

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

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

Management and Compliance Report

Year Ended December 31, 2023

City of Minneapolis Minneapolis, Minnesota

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**City of Minneapolis
Management and Compliance Report
Year Ended December 31, 2023**



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Minneapolis, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 31, 2024. Our report includes a reference to other auditors who audited the financial statements of the Meet Minneapolis component unit as described in our report on the City's financial statements. The financial statements of Meet Minneapolis were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or reportable noncompliance associated with Meet Minneapolis. We issue a separate Management and Compliance Report for the Minneapolis Park and Recreation Board component unit. This report does not include the results of our audit testing of the Minneapolis Park and Recreation Board component unit's internal control over financial reporting or on compliance and other matters. This report also does not include the results of our audit testing of the Municipal Building Commission component unit's internal control over financial reporting or compliance and other matters that are reported on separately within this Management and Compliance Report.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. 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 City of Minneapolis’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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

Purpose of This Report

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

/s/Julie Blaha

Julie Blaha
State Auditor

July 31, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor



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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Minneapolis's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of Minneapolis's major federal programs for the year ended December 31, 2023. The City of Minneapolis's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Minneapolis complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Other Matter – Federal Expenditure Not Included in the Compliance Audit

The City of Minneapolis's basic financial statements include the operations of the Minneapolis Park and Recreation Board component unit, which expended \$2,595,134 in federal awards which are not included in the City of Minneapolis's Schedule of Expenditures of Federal Awards during the year ended December 31, 2023. Our

compliance audit, described in the Opinion on Each Major Federal Program section, does not include the operations of the Minneapolis Park and Recreation Board component unit because a separate single audit was performed in accordance with the Uniform Guidance.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 through 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

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

and Questioned Costs. The City of Minneapolis's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 through 2023-003, to be significant deficiencies.

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Minneapolis as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Minneapolis's basic financial statements. We issued our report thereon, dated July 31, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 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 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

July 31, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

City of Minneapolis Minneapolis, Minnesota

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2023

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 major federal programs:

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

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

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

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
14.218	CDBG – Entitlement Grants Cluster
20.205	Highway Planning and Construction
	COVID-19 - Highway Planning and Construction
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

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

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

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

2023-001 **FFATA Reporting**

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Compliance and Compliance

City of Minneapolis

Minneapolis, Minnesota

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Housing and Urban Development

Program: 14.218 Community Development Block Grant

Award Number and Year: B-16-MC-27-0003, 2016; B-17-MC-27-0003, 2017; B-18-MC-27-0003, 2018; B-19-MC-27-0003, 2019; B-20-MC-27-003, 2020; B-20-MW-27-003, 2020; B-21-MC-27-0003, 2021; B-22-MC-27-0003, 2022; B-23-MC-27-0003, 2023

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.

Under the requirements of the Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, that are codified in Title 2 *U.S. Code of Federal Regulations*, Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) no later than the month following the month in which the obligation was made.

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

Questioned Costs: None.

Context: The City has filed annual FFATA reports for CDBG grants years 2020 through 2023, including 2020CV.

Effect: The City is not in compliance with FFATA reporting requirements.

Cause: We were informed the federal awarding agency did not immediately load the City's 2023 CDBG award into FSRS. City staff initially monitored FSRS on a monthly basis; however, monitoring efforts were not maintained. Upon this information being requested for audit purposes, City staff verified the award had been loaded into FSRS and submitted the report.

Recommendation: We recommend the City implement procedures to ensure reports are submitted as required by FFATA.

View of Responsible Official: Concur

2023-002 **Suspension and Debarment and Build America, Buy America Act**

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Transportation

Program: 20.205 Highway Planning and Construction

20.205 COVID-19 - Highway Planning and Construction

City of Minneapolis

Minneapolis, Minnesota

Award Number and Year: Not provided, 2023

Pass-Through Agency: Minnesota Department of Transportation

Criteria: Title 2 U.S. Code of Federal Regulations § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Federal requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Title 2 U.S. *Code of Federal Regulations* § 180.300 describes a required verification process. Prior to entering into the transaction, one of the following must be performed: (1) checking SAM.gov exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction. The suspension and debarment requirements apply to covered transaction amounts over \$25,000.

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

Additionally, section 70914 of the Build America, Buy America Act (BABA), requires a Buy America preference be included in the terms and conditions of each award with an infrastructure project.

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

Questioned Costs: None.

Context: Four of eight contracts were tested for compliance with applicable federal regulations.

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

Effect: Failure to verify vendors are not suspended, debarred, or otherwise excluded may result in the City entering into a transaction with a vendor that is not authorized to provide goods and services. Also, failure to include the BABA requirements in the contract may result in construction materials used in the project not complying with the requirement of the BABA.

Cause: Federal requirements were not followed as the project was initially planned without the use of federal funds.

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

View of Responsible Official: Concur

City of Minneapolis

Minneapolis, Minnesota

2023-003 Procurement, Suspension, and Debarment

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of the Treasury

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

Award Number and Year: SLT0790, 2021; E-20-MW-27-0003, 2020

Pass-Through Agency: Minnesota Department of Health

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Title 2 U.S. *Code of Federal Regulations* § 200.318(i) states that the City must maintain records sufficient to detail the history of procurement, and the City must perform a cost or price analysis provided in Title 2 U.S. *Code of Federal Regulations* § 200.323.

In addition, federal requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Title 2 U.S. *Code of Federal Regulations* § 180.300 describes a required verification process. Prior to entering into the transaction, one of the following must be performed: (1) checking SAM.gov exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction. The suspension and debarment requirements apply to covered transaction amounts over \$25,000. Entities must use their documented procurement process compliance.

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

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

Questioned Costs: None.

Context: Nine of 89 contracts were tested for compliance with applicable federal regulations. Additionally, there were 191 covered transactions subject to suspension and debarment.

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

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

City of Minneapolis Minneapolis, Minnesota

Cause: Project/contract managers did not perform or maintain documentation of cost or price analyses. The project/contract managers did not know verification of suspension and debarment using the federal listing was required and, in one instance, relied on the state listing.

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

View of Responsible Official: Concur

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

Corrective Action Plan
For the Year Ended December 31, 2023

Finding Number: 2023-001

Finding Title: FFATA Reporting

Program: 14.218 Community Development Block Grant

Name of Contact Person Responsible for Corrective Action:

Matthew Bower- Manager Resource Coordination

Corrective Action Planned:

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

Anticipated Completion Date:

System in place as of August 1, 2024.

Finding Number: 2023-002

Finding Title: Suspension and Debarment and Build America, Buy America Act

Program: 20.205 Highway Planning and Construction and COVID-19 - Highway Planning and Construction

Name of Contact Person Responsible for Corrective Action:

Bryan Dodds, City Engineer

Corrective Action Planned:

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

Anticipated Completion Date:

System in place as of August 1, 2024.

Finding Number: 2023-003

Finding Title: Procurement, Suspension, and Debarment

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

Name of Contact Person Responsible for Corrective Action:

Ra Chhoth, Deputy Chief Finance Officer, Finance and Property Services

OR

Matt Bower, Manager Resource Coordination, Finance and Property Services

Corrective Action Planned:

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

Anticipated Completion Date:

12/31/2024

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

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2023

Finding Number: 2022-001
Year of Finding Origination: 2022
Finding Title: Audit Adjustment

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

Summary of Corrective Action Previously Reported: Using additional reporting capabilities in the loan tracking system, staff will evaluate the status of loans to determine the amount of loans receivable more accurately. Using this information, accounting staff will be able to accurately report the value of loans receivable and unavailable revenue in the financial statements.

Status: Fully Corrected. Corrective action was taken.

Finding Number: 2022-002
Year of Finding Origination: 2022
Finding Title: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, and Period of Performance
Program: COVID-19 – Emergency Rental Assistance Program (ALN 21.023)

Summary of Condition: In the sample of seven disbursements tested for Activities Allowed and Unallowed and Allowable Costs/Cost Principles, all seven did not have itemized documentation supporting the expenditures. In addition, in the sample of six disbursements tested to verify they were expended within the period of performance, two did not have itemized documentation supporting the expenditures, thus, it could not be determined that they were expended within the period of performance.

Summary of Corrective Action Previously Reported: City staff will review invoices in conjunction with itemized documentation to support the expenditure prior to payment.

Status: Partially Corrected. The period of performance was corrected but the allowable costs portion was not. A consultant has been hired to help advise City staff best practice to review and account for allowable costs portion including obtaining itemized documentation with validation prior to paying the invoices.

Finding Number: 2022-003
Year of Finding Origination: 2022
Finding Title: Project and Expenditure Special Report
Program: COVID 19 – Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027)

Summary of Condition: While testing the fourth quarter Project and Expenditure Special Report, the completeness of the Subawards Section could not be determined. The supporting documentation was not maintained in a manner that supported the amounts in the report. Data for some elements of the section could be obtained by reperforming work but that took significant time. Immaterial differences were also identified in other sections of the report.

