

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**City of Minneapolis
Minneapolis, Minnesota**

Management and Compliance Report

Year Ended December 31, 2020

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension – monitors investment, financial, and actuarial reporting for Minnesota’s local public pension funds; and

Tax Increment Financing – promotes compliance and accountability in local governments’ use of tax increment financing through financial and compliance audits.

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

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**City of Minneapolis
Minneapolis, Minnesota**

Year Ended December 31, 2020



Office of the State Auditor

Management and Compliance Report

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

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

TABLE OF CONTENTS

	<u>Page</u>
City of Minneapolis Management and Compliance Report	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
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	4
Schedule of Findings and Questioned Costs	7
Corrective Action Plan	11
Summary Schedule of Prior Audit Findings	13
Schedule of Expenditures of Federal Awards	15
Notes to the Schedule of Expenditures of Federal Awards	20
Municipal Building Commission Management and Compliance Report	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22

**CITY OF MINNEAPOLIS
MANAGEMENT AND COMPLIANCE REPORT**

YEAR ENDED DECEMBER 31, 2020



**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, 2020, 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 29, 2021. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify 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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 to be a material weakness.

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 and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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

The City of Minneapolis' response to the internal control finding identified in our audit is described in the 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

June 29, 2021



**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, 2020. The City of Minneapolis' major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

The City of Minneapolis' basic financial statements include the operations of the Minneapolis Park and Recreation Board (Park and Recreation Board) component unit, which expended \$3,382,702 in federal awards, which are not included in the Schedule of Expenditures of Federal Awards during the year ended December 31, 2020. Our audit, described below, did not include the operations of the Park and Recreation Board because it had a separate single audit in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Minneapolis' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the City of Minneapolis' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Minneapolis complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

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 2020-002. 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 2020-002 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, 2020, 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 29, 2021, 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 29, 2021

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

I. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

CDBG – Entitlement Grants Cluster	
Community Development Block Grants/Entitlement Grants	CFDA No. 14.218
COVID-19 Community Development Block Grants/ Entitlement Grants	CFDA No. 14.218
COVID-19 Coronavirus Relief Fund	CFDA No. 21.019

The threshold for distinguishing between Types A and B programs was \$2,280,304.

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, 2020**

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

INTERNAL CONTROL

Finding Number: 2020-001

Prior Year Finding Number: 2019-001

Repeat Finding Since: 2019

Audit Adjustment

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

Effect: The following audit adjustment was reviewed and approved by the appropriate City of Minneapolis staff and is reflected in the financial statements: in the governmental activities, construction in progress and net investment in capital assets net position were increased by \$128,592,816.

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

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Finding Number: 2020-002

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Subrecipient Monitoring

Program: U.S. Department of the Treasury's Coronavirus Relief Fund (CFDA No. 21.019), Award No. SLT0016, 2020

Pass-Through Agency: Minnesota Management and Budget

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 award. Also, the City must comply with Title 2 U.S. *Code of Federal Regulations* § 200.332, which includes the requirement to evaluate the subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the award.

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

Questioned Costs: None.

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Context: The City of Minneapolis passed a majority of funds to local governments who have been operating for many years and with whom the City has familiar relationships. The City also passed funds to non-profit organizations in order to provide assistance for their continuing operations. For all subrecipients, the City reviewed detailed listings of expenditures, along with supporting documentation, prior to the funds being passed through using this federal program.

Effect: The City is not meeting all federal regulations pertaining to subrecipient monitoring.

Cause: The guidance regarding the definition of a subrecipient and the requirements for monitoring changed throughout the year, making it difficult to follow all federal regulations related to subrecipient monitoring. Also, the short timeframe allowed for spending related to this program resulted in additional pressures and difficulties to comply with all federal regulations.

Recommendation: We recommend the City document their rationale of who is a subrecipient, including guidance they followed at the time of determination, and to document risk assessments completed for those identified as subrecipients in order to determine the further monitoring procedures that should be performed.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2019-002 Prior Period Adjustment
2019-003 Prompt Payment of Invoices

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

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020**

Finding Number: 2020-001

Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Lyle Hodges, Controller

Corrective Action Planned:

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 year-end 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.

Anticipated Completion Date:

December 31, 2021

Finding Number: 2020-002

Finding Title: Subrecipient Monitoring

Program: Coronavirus Relief Fund (CFDA No. 21.019)

Name of Contact Person Responsible for Corrective Action:

Lyle Hodges, Controller

Corrective Action Planned:

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.

Anticipated Completion Date:

December 31, 2021

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Finding Number: 2019-001
Repeat Finding Since: 2019
Finding Title: Audit Adjustment

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: The City will perform a thorough review of the classification of receipts from various State sources. The schedule of revenue sources and classifications will be followed to ensure the appropriate accounting treatment is used for each revenue source.

Status: Partially Corrected. The current year audit finding that resulted in a material adjustment are related to capital assets. There were no material corrections to revenues in the 2020 audit. Revenue accounts will continue to be reviewed for accuracy going forward.

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

Yes _____ No X

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

Summary of Condition: The governmental activities capital assets reconciliation performed by the City identified assets that had been recorded in previous periods and recorded a second time as additions in the current year.

