



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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June 30, 2014

The Honorable Betsy Hodges, Mayor
and Members of the City Council
City of Minneapolis, Minnesota

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, 2013. Professional standards require that we provide you with information about our responsibilities under 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 U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our meeting about planning matters on December 9, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards and Office of Management and Budget (OMB) Circular A-133

As stated in our engagement letter dated January 28, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City of Minneapolis' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered 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 internal control over compliance in accordance with OMB Circular A-133.

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As part of obtaining reasonable assurance about whether the City of Minneapolis' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of Minneapolis' compliance with those requirements.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the introductory and statistical sections in the comprehensive annual financial report (CAFR) prepared by management with your oversight does not extend beyond the financial information identified in our opinion. We do not have an obligation to perform any procedures to corroborate this information contained in the CAFR. However, we have read the information and considered whether it, or the manner of its presentation, is materially inconsistent with information appearing in the financial statements. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information appearing in the financial statements.

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Minneapolis are described in Note 1 to the financial statements. During 2013, the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statements 61, 65, and 66. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. GASB Statement No. 66, *Technical Corrections--2012, an amendment of GASB Statements No. 10 and No. 62*, resolves conflicts between GASB Statements. No other new accounting policies were adopted, and the application of existing policies was not changed during 2013. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information were the fair value of investments, allowance for uncollectible loans receivable, estimated useful lives of capital assets, infrastructure capitalization values, current versus long-term compensated absences liabilities, self-insurance claims incurred but not reported, and postemployment benefits liabilities.

Management's estimate of the fair value of investments is determined through existing market conditions. Management's estimate of the allowance for uncollectible loans receivable is based on the historical collection of loans. Management's estimates of useful lives for its capital assets are based on prior experience with the related expenditures. Estimates for infrastructure capitalization values are based on historical and current cost information. Estimates for current

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versus long-term compensated absences liabilities are based on historical information. Estimates for self-insurance claims incurred but not reported and for postemployment benefits liabilities are based on information provided by an actuary. We evaluated the key factors and assumptions used to develop these estimates in determining they are reasonable in relation to the financial statements of each opinion unit.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit, except the completion of our audit was delayed because the City's contract with the actuary for the other postemployment benefit obligation was not executed until mid April 2014, with the draft actuarial valuation available late May 2014.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 23, 2014.

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Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

* * *

This information is intended solely for the use of the City Council, Mayor, and management of the City of Minneapolis and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA

YEAR ENDED DECEMBER 31, 2013

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

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

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

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**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

Year Ended December 31, 2013



Management and Compliance Report

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

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**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

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**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major programs: **Unmodified for all major programs except for Highway Planning and Construction which is qualified.**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

Community Development Block Grants/Entitlement Grants	CFDA #14.218
HOME Investment Partnerships Program	CFDA #14.239
Neighborhood Stabilization Program - ARRA	CFDA #14.256
Workforce Investment Act (WIA) Cluster	
Workforce Investment Act Adult Program	CFDA #17.258
Workforce Investment Act Youth Activities	CFDA #17.259
Workforce Investment Act Dislocated Workers	CFDA #17.260
Workforce Investment Act Dislocated Worker	
Formula Grants	CFDA #17.278
Highway Planning and Construction	CFDA #20.205
Homeland Security Grant Program	CFDA #97.067

The threshold for distinguishing between Types A and B programs was \$1,404,427.

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

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

INTERNAL CONTROL

ITEMS ARISING THIS YEAR

Finding 2013-001

Bank Reconciliations

Criteria: Reconciliations are control activities which involve the comparison of records or balances from different sources. Effective reconciliations properly account for any differences between the records or balances. This includes investigating why the differences exist and resolving them in a timely manner. Documentation resolving any differences should be retained.

Condition: Stale reconciling items greater than six months old were noted on some bank reconciliations. For the credit card and payroll accounts, the bank reconciliations are designed so that reconciling items are not carried forward from month to month and must be tracked separately. Some reconciling items are differences requiring additional follow-up and resolution.

Context: Bank reconciliations are a tool to help ensure cash records are complete and accurate and a control designed to detect, and allow for correction of, errors or irregularities on a timely basis.

