

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT
MINNEAPOLIS PARK AND RECREATION BOARD
(A COMPONENT UNIT OF THE
CITY OF MINNEAPOLIS, MINNESOTA)

YEAR ENDED DECEMBER 31, 2016

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

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 650 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.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

**MINNEAPOLIS PARK AND RECREATION BOARD
(A COMPONENT UNIT OF THE
CITY OF MINNEAPOLIS, MINNESOTA)**

Year Ended December 31, 2016



Management and Compliance Report

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

This page was left blank intentionally.

**MINNEAPOLIS PARK AND RECREATION BOARD
MINNEAPOLIS, MINNESOTA**

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	4
Schedule of Findings and Questioned Costs	8
Corrective Action Plan	12
Summary Schedule of Prior Audit Findings	14
Schedule of Expenditures of Federal Awards	17
Notes to the Schedule of Expenditures of Federal Awards	18

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

Board of Commissioners
Minneapolis Park and Recreation Board
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, each major fund, and the aggregate remaining fund information of the Minneapolis Park and Recreation Board, a component unit of the City of Minneapolis, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Park Board's basic financial statements, and have issued our report thereon dated June 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Minneapolis Park and Recreation Board's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Park Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Park Board'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 identified 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 Park Board'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 2014-001 to be a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that the Minneapolis Park and Recreation Board failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Park Board's noncompliance with the above referenced provisions.

Minneapolis Park and Recreation Board's Response to Finding

The Minneapolis Park and Recreation Board's response to the internal control finding identified in our audit is described in the Corrective Action Plan. The Park Board'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 Park Board'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 Park Board's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 8, 2017

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

Board of Commissioners
Minneapolis Park and Recreation Board
Minneapolis, Minnesota

Report on Compliance for the Major Federal Program

We have audited the Minneapolis Park and Recreation Board's 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 the Park Board's major federal program for the year ended December 31, 2016. The Minneapolis Park and Recreation Board's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Minneapolis Park and Recreation Board's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the Minneapolis Park and Recreation Board's 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 the major federal program. However, our audit does not provide a legal determination of the Park Board's compliance with those requirements.

Basis for Qualified Opinion on Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)

As described in the accompanying Schedule of Findings and Questioned Costs, the Minneapolis Park and Recreation Board did not comply with the reporting requirement regarding CFDA No. 97.036, Disaster Grants - Public Assistance (Presidentially Declared Disasters), as described in finding number 2015-002 for Cash Management and Reporting. Compliance with such requirement is necessary, in our opinion, for the Park Board to comply with the requirements applicable to that program.

Qualified Opinion on Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Minneapolis Park and Recreation Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA No. 97.036, Disaster Grants - Public Assistance (Presidentially Declared Disasters), for the year ended December 31, 2016.

Other Matters

The Minneapolis Park and Recreation Board's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The Minneapolis Park and Recreation Board'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 Minneapolis Park and Recreation Board 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 Park Board's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Park Board's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002 to be a material weakness.

The Minneapolis Park and Recreation Board's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The Minneapolis Park and Recreation Board'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 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 Minneapolis Park and Recreation Board, a component unit of the City of Minneapolis, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Park Board's basic financial statements. We have issued our report thereon dated June 8, 2017, 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 Minneapolis Park and Recreation Board's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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.

Purpose of This Report

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.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 8, 2017

**MINNEAPOLIS PARK AND RECREATION BOARD
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

Type of auditor's report issued on compliance for major federal program: **Qualified**

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

The major federal program is:

Disaster Grants - Public Assistance (Presidentially
Declared Disasters)

CFDA No. 97.036

The threshold for distinguishing between Types A and B programs was \$750,000.

The Minneapolis Park and Recreation Board qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2014-001

Audit Adjustments

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: During our audit, material audit adjustments were identified; these were reviewed and approved by the Minneapolis Park and Recreation Board staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the Minneapolis Park and Recreation Board's internal control.

Context: The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: The following material misstatements were detected as a result of audit procedures and were corrected by management:

Permanent Improvement Fund

- An adjustment was made to correctly reverse an intergovernmental receivable from the prior year. Receivables and fund balance were understated by \$5,642,144.
- An adjustment was made to correctly reverse a prior year entry to unavailable revenue. Unavailable revenue was understated by \$5,899,979 and fund balance was overstated by this amount.

