

STATE OF MINNESOTA

Office of the State Auditor



Julie Blaha
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

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 approximately 600 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, 2018



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, 2018

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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

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2019. 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.

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 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a significant deficiency.

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

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the City's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Minneapolis failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. 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.

Other Matters

Included in the Schedule of Findings and Questioned Costs is an unresolved other matter described as item 2018-002.

City of Minneapolis' Response to Findings

The City of Minneapolis' responses to the internal control finding and to the other matter 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

June 24, 2019

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JULIE BLAHA
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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, 2018. 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.

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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, 2018.

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 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The City of Minneapolis' response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any

deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a significant deficiency.

The City of Minneapolis' response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the 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 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated June 24, 2019, 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

June 24, 2019

/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, 2018**

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

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

Federal Awards

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major 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:

WIA Cluster	
WIA Adult Program	CFDA No. 17.258
WIA Youth Activities	CFDA No. 17.259
WIA Dislocated Worker Formula Grants	CFDA No. 17.278
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 \$2,068,035.

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, 2018**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2017-001

Monitoring Internal Controls

Criteria: Management is responsible for developing and monitoring its internal controls over the various accounting cycles. The monitoring process includes performing an annual risk assessment of existing controls over significant functions of its accounting system used to produce financial information, documenting the significant internal controls for each transaction cycle/account balance, monitoring those controls on a regular basis, and documenting the monitoring activity performed.

Condition: Based on inquiry of City management and review of internal control monitoring documentation, the City completed risk assessments and had begun to perform limited testing of internal controls. At the time of review, the testing of internal controls documentation had either been started, but not yet been completed, or was not yet started. As a result, management was not able to perform a complete review of the results of the monitoring performed to assess the effectiveness of the internal controls.

Context: Assessing risk and monitoring transaction cycles and account balances ensures activity is being properly recorded and reported in the financial statements.

Effect: The internal control environment is constantly changing with changes in staffing, information systems, processes, and the services provided. Changes may have taken place that reduce or negate the effectiveness of internal controls, which may go unnoticed without a formal and timely risk assessment process in place. Without monitoring of internal controls, management cannot be assured that internal controls are operating effectively and transactions are processed according to policy.

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Cause: Significant progress was made related to internal control monitoring. There was not enough time to fully complete internal control testing for financial transaction cycles and account balances.

Recommendation: We recommend the City continue to document the significant internal controls in the accounting system and formalize a plan to assess and monitor these controls on a regular basis, no less than annually, that addresses significant transactions and internal controls. The monitoring of these functions and areas should be documented to show the results of the review, changes required as a result of the risk assessment, and who performed the work.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding Number 2018-001

Procurement, Suspension, and Debarment – Vendor Verification

Programs: U.S. Department of Labor’s WIA Adult Program (CFDA No. 17.258) and WIA Dislocated Worker Formula Grants (CFDA No. 17.278); Award Nos. 6103100, 7103100, 8103100, 6108000, 7108000, and 8108000; 2018

Pass-Through Agency: Minnesota Department of Employment and Economic Development

Criteria: Federal requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Title 2 U.S. *Code of Federal Regulations* § 180.300 describes a required verification process. Prior to entering into the transaction, one of the following must be performed: (1) checking SAM.gov for exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction.

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Condition: Based upon review of the City's policies and procedures for contract management and professional services, language related to suspension and debarment is required to be included in all federally funded contracts, and the department's contract manager is responsible for verifying that vendors are not suspended or debarred prior to entering into a contract. 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.

Questioned Costs: Not applicable.

Context: The City's policy is to have suspension and debarment language included in federally funded contracts and to have the contract manager check for suspension and debarment prior to awarding of the contract.

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

Effect: The City did not ensure that its contractors on projects funded with these federal awards had not been suspended or debarred by the federal government.

Cause: Misunderstanding of the contract managers in regards to their role and responsibilities related to contract management.

Recommendation: We recommend the City review the written policies and procedures in place and communicate with contract managers their responsibility to check for suspension and debarment. Procedures to ensure compliance with the requirements over suspension and debarment should be completed prior to awarding contracts to contractors or subrecipients on federally funded projects, and documentation should exist to support the monitoring of and compliance with this requirement.