Effect: Stale and unresolved reconciling items may result in errors or irregularities going undetected. Such was the case for some prior year deposits related to the Minneapolis Park and Recreation Board which had not been identified as such in the City's bank reconciliation, and therefore, were not properly recorded in the general ledger. This resulted in a restatement of the Park Board's financial statements.

Cause: The City informed us that staff cuts have been made causing it to be difficult for departments to respond timely to the Finance and Property Services Department's request to adjust the records or investigate the discrepancies. The reconciliations for the credit card and payroll bank accounts are complex and were designed to eliminate reconciling items each month to simplify the process.

Recommendation: We recommend the City follow up and resolve differences between bank balances and the general ledger on a timelier basis. We further recommend that procedures be developed and bank reconciliations be re-designed so that reconciling items are not removed from the reconciliation until fully resolved.

Client's Response:

The bank reconciliation process for the credit card and payroll accounts are currently under review to develop new procedures to address outstanding items more timely. Staff in the Controller's Division who complete the bank reconciliations on a monthly basis are working with departments to identify reasons for any outstanding items. Going forward staff will monitor and notify the departments with outstanding items greater than 60 days and work to resolve these outstanding items on a timely basis. After the monthly payroll account reconciliation, an email is sent to the Treasury Division and to the appropriate accounting staff containing all of the reconciling items for their review so they can make the appropriate entries in the financial system.

The list of outstanding items for both the credit card and payroll accounts will be reviewed and monitored by the Accounting Manager, Grants and Internal Controls, on a monthly basis and discussed with the Controller in quarterly management meetings. Appropriate action will include follow up meetings with the appropriate departments, as needed. By the end of 2014, the Controller's Division will have established an Internal Control Management Section which will include the bank reconciliation staff. This new section will enable staff to focus on internal control processes and procedures and more effectively address these types of issues.

Finding 2013-002

Loan C Documentation

Criteria: Developmental Loans (Loan C) is an internal loan servicing system through the City's Community Planning & Economic Development (CPED) Department. CPED is responsible for maintaining the supporting documentation originating the loans as well as keeping track of all loans issued.

Condition: During our review of Loan C, we selected 10 new loan files for testing. One loan file selected could not be located. Also, inconsistencies were noted in the Loan C population list provided to us. There were two loans that were not on the current year Loan C population list but were on the prior year Loan C population list. These loans were not satisfied and should have been on the current year Loan C population list. In addition, there were loans on the current year list that had a prior year origination date, but were not identified in the prior year.

Context: The client was not able to locate the missing file. For the two loans that were not on the current year Loan C population list, one was related to a system exception. In the other case, the loan was split into four loans; however, these four loans were also not included in the population list. For loans that were not identified in the prior year, staff had not listed them as closed in MINS, CPED's database system, timely enough to be included in the prior year listing.

Effect: The loans receivable balance could be misstated as a result of missing loan files and incomplete loan listings.

Cause: Lack of policies and procedures for maintaining loan documentation.

Recommendation: We recommend the City implement policies and procedures to maintain a complete and accurate Loan C listing and loan documentation.

Client's Response:

In early 2014, the solitary staff person responsible for the administration of this program was moved (along with the function) from the department of Community Planning and Economic Development (CPED) into the Development Finance Division (DFD) of the Finance and Property Services Department (FPS). As part of this shift, some of the administrative responsibilities previously required of the incumbent in the position were transitioned to another staff member within the Development Finance Division to allow for more separation of duties and to provide workload backup. The additional separation of duties is intended to begin to offset inefficiencies caused by staffing reductions in this area in recent years. Additionally, representatives from FPS have been meeting regularly with CPED, DFD and the City Attorney to review the underlying criteria for inclusion in the Loan C system versus other, external loan servicing agents and their associated contractual agreements. The intent is to provide for more rigorous and streamlined review of the various loans and their servicing to ensure that the Loan C system accurately presents outstanding balances. Management is also reviewing accounting practices in this area to affirm that reasonable estimates are being projected to more accurately reflect the likelihood of loan repayments, as well as re-financings which may generate a need for re-issuance of loan file numbers as the agreements are amended.

