster			2,133,947	
Total expenditures for Highway Safety Cluster			45,614	
Total expenditures for Drinking Water State Revolving Fund Cluster			5,132,226	

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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 \$62,057 in federal awards expended by the Minneapolis Park and Recreation Board component unit, which expended less than \$750,000 of federal awards for the year ended December 31, 2021; therefore, was not subject to the audit 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). 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, 2021. The information in this schedule is presented in accordance with the requirements of the 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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	\$ 52,977,443
Federal fixed price contracts	
Minnesota Family Investment Program	(90,000)
Healthy Housing Solutions	(2,640)
Minnesota Cold Case Investigations Task Force	(1,049)
Drug Enforcement Administration Task Force	(19,197)
Minnesota Cyber Crime Task Force	(20,499)
U.S. Marshals Overtime – Predatory Offenders Unit	(10,586)
Joint Terrorism Task Force	(514)
Violent Crimes Investigation – ATF	(7,762)
Violent Crimes Investigation – HSI	28
Violent Crimes Investigation – FBI	(11,063)
Toward Zero Deaths Partners	(25,663)
Expenditures occurring in 2020 and reimbursed in 2021	(57,626)
Revenue received in 2021 for future years' expenditures	(320,586)
Timing differences between expenditures and related reimbursements	(164,194)
Minnesota Public Facilities Authority Loans	5,132,226
Federal program income	
CDBG – Entitlement Grants Cluster	2,101,190
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	19,036
Home Investment Partnerships Program	1,934,637
Neighborhood Stabilization Program – ARRA	116,775
Lead-Based Paint Hazard Control in Privately-Owned Housing	61,647
Energy Efficiency and Conservation Block Grant Program (EECBG) – ARRA	96,752
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	718,635
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 62,426,990</u>

**MUNICIPAL BUILDING COMMISSION
MANAGEMENT AND COMPLIANCE REPORT**

YEAR ENDED DECEMBER 31, 2021



**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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 19, 2022.

Report on 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 as a basis for designing 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 a 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. A significant deficiency is a deficiency, or a 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.

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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 – bid laws, depositories of public funds and public 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

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

July 19, 2022