Summary of Corrective Action Previously Reported: We will work with our Procurement and PeopleSoft support staff to develop a process to query data for subrecipient contracts from the PeopleSoft system. This will allow staff to review which contracts are identified as subrecipients and ensure completeness of the population.

Status: Fully Corrected. Corrective action was taken.

Finding Number: 2021-002

Year of Finding Origination: 2021

Finding Title: Procurement, Suspension, and Debarment

Program: Emergency Solutions Grant Program (ALN 14.231) and COVID-19 – Emergency Solutions Grant Program (ALN 14.231)

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

Summary of Corrective Action Previously Reported: We will immediately begin reviewing and checking all vendors for suspension and/or debarment, including any governmental agencies. We have beefed up the language in our overall program guidance and particularly on the standard Closing Checklist for Emergency Solutions Grant projects.

Status: Not Corrected. The suspension and debarment check were included as a Closing Checklist for the Emergency Solutions Grant projects. This was missed as these projects were outside the Affordable Housing Trust Fund. A clause was added to contracts addressing suspension and debarment. City of Minneapolis changed the procedure to make sure all contracts, regardless of the sourcing process or funding sources, suspension and debarment check will be done.

Corrective action taken was not significantly different than the action previously reported.

**City of Minneapolis
Minneapolis, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

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				
CDBG – Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		\$ 14,824,858	\$ 1,548,911
COVID-19 – Community Development Block Grants/Entitlement Grants	14.218		439,106	128,612
(Total Community Development Block Grants/Entitlement Grants 14.218 \$15,263,964)				
Emergency Solutions Grant Program	14.231		646,893	75,498
COVID-19 – Emergency Solutions Grant Program	14.231		858,326	179,042
(Total Emergency Solutions Grant Program 14.231 \$1,550,325)				
Home Investment Partnerships Program	14.239		2,403,971	-
Housing Opportunities for Persons with AIDS	14.241		2,024,837	1,937,592
COVID-19 – Housing Opportunities for Persons with AIDS	14.241		21,068	17,057
(Total Housing Opportunities for Persons with AIDS 14.241 \$2,045,905)				
Lead Hazard Reduction Grant Program	14.900		1,767,351	-
Healthy Homes Production Program	14.913		325,060	-
Passed Through Minnesota Department of Human Services				
COVID-19 – Emergency Solutions Grant Program	14.231	184736	45,106	45,106
(Total Emergency Solutions Grant Program 14.231 \$1,550,325)				
Total U.S. Department of Housing and Urban Development			\$ 23,356,576	\$ 3,931,818
U.S. Department of the Interior - National Park Service				
Passed Through Minnesota Historical Society				
Historic Preservation Fund Grants-In-Aid	15.904	Not provided	\$ 30,000	\$ -
U.S. Department of Justice				
Direct				
Public Safety Partnership and Community Policing Grants	16.710		\$ 7,208	\$ -
National Sexual Assault Kit Initiative	16.833		434,845	434,845
Comprehensive Opioid, Stimulant, and Other Substances Use Program	16.838		657,398	151,389
Passed Through Hennepin County, Minnesota				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PR00003163	46,017	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PR00004174	208,510	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PR00005165	25,843	-
(Total Edward Byrne Memorial Justice Assistance Grant Program 16.738 \$280,370)				
Total U.S. Department of Justice			\$ 1,379,821	\$ 586,234

**City of Minneapolis
Minneapolis, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

(Continued)

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 Labor				
Passed Through Minnesota Department of Employment and Economic Development				
WIOA Cluster				
WIOA Adult Program	17.258	1103100	\$ 48,334	\$ 19,876
WIOA Adult Program	17.258	2103100	797,551	671,065
WIOA Adult Program	17.258	3103100	156,088	156,088
(Total WIOA Adult Program 17.258 \$1,001,973)				
WIOA Youth Activities	17.259	1103600	190,877	185,324
WIOA Youth Activities	17.259	2103600	952,314	783,570
WIOA Youth Activities	17.259	3103600	283,637	246,971
(Total WIOA Youth Activities 17.259 \$1,426,828)				
WIOA Dislocated Worker Formula Grants	17.278	1108000	68,226	52,644
WIOA Dislocated Worker Formula Grants	17.278	2108000	253,859	236,411
WIOA Dislocated Worker Formula Grants	17.278	3108000	41,625	35,336
(Total WIOA Dislocated Worker Formula Grants 17.278 \$363,710)				
Passed Through Midwest Urban Strategies, Inc.				
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	MET-DW-37016- 21-60-A-55	383,191	323,783
Total U.S. Department of Labor			\$ 3,175,702	\$ 2,711,068
U.S. Department of Transportation				
Direct				
Strengthening Mobility and Revolutionizing Transportation (SMART) Grants Program				
	20.941		\$ 9,000	\$ -
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	8825-964	42,788	-
Highway Planning and Construction	20.205	1029973	12,244,750	-
COVID-19 – Highway Planning and Construction	20.205	Not provided	1,290,464	-
(Total Highway Planning and Construction 20.205 \$13,578,002)				
Passed Through Minnesota Department of Public Safety				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-DGCT23-2023- 4TH-JD-008	35,015	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-DGCT24-2024- 4TH-JD-008	15,894	-
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$50,909)				
Total U.S. Department of Transportation			\$ 13,637,911	\$ -