Governmental Activities Capital Assets

- An adjustment was made to remove an item from construction in progress that had also been capitalized as infrastructure. Construction in progress was overstated by \$5,966,304.

Cause: Oversight.

Recommendation: We recommend the Minneapolis Park and Recreation Board review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements on a timely basis. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2015-002

Disaster Grants - Public Assistance (Presidentially Declared Disasters): Cash Management and Reporting

Program: U.S. Department of Homeland Security's Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036), Award #4182DRMNP00000001, 2014

Pass-Through Agency: Minnesota Department of Public Safety

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. In addition, the Minneapolis Park and Recreation Board must comply with the required provisions for Cash Management and Reporting.

Condition: Inquiry of Minneapolis Park and Recreation Board employees revealed the staff were not aware of what reimbursement was occurring or the basis for the reimbursement they received. The Minneapolis Park and Recreation Board was also not submitting required reimbursement reports, but instead was informally submitting information about costs that had occurred and had been paid to the pass-through agency.

Questioned Costs: None.

Context: The pass-through agency (Minnesota Department of Public Safety) was granting reimbursements to the Minneapolis Park and Recreation Board despite the fact that the Minneapolis Park and Recreation Board had not submitted the required reimbursement reports. Because the reimbursement forms had not been filed, it was difficult to determine the basis of the reimbursement they received.

Effect: Reimbursement reports were not filed as required by state and federal grant requirements.

Cause: Staff at the Minneapolis Park and Recreation Board were not aware of how reimbursement was occurring or the basis for the reimbursements they received.

Recommendation: We recommend the Minneapolis Park and Recreation Board implement procedures and internal controls to ensure that the required reimbursement reports are filled out, reviewed and approved, and filed with the pass-through agency to provide reasonable assurance for compliance with reporting requirements.

View of Responsible Official: Concur

IV. PREVIOUSLY REPORTED ITEMS RESOLVED

2015-001 Application Access

2015-002 Disaster Grants - Public Assistance (Presidentially Declared Disasters): Special Tests and Provisions

2015-003 Prompt Payment of Invoices

**REPRESENTATION OF THE MINNEAPOLIS PARK AND RECREATION BOARD
MINNEAPOLIS, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 2014-001

Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Julia Wiseman, Finance Director

Corrective Action Planned:

The Finance Department added a Capital Projects Accountant position that was hired and started working with the MPRB on June 12, 2017. The primary responsibilities of this position are the set-up, accounting, monitoring, and billing of capital projects to ensure proper reporting of revenues and expenditures and to ensure expenditures are eligible and within the scope of grant requirements. The position will also be responsible for preparing the Capital Project Funds statements, capital asset accounting, and adjusting journal entries to ensure proper reporting of revenue and expenditures in the Annual Financial Report.

Anticipated Completion Date:

December 31, 2017

Finding Number: 2015-002

**Finding Title: Disaster Grants - Public Assistance (Presidentially Declared Disasters):
Cash Management and Reporting**

**Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA
No. 97.036)**

Name of Contact Person Responsible for Corrective Action:

Julia Wiseman, Finance Director

Corrective Action Planned:

The Finance Department added a Capital Projects Accountant position that was hired and started working with the MPRB on June 12, 2017. The primary responsibilities of this position are the set-up, accounting, monitoring, and billing of capital projects to ensure proper reporting of revenues and expenditures and to ensure expenditures are eligible and within the scope of grant requirements. The Finance Department staff met with the State of Minnesota and is working closely with them in order to properly request reimbursements and file the reimbursement reports.

Anticipated Completion Date:

December 31, 2017

**REPRESENTATION OF THE MINNEAPOLIS PARK AND RECREATION BOARD
MINNEAPOLIS, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 2014-001

Finding Title: Audit Adjustment

Summary of Condition: An audit adjustment of \$903,370 was made to the Permanent Improvement Capital Projects Fund to reclassify revenue received after 60 days to unavailable revenue in accordance with modified accrual accounting and the Minneapolis Park and Recreation Board's policy. In the current year, this same revenue was reversed out of the receivable twice - once as revenue and once as unavailable revenue. The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Summary of Corrective Action Previously Reported: The Finance Department has added a Capital Projects Accountant position that will be hired by the fourth quarter of 2016. The primary responsibilities of this position are the set-up, accounting, monitoring, and billing of capital projects to ensure proper reporting of revenues and expenditures and to ensure expenditures are eligible and within the scope of grant requirements.