At the same time, CPED is requesting funding to replace the existing MINS (Loan C) system with newer software to assist in accurate loan origination information, including multiple sources of resources and entities involved in the transaction. At that time, e-records management is anticipated to be implemented in order to provide for on-line access (secured) to the loan file documents which will help to reduce the likelihood of loss of data or misfiling.

PREVIOUSLY REPORTED ITEMS RESOLVED

Permanent Improvement Capital Project Fund Adjustments and Audit Adjustment (2011-001)

During our previous audit, the Permanent Improvement Capital Project Fund had six audit adjustments that were proposed and recorded to properly report revenue, including federal revenue.

Resolution

During the current year audit, there were no material audit adjustments to the Permanent Improvement Capital Project Fund.

Prior Period Adjustment (2012-001)

During our previous audit, the City's Finance and Property Services staff identified a number of funds where a restatement of prior year's fund balance/net position was necessary to properly state the receivables in the general ledger.

Resolution

During the current year audit, there were no prior period adjustments.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2011-002

Identification of Federal Awards

Program: U.S. Department of Transportation's Highway Planning and Construction (CFDA No. 20.205)

Pass-Through Agency: Minnesota Department of Transportation

Criteria: OMB Circular A-133, Subpart C, § .300, indicates auditee responsibilities include the identification of all federal awards received and expended and the federal programs under which they were received.

Condition: The City did not adequately identify amounts received and expended for the Highway Planning and Construction federal award program on its preliminary estimate of federal expenditures or in the population of expenditures provided for the audit of this program. The preliminary estimate of federal expenditures and the population of expenditures included the Federal Transit Capital Investment Grants (CFDA No. 20.500) and Alternatives Analysis (CFDA No. 20.522), both of which are passed through from the Metropolitan Council.

Questioned Costs: None.

Context: Federal award programs often cover multiple projects. All expenditures reimbursed with federal funds are subject to audit as part of the City's single audit.

Effect: The Highway Planning and Construction Program had already been audited as a major federal program based on the original expenditures identified by the City. However, after it was discovered that additional expenditures not related to the Highway Planning and Construction Program were included in the population of expenditures for the audit of this program, additional procedures needed to be performed to ensure that testing of the federal expenditures were only related to the Highway Planning and Construction Program.

Cause: Communication with pass-through agencies and information received from pass-through agencies is not always clear and/or timely.

Recommendation: We recommend City management develop written procedures that will allow staff to correctly identify all federal financial assistance received and expended.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

- *Controller*
- *Manager, Capital Projects and Public Works Accounting*
- *Accounting Manager, Grants and Internal Controls*

Corrective Action Planned:

The Controller's Division, in cooperation with the Public Works Department, has developed and implemented written procedures and related monitoring and reporting processes to ensure that staff can correctly identify all federal financial assistance received and expended, particularly in the City's Permanent Improvement Capital Project Fund. In addition, Accounting staff in the Controller's Division will work with Public Works and such entities as the Metropolitan Council, along with the Office of the State Auditor, to develop more effective communication processes to ensure adequate information about the funding source for a particular activity or project is provided to the City. The Metropolitan Council does not consistently provide the City with the actual funding source information to support its grant funded projects until the projects are near completion. In addition, the State does not consistently identify funding by CFDA program number; often the City must rely on a number of resources to determine the program associated with the revenue received. Finally, the Accounting Manager, Grants and Internal Controls will provide more oversight, review and coordination of the information gathering and grant identification process during the audit planning phase in September of each year to help ensure the information provided to the Office of State Auditor is accurate and timely.

