

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Metropolitan Council of the Twin Cities Area

Management and Compliance Report

Year Ended December 31, 2024

Metropolitan Council of the Twin Cities Area

Table of Contents

	<u>Page</u>
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	6
Summary Schedule of Prior Audit Findings	7
Schedule of Expenditures of Federal Awards	8
Notes to the Schedule of Expenditures of Federal Awards	10



**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

Members of the Council and Audit Committee
Metropolitan Council of the Twin Cities Area
Saint Paul, 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, each major fund, and the aggregate remaining fund information of the Metropolitan Council of the Twin Cities Area (Metropolitan Council), a component unit of the State of Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Metropolitan Council'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 Metropolitan Council'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 Metropolitan Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Metropolitan Council'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 Metropolitan Council'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 Metropolitan Council 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 Other Political Subdivisions*, 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 Metropolitan Council's noncompliance with the above referenced provisions, insofar as they relate to accounting matters. Additionally, we tested for compliance with the authority to issue public debt.

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 Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Metropolitan Council'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 Metropolitan Council'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

Members of the Council and Audit Committee
Metropolitan Council of the Twin Cities Area
Saint Paul, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Metropolitan Council of the Twin Cities Area's (Metropolitan Council) 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 the Metropolitan Council's major federal program for the year ended December 31, 2024. The Metropolitan Council's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on the 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 Metropolitan Council 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 the major federal program. Our audit does not provide a legal determination of the Metropolitan Council's compliance with the compliance requirements referred to above.

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 Metropolitan Council'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 Metropolitan Council'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 Metropolitan Council's compliance with the requirements of the 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 Metropolitan Council'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 Metropolitan Council'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 Metropolitan Council'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.

Report on 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 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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, each major fund, and the aggregate remaining fund information of the Metropolitan Council as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Metropolitan Council'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

Metropolitan Council of the Twin Cities Area

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

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

Federal Awards

Internal control over the major federal program:

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

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

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

Identification of the major federal program:

Assistance Listing	
Number	Name of Federal Program or Cluster
20.500	Federal Transit Cluster
20.507	
20.525	
20.526	

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

The Metropolitan Council qualified as a low-risk auditee? **No**

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.



Representation of the Metropolitan Council of the Twin Cities Area

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

Finding Number: 2023-001

Year of Finding Origination: 2022

Finding Title: Eligibility – Source Documentation

**Program: 14.871 Section 8 Housing Choice Vouchers
14.879 Mainstream Vouchers**

Summary of Condition: A sample of 40 case files were reviewed, and the following issues were identified:

- Three case files were missing documentation or evidence that a criminal background check was performed for one or more adult members of the household.
- One case file was missing the "Debts Owed" form for one adult member of the household.

Summary of Corrective Action Previously Reported: HRA staff has developed a checklist form and update procedures for all staff to ensure signatures and forms are not missing in case files, this includes but is not limited to criminal background checks performed, citizenship forms, members of the household forms, and debts owed forms. The checklist will be completed for each case and stored in each participant file as part of the quality control process.

The quality control process that was implemented in June 2023 had not been in place for a full year when the 2023 audit was completed. All files are being checked at Annual Recertification. Once this has been in place for a full year, all files will have been checked for the appropriate forms and signatures.

Status: Fully Corrected. Corrective action was taken.

Metropolitan Council of the Twin Cities Area

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Direct				
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871		\$ 105,774,785	\$ -
Section 8 Housing Choice Vouchers – Emergency Housing Vouchers	14.871		2,998,954	-
(Total Section 8 Housing Choice Vouchers 14.871 \$109,498,033)				
Total Direct Assistance Listing #14.871			\$ 108,773,739	\$ -
Mainstream Vouchers	14.879		\$ 3,354,038	\$ -
Passed Through City of Minneapolis, Minnesota				
Housing Opportunities for Persons with AIDS	14.241	C-02454	\$ 611,335	\$ -
Passed Through Minneapolis Public Housing Authority				
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871	MPHA 22.059	\$ 724,294	\$ -
(Total Section 8 Housing Choice Vouchers 14.871 \$109,498,033)				
Total U.S. Department of Housing and Urban Development			\$ 113,463,406	\$ -
U.S. Department of Transportation				
Direct				
Federal Transit Administration				
Federal Transit Cluster				
Federal Transit Capital Investment Grants	20.500		\$ 139,586,698	\$ 234,792
Federal Transit Formula Grants	20.507		\$ 95,392,269	\$ 1,701,778
COVID-19 Federal Transit Formula Grants	20.507		113,091,450	-
Total Assistance Listing #20.507			\$ 208,483,719	\$ 1,701,778
State of Good Repair Grants Program	20.525		\$ 18,411,521	\$ -
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		\$ 7,861,634	\$ -
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		\$ 115,936	\$ 115,936
Community Project Funding Congressionally Directed Spending	20.534		\$ 500,000	\$ -
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	1055229	\$ 5,047,813	\$ 59,359
Highway Planning and Construction	20.205	1051589	9,727	-
Highway Planning and Construction	20.205	1046170	(50,097)	-
Total Assistance Listing #20.205			\$ 5,007,443	\$ 59,359
Formula Grants for Rural Areas and Tribal Transit Program	20.509	1054545	\$ 876,750	\$ -
Total U.S. Department of Transportation			\$ 380,843,701	\$ 2,111,865

Metropolitan Council of the Twin Cities Area

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

(Continued)

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Environmental Protection Agency				
Direct				
Climate Pollution Reduction Grants	66.046		\$ 123,422	\$ -
Passed Through Minnesota Public Facilities Authority				
Clean Water State Revolving Fund	66.458	MPFA-CWRF-L-043-FY23	\$ 4,756,000	\$ -
Clean Water State Revolving Fund	66.458	MPFA-CWRF-L-047-FY24	27,998,207	-
Total Assistance Listing #66.458			\$ 32,754,207	\$ -
Total U. S. Environmental Protection Agency			\$ 32,877,629	\$ -
Total Federal Awards			\$ 527,184,736	\$ 2,111,865
Totals by Cluster				
Total expenditures for Housing Voucher Cluster			\$ 112,852,071	
Total expenditures for Federal Transit Cluster			374,343,572	
Total expenditures for Transit Services Programs Cluster			115,936	

Metropolitan Council of the Twin Cities Area

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

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 Metropolitan Council of the Twin Cities Area (Metropolitan Council). The Metropolitan Council's reporting entity is defined in Note I.A to the financial statements.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Metropolitan Council 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 Metropolitan Council, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Metropolitan Council.

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of the Metropolitan Council. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis. 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 Metropolitan Council has elected not to 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.