View of Responsible Official: Concur

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

IV. OTHER FINDINGS AND RECOMMENDATIONS

OTHER MATTER

ITEM ARISING THIS YEAR

Finding Number 2018-002

Procurement, Suspension, and Debarment – Vendor Verification

Programs: U.S. Department of Housing and Urban Development’s Community Development Block Grants/Entitlement Grants (CFDA No. 14.218) and U.S. Department of Health and Human Services’ 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), Award No. 12-700-00079, 2015

Pass-Through Agency: None (CFDA No. 14.218); Minnesota Department of Health (CFDA No. 93.757)

Criteria: Federal requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Title 2 U.S. *Code of Federal Regulations* § 180.300 describes a required verification process. Prior to entering into the transaction, one of the following must be performed: (1) checking SAM exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction.

Condition: Based upon review of the City’s policies and procedures for contract management and professional services, language related to suspension and debarment is required to be included in all federally funded contracts, and the department’s contract manager is responsible for verifying that vendors are not suspended or debarred prior to entering into a contract. 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

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

- 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.

Questioned Costs: Not applicable.

Context: The City's policy is to have suspension and debarment language included in federally funded contracts and to have the contract manager check for suspension and debarment prior to awarding of the contract.

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

Effect: The City did not ensure that its contractors on projects funded with these federal awards had not been suspended or debarred by the federal government.

Cause: Misunderstanding of contract managers in regards to their role and responsibilities related to contract management.

Recommendation: We recommend the City review the written policies and procedures in place and communicate with contract managers their responsibility to check for suspension and debarment. Procedures to ensure compliance with the requirements over suspension and debarment should be completed prior to awarding contracts to contractors or subrecipients on federally funded projects, and documentation should exist to support the monitoring of and compliance with this requirement.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEMS RESOLVED

- 2016-002 Uniform Guidance Written Procurement Policies and Procedures (CFDA No. 93.757)
- 2017-002 Prior Period Adjustment
- 2017-003 Withholding Affidavit for Contractors (Form IC-134)

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

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding Number: 2017-001

Finding Title: Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Chris Fittipaldi

Corrective Action Planned:

The Finance Manager in Internal Controls will work to document the processes, assess risk, and test internal controls.

Anticipated Completion Date:

12/31/2019

Finding Number: 2018-001

Finding Title: Procurement, Suspension and Debarment – Vendor Verification

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

Name of Contact Person Responsible for Corrective Action:

Lyle Hodges

Corrective Action Planned:

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.

Anticipated Completion Date:

12/31/2019

Finding Number: 2018-002

Finding Title: Procurement, Suspension and Debarment – Vendor Verification

Programs: Community Development Block Grants/Entitlement (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 Prevent and Public Health Funding (PPHF) (CFDA No. 93.757)

Name of Contact Person Responsible for Corrective Action:

Lyle Hodges

Corrective Action Planned:

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.

Anticipated Completion Date:

12/31/2019

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 not been updated, and the monitoring performed over internal controls was not completed. 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 work with other departments to document processes, assess risk, and test internal controls.

Status: Partially Corrected. The Finance Manager in Internal Controls inventoried the control processes and started the risk assessment and testing work by December 31, 2018. The full scope of risk assessment and testing will be completed in 2019. Based on the volume of work required and the time resources available all work was not completed prior to December 31, 2018.

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

Yes _____ No x

Finding Number: 2017-002

Finding Title: Prior Period Adjustment

Summary of Condition: During the audit of the governmental activities capital assets, several capital assets were recorded in the governmental activities, which had also been previously recorded in the Sanitary Sewer and Stormwater Enterprise Funds, resulting in the capital assets being recorded in both the governmental activities and business-type activities.

Summary of Corrective Action Previously Reported: The adjustment was made in the 2017 financial statements, and a more thorough review of asset additions will be made going forward.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No x

Finding Number: 2016-002

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Program: U.S. Department of Health and Human Services' 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: The City has written procurement policies; however, these policies did not include all the required components in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318.

Summary of Corrective Action Previously Reported: Policies and procedures have been updated to conform with the Uniform Grant Guidance requirements.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No x

Finding Number: 2017-003

Finding Title: Withholding Affidavit for Contractors (Form IC-134)

Summary of Condition: Final payment to two contractors for contracts involving the employment of individuals for wages by the contractor were tested. For both of these, final payment was made on the contract before Form IC-134, which certifies withholding compliance, was received from this contractor and approved by the Minnesota Department of Revenue.