Summary of Corrective Action Previously Reported: Additional staff training related to capital assets was implemented and will continue annually.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2019-003
Repeat Finding Since: 2019
Finding Title: Prompt Payment of Invoices

Summary of Condition: Four of 30 invoices tested for compliance with Minn. Stat. § 471.425 were not paid within the 35 days.

Summary of Corrective Action Previously Reported: A more concerted effort will be made in 2020 – 2021 years to bring remaining invoices to the centralized process. We are also planning to implement an Accounts Payable system where this process can be automated, so that the manual intervention is kept to a minimum to avoid delay in payments.

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, 2020**

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 Housing and Urban Development				
Direct				
CDBG – Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		\$ 14,236,646	\$ 2,148,529
COVID-19 – Community Development Block Grants/Entitlement Grants	14.218		648,432	214,309
(Total Community Development Block Grants/Entitlement Grants 14.218 \$14,885,078)				
Emergency Solutions Grant Program	14.231		947,389	361,467
COVID-19 – Emergency Solutions Grant Program	14.231		48,585	-
(Total Emergency Solutions Grant Program 14.231 \$995,974)				
Home Investment Partnerships Program	14.239		990,859	-
Housing Opportunities for Persons with AIDS	14.241		1,191,024	1,172,203
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		1,211,920	-
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	673,672	-
Total U.S. Department of Housing and Urban Development			\$ 19,948,527	\$ 3,896,508
U.S. Department of Justice				
Direct				
COVID-19 – Coronavirus Emergency Supplemental Funding Program	16.034		\$ 131,460	\$ -
Public Safety Partnership and Community Policing Grants	16.710		362,683	-
Body Worn Camera Policy and Implementation	16.835		12,578	-
Comprehensive Opioid Abuse Site-Based Program	16.838		16,042	-
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-	80,614	-
Violence Against Women Formula Grants	16.588	00021/3-57878	54,649	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	131403	1,064	-
(Total Edward Byrne Memorial Justice Assistance Grant Program 16.738 \$282,772)				

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	A177750	143,924	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PR00000575	83,784	-
Edward Byrne Memorial Justice Assistance Grant Program (Total Edward Byrne Memorial Justice Assistance Grant Program 16.738 \$282,722)	16.738	PR00001610	54,000	-
Passed Through International Association of Police Chiefs Crime Victim Assistance/Discretionary Grants	16.582	Not available	<u>146,778</u>	<u>9,810</u>
Total U.S. Department of Justice			<u>\$ 1,087,576</u>	<u>\$ 9,810</u>
U.S. Department of Labor				
Passed Through Minnesota Department of Employment and Economic Development				
WIOA Cluster				
WIA Adult Program	17.258	8103100	\$ 37,899	\$ 31,939
WIA Adult Program	17.258	9103100	838,852	717,430
WIA Adult Program (Total WIA Adult Program 17.258 \$970,430)	17.258	0103100	93,679	90,341
WIA Youth Activities	17.259	8103600	338,944	311,118
WIA Youth Activities (Total WIA Youth Activities 17.259 \$1,503,940)	17.259	9103600	1,164,996	959,922
WIA Dislocated Worker Formula Grants	17.278	8108000	49,831	22,216
WIA Dislocated Worker Formula Grants	17.278	9108000	350,464	182,225
WIA Dislocated Worker Formula Grants (Total WIA Dislocated Worker Formula Grants 17.278 \$436,803)	17.278	0108000	36,508	14,251
Passed Through Employ Milwaukee H-1B Job Training Grants	17.268	HG-30128- 17-60-A-55	<u>366,774</u>	<u>348,549</u>
Total U.S. Department of Labor			<u>\$ 3,277,947</u>	<u>\$ 2,677,991</u>
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	1029973	\$ 5,859,239	\$ -
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC20-2020- MPLSPD-034	14,463	-
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$15,480)	20.600	A-ENFRC21-2021- MPLSPD-059	1,017	-

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

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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 Public Safety Highway Safety Cluster (Continued)				
National Priority Safety Programs	20.616	A-ENFRC20-2020- MPLSPD-034	23,000	-
National Priority Safety Programs	20.616	A-ENFRC21-2021- MPLSPD-059	17,608	-
National Priority Safety Programs (Total National Priority Safety Programs 20.616 \$50,589)	20.616	A-OFFICR20-2020- MPLSPD-019	9,981	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-DGCT20-2020- 4TH-JD-006	37,103	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-DGCT21-2021- 4TH-JD-014	2,071	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC20-2020- MPLSPD-034	33,480	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC21-2021- MPLSPD-059	10,567	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$109,271)	20.608	A-OFFICR20-2020- MPLSPD-019	26,050	-
Total U.S. Department of Transportation			\$ 6,034,579	\$ -
U.S. Department of the Treasury				
Direct				
Equitable Sharing	21.016		\$ 102,180	\$ -
Passed Through Minnesota Management and Budget COVID-19 – Coronavirus Relief Fund				
(Total COVID-19 – Coronavirus Relief Fund 21.019 \$32,602,932)	21.019	SLT0016	32,282,020	2,901,504
Passed Through Minnesota Department of Health COVID-19 – Coronavirus Relief Fund				
(Total COVID-19 – Coronavirus Relief Fund 21.019 \$32,602,932)	21.019	SLT0016	36,683	-
Passed Through Hennepin County, Minnesota COVID-19 – Coronavirus Relief Fund				
(Total COVID-19 – Coronavirus Relief Fund 21.019 \$32,602,932)	21.019	SLT0016	284,229	-
Total U.S. Department of the Treasury			\$ 32,705,112	\$ 2,901,504