Status: Partially Corrected. In 2016, there were post-closing journal entries that were incorrectly reversed which required an audit adjustment. The Capital Projects Accountant was not hired until June 12, 2017.

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

Yes _____ No X

Finding Number: 2015-001

Finding Title: Application Access

Summary of Condition: During testing of application access controls, the auditor identified five Minneapolis Park and Recreation Board employees who had left employment in 2015, but their access to the ActiveNet application had not been removed.

Summary of Corrective Action Previously Reported: The Information Technology Services Department has taken over management of ActiveNet accounts and has included it in the standard departure procedure. The department is working with the ActiveNet Steering Committee to perform a full audit of all accounts and verify that all active accounts are associated with current staff.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2015-002

Finding Title: Disaster Grants - Public Assistance (Presidentially Declared Disasters):
Cash Management, Reporting, and Special Tests and Provisions

Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)

Summary of Condition: Inquiry of Minneapolis Park and Recreation Board employees revealed that the organization was not aware of how reimbursement of eligible expenditures was to occur or what procedures should be followed in order to receive reimbursement. A request for reimbursement of eligible expenditures had not occurred, and an accounting of the projects had not been provided to the State of Minnesota as required. The cash management, reporting, and special tests and provisions requirements affected only the large FEMA projects.

Summary of Corrective Action Previously Reported: The Finance Department has added a Capital Projects Accountant position that will be hired by the fourth quarter of 2016. The primary responsibilities of this position are the set-up, accounting, monitoring, and billing of capital projects to ensure proper reporting of revenues and expenditures and to ensure expenditures are eligible and within the scope of grant requirements.

Status: Partially Corrected. The audit finding was reported during the 2015 Audit that occurred during January-June, 2016. The issue discovered by the auditor reoccurred in 2016 and was corrected by Finance Department staff during the last half of 2016. The Capital Projects Accountant was not hired until June 12, 2017. The special tests and provisions requirement was corrected by Project Management staff maintaining required reports.

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

Yes _____ No X

Finding Number: 2015-003

Finding Title: Prompt Payment of Invoices

Summary of Condition: As stated in Minn. Stat. § 471.425, the Park Board is required to make payment on vendor invoices according to the terms of the contract, or within 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later. During the audit, 4 of the 20 invoices tested for compliance with this statute in conjunction with our testing of internal controls over financial reporting and federal award programs were not paid within 35 days.

Summary of Corrective Action Previously Reported: The Finance Department increased the number of Account Clerks with responsibility for processing requisitions. By the end of 2016, the department will have 1.5 additional full time equivalents. The department is also working towards a more centralized requisition process to improve efficiencies.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

This page was left blank intentionally.

**MINNEAPOLIS PARK AND RECREATION BOARD
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	1000608	\$ 722,341
Passed Through Minnesota Department of Public Safety Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC16-2016- MPLSPD-00006	7,877
National Priority Safety Programs <i>(Total expenditures for Highway Safety Cluster \$41,880)</i>	20.616	A-ENFRC16-2016- MPLSPD-00006	<u>34,003</u>
Total U.S. Department of Transportation			\$ 764,221
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4182DRMNP00000001	<u>1,776,035</u>
Total Federal Awards			<u>\$ 2,540,256</u>

The Minneapolis Park and Recreation Board did not pass any federal awards through to subrecipients during the year ended December 31, 2016.

This page was left blank intentionally.

**MINNEAPOLIS PARK AND RECREATION BOARD
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Minneapolis Park and Recreation Board, a discretely presented component unit of the City of Minneapolis, Minnesota. The Minneapolis Park and Recreation Board's reporting entity is defined in Note 2 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Minneapolis Park and Recreation Board under programs of the federal government for the year ended December 31, 2016. 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 Minneapolis Park and Recreation Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Minneapolis Park and Recreation Board.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of the Minneapolis Park and Recreation Board. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the full 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. Amounts shown on the schedule have been reduced, when applicable, for adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Minneapolis Park and Recreation Board has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.