

# STATE OF MINNESOTA

## Office of the State Auditor



**Julie Blaha**  
**State Auditor**

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**MANAGEMENT AND COMPLIANCE REPORT**

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY**  
**MINNEAPOLIS, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2018**

## **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 100 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 600 public pension funds; and

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

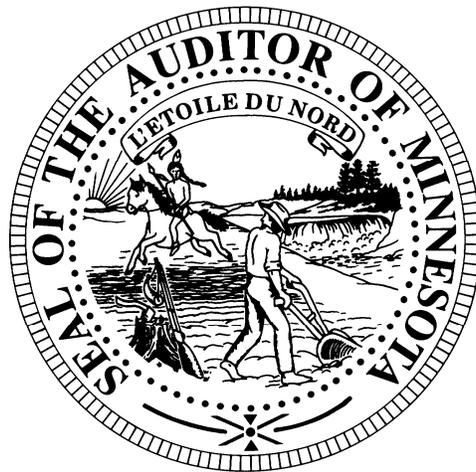
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**Year Ended December 31, 2018**



**Management and Compliance Report**

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

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

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JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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

Members of the Board of Commissioners  
Minneapolis Public Housing Authority  
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 Minneapolis Public Housing Authority (MPHA) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the MPHA's basic financial statements, and have issued our report thereon dated September 11, 2019.

### **Internal Control Over Financial Reporting**

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

## **Compliance and Other Matters**

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

## **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the MPHA's financial statements: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the MPHA does not administer any tax increment financing districts. Additionally, we tested for compliance with the authority to issue public debt.

In connection with our audit, nothing came to our attention that caused us to believe that the MPHA failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. 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 MPHA's noncompliance with the above referenced provisions.

## **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 Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the MPHA'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 MPHA's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 11, 2019



JULIE BLAHA  
STATE AUDITOR

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## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

### Independent Auditor's Report

Members of the Board of Commissioners  
Minneapolis Public Housing Authority  
Minneapolis, Minnesota

#### **Report on Compliance for Each Major Federal Program**

We have audited the Minneapolis Public Housing Authority's (MPHA) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the MPHA's major federal programs for the year ended December 31, 2018. The MPHA's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the MPHA's 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the MPHA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the MPHA 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 major federal programs for the year ended December 31, 2018.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002, 2016-002, and 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

The MPHA's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The MPHA's 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 Internal Control Over Compliance**

Management of the MPHA 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 MPHA'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the MPHA'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. 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.

Our consideration of 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002, 2016-002, and 2018-001 that we consider to be significant deficiencies.

The MPHA's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The MPHA's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

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

We have audited the financial statements of the MPHA as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the MPHA's basic financial statements. We have issued our report thereon dated September 11, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the MPHA's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 11, 2019

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None Reported**

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

**Federal Awards**

Internal control over major program:

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

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

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

The major federal programs are:

|                                      |                 |
|--------------------------------------|-----------------|
| Moving to Work Demonstration Program | CFDA No. 14.881 |
| Housing Voucher Cluster              |                 |
| Section 8 Housing Choice Vouchers    | CFDA No. 14.871 |

The threshold for distinguishing between Types A and B programs was \$2,836,488.

The Minneapolis Public Housing Authority (MPHA) qualified as a low-risk auditee? **Yes**

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

None.

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

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2015-002

Section 8 Housing Choice Vouchers – Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Eligibility, and Reporting

**Program:** U.S. Department of Housing and Urban Development’s (HUD) Section 8 Housing Choice Vouchers (CFDA No. 14.871)

| Award #     | Year | Award #     | Year |
|-------------|------|-------------|------|
| MN002VO0236 | 2018 | MN002VO0240 | 2018 |
| MN002VO0237 | 2018 | MN002VO0241 | 2018 |
| MN002VO0238 | 2018 | MN002VO0242 | 2018 |
| MN002VO0239 | 2018 | MN002VO0243 | 2018 |
| MN002VO0246 | 2018 | MN002VO0244 | 2018 |
| MN002VO0248 | 2018 | MN002VO0245 | 2018 |
| MN002VO0249 | 2018 | MN002VO0253 | 2018 |
| MN002VO0250 | 2018 | MN002VO0247 | 2018 |
| MN002VO0251 | 2018 | MN002VO0252 | 2018 |

**Pass-Through Agency:** None.

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

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Condition:** Based on a review of 45 files, the following items were noted:

- For seven files reviewed, incorrect information was input into Visual Homes, resulting in improper calculation of the Housing Assistance Payments. Four of these errors are overlapping with the Moving to Work Section 8 Housing Choice Voucher sample.
- Two files had inconsistencies between the HUD Form 50058, *Family Report*, and the Status 214 Citizenship form. Both of these errors are overlapping with the Moving to Work Section 8 Housing Choice Voucher sample.
- Three files were either missing a family member on the Status 214 Citizenship form or the form itself. Two of these errors are overlapping with the Moving to Work Section 8 Housing Choice Voucher sample. All members of a family must be included on the form or have their own attestation that they are either U.S. citizens or non-citizens with eligible immigration status.

**Questioned Costs:** None.

**Context:** Visual Homes is the system used by the MPHA to calculate the monthly Housing Assistance Payment. Proper input of information into the Visual Homes system is an important function to ensure the accurate and proper eligibility determination and calculation of Housing Assistance Payments. Quality control reviews and peer clerical audits are performed on a monthly basis to monitor compliance with grant requirements.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*. The Moving to Work Section 8 Housing Choice Voucher program utilizes the same controls as those that are in place for the Section 8 Housing Choice Vouchers program. The population was combined for control testing purposes for the Section 8 Housing Choice Voucher program, resulting in some errors or deviations being identified for both programs.

**Effect:** The improper input of information into Visual Homes increases the risk that a program participant will receive benefits when they are not eligible or an eligible participant will receive an incorrect level of benefits. Inaccurate information as a result could be reported to HUD.

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Cause:** Personnel entering case information into Visual Homes did not ensure all required information was input correctly or that all necessary documentation was complete and consistent.

**Recommendation:** We recommend the MPHA implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility calculations exist and are properly input into Visual Homes.

**View of Responsible Official:** Acknowledged

Finding Number 2016-002

Moving to Work – Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Eligibility, and Reporting

**Program:** U.S. Department of Housing and Urban Development’s (HUD) Moving to Work Demonstration Program (CFDA No. 14.881)

| Award #     | Year | Award #     | Year |
|-------------|------|-------------|------|
| MN002VOW066 | 2018 | MN002VOW071 | 2018 |
| MN002AF0121 | 2018 | MN002AF0126 | 2018 |
| MN002VOW067 | 2018 | MN002VOW072 | 2018 |
| MN002AF0122 | 2018 | MN002AF0127 | 2018 |
| MN002VOW068 | 2018 | MN002VOW073 | 2018 |
| MN002AF0123 | 2018 | MN002AF0128 | 2018 |
| MN002VOW069 | 2018 | MN002VOW074 | 2018 |
| MN002AF0124 | 2018 | MN002AF0129 | 2018 |
| MN002VOW070 | 2018 | MN002VOW075 | 2018 |
| MN002AF0125 | 2018 |             |      |

**Pass-Through Agency:** None.

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

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Condition:** Based on a review of 40 Moving to Work files, 20 of which were specific to Section 8 Housing Choice Vouchers participants, the following items were noted:

- For four files reviewed, incorrect information was input into Visual Homes, resulting in improper calculation of the Housing Assistance Payments.
- Two files had inconsistencies between the HUD Form 50058, *Family Report*, and the Status 214 Citizenship form.
- Two files were missing a family member on the Status 214 Citizenship form. All members of a family must be included on the form or have their own attestation that they are either U.S. citizens or non-citizens with eligible immigration status.

**Questioned Costs:** None.

**Context:** Visual Homes is the system used by the MPHA to calculate the monthly Housing Assistance Payment. Proper input of information into the Visual Homes system is an important function to ensure the accurate and proper eligibility determination and calculation of Housing Assistance Payments. Quality control reviews and peer clerical audits are performed on a monthly basis to monitor compliance with grant requirements.

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

**Effect:** The improper input of information into Visual Homes increases the risk that a program participant will receive benefits when they are not eligible or an eligible participant will receive an incorrect level of benefits. Inaccurate information as a result could be reported to HUD.

**Cause:** Personnel entering case information into Visual Homes did not ensure all required information was input correctly or that all necessary documentation was complete and consistent.

**Recommendation:** We recommend the MPHA implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility calculations exist and are properly input into Visual Homes.