Summary of Corrective Action Previously Reported: Accounts Payable will not complete final payment until the IC-134 has been received from contractor.

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, 2018**

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		<u>\$ 17,880</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development				
Direct				
CDBG – Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		\$ 16,231,219	\$ 2,401,357
Emergency Solutions Grant Program	14.231		973,602	581,785
Home Investment Partnerships Program	14.239		3,979,152	-
Housing Opportunities for Persons with AIDS	14.241		1,149,151	1,137,908
Neighborhood Stabilization Program – ARRA	14.256		57,065	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		731,094	-
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	<u>471,030</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 23,592,313</u>	<u>\$ 4,121,050</u>
U.S. Department of the Interior				
Passed through Minnesota Historical Society				
Historic Preservation Fund Grants-In-Aid	15.904	4810091	<u>\$ 20,000</u>	<u>\$ -</u>
U.S. Department of Justice				
Direct				
Public Safety Partnership and Community Policing Grants	16.710		\$ 32,013	\$ -
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		131,205	-
(Total Paul Coverdell Forensic Sciences Improvement Grant Program 16.742 \$154,717)				
Children Exposed to Violence	16.818		221,197	92,778
(Total Children Exposed to Violence 16.818 \$236,197)				
Passed through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	A-CVSP-2018-MPLS-AO-00007	72,850	-
Special Data Collections and Statistical Studies	16.734	126878	183,000	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	A-NFSIA-2018-MPLSPD-00001	23,512	-
(Total Paul Coverdell Forensic Sciences Improvement Grant Program 16.742 \$154,717)				

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	A153627-SR	171,152	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A155769-SR	101,517	-
(Total Edward Byrne Memorial Justice Assistance Grant Program 16.738 \$273,088)				
Passed through City of Minneapolis, Minnesota				
Children Exposed to Violence	16.818	C-40394	15,000	-
(Total Children Exposed to Violence 16.818 \$236,197)				
Passed through International Association of Police Chiefs				
Crime Victim Assistance/Discretionary Grants	16.582	Not available	98,852	-
Total U.S. Department of Justice			\$ 1,050,717	\$ 92,778
U.S. Department of Labor				
Direct				
Reintegration of Ex-Offenders	17.270		\$ 267,967	\$ 36,222
Passed through Minnesota Department of Employment and Economic Development				
WIA Cluster				
WIA Adult Program	17.258	6103100	69,917	-
WIA Adult Program	17.258	7103100	545,014	461,736
WIA Adult Program	17.258	8103100	320,440	207,931
(Total WIA Adult Program 17.258 \$935,371)				
WIA Youth Activities	17.259	5103601	4,274	4,274
WIA Youth Activities	17.259	6103600	6,143	5,620
WIA Youth Activities	17.259	7103600	853,691	695,146
WIA Youth Activities	17.259	8103600	75,482	11,844
(Total WIA Youth Activities 17.259 \$939,590)				
WIA Dislocated Worker Formula Grants	17.278	6108000	46,596	-
WIA Dislocated Worker Formula Grants	17.278	7108000	273,982	162,626
WIA Dislocated Worker Formula Grants	17.278	8108000	59,102	39,067
(Total WIA Dislocated Worker Formula Grants 17.278 \$379,680)				
Passed through Employ Milwaukee				
H-1B Job Training Grants	17.268	HG-30128- 17-60-A-55	128,820	-
Total U.S. Department of Labor			\$ 2,651,428	\$ 1,624,466

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	\$ 5,801,984	\$ -
Passed through Metropolitan Council Federal Transit Cluster				
Federal Transit – Formula Grants	20.507	MN-2016-004	20,767	20,767
Federal Transit – Formula Grants	20.507	MN-2017-013	301,567	301,567
(Total Federal Transit – Formula Grants 20.507 \$322,334)				
Passed through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC18-2018- MPLSPD-010	16,439	-
State and Community Highway Safety	20.600	A-ENFRC19-2019- MPLSPD-056	4,246	-
(Total State and Community Highway Safety 20.600 \$20,685)				
National Priority Safety Programs	20.616	A-ENFRC18-2018- MPLSPD-010	23,996	-
National Priority Safety Programs	20.616	A-OFFICR18-2018- MPLSPD-013	23,262	-
National Priority Safety Programs	20.616	A-OFFICR19-2019- MPLSPD-018	7,765	-
(Total National Priority Safety Programs 20.616 \$55,023)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	DGCT19-2019- 4TH-JD-004	10,489	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC18-2018- MPLSPD-010	44,214	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC19-2019- MPLSPD-056	13,431	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-OFFICR18-2018- MPLSPD-013	47,228	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-OFFICR19-2019- MPLSPD-018	15,766	-
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$131,128)				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	A-HMEP-2017- MPLS-FD-022	11,128	-
Total U.S. Department of Transportation			\$ 6,342,282	\$ 322,334
U.S. Department of Treasury				
Direct				
Equitable Sharing	21.016		\$ 13,250	\$ -

