

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

MANAGEMENT AND COMPLIANCE REPORT
PREPARED AS A RESULT OF THE AUDIT OF THE

MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA

YEAR ENDED SEPTEMBER 30, 2005

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

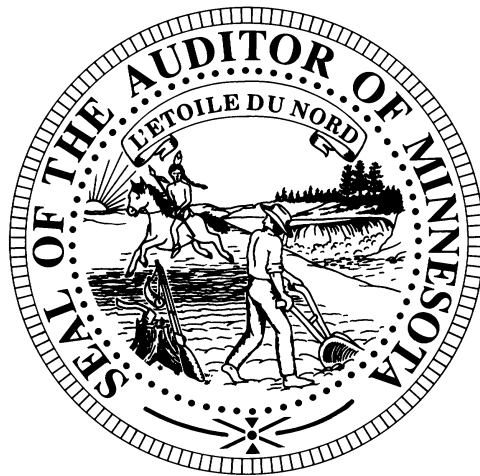
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

Year Ended September 30, 2005



Management and Compliance Report

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

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

Schedule 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of the Minneapolis Public Housing Authority (MPHA).
- B. No matters involving internal control over financial reporting were reported in the "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*."
- C. No instances of noncompliance material to the financial statements of the MPHA were disclosed during the audit.
- D. Reportable conditions relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular 133." The reportable conditions are material weaknesses.
- E. The Auditor's Report on Compliance for the major federal award programs for the MPHA expresses an unqualified opinion.
- F. Findings relative to a major federal program for the MPHA were reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- | | |
|---|-----------------|
| Public and Indian Housing Program | |
| Operating Subsidy (Low Rent) | CFDA No. 14.850 |
| Development Projects | CFDA No. 14.850 |
| Revitalization of Severely Distressed | |
| Public Housing | CFDA No. 14.866 |
| Section 8 Housing Choice Vouchers Program | CFDA No. 14.871 |
| Public Housing Capital Fund Program | CFDA No. 14.872 |
- H. The threshold for distinguishing between Types A and B programs was \$2,741,717.

I. The MPHA was not determined to be a low-risk auditee.

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

03-2 Low Rent - Eligibility, Reporting, and Special Tests and Provisions - CFDA No. 14.850

HUD Low Rent requirements include third-party verifications of income, assets, and other information; selection from the waiting list; annual re-examinations; and information regarding rent calculations. In addition, information on program participants should match between original file documentation and the same information reported to HUD.

Based on a review of 40 Low Rent participant files, the following items were noted:

Three files reviewed did not contain necessary third party verifications. In two of the files, bank statements were not obtained to support asset amounts that were less than \$1,000. The remaining file had an asset balance over \$1,000 that was not confirmed by the bank. As required by HUD, eligibility technicians should document attempts to independently verify any participant-provided income or asset information before using such information as a form of verification. Ideally, the MPHA should receive verifications directly from the third party.

For two files reviewed, the tenant rent calculated by auditors differed from the amount calculated by the MPHA. In one case, the difference resulted from the MPHA using an incorrect amount for the participant's average monthly income. The other difference resulted from the MPHA including general assistance income, which the participant no longer received, in the rent calculation.

Schedule 1
(Continued)

For six files reviewed, re-examinations were not conducted in a timely manner. The required annual re-examinations were between one and two months late. The MPHA reported to us that the re-examinations were late due to tenants missing scheduled appointments and because of delays experienced in receipt of third party verifications. Also, when there is an increase in rent, the MPHA is required to give a 30-day written notice to the tenant. Because the MPHA had to wait the full 30 days, the effective date of the re-examination was pushed to a later date, causing the re-examination to be past the due date.

One file was missing a Status 214 Citizenship form for a family member in the household. All members of a family must be included on the form or have their own attestation that they are either U.S. citizens or non-citizens with eligible immigration status. Anyone unlawfully in the United States is ineligible to participate in the Low Rent Public Housing program.

The corrective actions taken by the MPHA during the past two years have lessened the number of errors noted during our testing over that time and, in some cases, resolved them as noted later in this report. We continue to recommend the following:

Adhere to the written policies and procedures for verifications of income and assets and the documentation of efforts to independently obtain third-party verifications.

Correct files where documentation is missing, incomplete, or incorrect as noted above. For future applications, all required documentation should either be obtained at the time of application or be received before applicants can be accepted into the program. At the time of recertification, such documentation should be reviewed and updated as necessary for all files.

Recalculate and correct tenant rent where differences have been identified. Tenants should be reimbursed or otherwise credited for overpayments.