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

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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-049-FY19	<u>\$ 6,732,481</u>	<u>\$ -</u>
U.S. Department of Energy				
Direct				
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		<u>\$ 71,473</u>	<u>\$ -</u>
U.S. Department of Health and Human Services				
Direct				
Food and Drug Administration – Research	93.103		\$ 1,890	\$ -
Injury Prevention and Control Research and State and Community Based Programs	93.136		255,801	45,589
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243		1,069,673	384,574
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	161418	326,127	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	136481	86,247	-
Immunization Cooperative Agreements	93.268	168722	8,894	-
Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke	93.435	152495	140,738	104,302
Pregnancy Assistance Fund Program	93.500	147624	248,310	241,990
Temporary Assistance for Needy Families	93.558	165605	1,248,144	1,154,109
(Total Temporary Assistance for Needy Families 93.558 \$1,263,084)				
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	118492	611,527	598,298
Maternal and Child Health Services Block Grant to the States	93.994	167257	761,396	291,752
Passed Through Minnesota Department of Human Services				
Opioid STR	93.788	H79T1080248	170,071	85,996
COVID-19 – Block Grants for Community Mental Health Services	93.958	181360	18,295	-
Passed Through Minnesota Department of Employment and Economic Development				
Temporary Assistance for Needy Families	93.558	0107400	6,783	6,757
Temporary Assistance for Needy Families	93.558	1107400	8,157	8,157
(Total Temporary Assistance for Needy Families 93.558 \$1,263,084)				

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

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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 Hennepin County, Minnesota Teenage Pregnancy Prevention Program	93.297	A-153906-SR	83,753	-
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	<u>67,755</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>\$ 5,113,561</u>	<u>\$ 2,921,524</u>
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	A-EMPG-2020- MPLSEMER-094	\$ 30,000	\$ -
Homeland Security Grant Program	97.067	A-SHSP-2019- MPLSBOMB-015	147,606	-
Homeland Security Grant Program	97.067	A-UASI-2018- MPLSEMER-009	539,784	-
Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$1,008,879)	97.067	A-UASI-2019- MPLSEMER-008	321,489	-
Total U.S. Department of Homeland Security			<u>\$ 1,038,879</u>	<u>\$ -</u>
Total Federal Awards			<u>\$ 76,010,135</u>	<u>\$ 12,407,337</u>
Totals by Cluster				
Total expenditures for CDBG – Entitlement Grants Cluster			\$ 14,885,078	
Total expenditures for WIOA Cluster			2,911,173	
Total expenditures for Highway Planning and Construction Cluster			5,859,239	
Total expenditures for Highway Safety Cluster			66,069	
Total expenditures for Drinking Water State Revolving Fund Cluster			6,732,481	

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 \$3,382,702 in federal awards expended by the Minneapolis Park and Recreation Board component unit, which had a separate single audit. The City's reporting entity is defined in Note 1 to the financial statements.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Minneapolis under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Minneapolis, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Minneapolis.

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

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	\$ 64,055,910
Federal fixed price contracts	
Minnesota Family Investment Program	(90,000)
Minnesota Cold Case Investigations Task Force	(4,463)
Drug Enforcement Administration Task Force	(41,677)
Minnesota Cyber Crime Task Force	(19,189)
Safe Streets Violent Crime Task Force	(52,420)
U.S. Marshals Overtime – Predatory Offenders Unit	(18,221)
Joint Terrorism Task Force	(8,549)
Violent Crimes Investigation – ATF	(20,270)
Violent Crimes Investigation – HSI	(10,273)
Violent Crimes Investigation – FBI	(10,152)
Toward Zero Deaths Partners	(47,658)
Expenditures occurring in 2019 and reimbursed in 2020	(943,484)
Revenue received in 2020 for future years’ expenditures	(161,799)
Timing differences between expenditures and related reimbursements	(24,120)
Minnesota Public Facility Agency Loans	6,732,481
Federal program income	
CDBG – Entitlement Grants Cluster	3,102,628
Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii	52,689
Home Investment Partnerships Program	3,331,924
Neighborhood Stabilization Program – ARRA	28,689
Lead-Based Paint Hazard Control in Privately-Owned Housing	86,616
Energy Efficiency and Conservation Block Grant Program (EECBG)	71,473
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 76,010,135

**MUNICIPAL BUILDING COMMISSION
MANAGEMENT AND COMPLIANCE REPORT**

YEAR ENDED DECEMBER 31, 2020



**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, 2020, 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 29, 2021.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipal Building Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Building Commission's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

June 29, 2021

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR