# STATE OF MINNESOTA

## Office of the State Auditor

**Rebecca Otto**
**State Auditor**

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MANAGEMENT AND COMPLIANCE REPORT

**CITY OF MINNEAPOLIS**
**MINNEAPOLIS, MINNESOTA**

YEAR ENDED DECEMBER 31, 2009

# 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, 2009

# 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 1***

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

## I. SUMMARY OF AUDITOR'S RESULTS

A. Our report expresses unqualified opinions on the basic financial statements of the City of Minneapolis.

B. Significant deficiencies in internal control were disclosed by the audit of financial statements of the City of Minneapolis and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." One of the significant deficiencies is a material weakness.

C. No instances of noncompliance material to the financial statements of the City of Minneapolis were disclosed during the audit.

D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."

E. The Auditor's Report on Compliance for the major federal award programs for the City of Minneapolis expresses an unqualified opinion.

F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

G. The major programs are:

| | |
|---|---|
| Community Development Block Grants/Entitlement Grants Cluster | |
| Community Development Block Grants/Entitlement Grants | CFDA #14.218 |
| Community Development Block Grants/Entitlement Grants - ARRA | CFDA #14.253 |
| Tax Credit Assistance Program - ARRA | CFDA #14.258 |
| Edward Byrne Memorial Justice Assistance Grant (JAG) Programs/Grants to Units of Local Government - ARRA | CFDA #16.804 |

| | |
|---|---|
| Workforce Investment Act (WIA) Cluster | |
| WIA - Adult Program | CFDA #17.258 |
| WIA - Adult Program - ARRA | CFDA #17.258 |
| WIA - Youth Activities | CFDA #17.259 |
| WIA - Youth Activities - ARRA | CFDA #17.259 |
| WIA - Dislocated Workers | CFDA #17.260 |
| WIA - Dislocated Workers - ARRA | CFDA #17.260 |
| Federal Transit Cluster | |
| Federal Transit Capital Investment Grants | CFDA #20.500 |
| Federal Transit Formula Grants | CFDA #20.507 |
| Highway Planning and Construction | CFDA #20.205 |
| Capitalization Grants for Drinking Water State Revolving Funds Cluster | |
| Capitalization Grants for Drinking Water State Revolving Funds | CFDA #66.468 |
| Capitalization Grants for Drinking Water State Revolving Funds - ARRA | CFDA #66.468 |
| Homeland Security Grant Program | CFDA #97.067 |

H. The threshold for distinguishing between Types A and B programs was $2,021,298.

I. The City of Minneapolis was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

07-1 Monitoring Internal Controls

In our previous reports, we commented on the responsibility of City management for monitoring its internal controls and performing a risk assessment of existing controls over significant functions of its accounting system used to produce financial information. Significant functions and internal controls include and cover such areas as cash, capital assets, major funding sources, expenditure/expense processing, and payroll. We also

commented on the need for the City to formalize its assessments of risks in its review of internal controls; to document the significant internal controls; to perform monitoring activity of the internal controls on a regular basis, no less than annually; and to document the monitoring activity.

No changes have been made in monitoring internal controls. We again recommend that the City document the significant internal controls in the accounting system and formalize a plan to assess and monitor these controls on a regular basis, no less than annually. The monitoring should be documented to show the results of the review, changes required as a result of the risk assessment, and who performed the work.

Client's Response:

*The City has undertaken a three-pronged approach to address its Internal Control Structure (ICS):*

1. *Review the ICS already in place for completeness and effectiveness. In some cases controls may need to be designed or redesigned. In all cases the control measures will be documented.*
2. *Monitor and test the effectiveness of controls in operation.*
3. *Remedy any deficiencies identified during the test of controls.*

*This process is continual and quite extensive, so the review and design of controls may not be completed during 2010; however, the addition of an Internal Audit Director and support staff during 2010 will significantly improve our ability to establish and maintain an ongoing program.*

07-3 City Payroll Procedures

In our previous reports, we noted that certain staff involved with the processing of payroll, and who are both a Departmental Representative and Payroll Representative, have the ability to create temporary employees, add hours to pay lines, and change banking information in the HRIS system, all without electronic approvals. During 2009, the City has been able to segregate these duties for 8 of the 16 payroll employees.

We commend the City for the progress made in segregating the duties for this portion of its staff and encourage it to continue working towards segregating these duties for the remaining staff.

Client's Response:

*The City has taken steps to examine the business processes associated with employee maintenance and Payroll to identify and remedy any internal control issues associated with segregation of duties. We have successfully worked to ameliorate this problem by transferring the employee maintenance responsibilities from Payroll to the operating departments. We anticipate completing this effort in 2010. By transferring the employee maintenance function, Payroll staff will no longer have the conflicting responsibilities of employee maintenance and payroll.*

08-1 Journal Entries

In our previous report, we noted that a limited number of staff have journal entry access rights to approve (post) journal entries to the accounting system. However, no controls are in place to prevent these staff from both initiating and approving the same journal entries. The system does not provide an audit trail to indicate which staff with approval access actually did the posting to the system. In addition, there is no formal oversight or review process of journal entry activity.

The ability to initiate and approve journal entries on the general ledger system is a powerful function. It allows staff with access the ability to make changes to the financial system.

We again recommend that the formal policies and procedures include system access limitations that prevent the same person from initiating and approving journal entries along with identification of the person approving journal entries. We also recommend that a report be generated monthly detailing all journal entries that have been posted to the accounting system. Review and monitoring of this report should be done to ensure proper oversight for unusual or inappropriate activity.

Client's Response:

*In early 2010, the City developed and implemented a written procedure that separates the steps of initiating and approving journal entries. This same procedure also developed a process to routinely monitor this activity to ensure that the procedure is being followed. This procedure is a critical component of the Internal Control Structure referenced in finding 07-1 above.*

08-2 Audit Adjustments

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. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

During our audit, we identified the following material audit adjustment that was reviewed and approved by the appropriate staff and is reflected in the financial statements: expenditures were decreased by $5,321,296 to properly reflect current year activities in the HUD Consolidated Plan nonmajor special revenue fund.

We recommend the City modify internal controls over financial reporting to prevent, or detect and correct, misstatements in the financial statements.

Client's Response:

*During 2010, the City will develop a process for reviewing financial statement adjustments in order to detect and correct misstatements.*

08-3 Reconciliations of Cash and Investment Accounts

In our previous report, we noted that the reconciliations between the bank balances and the cash and investment amounts in the general ledger were not performed by the Treasury on a timely basis. During 2009, significant improvements have been made in this area. The Treasury revised its Bank Reconciliation Procedures, and all December 31, 2009, reconciliations were completed by March 2010.

We commend the Treasury for the progress it has made in revising the bank reconciliation procedures and for completing the bank and investment reconciliations more promptly. We now recommend that the Treasury follow its procedures as stated in its policy and complete the reconciliations within seven weeks of the bank statement date.

Client's Response:

*The Treasury Division has continued to improve the reconciliation process and expects to be able to complete the bank to general ledger reconciliations within seven weeks of the bank statement date on a go forward basis.*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Prior Period Adjustment (06-1)**

The 2006, 2007, and 2008 financial statements included restatements to reflect the corrections of misstatements in each of the previous year's financial statements.

**Resolution**

No adjustments were necessary to restate the prior year's financial statements.

**Compass Inventory Records (08-4)**

Audit procedures during the 2008 audit identified errors in unit cost values in Compass. For items received in partial shipments at two inventory locations (Traffic Stores, recorded in the Public Works Stores Internal Service Fund, and East Yard, recorded in the Water Works Enterprise Fund), unit costs were being incorrectly valued, thereby overstating the total inventory for the respective funds. This was brought to the City's attention, and the City corrected the unit values in time for the 2008 financial statements.

**Resolution**

A nightly system process was put in place to match inventory values to the actual amount paid to the vendor. Also, the City is now reviewing lists of inventory values for errors or required adjustments. Our audit procedures performed for 2009 did not identify any misstated unit costs.

## III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS RESOLVED

**Davis-Bacon Act - Highway Planning and Construction (CFDA #20.205) and Federal Transit Capital Investment Grants (CFDA #20.500) (08-5)**

The City's monitoring for compliance with the requirements of the Davis-Bacon Act pertaining to the Highway Planning and Construction Grant (CFDA #20.205) and the Federal Transit Capital Investment Grants (CFDA #20.500) was not being performed and documented as required by OMB Circular A-133.

**Resolution**

Our testing of the Highway Planning and Construction Grant (CFDA #20.205) and the Federal Transit Capital Investment Grants (CFDA #20.500) found that the City monitored for compliance with the requirements of the Davis-Bacon Act.

**Identification of Federal Awards - Highway Planning and Construction (CFDA #20.205) and Federal Transit Capital Investment Grants (CFDA #20.500) (08-6)**

The City was not able to provide to auditors, in a timely manner, grant agreements and expenditure information for the Highway Planning and Construction Grant (CFDA #20.205), nor in its preliminary estimate of federal expenditures did it identify to auditors that it had received the Federal Transit Capital Investment Grants (CFDA #20.500).

**Resolution**

For the City's 2009 single audit, both the Highway Planning and Construction Grant (CFDA #20.205) and the Federal Transit Capital Investment Grants (CFDA #20.500) were audited as major programs. The City included both grants on its preliminary estimate of federal awards, and it provided grant agreements and expenditure information in a timely manner for testing purposes.

**Reporting - Homeland Security Grant Program (CFDA #97.067) (08-7)**

The City was not submitting quarterly reports to the Minnesota Department of Public Safety for the Metropolitan Medical Response Systems (MMRS) grant and for the Urban Area Security Initiative (UASI) grant as required by the grant agreement.

**Resolution**

Our testing of the Homeland Security Grant Program (CFDA #97.067) found that since the issuance of our report in 2009, quarterly reports were submitted as required by the grant agreement.

## IV. OTHER FINDINGS AND RECOMMENDATIONS

### A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

09-1 Prompt Payment of Invoices

The City is required by Minn. Stat. § 471.425 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. Nine of the 33 payments tested for compliance with this statute had not been paid within the 35-day time period required by the statute.

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

Client's Response:

*The City has undertaken numerous efforts to improve its Procure-To-Pay function all in an effort to ensure purchases are approved in advance, receipts of goods are verified and vendors are paid timely. Overall, the City has improved its time to pay but more improvement is necessary to ensure that vendor invoices are paid in accordance with contract terms or State law. We are confident that the improvements in processes and financial system functionality that we are implementing will continue to improve this situation.*

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (for example, corpus of a permanent fund).

- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.

- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.

- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the City of Minneapolis' financial statements for the year ending December 31, 2011.

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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***

Mayor and Members of the City Council
City of Minneapolis

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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 controls 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, we considered the City of Minneapolis' internal control over financial reporting as a basis for designing our auditing procedures 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.



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Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 08-2 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 07-1, 07-3, 08-1, and 08-3 to be significant deficiencies.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, the City of Minneapolis complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 09-1.

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the City, and it is reported for that purpose.

The City of Minneapolis' written responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

*/s/Rebecca Otto*

REBECCA OTTO
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 21, 2010

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

Mayor and Members of the City Council
City of Minneapolis

Compliance

We have audited the compliance of the City of Minneapolis with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City of Minneapolis' basic financial statements include the operations of the Minneapolis Park and Recreation Board (Park Board) component unit, which expended $2,691,671 in federal awards during the year ended December 31, 2009, 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.

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



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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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Minneapolis complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

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

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.

Our consideration of the internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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, 2009, which collectively comprise the City's basic financial statements, and have

issued our report thereon dated June 21, 2010. We did not audit the financial statements of Meet Minneapolis, which represent less than 1 percent, a negative 3 percent, and 8 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the City of Minneapolis' financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Rebecca Otto*

REBECCA OTTO
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*/s/Greg Hierlinger*

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DEPUTY STATE AUDITOR

June 21, 2010

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**CITY OF MINNEAPOLIS**
**MINNEAPOLIS, MINNESOTA**

***Schedule 2***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED DECEMBER 31, 2009**

| Federal Grantor<br>Pass-Through Agency<br>Grant Program Title | Federal CFDA Number | Expenditures |
|---|---|---|
| **U.S. Department of Commerce** | | |
| Passed Through Metropolitan Emergency Services Board | | |
| Public Safety Interoperable Communications Grant Program | 11.555 | **$ 163,511** |
| **U.S. Department of Housing and Urban Development** | | |
| Community Development Block Grants/Entitlement Grants Cluster | | |
| Direct | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | $ 14,049,313 |
| Community Development Block Grants/Entitlement Grants - ARRA | 14.253 | 305,156 |
| Passed Through Minnesota Housing Finance Agency | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | 579,609 |
| Direct | | |
| Emergency Shelter Grants Program | 14.231 | 505,922 |
| HOME Investment Partnerships Program | 14.239 | 2,397,790 |
| Housing Opportunities for Persons with AIDS (HOPWA) | 14.241 | 885,071 |
| Empowerment Zones Program | 14.244 | 349,384 |
| Economic Development Initiative - Special Project, Neighborhood Initiative, and Miscellaneous Grants | 14.251 | 264,600 |
| Homelessness Prevention and Rapid Re-Housing Program - ARRA | 14.257 | 725 |
| Lead Based Paint Hazard Control in Privately-Owned Housing | 14.900 | 24,096 |
| Healthy Homes Demonstration Grants | 14.901 | 568,588 |
| Lead Technical Studies Grants | 14.902 | 82,575 |
| Passed Through Minnesota Housing Finance Agency | | |
| Tax Credit Assistance Program - ARRA | 14.258 | 801,317 |
| Passed Through Hennepin County | | |
| Lead Hazard Reduction Demonstration Grant Program | 14.905 | 375,827 |
| **Total U.S. Department of Housing and Urban Development** | | **$ 21,189,973** |
| **U.S. Department of the Interior - National Park Service** | | |
| Passed Through Minnesota Historical Society | | |
| Historic Preservation Fund Grants-In-Aid | 15.904 | **$ 16,000** |
| **U.S. Department of Justice** | | |
| Direct | | |
| National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 | $ 221,869 |
| Grants to Encourage Arrest Policies and Enforcement of Protection Orders | 16.590 | 209,372 |
| Public Safety Partnership and Community Policing Grants | 16.710 | 529,258 |
| Gang Resistance Education and Training | 16.737 | 104,249 |
| Congressionally Recommended Awards | 16.753 | 495,166 |
| Edward Byrne Memorial Competitive Grant Program - ARRA | 16.808 | 3,338 |

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

## CITY OF MINNEAPOLIS
## MINNEAPOLIS, MINNESOTA

***Schedule 2***
***(Continued)***

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
### FOR THE YEAR ENDED DECEMBER 31, 2009

| Federal Grantor<br>Pass-Through Agency<br>Grant Program Title | Federal<br>CFDA<br>Number | Expenditures |
|---|---|---|
| **U.S. Department of Justice (Continued)** | | |
| Passed Through Minnesota Department of Public Safety | | |
| Juvenile Accountability Block Grants | 16.523 | 10,753 |
| Enforcing Underage Drinking Laws Program | 16.727 | 599 |
| Anti-Gang Initiative | 16.744 | 14,999 |
| Passed Through the City of St. Paul | | |
| Missing Children's Assistance | 16.543 | 4,007 |
| Passed Through Fox Valley Technical College | | |
| Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | 16.580 | 78,619 |
| Passed Through Pillsbury United Communities | | |
| Community Capacity Development Office | 16.595 | 52,774 |
| Passed Through Commissioner of Public Safety - Bureau of Criminal Apprehension | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2,257 |
| Passed Through Hennepin County | | |
| Edward Byrne Memorial Justice Assistance (JAG) Grant Program | 16.738 | 396,882 |
| Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government - ARRA | 16.804 | 3,201,147 |
| **Total U.S. Department of Justice** | | **$ 5,325,289** |
| **U.S. Department of Labor** | | |
| Passed Through Minnesota Department of Employment and Economic Development | | |
| Workforce Investment Act (WIA) Cluster | | |
| WIA - Adult Program | 17.258 | $ 839,275 |
| WIA - Adult Program - ARRA | 17.258 | 126,880 |
| WIA - Youth Activities | 17.259 | 984,438 |
| WIA - Youth Activities - ARRA | 17.259 | 1,076,272 |
| WIA - Dislocated Workers | 17.260 | 718,218 |
| WIA - Dislocated Workers - ARRA | 17.260 | 284,702 |
| **Total U.S. Department of Labor** | | **$ 4,029,785** |

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

**CITY OF MINNEAPOLIS**
**MINNEAPOLIS, MINNESOTA**

***Schedule 2***
***(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED DECEMBER 31, 2009**

| Federal Grantor<br>Pass-Through Agency<br>Grant Program Title | Federal CFDA Number | Expenditures |
|---|---|---|
| **U.S. Department of Transportation** | | |
| Passed Through Metropolitan Council | | |
| Federal Transit Cluster | | |
| Federal Transit Capital Investment Grants | 20.500 | $ 18,335,250 |
| Federal Transit Formula Grants | 20.507 | 334,284 |
| Passed Through Minnesota Department of Transportation | | |
| Highway Planning and Construction | 20.205 | 7,649,535 |
| Passed Through Minnesota Department of Public Safety | | |
| State and Community Highway Safety | 20.600 | 29,095 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | 32,163 |
| **Total U.S. Department of Transportation** | | **$ 26,380,327** |
| **Equal Employment Opportunity Commission** | | |
| Direct | | |
| Employment Discrimination - State and Local Fair Employment Practices Agency Contracts | 30.002 | **$ 99,457** |
| **U.S. Environmental Protection Agency** | | |
| Direct | | |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | $ 114,099 |
| Passed Through Minnesota Public Facilities Authority | | |
| Capitalization Grants for Drinking Water Cluster | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | 2,128,662 |
| Capitalization Grants for Drinking Water State Revolving Funds - ARRA | 66.468 | 1,999,945 |
| Passed Through Hennepin County | | |
| Environmental Education Grants | 66.951 | 99,531 |
| **Total U.S. Environmental Protection Agency** | | **$ 4,342,237** |
| **U.S. Department of Energy** | | |
| Direct | | |
| Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA | 81.128 | **$ 32,231** |

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

**CITY OF MINNEAPOLIS**
**MINNEAPOLIS, MINNESOTA**

***Schedule 2***
***(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED DECEMBER 31, 2009**

| Federal Grantor<br>Pass-Through Agency<br>Grant Program Title | Federal CFDA Number | Expenditures |
|---|---|---|
| **U.S. Department of Health and Human Services** | | |
| Direct | | |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | $ 275,079 |
| Healthy Start Initiative | 93.926 | 965,602 |
| Family Planning Service Delivery Improvement Research Grants | 93.974 | 64,179 |
| Passed Through Hennepin County | | |
| Centers for Disease Control and Prevention Investigations and Technical Assistance | 93.283 | 879,491 |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 444,063 |
| Passed Through Minnesota Department of Health | | |
| Public Health Emergency Preparedness | 93.069 | 209,120 |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 1,211,308 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 791,137 |
| Passed Through the University of Minnesota | | |
| Innovations in Applied Public Health Research | 93.061 | 12,626 |
| **Total U.S. Department of Health and Human Services** | | **$ 4,852,605** |
| **U.S. Department of Homeland Security** | | |
| Direct | | |
| Assistance to Firefighters Grant | 97.044 | $ 472,503 |
| Port Security Grant Program | 97.056 | 39,431 |
| Passed Through Hennepin County | | |
| Emergency Management Performance Grants | 97.042 | 30,000 |
| Passed Through Minnesota Department of Public Safety | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 231,680 |
| Port Security Grant Program | 97.056 | 201,995 |
| Homeland Security Grant Program | 97.067 | 1,996,343 |
| Buffer Zone Protection Program (BZPP) | 97.078 | 151,887 |
| **Total U.S. Department of Homeland Security** | | **$ 3,123,839** |
| **Total Federal Awards** | | **$ 69,555,254** |

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

**CITY OF MINNEAPOLIS**
**MINNEAPOLIS, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 $2,691,671 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, 2009. 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 assets, or cash flows of the City of Minneapolis.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified 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. 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 | $ 2,931,051 |
| 14.231 | Emergency Shelter Grants Program | 500,278 |
| 14.241 | Housing Opportunities for Persons with AIDS (HOPWA) | 871,400 |
| 14.244 | Empowerment Zones Program | 260,000 |
| 14.251 | Economic Development Initiative - Special Project, Neighborhood Initiative, and Miscellaneous Grants | 264,600 |
| 14.258 | Tax Credit Assistance Program - ARRA | 801,317 |
| 15.904 | Historic Preservation Fund Grants-In-Aid | 16,000 |
| 16.590 | Grants to Encourage Arrest Policies and Enforcement of Protection Orders | 56,579 |
| 16.523 | Juvenile Accountability Block Grants | 10,753 |
| 17.258 | Workforce Investment Act - Adult Program | 629,690 |
| 17.258 | Workforce Investment Act - Adult Program - ARRA | 126,880 |
| 17.259 | Workforce Investment Act - Youth Activities | 736,989 |
| 17.259 | Workforce Investment Act - Youth Activities - ARRA | 954,286 |
| 17.260 | Workforce Investment Act - Dislocated Workers | 380,869 |
| 17.260 | Workforce Investment Act - Dislocated Workers - ARRA | 70,341 |
| 20.205 | Highway Planning and Construction | 1,286,573 |
| 93.110 | Maternal and Child Health Federal Consolidated Programs | 21,369 |
| 93.926 | Healthy Start Initiative | 392,175 |
| 93.974 | Family Planning Service Delivery Improvement Research Grants | 54,239 |
| 93.283 | Centers for Disease Control and Prevention Investigations and Technical Assistance | 118,350 |
| 93.558 | Temporary Assistance for Needy Families (TANF) | 308,196 |
| 93.558 | Temporary Assistance for Needy Families (TANF) | 996,929 |
| 93.994 | Maternal and Child Health Services Block Grant to the States | 461,316 |
| | Total | $ 12,250,180 |

5. 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.