

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

Audit Practice Division

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

Management and Compliance Report

Year Ended December 31, 2024

# City of Minneapolis Minneapolis, Minnesota

## Table of Contents

	<u>Page</u>
<b>City of Minneapolis Management and Compliance Report</b>	
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	3
Schedule of Findings and Questioned Costs	7
Corrective Action Plan	11
Summary Schedule of Prior Audit Findings	13
Schedule of Expenditures of Federal Awards	16
Notes to the Schedule of Expenditures of Federal Awards	21
<b>Municipal Building Commission Management and Compliance Report</b>	
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
Summary Schedule of Prior Audit Findings	24

**City of Minneapolis**  
**Management and Compliance Report**  
**Year Ended December 31, 2024**



**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  
Minneapolis, Minnesota

We have audited, in accordance with the 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, 2024, 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 25, 2025. Our report includes a reference to other auditors who audited the financial statements of the Meet Minneapolis component unit and the Minneapolis Parks Foundation, a component unit of the Minneapolis Park and Recreation Board discrete component unit, as described in our report on the City's financial statements. The financial statements of Meet Minneapolis and the Minneapolis Parks Foundation were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Meet Minneapolis or the Minneapolis Parks Foundation. 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 compliance and other matters. We issue a separate Management and Compliance Report for the Minneapolis Park and Recreation Board component unit. This report also does not include the results of our audit testing of the Municipal Building Commission component unit's internal control over financial reporting or compliance and other matters that are reported on separately within the Management and Compliance Report.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Minneapolis'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*A deficiency in internal control over financial reporting* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Minneapolis'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 City of Minneapolis failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

## **City of Minneapolis's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Minneapolis's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and 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 the response.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and 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

June 25, 2025

/s/Chad Struss

Chad Struss, CPA  
Deputy State Auditor



**Report on Compliance for Each Major Federal Program; Report on Internal  
Control Over Compliance; and Report on Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

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

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

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

We have audited the City of Minneapolis's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of Minneapolis's major federal programs for the year ended December 31, 2024. The City of Minneapolis's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Minneapolis complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Minneapolis and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Minneapolis's compliance with the compliance requirements referred to above.

***Other Matter – Federal Expenditure Not Included in the Compliance Audit***

The City of Minneapolis's basic financial statements include the operations of the Minneapolis Park and Recreation Board component unit, which expended \$1,361,566 in federal awards which are not included in the City of Minneapolis's Schedule of Expenditures of Federal Awards during the year ended December 31, 2024. Our compliance audit, described in the Opinion on Each Major Federal Program section, does not include the operations

of the Minneapolis Park and Recreation Board component unit because a separate single audit was performed in accordance with the Uniform Guidance.

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2024-003 and 2024-004. Our opinion on each major federal program is not modified with respect to these matters.

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

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2024-003 and 2024-004 to be significant deficiencies.

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

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

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

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

We have audited the financial statements of the 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 as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated June 25, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in



accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*/s/Julie Blaha*

Julie Blaha  
State Auditor

June 25, 2025

*/s/Chad Struss*

Chad Struss, CPA  
Deputy State Auditor

# City of Minneapolis Minneapolis, Minnesota

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2024

### Section 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 federal 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**

Identification of the major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
14.239	Home Investment Partnerships Program
17.258	WIOA Cluster
17.259	
17.278	
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000.

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

### Section II – Financial Statement Findings

**2024-001**      Prior Period Adjustment

Prior Year Finding Number: N/A

Year of Finding Origination: 2024

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

# City of Minneapolis

## Minneapolis, Minnesota

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**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. One indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of material misstatements due to error.

**Condition:** A prior period adjustment was identified that resulted in material changes to the City of Minneapolis's financial statements.

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

**Effect:** The January 1, 2024, assets and fund balance of the Community Planning and Economic Development Special Revenue Fund decreased by \$14,179,656 to remove properties from land held for resale that the City no longer owned.

**Cause:** The City migrated the land held for resale properties to a new accounting system in 2024. Each file was reviewed during this process and staff found the City no longer owned several properties.

**Recommendation:** We recommend the City review internal controls currently in place for land held for resale and design and implement procedures to improve those controls and ensure the City's financial statements are fairly presented in accordance with generally accepted accounting principles in the United States of America.