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
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-040-FY18	<u>\$ 26,929,909</u>	<u>\$ -</u>
U.S. Department of Energy				
Direct				
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		<u>\$ 75,000</u>	<u>\$ -</u>
U.S. Department of Health and Human Services				
Direct				
Food and Drug Administration – Research	93.103		\$ 30,269	\$ -
Injury Prevention and Control Research and State and Community Based Programs	93.136		410,030	194,422
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243		1,416,993	163,367
Healthy Start Initiative	93.926		742,579	486,113
Passed through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	127925	234,439	-
Affordable Care Act (ACA) Abstinence Education Program	93.235	136481	98,216	-
Pregnancy Assistance Fund Program	93.500	131721	269,188	263,529
Pregnancy Assistance Fund Program (Total Pregnancy Assistance Fund Program 93.500 \$351,171)	93.500	147624	81,983	80,141
TANF Cluster				
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$1,178,115)	93.558	127474	949,051	861,522
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753	134996	15,000	-
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)	93.757	12-700-00079	802,671	452,729
Maternal, Infant, and Early Childhood Home Visiting Cluster				
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870	118492	712,968	699,686
Maternal and Child Health Services Block Grant to the States	93.994	86869	671,461	313,907

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 (Continued)				
Passed through Minnesota Department of Employment and Economic Development				
TANF Cluster				
Temporary Assistance for Needy Families	93.558	8107400	(6,216)	-
Temporary Assistance for Needy Families	93.558	9107400	235,280	47,713
(Total Temporary Assistance for Needy Families 93.558 \$1,178,115)				
Passed through Hennepin County, Minnesota				
Teenage Pregnancy Prevention Program	93.297	A153906-SR	154,104	-
Passed through Regents of the University of Minnesota				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	P004828001	9,738	-
Total U.S. Department of Health and Human Services			\$ 6,827,754	\$ 3,563,129
U.S. Department of Homeland Security				
Passed through Minnesota Department of Public Safety				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	4182DRMN P00000001	\$ 437,180	\$ -
Emergency Management Performance Grants	97.042	A-EMPG-2018- MPLSEMER-050	27,504	-
Homeland Security Grant Program	97.067	A-SHSP-2017- MPLSBOMB-00013	266,819	-
Homeland Security Grant Program	97.067	A-UASI-2014- MPLSEMER-009	(4,212)	-
Homeland Security Grant Program	97.067	A-UASI-2016- MPLSEMER-008	265,995	-
Homeland Security Grant Program	97.067	A-UASI-2017- MPLSEMER-008	420,683	-
(Total Homeland Security Grant Program 97.067 \$949,285)				
Total U.S. Department of Homeland Security			\$ 1,413,969	\$ -
Total Federal Awards			\$ 68,934,502	\$ 9,723,757
Totals by Cluster				
Total expenditures for CDBG – Entitlement Grants Cluster			\$ 16,231,219	
Total expenditures for WIA Cluster			2,254,641	
Total expenditures for Highway Planning and Construction Cluster			5,801,984	
Total expenditures for Federal Transit Cluster			322,334	
Total expenditures for Highway Safety Cluster			75,708	
Total expenditures for Drinking Water State Revolving Fund Cluster			26,929,909	
Total expenditures for TANF Cluster			1,178,115	
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster			712,968	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Minneapolis and the Minneapolis Park and Recreation Board component unit of the City. For the year ended December 31, 2018, the level of federal funding for the Minneapolis Park and Recreation Board did not require that a separate single audit be performed for the component unit. The City's and the Minneapolis Park and Recreation Board's reporting entities are defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Minneapolis under programs of the federal government for the year ended December 31, 2018. 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.