Ensure re-examinations are conducted in a timely manner since changes in family income and composition may occur that necessitate adjustments in rent.

Corrective Action Plan:

Contact Person:

*Mary Boler, Director of Property Management Operations
Kim Hamilton, Supervisor of Leasing & Occupancy*

Corrective Action Plan:

As the auditor has stated, over the last two years we decreased the number of errors regarding third-party verification, annual re-examinations, and other information on program participants. Considerable effort has been made to improve this area of work. The following lists the action plan we will follow over the next year:

We will continue to focus on improving in this area by providing ongoing staff training to assure adherence to third-party verification requirements and emphasize to staff the importance of accurate data entry on HUD form 50058.

We have significantly reduced the number of overdue re-examinations over the past year and are encouraged by this reduction in outstanding re-exams. We also recognize that there will always be residents who do not cooperate in a timely manner, and staff will follow through with lease terminations as necessary. When there is a delay in the process due to the tenant not cooperating, we apply back charges to the date any increases should have gone into effect, thus recovering the lost revenue.

MPHA is requiring all residents complete the 214 Status form at annual re-exam and has changed the lease add-on process to assure that this form, along with a copy of the Social Security card, are submitted in order to add a minor to the household.

We have already corrected any errors identified in the audit.

Anticipated Completion Date:

Staff training will continue on an as-needed basis.

We have already changed procedures requiring that all residents complete the 214 Status form during the annual re-examination process and have changed the lease add-on process to assure that this form, along with a copy of the Social Security card, are submitted in order to add a minor to the household.

All errors identified in the audit have been corrected.

03-3 Section 8 Housing Choice Vouchers - Eligibility, Reporting, and Special Tests and Provisions (Housing Inspections and Rent Reasonableness) - CFDA No. 14.871

HUD Section 8 requirements include third-party verifications of income, assets, and other information; annual inspection of housing units; and information regarding rent reasonableness. In addition, information on program participants should match between original file documentation and the same information reported to HUD.

Based on a review of 40 Section 8 participant files, the following items were noted:

One file reviewed was missing the most recent application in its entirety.

Four files reviewed had deficiencies in required third-party verifications for income, assets, or deductions. In all four files, verification of information provided by the participant was not entirely possible because such information was either missing or incomplete to some extent.

For seven files reviewed, the tenant rent and housing assistance payments calculated by auditors differed from the amounts calculated by the MPHA. The differences resulted from calculation errors, use of incorrect amounts for deductions, and use of outdated information.

Nine files reviewed did not contain verification of the social security numbers of all household members six years old and older.

Two files were either missing a current HUD Form 9886, *Authorization for Release of Information*, or the form was not properly signed and dated. Complete and current releases are required prior to requesting third-party verifications.

Schedule 1
(Continued)

For six files reviewed, re-examinations were not conducted in a timely manner. Re-examinations are required annually.

In five files, deficiencies with the HUD Form 50058, *Family Report*, were noted. Names or social security numbers were incorrectly reported on these forms in four of the files. These errors would not have had an effect on eligibility or other outcomes. In the other file, the form contained information that was not current.

One file was missing a signature on the Status 214 Citizenship form. All members of a family must be included on the form or have their own attestation that they are either U.S. citizens or non-citizens with eligible immigration status. Anyone unlawfully in the United States is ineligible to participate in the Section 8 program.

In 15 files reviewed, the annual inspections of housing units were either late or the file contained no documentation indicating that the inspection had been completed. Housing inspections are required annually.

Four files reviewed did not contain rent reasonableness determinations. The MPHA is required to maintain records to document the basis for the determination that rent to the owner is a reasonable rent.

In four files reviewed, the Housing Assistance Payment (HAP) contracts were not signed. HAP contracts ensure that landlords agree to the terms the MPHA requires in the leases and to the amounts paid in rent both by the MPHA and the tenant. Housing assistance payments to landlords should not be made until the HAP contract has been properly executed.

Four files reviewed did not contain current signed leases. Federal regulations and MPHA procedures require a lease for each landlord that has a Section 8 tenant living in a unit.

While the corrective actions taken by the MPHA during the past two years have lessened the number of errors noted during our testing over that time, we continue to recommend the following:

Adhere to the written policies and procedures for verifications of income and assets and the documentation of efforts to independently obtain third-party verifications.

Correct files where documentation is missing, incomplete, or incorrect as noted above. For future applications, all required documentation should either be obtained at the time of application or be received before applicants can be accepted into the program. For all files, at the time of recertification, such documentation should be reviewed and updated as necessary.