Anticipated Completion Date:

September 2014

Finding 2011-004

Subrecipient Monitoring

Programs	Pass-Through Agencies
U.S. Department of Housing and Urban Development	
Community Development Block Grants/Entitlement Grants (CFDA No. 14.218)	
Emergency Solutions Grant Program (CFDA No. 14.231)	
Housing Opportunities for Persons with AIDS (CFDA No. 14.241)	
Neighborhood Stabilization Program - ARRA (CFDA No. 14.256)	
Lead Hazard Reduction Demonstration Grant Program (CFDA No. 14.905)	Hennepin County
U.S. Department of the Interior	
Migratory Bird Monitoring, Assessment and Conservation (CFDA No. 15.655)	
U.S. Department of Justice	
Violence Against Women Formula Grants - ARRA (CFDA) No. 16.588	Minnesota Department of Public Safety
U.S. Department of Labor	
Workforce Investment Act (WIA) Cluster	
Workforce Investment Act Adult Program (CFDA No. 17.258)	Minnesota Department of Employment and Economic Development
Workforce Investment Act Youth Activities (CFDA No. 17.259)	Minnesota Department of Employment and Economic Development
Workforce Investment Act Dislocated Workers (CFDA No. 17.260)	Minnesota Department of Employment and Economic Development
Workforce Investment Act Dislocated Worker Formula Grants (CFDA No. 17.278)	Minnesota Department of Employment and Economic Development
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA (CFDA No. 17.275)	Minnesota Department of Employment and Economic Development
U.S. Department of Transportation	
Federal Transit Formula Grants (CFDA No. 20.507)	Metropolitan Council
Highway Planning and Construction (CFDA No. 20.205)	Minnesota Department of Transportation
U.S. Department of Health and Human Services	
Healthy Start Initiative (CFDA No. 93.926)	
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds (CFDA No. 93.531)	Hennepin County
Temporary Assistance for Needy Families (CFDA No. 93.558)	Hennepin County; Minnesota Department of Health
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (CFDA No. 93.505)	Minnesota Department of Health
Maternal and Child Health Services Block Grant to the States (CFDA No. 93.994)	Minnesota Department of Health

Criteria: OMB Circular A-133, Subpart C, § .400, indicates auditee responsibilities for entities that provide federal awards to subrecipients as a pass-through entity. Included in these responsibilities are: (1) at the time of the award, identifying to the subrecipient the federal award information (CFDA title and number, award name, name of federal agency, and applicable compliance requirements); (2) monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient administers the federal award in compliance with federal requirements; (3) ensuring that required audits are performed, if applicable, and requiring the subrecipient to take prompt corrective action on any audit findings; and (4) evaluating the impact of subrecipient activities on the entity's ability to comply with applicable federal regulations.

Condition: Based on our review of subrecipient monitoring for program and financial compliance, we noted inconsistencies in the identification of subrecipients. Efforts have been made to identify subrecipients in the general ledger by making use of a field in vendor information, as well as cross-checking nonprofit status with the State of Minnesota Secretary of State listing to ensure monitoring procedures are performed for financial compliance of subrecipients. This list is not always consistent with subrecipients identified during the audit of the federal program. As a result, some entities are monitored for program compliance but not financial compliance and vice versa. Also, in one instance, it was noted that a subrecipient was not reported on the ARRA 1512 report but was considered to be a subrecipient at the program level.

Questioned Costs: None.

Context: The City of Minneapolis passes through federal awards to subrecipients and is required to perform financial monitoring of those subrecipients. Of the \$46.8 million in federal awards, \$9.0 million was passed through to subrecipients.

Effect: The City is not able to ensure that all subrecipients have been identified and that its subrecipients are administering federal awards in compliance with applicable federal requirements.

Cause: Program monitoring is completed by program managers, and they determine who the subrecipients are at the program level. The financial monitoring is completed by the Finance and Property Services Department who have made efforts to create a comprehensive list by using the general ledger to identify the subrecipients.

Recommendation: We recommend the City continue to develop a system and written policies and procedures to ensure compliance requirements over subrecipients are met and subrecipients are monitored in accordance with OMB Circular A-133 consistently between program and financial monitoring.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

- *Accounting Manager, Grants and Internal Controls*
- *Controller and IGR Director*

Corrective Action Planned:

As indicated above, the Finance and Property Services Department (FPS) in cooperation with the Intergovernmental Relations Department (IGR) has taken a number of steps to ensure subrecipients of federal grants are properly identified and their program activities and financial operations are monitored to ensure compliance with federal regulations. Both departments hired additional staff in 2014 to provide adequate resources for the subrecipient monitoring activities. Queries are run monthly to identify all potential subrecipients in the grant funds. The list of potential subrecipients is then used to research individual contracts and work with the departments to identify the specific contracts that are subrecipient in nature. Program monitoring activities are reviewed with program staff to identify any issues that we should be aware of prior to scheduling an on-site financial monitoring visit. The same list of potential subrecipients is used to identify the entities that may be required to submit an audit and, if required, audit reports are obtained and reviewed in accordance with the City's Policy Regarding Subrecipient Audits.

Other corrective actions that will be implemented include the following:

- *Update and disseminate grant management administrative policies to help departments properly manage the grants they receive;*
- *Develop related forms which will help departments inform IGR and FPS staff of new grant programs, subrecipients for those programs, and general reporting and compliance requirements;*
- *Establish a regular meeting schedule with individual departments to provide advice and assistance in managing grants and compliance with program and financial reporting requirements and to identify and work with subrecipient contracts to ensure that the appropriate subrecipient monitoring is conducted.*
- *Continue to provide training on compliance requirements and subrecipient monitoring through such activities as Grant User's Group meetings, individual department meetings, webinars, etc.*

- *Separate the Grant and Internal Control Accounting function within the Controller's Division into a Grants Financial Management Section and an Internal Controls Management function to provide a more focused oversight over the financial management of the grant programs in the City and more effectively enable compliance with federal, state and local regulations.*

Anticipated Completion Date:

September 30, 2014

ITEM ARISING THIS YEAR

Finding 2013-003

Cash Management

Program: U.S. Department of Transportation's Highway Planning and Construction (CFDA No. 20.205)

Pass-Through Agency: Minnesota Department of Transportation

Criteria: The Highway Planning and Construction Program awards funding on a reimbursement basis. The 2013 OMB Circular A-133 Compliance Supplement, Part 3 C., Cash Management, states that, when entities are funded on a reimbursement basis, the costs for which reimbursement was requested should be paid prior to the date of the reimbursement request.

Condition: The City requested reimbursement from the pass-through agency for federal program expenditures before the costs for which reimbursement was requested were paid. Based on the federal matching percentages of the grants, the federal share totaled \$687,310.

Questioned Costs: None.

Context: Reimbursement was requested and received prior to the corresponding expenditures being paid for 2 of 11 reimbursement requests tested.

Effect: Noncompliance with federal cash management requirements for a reimbursement grant program.

Cause: Procedures did not adequately coordinate timing to ensure expenditures were paid prior to reimbursement being requested.

Recommendation: We recommend the City of Minneapolis develop improved control procedures to ensure compliance with federal cash management requirements related to this grant program and request reimbursement only for those costs that have been incurred and paid prior to requesting reimbursement claims from the Minnesota Department of Transportation.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

- *Controller*
- *Accounting Manager/Finance Manager*
- *Public Works Administration Director*
- *Public Works Project Managers*

Corrective Action Planned:

The Controller's Division and Public Works staff will work together to develop administrative procedures and related processes that ensure all requests for reimbursement made by Public Works under the U.S. Department of Transportation's Highway Planning and Construction program (CFDA No. 20.205) are made after the costs for which the reimbursement is requested has been paid. The administrative procedures will include review of the requests and all supporting documentation by Accounting staff prior to submission for reimbursement, verification by Accounting staff that all costs related to the reimbursement requests have been paid prior to the date of the request, creation and review of process work flows to ensure timely turnaround and funding, and development of a process to inform the Public Works staff when the submission of the request can be sent or the identification of which items may need to be deferred to a later date. Training on the administrative procedures and related compliance issues will be provided to Public Works project managers and appropriate Accounting staff.

Anticipated Completion Date:

September 30, 2014

PREVIOUSLY REPORTED ITEM RESOLVED

Requirements of Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA (CFDA No. 81.128) (2011-005)

The following internal control over compliance and compliance issues were noted in our previous audit:

- Equipment was not identified as being purchased with federal funds in the capital assets module;
- Two of the four reports tests for reporting compliance were either not complete or were not submitted by the reporting deadline;
- Programmatic subrecipient monitoring was not performed for two subrecipients; and
- The grant agreement required obtaining permission from the State Historic Preservation Office (SHPO) prior to building improvements or making upgrades. The City did not obtain SHPO's approval before improvements or upgrades began at the Convention Center.