**View of Responsible Official:** Acknowledged

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**ITEM ARISING THIS YEAR**

Finding Number 2018-001

**Moving to Work and Section 8 Housing Choice Vouchers Special Tests and Provisions –  
Utility Allowance Schedule**

**Program:** U.S. Department of Housing and Urban Development’s (HUD) Moving to Work Demonstration Program (CFDA No. 14.881) and Section 8 Housing Choice Vouchers (CFDA No. 14.871)

| <b>Award #</b> | <b>Year</b> | <b>Award #</b> | <b>Year</b> |
|----------------|-------------|----------------|-------------|
| MN002VOW066    | 2018        | MN002VO0236    | 2018        |
| MN002AF0121    | 2018        | MN002VO0237    | 2018        |
| MN002VOW067    | 2018        | MN002VO0238    | 2018        |
| MN002AF0122    | 2018        | MN002VO0239    | 2018        |
| MN002VOW068    | 2018        | MN002VO0246    | 2018        |
| MN002AF0123    | 2018        | MN002VO0248    | 2018        |
| MN002VOW069    | 2018        | MN002VO0249    | 2018        |
| MN002AF0124    | 2018        | MN002VO0250    | 2018        |
| MN002VOW070    | 2018        | MN002VO0251    | 2018        |
| MN002AF0125    | 2018        | MN002VO0240    | 2018        |
| MN002VOW071    | 2018        | MN002VO0241    | 2018        |
| MN002AF0126    | 2018        | MN002VO0242    | 2018        |
| MN002VOW072    | 2018        | MN002VO0243    | 2018        |
| MN002AF0127    | 2018        | MN002VO0244    | 2018        |
| MN002VOW073    | 2018        | MN002VO0245    | 2018        |
| MN002AF0128    | 2018        | MN002VO0253    | 2018        |
| MN002VOW074    | 2018        | MN002VO0247    | 2018        |
| MN002AF0129    | 2018        | MN002VO0252    | 2018        |
| MN002VOW075    | 2018        |                |             |

**Pass-Through Agency:** None.

**Criteria:** The Public Housing Authority (PHA) must maintain an up-to-date utility allowance schedule. The PHA must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of ten percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised (24 CFR Section 982.517).

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Condition:** Based on a review of the utility rate calculation and support prepared by the MPHA, the water and sewer utility rate changed more than ten percent since the last time the utility allowance schedule was revised. However, the utility allowance schedule was not adjusted to reflect this change.

**Questioned Costs:** None.

**Context:** The water and sewer allowance was understated.

**Effect:** Noncompliance with federal program requirements.

**Cause:** The water and sewer rates from the incorrect utility allowance schedule were used when making the required adjustment.

**Recommendation:** We recommend the MPHA implement additional procedures to provide reasonable assurance that if there has been a change in any utility rate of ten percent or more, the utility allowance schedule has been revised to reflect the rate increase.

**View of Responsible Official:** Acknowledged

**IV. PREVIOUSLY REPORTED ITEM RESOLVED**

2016-001 Access to Computer Systems

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**REPRESENTATION OF MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Finding Number: 2015-002**

**Finding Title: Section 8 Housing Choice Vouchers – Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Eligibility, and Reporting**

**Program: U.S. Department of Housing and Urban Development’s (HUD) Section 8 Housing Choice Vouchers (CFDA No. 14.871)**

Name of Contact Person Responsible for Corrective Action:

Kyle Hanson, Director of the HCV and Human Services

Corrective Action Planned:

MPHA has restructured the HCV Department and added management, Eligibility Technician specialists, and quality control staff with the goal of more direct oversight of key functions, data entry, and achievement of consistent regulatory compliance. MPHA will complete more targeted and a higher number of quality control audits and increase staff training on key functions of income and rent calculations, completing comparable studies, and lease-up requirements for the VASH and FUP Programs specifically. As with any finding, we either have or will make any corrections and reimburse participants or the federal program as policy indicates.

Anticipated Completion Date:

Completed and on-going.

**Finding Number: 2016-002**

**Finding Title: Moving to Work – Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Eligibility, and Reporting**

**Program: U.S. Department of Housing and Urban Development’s (HUD) Moving to Work Demonstration Program (CFDA No. 14.881)**

Name of Contact Person Responsible for Corrective Action:

Kyle Hanson, Director of the HCV and Human Services

Corrective Action Planned:

MPHA has restructured the HCV Department and added management, Eligibility Technician specialists, and quality control staff with the goal of more direct oversight of key functions, data entry, and achievement of consistent regulatory compliance. MPHA will complete more targeted and a higher number of quality control audits and increase staff training on key functions of income and rent calculations, completing comparable studies, and lease-up requirements. As with any finding, we either have or will make any corrections and reimburse participants or the federal program as policy indicates.

Anticipated Completion Date:

Completed and on-going.

**Finding Number: 2018-001**

**Finding Title: Moving to Work and Section 8 Housing Choice Vouchers Special Tests and Provisions -Utility Allowance Schedule**

**Program: U.S. Department of Housing and Urban Development's (HUD) Moving to Work Demonstration Program (CFDA No. 14.881) and Section 8 Housing Choice Vouchers (CFDA No. 14.871)**

Name of Contact Person Responsible for Corrective Action:

Kyle Hanson, Director of the HCV and Human Services

Corrective Action Planned:

MPHA will institute a review procedure for verifying that the annual analysis has been completed within the regulatory requirements and that any changes to MPHA's utility allowance charts will occur if there has been a rate change of ten percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised. The annual analysis and any changes recommended will be provided to the Director of HCV and Human Services for a final review and sign-off before implementation. A quality control verification will be made to insure the change in the software system matches the new utility allowances.

Anticipated Completion Date:

On-going.

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**REPRESENTATION OF MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Finding Number: 2016-001**

**Finding Title: Access to Computer Systems**

**Summary of Condition:** Based on testing of 45 terminated employees for proper network access removal, 3 instances were identified where employee access had not been terminated until 3 to 5 days after the termination date, and 1 instance was identified where employee access was not fully terminated until over 150 days after the termination date. The employee whose access exceeded 150 days after termination did not have access to the MPHA's general ledger or account payable systems.

**Summary of Corrective Action Previously Reported:** MPHA's Human Resources and Information Technology (IT) departments worked collectively to develop an improved process for timely notifications and termination of network access for terminated employees.

**Status:** Corrected. Corrective Action: Human Resources and IT reviewed and implemented improvements to the notification process for disabling network access for terminated employees in a timely fashion.

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

Yes \_\_\_\_\_ No  X

**Finding Number: 2016-002**

**Finding Title: Eligibility - Housing Assistance Payment Calculation**

**Program: Moving to Work Demonstration Program (CFDA No. 14.881)**

**Summary of Condition:** For 3 of 20 Housing Assistance Payments tested, information was input incorrectly into Visual Homes, the system used by the MPHA to calculate the monthly Housing Assistance Payments. In 1 instance this resulted in the improper calculation of the Housing Assistance Payments. This did not result in a change to the Housing Assistance Payments in the other 2 instances.

**Summary of Corrective Action Previously Reported:** MPHA will be bringing in a contractor to provide training for all new Housing Choice Voucher Program employees and to provide additional quality control audits. Newly hired employees' information processing work will be monitored by an outside neutral party during their first year of employment. Additional training will be provided when errors are found. MPHA staff have increased their internal audits, especially in the VASH and FUP programs which have more complicated calculations. MPHA is committed to ensuring that all employees have proper training so that we can limit calculation errors.

**Status:** Partially Corrected. **Corrective Action:** In late 2017, MPHA created the position and hired an Assistant Director of HCV. This was the beginning of a restructuring to create more efficient and effective operational standards in the HCV program. Specialist positions were created and filled in April of 2018 for each service line, including for Eligibility Technicians, with the goal of more direct oversight of key functions and achievement of consistent regulatory compliance. MPHA added and hired an additional Quality and Technical Specialist in April of 2018 to contribute to quality control practices and to support the development of more defined operating metrics for tracking the accuracy and overall completion of work. This additional staff person also allows for more intentional and a higher number of quality control audits. A Continuous Improvement team was assembled that worked to refine our work processes and data tracking. This team assisted in the further development of training for new and existing staff around key operational procedures, especially regulatory requirements. In addition, work to develop and improve internal monitoring reports and performance metrics on key staff functions were completed. Effective January 2019, the HCV program converted its Administrative Plan into a much more clear and concise set of Operating Procedures and retrained all staff on MPHA HCV processes with a focus on the key functions of income and rent calculations, completing comparable studies, and lease-up requirements. In the first full month after all staff had been retrained, file accuracy was at its highest to-date.

As with any findings, we either have or will make any corrections and reimburse participants or the federal program as policy indicates.