Recalculate and correct tenant rent and housing assistance payments where differences have been identified. Tenants should be reimbursed or otherwise credited for overpayments.

Ensure re-examinations are conducted in a timely manner since changes in family income and composition may occur that necessitate adjustments in tenant rent and housing assistance payments.

Ensure annual inspections of housing units are completed on time.

Corrective Action Plan:

Contact Person:

Cheryl Borden, Director of Housing Choice Voucher Program

Corrective Action Plan:

As the auditor has stated, over the last two years we decreased the number of errors regarding Section 8 requirements for third-party verification, annual re-examinations and inspection of units, and other information on program participants. Considerable effort has been made to improve this area of work. The following lists the action plan we will follow over the next year.

MPHA's Section 8 Quality Control (QC) Specialist, will continue to view participant data in HUD's PIC system, identify missing and late re-examinations reflected and then refer the information to the technician's supervisor to assure completion. The Quality Control Specialist will review files for compliance of re-exam procedures, which includes application of 3rd party verifications. MPHA's Section 8 staff continues to follow HUD's prescribed Verification Hierarchy Policy, which includes primary use of HUD's Enterprise Income Verification (EIV) System. The Section 8 QC Specialist will perform continuous quality control of randomly selected files to ensure that timely processes and proper documents and verification per policy and procedures are in the participant files.

Schedule 1
(Continued)

Section 8 Housing Choice Voucher Supervisors will continue to hold weekly Eligibility Technician staff meetings to communicate expectations and provide training on an ongoing basis. Supervisors will also emphasize continued use of the file processing checklist. This checklist assures that copies of social security cards, verification of 214 Status for all family members, Form 9886, Sex Offender Status, and copies of identification cards of all adult members of household at program admission have been obtained and filed. The Quality Control Specialist will also confirm use of the checklist.

MPHA's Senior Housing Inspector has assumed temporary supervisory responsibility of the Section 8 Housing Inspections team and has been diligently working with the Inspectors to assure Housing Quality Standard procedures are properly followed.

Section 8 Housing Choice Voucher Supervisors worked with their staff and completed the corrections identified by this audit and released any reimbursements that may be required.

Anticipated Completion Date:

Staff training will continue on an as-needed basis as well as the use of the documentation checklist to assist staff in obtaining all required documentation.

The Quality Control Specialist will continue quality control audits including inspections and HUD information systems reporting.

A new reporting relationship for the Section 8 housing inspectors is already in place as well as new procedures to ensure timely inspections have been completed.

All errors identified in the audit have been corrected.

ITEM ARISING THIS YEAR

05-1 Capital Fund Program - Davis-Bacon Act, Procurement and Suspension and Debarment - CFDA No. 14.872

The MPHA has hired construction managers to oversee some of its large projects. They are responsible for most of the activities involved with the construction project, including bidding contracts and obtaining subcontractors. Construction managers are also expected

to assure compliance with federal requirements related to the Davis-Bacon Act and procurement and suspension and debarment. The MPHA has provided the construction managers with a listing of items to maintain in their files for compliance purposes; however, no active monitoring of the construction managers' compliance activities by the MPHA appears to have been occurring.

Based on our contract testing, we noted three contracts where no evidence was available to document that the construction manager had verified that contractors were not suspended or debarred from participating in federally funded projects. We also noted two instances where the construction manager had not sent the necessary payroll documents to the MPHA's Davis-Bacon compliance manager.

We recommend that the MPHA improve its monitoring activities as part of its oversight role in the management of these files. The MPHA should periodically remind the construction managers of the documentation requirements for federal compliance. It may be in the best interest of the MPHA to conduct its own audit of these files, on a sample basis, to ensure that the construction managers are adhering to federal regulations.

Corrective Action Plan:

Contact Person:

Sam Powers, Director of Procurement

Corrective Action Plan:

MPHA Procurement staff will provide an orientation and training to Construction Managers on MPHA procurement requirements. Led by a member of the MPHA Procurement Management Staff, we will schedule and review the files of all construction managers to ensure that documentation is complete and complies with MPHA's policy and federal regulations. Staff will review current Construction Managers' contract files at least twice annually for compliance. This will provide MPHA with an active monitoring oversight that assures that Construction Managers are performing to standards.

Anticipated Completion Date:

MPHA has already conducted Construction Manager training and orientation.

Initial audits of Construction Manager files will be conducted beginning in July 2006 and completed by December 31, 2006. They will be ongoing thereafter.