Resolution

Equipment purchases in 2013 were recorded in the City's capital asset module. Quarterly reports were submitted on time. In 2013, because there were no payments made to subrecipients, no monitoring was required. Expenditures in 2013 did not include work performed at the Convention Center. In addition, the Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA was completed in 2013.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2009-001

Prompt Payment of Invoices

Criteria: As stated in Minn. Stat. § 471.425, the City is required to make payment on vendor invoices according to the terms of the contract, or within 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later.

Condition: Twenty-seven of the 138 invoices tested for compliance with this statute were not paid within 35 days.

Context: The City's accounts payable function is centralized.

Effect: Making payment on invoices after 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later, is in noncompliance with Minnesota law.

Cause: The accounts payable process is centralized; however, not all vendors submit invoices directly to the accounts payable group. Additional processing time is incurred when invoices or other supporting documentation is first sent to the individual departments.

Recommendation: We recommend the City make payments on vendor invoices in accordance with Minn. Stat. § 471.425.

Client's Response:

The City's Accounts Payable (A/P) section has implemented a number of processes working with both City departments and vendors in an effort to increase the number of invoices that are submitted directly to Accounts Payable providing more control over the payment process and enabling invoices to be paid within the 35 day time frame.

The most recent and comprehensive approach involves working with vendors to send invoices to a central location where they are scanned and input into a database which enables A/P to route them electronically to the appropriate City department for review and approval online. The new process provides for better oversight of the incoming invoices and payment process, and allows for timely routing of the invoices for review and approval. This process will also help A/P report on the data and pinpoint the non-compliant areas more quickly which will allow it to follow up directly and more timely with the appropriate departments and/or divisions.

A/P will continue to address the late payment of invoices and work towards reducing the number of days it takes to process and pay the City's invoices. A/P expects that with the process and procedure changes that have recently been implemented, the City will see a significant drop in the percentage of invoices paid over 35 days.



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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 Betsy Hodges, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2014. Our report includes a reference to other auditors. Other auditors audited the financial statements of Meet Minneapolis, as described in our report on the City of Minneapolis' financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Meet Minneapolis were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Minneapolis' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of 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. 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 may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the City's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 2009-001. 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.

City of Minneapolis' Response to Findings

The City of Minneapolis' responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* 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/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 23, 2014

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

The Honorable Betsy Hodges, Mayor
And Members of the City Council
City of Minneapolis, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Minneapolis' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City of Minneapolis' major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

The City of Minneapolis' basic financial statements include the operations of the Minneapolis Park and Recreation Board (Park Board) component unit, which expended \$2,473,091 in federal awards during the year ended December 31, 2013, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Park Board because it had a separate single audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Minneapolis' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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 City of Minneapolis' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Basis for Qualified Opinion on Highway Planning and Construction (CFDA No. 20.205)

As described in the accompanying Schedule of Findings and Questioned Costs, the City of Minneapolis did not comply with requirements regarding CFDA No. 20.205 Highway Planning and Construction as described in finding number 2013-003 for Cash Management. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on Highway Planning and Construction (CFDA No. 20.205)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Minneapolis complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Highway Planning and Construction for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Minneapolis complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2013.

The City of Minneapolis' response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. The City of Minneapolis' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Minneapolis is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal

program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or 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 the attention of 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 2011-002 and 2011-004 to be significant deficiencies.

The City of Minneapolis' responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. The City of Minneapolis' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated June 23, 2014, which contained unmodified opinions on those financial statements. We did not

audit the financial statements of Meet Minneapolis, which represents less than one percent, a negative one percent, and nine percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 23, 2014