**View of Responsible Official:** Concur

**2024-002      Service Organization Controls**

**Prior Year Finding Number:** N/A

**Year of Finding Origination:** 2024

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Material Weakness

**Criteria:** Management is responsible for establishing and maintaining internal control. The responsibility includes internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. When management chooses to use a service organization, entity management is also responsible to review controls at the service organization to ensure information that will be included in the entity's financial records is accurate and complete.

**Condition:** The City contracts with a vendor for booking events and receipting the related revenues at the Convention Center. The City has not established internal controls to ensure revenues are complete and accurate or received a System and Organization Control (SOC) 1 engagement report from the vendor.

**Context:** Information related to events is entered into the vendor's system, which then generates invoices to the customers. When payment is received, it is recorded in this system.

**Effect:** The City has no assurance that their vendor, a service organization, has adequate controls in place. There is an increased risk of the City's data in the vendor's system being removed or altered including, but not limited to, receipt amounts. In addition, the City does not have access to the data outside of the vendor's system.

# City of Minneapolis

## Minneapolis, Minnesota

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**Cause:** The City's management contracted for the service but has not been successful in obtaining a SOC 1 report for 2024 or established other controls at the City to ensure revenue is complete and accurate.

**Recommendation:** We recommend the City continue to work with the vendor to obtain a SOC 1 report and establish complementary internal controls.

**View of Responsible Official:** Concur

### Section III – Federal Award Findings and Questioned Costs

#### 2024-003      Suspension and Debarment

**Prior Year Finding Number:** 2023-003

**Year of Finding Origination:** 2023

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Significant Deficiency and Other Matter

**Federal Agency:** U.S. Department of the Treasury

**Program:** 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

**Award Number and Year:** SLT0790; 2021

**Pass-Through Agency:** N/A – Direct

**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.

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 exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction.

The City's procurement policy requires a suspension and debarment clause be included in the contract and also requires the contract manager to verify the vendor is not suspended, debarred, or otherwise excluded at SAM.gov.

**Condition:** The City did not maintain documentation of the verification that the vendor was not suspended or debarred at SAM.gov for one of 14 transactions tested.

**Questioned Costs:** None.

**Context:** 134 covered transactions were subject to suspension and debarment requirements.

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

**Effect:** The City is not in compliance with federal regulations.

## City of Minneapolis Minneapolis, Minnesota

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**Cause:** The contract managers did not know verification of suspension and debarment using the federal listing was required.

**Recommendation:** We recommend the City review its written policies and procedures and communicate with contract managers their responsibility for complying with the federal regulations and maintaining documentation to support that compliance.

**View of Responsible Official:** Acknowledge

**2024-004      Subrecipient Monitoring**

**Prior Year Finding Number:** N/A

**Year of Finding Origination:** 2024

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Significant Deficiency and Other Matter

**Federal Agency:** U.S. Department of the Treasury

**Program:** 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

**Award Number and Year:** SLT0790; 2021

**Pass-Through Agency:** N/A – Direct

**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.

Title 2 U.S. *Code of Federal Regulations* § 200.332 includes requirements such as evaluating the subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the award.

**Condition:** The City did not have documentation of risk assessment procedures performed for two of the four subrecipients tested.

**Questioned Costs:** None.

**Context:** The City of Minneapolis has documented the subaward and subrecipient procedures that its staff are expected to follow. These procedures include the completion of a pre-award risk assessment form and for the form to be maintained in the contract file of the subrecipient.

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

**Effect:** The City is not in compliance with federal regulations.

**Cause:** City staff were not aware of the requirement to perform pre-award risk assessments with subrecipients.

**Recommendation:** We recommend the City ensure that the City's employees follow its procedures for completing risk assessments when contracting with subrecipients.

**View of Responsible Official:** Concur

**Representation of the City of Minneapolis**  
**Minneapolis, Minnesota**  
Corrective Action Plan  
For the Year Ended December 31, 2024

**Finding Number: 2024-001**

**Finding Title: Prior Period Adjustment**

Name of Contact Person Responsible for Corrective Action:

George Hardgrove and Maniphone Vannavong

Corrective Action Planned:

The City's land held for resale records migrated from MINS to Salesforce, a new software in 2024. As part of the migration, additional internal controls around land held for resale will be developed to ensure all sales, purchases, transfers, and adjustments to land are properly captured within the system. Additionally, enhanced communications with the financial accountants and CPED Real Estate team will be implemented to include regularly scheduled meetings and trainings to align land transactions with reported information. Land records in Salesforce will be reconciled to the City financial system, COMET, and County record to ensure land changes are captured promptly and correctly during the year.