**City of Minneapolis
Minneapolis, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023
(Continued)**

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 the Treasury				
Direct				
COVID-19 – Emergency Rental Assistance Program	21.023		\$ 493,662	\$ 493,662
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		81,888,034	6,680,985
(Total COVID-19 – Coronavirus State and Local Fiscal Recovery Funds 21.027 \$81,909,078)				
Passed Through Minnesota Department of Health				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027	168358	15,000	-
(Total COVID-19 – Coronavirus State and Local Fiscal Recovery Funds 21.027 \$81,909,078)				
Passed Through Minnesota Department of Human Services				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027	Not provided	6,044	-
(Total COVID-19 – Coronavirus State and Local Fiscal Recovery Funds 21.027 \$81,909,078)				
Total U.S. Department of the Treasury			\$ 82,402,740	\$ 7,174,647
National Endowment for the Arts				
Direct				
Promotion of the Arts Grants to Organizations and Individuals	45.024		\$ 150,000	\$ -
U.S. Environmental Protection Agency				
Direct				
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act Environmental Justice Government-to-Government (EJG2G) Program	66.034		\$ 93,490	\$ -
	66.312		36,666	-
Passed Through Minnesota Public Facilities Authority				
Drinking Water State Revolving Fund Cluster				
Drinking Water State Revolving Fund	66.468	MPFA-DWRF-L-049-FY19	1,987,727	-
Total U.S. Environmental Protection Agency			\$ 2,117,883	\$ -

**City of Minneapolis
Minneapolis, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

(Continued)

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 Health and Human Services				
Direct				
Injury Prevention and Control Research and State and Community Based Programs	93.136		\$ 188,680	\$ -
COVID-19 – Community Programs to Improve Minority Health Grant Program	93.137		299,132	-
Racial and Ethnic Approaches to Community Health COVID-19 – Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.304		158,862	-
(Total Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises 93.391 \$1,935,360)	93.391		1,874,110	137,336
PPHF: Racial and Ethnic Approaches to Community Health Program Financed Solely by Public Prevention and Health Funds	93.738		612,394	135,788
COVID-19 – PPHF: Racial and Ethnic Approaches to Community Health Program Financed Solely by Public Prevention and Health Funds	93.738		351,258	-
(Total PPHF: Racial and Ethnic Approaches to Community Health Program Financed Solely by Public Prevention and Health Funds 93.738 \$963,652)				
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967		254,496	-
Passed Through Minnesota Department of Employment and Economic Development				
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$539,236)	93.558	3107400	17,286	17,286
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	161418	328,682	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	223701	96,279	-
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	191800	60,939	-
COVID-19 – Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	204270	15,379	-
COVID-19 – Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	204774	417,102	-
(Total COVID-19 – Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response 93.354 \$432,481)				

**City of Minneapolis
Minneapolis, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

(Continued)

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 Health and Human Services				
Passed Through Minnesota Department of Health (Continued)				
The Innovative Cardiovascular Health Program	93.435	152495	313,179	173,140
Temporary Assistance for Needy Families	93.558	1801MNTANF	462,310	371,405
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$539,236)	93.558	232362	59,640	5,030
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	210898	1,163,576	1,152,228
Maternal and Child Health Services Block Grant to the States	93.994	167257	854,367	302,729
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	224293	61,250	-
(Total Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises 93.391 \$1,935,360)				
Passed Through National Association of County and City Health Officials (NACCHO)				
Strengthening Public Health Systems and Services Through National Partnerships to Improve and Protect the Nation's Health	93.421	2022-031602	9,821	-
Strengthening Public Health Systems and Services Through National Partnerships to Improve and Protect the Nation's Health	93.421	2022-032114	35,550	-
COVID-19 – Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	2022-102502	36,608	-
(Total Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health 93.421 \$81,979)				
Passed Through Minnesota Department of Human Services				
Opioid STR	93.788	191971	45,999	-
Opioid STR (Total Opioid STR 93.788 \$83,256)	93.788	193541	37,257	-
Passed Through Hennepin County				
Teenage Pregnancy Prevention Program	93.297	HS00001406	212,138	-
Teenage Pregnancy Prevention Program (Total Teenage Pregnancy Prevention Program 93.297 \$463,585)	93.297	HS00000867	251,447	-
Total U.S. Department of Health and Human Services			\$ 8,217,741	\$ 2,294,942