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct		
Community Development Block Grants/Entitlement Grants	14.218	\$ 11,859,250
Emergency Solutions Grant Program	14.231	1,148,981
HOME Investment Partnerships Program	14.239	3,055,237
Housing Opportunities for Persons with AIDS	14.241	1,041,980
Neighborhood Stabilization Program - ARRA	14.256	3,577,054
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	614,779
Healthy Homes Demonstration Grants	14.901	2,557
Asthma Interventions in Public and Assisted Multifamily Housing (Total Asthma Interventions in Public and Assisted Multifamily Housing CFDA 14.914 - \$641,840)	14.914	616,291
Passed Through Minnesota Department of Health		
Asthma Interventions in Public and Assisted Multifamily Housing (Total Asthma Interventions in Public and Assisted Multifamily Housing CFDA 14.914 - \$641,840)	14.914	25,549
Passed Through Minnesota Housing Finance Agency		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	776,127
Passed Through Hennepin County		
Lead Hazard Reduction Demonstration Grant Program	14.905	<u>116,283</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 22,834,088</u>
U.S. Department of the Interior		
Direct		
Migratory Bird Monitoring, Assessment and Conservation	15.655	\$ 54,698
Passed Through Minnesota Historical Society		
Historic Preservation Fund Grants-In-Aid	15.904	<u>21,000</u>
Total U.S. Department of the Interior		<u>\$ 75,698</u>
U.S. Department of Justice		
Direct		
Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grants CFDA 16.710 - \$214,248)	16.710	29,897
Public Safety Partnership and Community Policing Grants - ARRA (Total Public Safety Partnership and Community Policing Grants CFDA 16.710 - \$214,248)	16.710	180,721
Paul Coverdell Forensic Sciences Improvement Grant Program (Total Paul Coverdell Forensic Sciences Improvement Grant Program CFDA 16.742 - \$51,806)	16.742	35,080
National Forum on Youth Violence Prevention	16.819	18,202
Equitable Sharing Program	16.922	38,392

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Justice (Continued)		
Passed Through Minnesota Department of Public Safety		
Juvenile Accountability Block Grant	16.523	\$ 17,777
Violence Against Women Formula Grants - ARRA	16.588	54,427
Public Safety Partnership and Community Policing Grants	16.710	3,630
(Total Public Safety Partnership and Community Policing Grants CFDA 16.710 - \$214,248)		
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	16,726
(Total Paul Coverdell Forensic Sciences Improvement Grant Program CFDA 16.742 - \$51,806)		
Passed Through Hennepin County		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	488,093
Total U.S. Department of Justice		\$ 882,945
U.S. Department of Labor		
Passed Through Minnesota Department of Employment and Economic Development		
Workforce Investment Act (WIA) Cluster		
Workforce Investment Act Adult Program	17.258	\$ 647,944
Workforce Investment Act Youth Activities	17.259	882,483
Workforce Investment Act Dislocated Workers	17.260	191,278
Workforce Investment Act Dislocated Worker Formula Grants	17.278	545,380
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA	17.275	84,933
Total U.S. Department of Labor		\$ 2,352,018
U.S. Department of Transportation		
Passed Through Metropolitan Council		
Federal Transit Cluster		
Federal Transit Capital Investment Grants	20.500	\$ 604,928
Federal Transit Formula Grants	20.507	360,096
Alternatives Analysis	20.522	561,616
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	9,593,654
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	43,374
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	65,097
National Priority Safety Programs	20.616	11,697
Total U.S. Department of Transportation		\$ 11,240,462

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Treasury		
Direct		
National Foreclosure Mitigation Counseling	21.000	\$ <u>6,164</u>
U.S. Environmental Protection Agency		
Direct		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	\$ 465,097
Passed Through Minnesota Public Facilities Authority		
Capitalization Grants for Clean Water State Revolving Funds	66.458	<u>134,680</u>
Total U.S. Environmental Protection Agency		\$ <u>599,777</u>
U.S. Department of Energy		
Direct		
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	\$ 258,341
Passed Through Minnesota Department of Commerce - Minnesota Office of Energy Security		
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	<u>3,593</u>
Total U.S. Department of Energy		\$ <u>261,934</u>
U.S. Department of Health and Human Services		
Direct		
Healthy Start Initiative	93.926	\$ 924,915
Passed Through Hennepin County		
Teenage Pregnancy Prevention Program	93.297	297,437
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	280,517
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families CFDA 93.558 - \$1,186,628)	93.558	234,839
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	326,956
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	217
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	668,515
PPHF 2012 National Public Health Improvement Initiative	93.507	8,300
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families CFDA 93.558 - \$1,186,628)	93.558	951,789
Maternal and Child Health Services Block Grant to the States	93.994	<u>829,636</u>
Total U.S. Department of Health and Human Services		\$ <u>4,523,121</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Direct		
Assistance to Firefighters Grant	97.044	\$ 556,046
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	46,610
Emergency Management Performance Grants	97.042	21,300
Port Security Grant Program	97.056	407,366
Homeland Security Grant Program	97.067	<u>3,006,703</u>
Total U.S. Department of Homeland Security		\$ 4,038,025
Total Federal Awards		<u>\$ 46,814,232</u>