Anticipated Completion Date:

December 31, 2025

**Finding Number: 2024-002**

**Finding Title: Service Organization Controls**

Name of Contact Person Responsible for Corrective Action:

Robert Lange and George Hardgrove

Corrective Action Planned:

The City will maintain a list of service organizations that have a material effect on the City's financial position through connecting to our Comet system. SOC 1 Type 2 reports will be requested and reviewed annually. The City will continue to work with the service organizations that are unable to provide SOC 1 Type 2 reports to stress the importance of SOC 1 reporting and will develop compensating internal controls in the absence of a SOC 1 Type 2 reports. Additionally, the City will include language in future contracts with service organizations that they must provide documents that adhere to SSAE 18 upon request.

Anticipated Completion Date:

March 31, 2026

**Finding Number: 2024-003**

**Finding Title: Suspension and Debarment**

**Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds**

Name of Contact Person Responsible for Corrective Action:

Matthew Bower, Pam Fernandez, and George Hardgrove

Corrective Action Planned:

Procurement maintains control over which contracts have final approval. As part of the final contract approval, procurement will verify that debarment documentation has been maintained in the Comet software.

Anticipated Completion Date:

November 30, 2025

**Finding Number: 2024-004**

**Finding Title: Subrecipient Monitoring**

**Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds**

Name of Contact Person Responsible for Corrective Action:

Matthew Bower and George Hardgrove

Corrective Action Planned:

The City established and maintains a quarterly training for all grant managers to attend which includes training on grant management. Additional emphasis on subrecipient pre-award risk management will be included within future quarterly trainings.

Anticipated Completion Date:

December 31, 2025

**Representation of the City of Minneapolis  
Minneapolis, Minnesota**

Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2024

**Finding Number: 2023-001**  
**Year of Finding Origination: 2023**  
**Finding Title: FFATA Reporting**  
**Program: 14.218 Community Development Block Grant**

**Summary of Condition:** The City reported subawards related to the 2023 Community Development Block Grant (CDBG) award in an annual report in March 2024 when the documentation was requested for audit.

**Summary of Corrective Action Previously Reported:** Staff has established a system of reviewing all Federal Direct grants on a monthly basis for any new subawards that require FFATA reporting, and report as required.

**Status:** Fully Corrected. Corrective action was taken.

**Finding Number: 2023-002**  
**Year of Finding Origination: 2023**  
**Finding Title: Suspension and Debarment and Build America, Buy America Act**  
**Program: 20.205 Highway Planning and Construction**  
**20.205 COVID-19 - Highway Planning and Construction**

**Summary of Condition:** The contract in one of four projects tested did not include the suspension and debarment clause or the BABA preference. In addition, the City did not verify suspension and debarment before entering into the contract.

**Summary of Corrective Action Previously Reported:** Our project managers worked with State MNDOT representatives and ensured the City of Minneapolis contract with Contractors include appropriate Federal grant provisions. This includes Buy America provisions (BABA)/suspension/debarment/etc. The finding relates to one time money received up front that didn't go through normal Federal grant channels.

**Status:** Fully Corrected. Corrective action was taken.



**Finding Number: 2023-003**

**Year of Finding Origination: 2023**

**Finding Title: Procurement, Suspension, and Debarment**

**Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds**

**Summary of Condition:** Five of the nine contracts tested exceeded the simplified acquisition threshold which requires a cost or price analysis. The City could not provide documentation that this analysis was performed for four contracts tested. Additionally, a sample of 20 covered transactions was tested for suspension and debarment. In two instances, the City included required suspension and debarment contract clauses but did not maintain documentation of the verification that the vendor was not suspended or debarred at SAM.gov.

**Summary of Corrective Action Previously Reported:** Controllers Division staff will work with Procurement Division on further development of enhanced communication and training tools on federal procurement for city contract manager staff. Suspension and debarment subject has been shared with Grants Users Group and will be made a standing annual topic to be covered moving forward.