**City of Minneapolis
Minneapolis, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023
(Continued)**

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 Homeland Security				
Direct				
COVID-19 – Assistance to Firefighters Grant	97.044		\$ 39,159	\$ -
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		808,861	-
Passed Through Minnesota Department of Public Safety				
Homeland Security Grant Program	97.067	A-SHSP-2021- MPLSBOMB-016	125,517	-
Homeland Security Grant Program	97.067	A-SHSP-2022- MPLSBOMB-011	5,926	-
Homeland Security Grant Program	97.067	A-UASI-2020- MPLSEMER-008	5,758	-
Homeland Security Grant Program	97.067	A-UASI-2021- MPLSEMER-010	593,521	-
Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$1,165,827)	97.067	A-UASI-2022- MPLSEMER-008	435,105	-
Total U.S. Department of Homeland Security			\$ 2,013,847	\$ -
Total Federal Awards			\$ 136,482,221	\$ 16,698,709
Totals by Cluster				
Total expenditures for CDBG – Entitlement Grants Cluster			\$ 15,263,964	
Total expenditures for WIOA Cluster			2,792,511	
Total expenditures for Drinking Water State Revolving Fund Cluster			1,987,727	

City of Minneapolis Minneapolis, Minnesota

Notes to the Schedule of Expenditures of Federal Awards
As of and for the Year Ended December 31, 2023

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Minneapolis. The City's reporting entity is defined in Note 1 to the financial statements. The schedule does not include \$2,595,134 in federal awards expended by the Minneapolis Park and Recreation Board component unit, because a separate single audit was performed in accordance with the Uniform Guidance.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Minneapolis under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of the City of Minneapolis, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Minneapolis.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2 – De Minimis Cost Rate

The City of Minneapolis has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Municipal Building Commission
Management and Compliance Report
Year Ended December 31, 2023**



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

Municipal Building Commission Board
Municipal Building Commission
Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Minneapolis, Minnesota, which include as Supplementary Information, the financial statements of the Municipal Building Commission, a discretely presented component unit, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 31, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

Municipal Building Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Municipal Building Commission's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Recommendations and Corrective Action Plan. The Building Commission'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 and compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on the effectiveness of the Building Commission's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Building Commission's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

Julie Blaha
State Auditor

July 31, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Municipal Building Commission Minneapolis, Minnesota

Schedule of Findings and Recommendations For the Year Ended December 31, 2023

Financial Statement Findings

2023-001 Audit Adjustments

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

Effect: The following audit adjustments were reviewed and approved by the appropriate Municipal Building Commission staff and are reflected in the financial statements:

- The Capital Projects Fund's accounts payable and expenditures increased by \$325,655.
- The governmental activities non-depreciable capital assets (related to construction in progress) increased by \$2,642,494 and expenses decreased by the same amount.

Cause: The payables were not identified as 2023 expenditures and were instead included as 2024 expenditures due to an oversight. The construction in progress was not included due to a spreadsheet error.

Recommendation: We recommend the Municipal Building Commission implement additional procedures over financial reporting that include a comprehensive review of balances, disclosures, and supporting documentation by a qualified individual to ensure the information is complete and accurate, and that the City's financial statements are fairly presented in accordance with generally accepted accounting principles.

View of Responsible Official: Acknowledge



Municipal Building Commission

Room 105 • 350 South Fifth Street • Minneapolis, MN 55415-1319

Phone (612) 596-9512 • Fax (612) 596-9561

www.municipalbuilding.org

Representation of the Municipal Building Commission

Minneapolis, Minnesota

Corrective Action Plan
For the Year Ended December 31, 2023

Finding Number: 2023-001 Finding

Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Famatta Dennis, MBC Accountant
Controller, City of Minneapolis

Corrective Action Planned:

Moving forward: more thorough review of invoice timing to verify dates for accuracy. Additional spreadsheet review for accuracy.

Anticipated Completion Date:

Completed in June of 2024