

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**MANAGEMENT AND COMPLIANCE REPORT**

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

**YEAR ENDED DECEMBER 31, 2017**

## **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 150 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 650 public pension funds; and

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

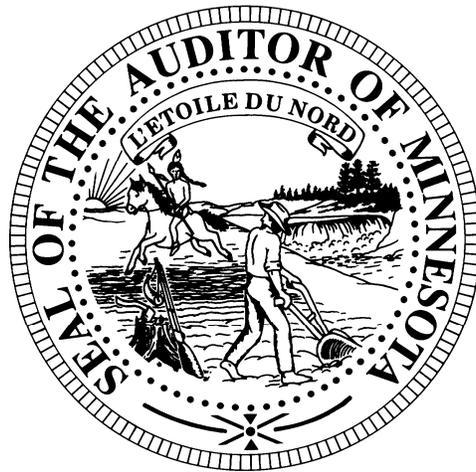
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**Year Ended December 31, 2017**



**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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REBECCA OTTO  
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, 2017, 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 5, 2018.

### **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 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 a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, that we consider to be a significant deficiency.

## **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.

### **Other Matters**

Also included in the Schedule of Findings and Questioned Costs is an unresolved other matter described as item 2015-002.

## **MPHA's Response to Findings**

The MPHA's responses to the internal control finding and to the other matter identified in our audit are described in the Corrective Action Plan. The MPHA'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 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/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 5, 2018

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REBECCA OTTO  
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 the 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 the MPHA's major federal program for the year ended December 31, 2017. The MPHA's major federal program is 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 the MPHA's major federal program 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 the 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 the major federal program. However, our audit does not provide a legal determination of the MPHA's compliance with those requirements.

### ***Opinion on the 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 its major federal program for the year ended December 31, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002. Our opinion on the major federal program is not modified with respect to this matter.

The MPHA's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The MPHA's 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 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002, that we consider to be a significant deficiency.

The MPHA's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The MPHA's 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 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, 2017, 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 5, 2018, 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.

## **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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 5, 2018

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**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? **Yes**

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 the major federal program: **Unmodified**

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

The major federal program is:

Moving to Work Demonstration Program

CFDA No. 14.881

The threshold for distinguishing between Types A and B programs was \$2,714,216.

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

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2016-001

#### Access to Computer Systems

**Criteria:** When employees leave employment with the MPHA, their system access should be removed in a timely manner. It is the MPHA's policy to fully remove access within two business days after employment is terminated.

**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 accounts payable systems.

**Context:** Human Resources staff are responsible for informing the IT Department when an employee terminates from the MPHA via Ticket Request, which initiates the process to terminate system access. Improvement was noted regarding timeliness of access termination from the previous year.

**Effect:** When terminated employees have access to the MPHA's systems, it increases the risk that malicious damage to the MPHA's data files and systems, fraud, and/or misstatements may occur.

**Cause:** A combination of a lack of communication between Human Resources and IT and heavy workload in IT.

**Recommendation:** We recommend the MPHA implement additional procedures to ensure the removal of a terminated employee's network access in a timely manner.

**View of Responsible Official:** Acknowledged

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

#### PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2016-002

#### Eligibility - Housing Assistance Payment Calculation

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

Award #	Year	Award #	Year
MN002VOW059	2017	MN002AF0116	2017
MN002AF0114	2017	MN002AF0117	2017
MN002VOW060	2017	MN002VOPR16	2017
MN002AF0115	2017	MN002VOW064	2017
MN002VOW061	2017	MN002AF0120	2017
MN002AF0119	2017	MN002VOW065	2017
MN002VOW063	2017		

**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.

**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.

**Questioned Costs:** None.

**Context:** Proper input of information into the Visual Homes system is an important function to ensure the accurate and proper 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.

**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

#### IV. OTHER MATTER

##### PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2015-002

##### Eligibility - Housing Assistance Payment Calculation

**Program:** U.S. Department of Housing and Urban Development's (HUD) Housing Voucher Cluster (CFDA No. 14.871)

Award #	Year	Award #	Year
MN002VO0231	2017	MN002VO0226	2017
MN002VO0220	2017	MN002VO0227	2017
MN002VO0232	2017	MN002VO0228	2017
MN002VO0233	2017	MN002VO0229	2017
MN002VO0234	2017	MN002VO0230	2017
MN002VO0225	2017	MN002VO0235	2017

**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.

**Condition:** We noted in our sample of 15 Housing Assistance Payments tested 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 2 Housing Assistance Payments.