3. Summary of Significant Accounting Policies

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. 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**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 41,020,446
Federal fixed price contracts	
Equal Employment Opportunity Commission	(3,497)
Minnesota Family Investment Program	(95,000)
Minnesota Cold Case Investigations Task Force	(7,177)
Drug Enforcement Administration Task Force	(44,745)
Minnesota Cyber Crime Task Force	(14,283)
Organized Crime Drug Enforcement Task Force	(42,770)
Safe Streets Violent Crime Task Force	(170,122)
U.S. Marshals Overtime – Predatory Offenders Unit	(17,116)
U.S. Marshals Overtime May – December 2018	(8,125)
Joint Terrorism Task Force	(6,852)
Violent Crimes Investigation – ATF	(69,590)
Violent Crimes Investigation – HIS	(37,687)
Toward Zero Deaths Partners	(131,890)
Expenditures occurring in 2017 and reimbursed in 2018	(2,625,375)
Revenue received in 2018 for future years' expenditures	(115,443)
Timing differences between expenditures and related reimbursements	7,226
Minnesota Public Facility Agency Loans	26,929,909
Credits to federal grants	
Edward Byrne Memorial Justice Assistance Grant Program	341
Federal program income	
CDBG – Entitlement Grants Cluster	2,257,245
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	52,926
Home Investment Partnerships Program	1,269,650
Neighborhood Stabilization Program – ARRA	190,494
Lead-Based Paint Hazard Control in Privately-Owned Housing	43,682
Energy Efficiency and Conservation Block Grant Program (EECBG)	75,000
Expenditures for the Minneapolis Park and Recreation Board	
Children Exposed to Violence	15,000
Highway Safety Cluster – State and Community Highway Safety	3,125
Highway Safety Cluster – National Priority Safety Programs	6,864
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	15,086
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	437,180
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 68,934,502</u>

**MUNICIPAL BUILDING COMMISSION
MANAGEMENT AND COMPLIANCE REPORT**

YEAR ENDED DECEMBER 31, 2018

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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

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2019.

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.

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 Recommendations, we did identify a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2018-001 to be a material weakness.

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

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the Building Commission's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness and tax increment financing because the Building Commission cannot issue debt and does not administer any tax increment financing districts. The applicable categories described above were tested in conjunction with the audit of the financial statements of the City of Minneapolis.

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 *Minnesota Legal Compliance Audit Guide for Cities*. 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.

Municipal Building Commission's Response to Finding

The Municipal Building Commission's response to the internal control finding identified in our audit is described in the Corrective Action Plan. The Building Commission'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 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/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 24, 2019

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**MUNICIPAL BUILDING COMMISSION
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

INTERNAL CONTROL

ITEM ARISING THIS YEAR

Finding Number 2018-001

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 Building Commission'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 Building Commission's internal control.

Effect: The following audit adjustment was reviewed and approved by the appropriate Building Commission staff and is reflected in the financial statements: in the Capital Projects Fund, unearned revenue was decreased and assigned fund balance was increased by \$137,075 to correct a one-sided entry that resulted in the ending fund balance on the Balance Sheet not agreeing with the Statement of Revenues, Expenditures, and Changes in Fund Balances. This adjustment also affected the government-wide financial statements.

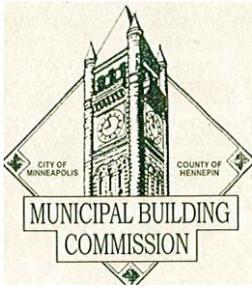
Cause: This activity was incorrectly recorded when the financial statement information was prepared by the Municipal Building Commission and reviewed by the City of Minneapolis' Finance and Property Services Department.

**MUNICIPAL BUILDING COMMISSION
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 Building Commission's financial statements are fairly presented in accordance with generally accepted accounting principles.

View of Responsible Official: Concur



Municipal Building Commission

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REPRESENTATION OF MUNICIPAL BUILDING COMMISSION MINNEAPOLIS, MINNESOTA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 2018-001

Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Erin Delaney, MBC

Lyle Hodges, City of Minneapolis

Corrective Action Planned:

This adjustment was made in the 2018 financial statements, and a more thorough review of financial transactions will be completed going forward.

Anticipated Completion Date:

Completed in June of 2019