**Status:** Partially Corrected. In 2024 there were no findings related to cost price analysis, however there was one finding related to verification of suspension and debarment. As an additional control procurement will verify that debarment documentation will be maintained in the Comet software before final contract approval.

**Finding Number: 2022-002**

**Year of Finding Origination: 2022**

**Finding Title: Activities Allowed and Unallowed, Allowable Costs/Cost Principles**

**Program: 21.023 COVID-19 Emergency Rental Assistance Program**

**Summary of Condition:** In the sample of four disbursements tested for Activities Allowed and Unallowed and Allowable Costs/Cost Principles, the disbursements did not have itemized supporting documentation.

**Summary of Corrective Action Previously Reported:** A consultant has been hired to help advise City staff develop best practices to review and account for allowable costs including obtaining itemized documentation with validation prior to paying the invoices. The consultant also produced a detailed training video.

**Status:** Fully Corrected. Corrective action was significantly different because the grant ended in 2023.

**Finding Number: 2021-002**

**Year of Finding Origination: 2021**

**Finding Title: Procurement, Suspension, and Debarment**

**Program: 14.231 Emergency Solutions Grant Program**

**14.231 COVID-19 Emergency Solutions Grant Program**

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

**Summary of Corrective Action Previously Reported:** The suspension and debarment check were included as a Closing Checklist for the Emergency Solutions Grant projects. This was missed as these projects were outside the Affordable Housing Trust Fund. A clause was added to contracts addressing suspension and debarment. City of Minneapolis changed the procedure to make sure all contracts, regardless of the sourcing process or funding sources, suspension and debarment check will be done.

**Status:** Not Corrected. As an additional control, procurement will verify that debarment documentation will be maintained in the Comet software before final contract approval.

**City of Minneapolis  
Minneapolis, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2024**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Direct				
Inflation Reduction Act Urban & Community Forestry Program	10.727		\$ 87,367	\$ -
<b>U.S. Department of Housing and Urban Development</b>				
Direct				
CDBG – Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		\$ 14,128,480	\$ 849,700
COVID-19 – Community Development Block Grants/Entitlement Grants	14.218		90,802	8,840
(Total Community Development Block Grants/Entitlement Grants 14.218 \$14,219,282)				
Emergency Solutions Grant Program	14.231		1,462,804	1,266,504
Home Investment Partnerships Program	14.239		7,788,949	-
Housing Opportunities for Persons with AIDS	14.241		2,644,388	2,507,085
COVID-19 – Housing Opportunities for Persons with AIDS	14.241		2,131	-
(Total Housing Opportunities for Persons with AIDS 14.241 \$2,646,519)				
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	14.251		1,584,000	-
Lead Hazard Reduction Grant Program	14.900		2,124,583	-
Healthy Homes Production Program	14.913		445,807	-
Passed Through Minnesota Housing and Finance Agency				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	02-2009-09A-NSP	40,000	-
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ 30,311,944</b>	<b>\$ 4,632,129</b>
<b>National Endowment for the Arts</b>				
Passed Through Minnesota Historical Society				
Historic Preservation Fund Grants-In-Aid	15.904	Not provided	\$ 20,000	\$ -
<b>U.S. Department of Justice</b>				
Direct				
Congressionally Recommended Awards	16.753		\$ 232,169	\$ -
National Sexual Assault Kit Initiative	16.833		463,678	463,678
Comprehensive Opioid, Stimulant, and Other Substances Use Program	16.838		726,056	347,466
Passed Through Hennepin County, Minnesota				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PR00004174	65,938	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PR00005165	232,641	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PR00005967	83,525	-
(Total Edward Byrne Memorial Justice Assistance Grant Program 16.738 \$382,104)				
Passed Through Minnesota Department of Public Safety				
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	A-NFSIA-2024-MPLSPD-005	39,558	-
<b>Total U.S. Department of Justice</b>			<b>\$ 1,843,565</b>	<b>\$ 811,144</b>