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

Yes \_\_\_\_\_ No  X

**Finding Number: 2015-002**

**Finding Title: Eligibility - Housing Assistance Payment Calculation**

**Program: Section 8 Housing Choice Vouchers (CFDA No. 14.871)**

**Summary of Condition:** In a sample of 15 housing assistance payments tested, 2 instances were noted that information was input incorrectly into Visual Homes, the system used by the MPHA to calculate the monthly housing assistance payments, resulting in the improper calculation of Housing Assistance Payments.

**Summary of Corrective Action Previously Reported:** MPHA will be bringing in a contractor to provide training for all new Housing Choice Voucher Program employees and to provide additional quality control audits. Newly hired employees' information processing work will be monitored by an outside neutral party during their first year of employment. Additional training will be provided when errors are found. MPHA staff have increased their internal audits, especially in the VASH and FUP programs which have more complicated calculations. MPHA is committed to ensuring that all employees have proper training so that we can limit calculation errors.

**Status:** Partially Corrected. **Corrective Action:** In late 2017, MPHA created the position and hired an Assistant Director of HCV. This was the beginning of a restructuring to create more efficient and effective operational standards in the HCV program. Specialist positions were created and filled in April of 2018 for each service line, including for Eligibility Technicians, with the goal of more direct oversight of key functions and achievement of consistent regulatory compliance. MPHA added and hired an additional Quality and Technical Specialist in April of 2018 to contribute to quality control practices and to support the development of more defined operating metrics for tracking the accuracy and overall completion of work. This additional staff person also allows for more intentional and a higher number of quality control audits. A Continuous Improvement team was assembled that worked to refine our work processes and data tracking. This team assisted in the further development of training for new and existing staff around key operational procedures, especially regulatory requirements. In addition, work to develop and improve internal monitoring reports and performance metrics on key staff functions were completed. Effective January 2019, the HCV program converted its Administrative Plan into a much more clear and concise set of Operating Procedures and retrained all staff on MPHA HCV processes with a focus on the key functions of income and rent calculations, completing comparable studies, and lease-up requirements. In the first full month after all staff had been retrained, file accuracy was at its highest to-date. Regarding the VASH and FUP programs, additional staff have been trained in 2019 to provide support in properly processing the files that can have more complex issues and for cases that can require more intensive support.

As with any findings, we either have or will make any corrections and reimburse participants or the federal program as policy indicates.

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

Yes \_\_\_\_\_ No  X

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Program or Cluster Title</b>   | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-Through<br/>Grant<br/>Numbers</b> | <b>Expenditures</b>  | <b>Passed<br/>Through to<br/>Subrecipients</b> |
|---|------------------------------------|---|----------------------|--|
| <b>U.S. Department of Housing and Urban Development</b>   |                                    |   |                      |  |
| Direct  |                                    |   |                      |  |
| Section 8 Project-Based Cluster   |                                    |   |                      |  |
| Section 8 New Construction and Substantial Rehabilitation   | 14.182                             | -   | \$ 1,201,022         | \$ -   |
| Lower Income Housing Assistance Program – Section 8<br>Moderate Rehabilitation  | 14.856                             | -   | <u>1,020,625</u>     | <u>-</u>                                       |
| <b>Total Section 8 Project-Based Cluster</b>  |                                    |   | <b>\$ 2,221,647</b>  | <b>\$ -</b>                                    |
| Continuum of Care Program   | 14.267                             | -   | 81,946               | -  |
| Housing Voucher Cluster   |                                    |   |                      |  |
| Section 8 Housing Choice Vouchers   | 14.871                             | -   | 2,881,485            | -  |
| Moving to Work Demonstration Program  | 14.881                             | -   | <u>89,364,295</u>    | <u>-</u>                                       |
| <b>Total U.S. Department of Housing and Urban<br/>Development</b>   |                                    |   | <b>\$ 94,549,373</b> | <b>\$ -</b>                                    |
| <b>U.S. Department of Human Services</b>  |                                    |   |                      |  |
| Passed through the City of Minneapolis, Minnesota   |                                    |   |                      |  |
| PPHF: Community Transformation Grants and National<br>Dissemination and Support for Community Transformation<br>Grants financed solely by Prevention and Public Health<br>Funds | 93.531                             | Not Provided                              | <u>216</u>           | <u>-</u>                                       |
| <b>Total Federal Awards</b>   |                                    |   | <b>\$ 94,549,589</b> | <b>\$ -</b>                                    |

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Minneapolis Public Housing Authority (MPHA). The MPHA's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the MPHA under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the MPHA, it is not intended to and does not present the financial position, changes in net position, or cash flows of the MPHA.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The MPHA has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.