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. 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 basic financial statements. This schedule does not include \$2,473,091 in federal awards expended by the Minneapolis Park and Recreation Board component unit, which had a separate single audit.

2. 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, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule 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.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of the City of Minneapolis. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Workforce Investment Act (WIA) Cluster	\$ 2,267,085
Federal Transit Cluster	965,024

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

5. Subrecipients

Of the expenditures presented in the schedule, the City of Minneapolis provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grants/Entitlement Grants	\$ 2,184,537
14.231	Emergency Solutions Grant Program	477,391
14.241	Housing Opportunities for Persons with AIDS	1,012,969
14.256	Neighborhood Stabilization Program - ARRA	5,432
14.905	Lead Hazard Reduction Demonstration Grant Program	101,971
15.655	Migratory Bird Monitoring, Assessment and Conservation	54,698
16.588	Violence Against Women Formula Grants - ARRA	21,528
17.258	Workforce Investment Act Adult Program	411,867
17.259	Workforce Investment Act Youth Activities	721,953
17.260	Workforce Investment Act Dislocated Workers	128,799
17.278	Workforce Investment Act Dislocated Worker Formula Grants	302,143
17.275	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA	82,193
20.507	Federal Transit Formula Grants	360,096
20.205	Highway Planning and Construction	143,885
93.926	Healthy Start Initiative	580,237
93.531	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	120,894
93.558	Temporary Assistance for Needy Families	1,159,400
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	668,515
93.994	Maternal and Child Health Services Block Grant to the States	451,299
	Total	<u>\$ 8,989,807</u>

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

6. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 48,841,861
Federal Fixed Price Contracts	
Equal Employment Opportunity Commission	(43,932)
Metro Medical Response System	(405,000)
Minnesota Family Investment Program	(267,467)
Criminal Investigations Division Sex Task Force	(9,456)
Drug Enforcement Admin TF	(41,170)
Drug Enforcement Native Mobs	(62,374)
GET-ATF	(65,592)
GET-ICE	(16,274)
MN Cyber Crime Task Force	(14,272)
MN Violent Crime/Fugitive	(9,308)
Organized Crime Drug Enforcement	(6,287)
Safe Streets Violent Crime TF	(157,825)
U.S. Marshalls OT - Predatory Offenders Unit	(20,701)
Presidential Inauguration 13	(99,109)
U.S. Marshalls OT May - Dec 2013	(8,654)
Joint Terrorism Task Force	(717)
Violent Crimes Investment - ATF	(777)
Violent Crimes Investment - ICE	(1,829)
Toward Zero Deaths Partners	(169,059)
Timing Differences Between Expenditures and Related Reimbursements	(1,191,794)
Minnesota Public Facility Agency Loans	134,680
Expenditures occurring prior to 2013 but reimbursed in 2013	(2,887,519)
Credit to Federal Programs	
Edward Byrne Memorial Justice Grant	1,412
Homeland Security Grant Program	645
Department of Transportation	122
Federal Program Income	
Energy Efficiency and Conservation Block Grant - ARRA	100,000
Neighborhood Stabilization Program - ARRA	2,209,869
Healthy Homes Demonstration Grant	16,232
Lead-Based Paint Hazard Control	45,178
Neighborhood Stabilization Program	47,379
Community Development Block Grants/Entitlement Grants	619,599
HOME Investment Partnerships Program	276,371
	46,814,232
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 46,814,232

7. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.