**City of Minneapolis  
Minneapolis, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2024  
(Continued)**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Labor</b>				
Passed Through Minnesota Department of Employment and Economic Development				
WIOA Cluster				
WIOA Adult Program	17.258	2103100	\$ 203,295	\$ 189,613
WIOA Adult Program	17.258	3103100	1,061,344	944,986
WIOA Adult Program	17.258	4103100	173,620	173,620
WIOA Adult Program	17.258	Not provided	29,906	20,333
(Total WIOA Adult Program 17.258 \$1,468,165)				
WIOA Youth Activities	17.259	2103600	428,550	409,054
WIOA Youth Activities	17.259	3103600	1,030,255	847,714
WIOA Youth Activities	17.259	4103600	166,412	155,701
(Total WIOA Youth Activities 17.259 \$1,625,217)				
WIOA Dislocated Worker Formula Grants	17.278	2108000	60,638	60,638
WIOA Dislocated Worker Formula Grants	17.278	3108000	414,829	365,108
WIOA Dislocated Worker Formula Grants	17.278	4108000	172,764	172,764
(Total WIOA Dislocated Worker Formula Grants 17.278 \$648,231)				
Passed Through Midwest Urban Strategies, Inc.				
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	MET-DW-37016- 21-60-A-55	58,624	52,139
<b>Total U.S. Department of Labor</b>			<b>\$ 3,800,237</b>	<b>\$ 3,391,670</b>
<b>U.S. Department of Transportation</b>				
Direct				
Strengthening Mobility and Revolutionizing Transportation (SMART) Grants Program	20.941		\$ 759,902	\$ -
Passed Through Metropolitan Council of the Twin Cities				
Highway Planning and Construction	20.205	1029973	77,995	-
(Total Highway Planning and Construction 20.205 \$14,605,158)				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	1029973	14,527,163	-
(Total Highway Planning and Construction 20.205 \$14,605,158)				
Passed Through Minnesota Department of Public Safety				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-DGCT23-2023- 4TH-JD-008	25,545	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-DGCT25-2025- 4TH-JD-005	7,648	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC24-2024- CRYSTAPD-026	11,913	-
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$45,106)				
<b>Total U.S. Department of Transportation</b>			<b>\$ 15,410,166</b>	<b>\$ -</b>

**City of Minneapolis  
Minneapolis, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2024  
(Continued)**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of the Treasury</b>				
Direct				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		<b>\$ 81,598,522</b>	<b>\$ 1,126,043</b>
<b>U.S. Environmental Protection Agency</b>				
Direct				
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		\$ 39,217	\$ -
Passed Through Minnesota Public Facilities Authority				
Drinking Water State Revolving Fund	66.468	1270024-18	1,117,511	-
Drinking Water State Revolving Fund	66.468	1270024-22	923,241	-
Drinking Water State Revolving Fund	66.468	1270024-14	191,220	-
(Total Drinking Water State Revolving Fund 66.468 \$2,231,972)				
<b>Total U.S. Environmental Protection Agency</b>			<b>\$ 2,271,189</b>	<b>\$ -</b>
<b>U.S. Department of Health and Human Services</b>				
Direct				
Food and Drug Administration Research	93.103		\$ 14,703	\$ -
Injury Prevention and Control Research and State and Community Based Programs	93.136		247,261	-
COVID-19 – Community Programs to Improve Minority Health	93.137		456,392	-
Racial and Ethnic Approaches to Community Health	93.304		937,620	-
COVID-19 – Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391		356,491	18,646
(Total Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises 93.391 \$424,870)				
COVID-19 – PPHF: Racial and Ethnic Approaches to Community Health Program Financed Solely by Public Prevention and Health Funds	93.738		117,660	16,106
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967		745,953	-
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	161418	314,398	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	223701	90,456	-
COVID-19 – Immunization Cooperative Agreements	93.268	191800	10,939	-
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	191800	311,763	-
COVID-19 – Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	204270	15,225	-
COVID-19 – Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	204774	198,115	-
(Total COVID-19 – Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response 93.354 \$213,340)				