PREVIOUSLY REPORTED ITEMS RESOLVED

Low Rent and Section 8 - Special Tests and Provisions (Family Self-Sufficiency) - CFDA Nos. 14.850 and 14.871 (03-1)

Based on a review of 15 family self-sufficiency participant files, we noted two files in which incorrect amounts were applied to the participants' accounts. Also, as of September 30, 2004, two balances maintained on the family self-sufficiency subsidiary ledger should not have been on the ledger as of that date.

Resolution

The errors found during the previous audit have been corrected, and we noted no instances of incorrect balances for the year ended September 30, 2005.

Low Rent - Eligibility, Reporting, and Special Tests and Provisions - CFDA No. 14.850 (03-2)

The following summarizes prior audit issues and recommendations for the Low Rent Program and corrective actions resulting in current year resolution:

Family Report Forms

In four files reviewed, HUD Form 50058, *Family Report*, reported incorrect data.

Resolution

For all Low Rent participant files reviewed during the current audit, we noted no instances of incorrect data being reported on the HUD Form 50058, *Family Report*.

IV. OTHER FINDINGS AND RECOMMENDATIONS

OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, like what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various

other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

Some of the issues that the MPHA Board will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the MPHA Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the MPHA Board determines that the establishment of a trust is desirable in order to fund the OPEB, the MPHA Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the MPHA Board will have to decide whether to hire an actuary.

If applicable for the Minneapolis Public Housing Authority, GASB Statements 43 and 45 would be implemented for years ended September 30, 2008 and 2009, respectively.

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PATRICIA ANDERSON
STATE AUDITOR

**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***

Board of Commissioners
Minneapolis Public Housing Authority

We have audited the financial statements of the Minneapolis Public Housing Authority (MPHA) as of and for the year ended September 30, 2005, and have issued our report thereon dated March 28, 2006. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the MPHA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MPHA's financial statements are free of 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in public indebtedness and claims and disbursements because they are not applicable to the MPHA.

The results of our tests indicate that, for the items tested, the MPHA complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of Commissioners and management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: March 28, 2006



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Minneapolis Public Housing Authority

Compliance

We have audited the compliance of the Minneapolis Public Housing Authority (MPHA) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The MPHA's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the MPHA's management. Our responsibility is to express an opinion on the MPHA's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 MPHA'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. Our audit does not provide a legal determination on the MPHA's compliance with those requirements.

In our opinion, the MPHA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of the MPHA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the MPHA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the MPHA's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 03-2, 03-3, and 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions listed above to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the MPHA as of and for the year ended September 30, 2005, and have issued our report thereon dated March 28, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the MPHA's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: March 28, 2006

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

Schedule 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Funding		
Public and Indian Housing Program		
Operating Subsidy (Low Rent)	14.850	\$ 17,121,712
Development Projects	14.850	468,503
Total CFDA #14.850		\$ 17,590,215
Section 8 Project-Based Programs		
N/C S/R Section 8 Program	14.182	\$ 693,740
Section 8 Moderate Rehabilitation	14.856	760,372
Total Section 8 Project-Based Cluster		\$ 1,454,112
Section 8 Housing Choice Vouchers Program	14.871	\$ 47,392,800
Revitalization of Severely Distressed Public Housing	14.866	\$ 6,774,317
Public Housing Capital Fund Program		
Replacement Housing Factor FFY 2001	14.872	\$ 33,505
Replacement Housing Factor FFY 2002	14.872	2,398,184
Replacement Housing Factor FFY 2003	14.872	80,359
Replacement Housing Factor FFY 2004	14.872	459,084
Capital Fund FFY 2001	14.872	112,088
Capital Fund FFY 2002	14.872	3,641,790
Capital Fund FFY 2003	14.872	6,654,272
Capital Fund FFY 2004	14.872	4,318,276
Total CFDA #14.872		\$ 17,697,558
Moving to Work Technical Assistance Grant #MTWTGMN0021	14.unknown	\$ 7,880
Passed Through the City of Minneapolis		
Community Development Block Grant (CDBG)		
CDBG-Funded Low-Rent Housing Program	14.218	\$ 215,020
Resident Participation Program	14.218	68,076
Mobility Counseling	14.218	9,894
Total CFDA #14.218		\$ 292,990
Total U.S. Department of Housing and Urban Development		\$ 91,209,872

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Byrne Formula Grant Program	16.579	\$ <u>178,346</u>
Corporation for National and Community Service		
Direct Funding Volunteers in Service to America	94.013	\$ <u>2,351</u>
Total Federal Awards		<u>\$ <u>91,390,569</u></u>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the Minneapolis Public Housing Authority. The Authority's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the accrual basis of accounting.
3. For the year ended September 30, 2005, CFDA No. 16.579 was passed through to a subrecipient.