**City of Minneapolis  
Minneapolis, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2024  
(Continued)**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Health (Continued)				
Temporary Assistance for Needy Families	93.558	232362	1,363,035	1,226,400
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	210898	(1,163,576)	(1,152,228)
Maternal and Child Health Services Block Grant to the States	93.994	167257	799,664	312,944
Maternal and Child Health Services Block Grant to the States	93.994	256581	205,746	48,178
(Total Maternal and Child Health Services Block Grant to the States 93.994 \$1,005,410)				
COVID-19 – Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	224293	68,379	-
(Total Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises 93.391 \$424,870)				
Passed Through National Association of County and City Health Officials (NACCHO)				
Strengthening Public Health Systems and Services Through National Partnerships to Improve and Protect the Nations Health	93.421	2022-032114	29,816	-
Strengthening Public Health Systems and Services Through National Partnerships to Improve and Protect the Nations Health	93.421	2022-102502	5,392	-
(Total Strengthening Public Health Systems and Services Through National Partnerships to Improve and Protect the Nations Health 93.421 \$35,208)				
Passed Through Minnesota Department of Human Services Opioid STR	93.788	191971	123,956	-
Passed Through Hennepin County, Minnesota Teenage Pregnancy Prevention Program	93.297	HS00001406	599,644	-
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 5,849,032</b>	<b>\$ 470,046</b>

**City of Minneapolis  
Minneapolis, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2024  
(Continued)**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>Executive Office of the President</b>				
Direct				
High Intensity Drug Trafficking Areas Program	95.001		\$ 44,799	\$ -
<b>U.S. Department of Homeland Security</b>				
Direct				
Emergency Management Performance Grants	97.042		\$ 47,504	\$ -
Assistance to Firefighters Grant	97.044		96,523	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		1,624,157	-
Passed Through Minnesota Department of Public Safety				
Homeland Security Grant Program	97.067	A-SHSP-2022- MPLSBOMB-011	159,999	-
Homeland Security Grant Program	97.067	A-SHSP-2023- MPLSBOMB-012	170,650	-
Homeland Security Grant Program	97.067	A-UASI-2014-MPL A-UASI-2022- MPLSEMER-008	11,903	-
Homeland Security Grant Program	97.067	A-UASI-2023- MPLSEMER-023	397,231	-
Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$1,153,388)	97.067		413,605	-
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 2,921,572</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 144,158,393</b>	<b>\$ 10,431,032</b>
<b>Totals by Cluster</b>				
Total expenditures for CDBG – Entitlement Grants Cluster			\$ 14,219,282	
Total expenditures for WIOA Cluster			3,741,613	

# **City of Minneapolis Minneapolis, Minnesota**

## **Notes to the Schedule of Expenditures of Federal Awards As of and for the Year Ended December 31, 2024**

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### **Note 1 – Summary of Significant Accounting Policies**

#### **Reporting Entity**

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Minneapolis. The City's reporting entity is defined in Note 1 to the financial statements. The schedule does not include \$1,361,566 in federal awards expended by the Minneapolis Park and Recreation Board component unit because a separate single audit was performed in accordance with the Uniform Guidance.

#### **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the City of Minneapolis under programs of the federal government for the year ended December 31, 2024. 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 of Expenditures of Federal Awards 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 modified accrual basis of accounting. Such expenditures are recognized following 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.

### **Note 2 – De Minimis Cost Rate**

The City of Minneapolis has elected to not use the ten percent de minimis indirect cost rate nor the 15 percent de minimis indirect cost rate, as applicable, allowed under the Uniform Guidance.



**Municipal Building Commission  
Management and Compliance Report  
Year Ended December 31, 2024**



**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 the 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 Supplementary Information, the financial statements of the Municipal Building Commission, a discretely presented component unit, as of and for the year ended December 31, 2024, 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 25, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Municipal Building Commission's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Building Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Building Commission's internal control over financial reporting.

*A deficiency in internal control over financial reporting* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Report on Compliance and Other Matters

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

### Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the Municipal Building Commission failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Building Commission's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and 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 25, 2025

/s/Chad Struss

Chad Struss, CPA  
Deputy State Auditor



# Municipal Building Commission

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350 South Fifth Street • Suite 104 • Minneapolis, MN 55415

## Representation of the Municipal Building Commission

Minneapolis, Minnesota

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2024

**Finding Number: 2023-001**

**Year of Finding Origination: 2023**

**Finding Title: Audit Adjustments**

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

**Summary of Corrective Action Previously Reported:** Moving forward, more thorough review of invoice timing to verify dates for accuracy. Additional spreadsheet review for accuracy.

**Status:** Fully Corrected. Corrective action was taken.