**Questioned Costs:** None.

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

**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.

**Cause:** Personnel entering case information into Visual Homes did not ensure all required information was input correctly.

**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

**V. PREVIOUSLY REORTED ITEM RESOLVED**

2015-001 Special Tests and Provisions - Housing Quality Standards Enforcement  
Re-Inspections (CFDA No. 14.881)

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

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Finding Number: 2016-001**

**Finding Title: Access to Computer Systems**

Name of Contact Persons Responsible for Corrective Action:

Robin Harris, Chief Human Resources Officer

Corrective Action Planned:

MPHA's Human Resources and Information Technology (IT) departments reviewed and implemented improvements to the notification process for disabling network access for terminated employees in a timely fashion. IT created and initiated routine reports to verify the termination of network access. These reports are sent monthly to all office and field staff that can request network access. The reports are used by staff as an internal audit which can verify that access has been terminated appropriately. These actions are expected to correct this finding.

Anticipated Completion Date:

On-going.

**Finding Number: 2016-002**

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

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

Name of Contact Person Responsible for Corrective Action:

Kyle Hanson

Corrective Action Planned:

In late 2017, MPHA created a 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 Housing Choice Voucher program. Specialist positions were created for each service line, including for Inspections, with the goal of more direct oversight of key functions and achievement of consistent regulatory compliance. MPHA added an additional Quality and Technical Specialist 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. A Continuous Improvement team was assembled that included key front-line staff from all service lines, including two from Inspections. This team, in conjunction with management, has been refining our work processes and data tracking. In addition, the program has been working with the MPHA IT department to further develop and improve internal monitoring reports. These actions are expected to correct this finding.

Anticipated Completion Date:

Completed.

**Finding Number: 2015-002**

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

**Program: Housing Voucher Cluster (CFDA No. 14.871)**

Name of Contact Person Responsible for Corrective Action:

Kyle Hanson

Corrective Action Planned:

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 for each service line, including for Inspections, with the goal of more direct oversight of key functions and achievement of consistent regulatory compliance. MPHA added an additional Quality and Technical Specialist 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. A Continuous Improvement team was assembled that included key front-line staff from all service lines, including two from Inspections. This team, in conjunction with management, has been refining our work processes and data tracking. In addition, the program has been working with the MPHA IT department to further develop and improve internal monitoring reports. These actions are expected to correct this finding.

Anticipated Completion Date:

Completed.



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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Finding Number: 2016-001**

**Finding Title: Access to Computer Systems**

**Summary of Condition:** Based on testing of 40 terminated employees for proper network access removal, 9 instances were identified where employee access had not been terminated until 3 to 10 days after the termination date, and 2 instances were identified where employee access was not terminated until over 150 days after the termination date. Neither of the employees whose access exceeded 150 days after termination had access to the MPHA's general ledger or accounts payable systems.

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

Process development will include;

- Discussions about who best in the agency should advise IT of the need to disable accounts
- Establish a method of notification using technology that will reduce the number of human actions that need to occur
- Consideration of using routine reports to verify termination of network access

**Status:** Partially 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.

IT has created and initiated routine reports to verify the termination of network access. These reports are sent monthly to all office and field staff that can request network access. The reports are used by staff as an internal audit which can verify that access has been terminated appropriately by IT.

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

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

**Finding Number: 2015-001**

**Finding Title: Special Tests and Provisions - Housing Quality Standards Enforcement Re-Inspections**

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

**Summary of Condition:** The MPHA tracks HQS inspections and re-inspections in its Visual Homes system. While the MPHA created an exception report from Visual Homes to monitor compliance with the grant requirements for HQS Enforcement Inspections, not all instances of HQS deficiencies were properly identified for re-inspection. In a sample of 25 re-inspections tested, one instance was noted in which the MPHA did not properly re-inspect the property, the family was not brought in for a non-disclosure meeting, and Housing Assistance Payments continued when HQS deficiencies were not corrected within 30 calendar days or the specified public housing authority (PHA)-approved extension.

**Summary of Corrective Action Previously Reported:** MPHA has recently hired a new Administrative Assistant for Inspections. Within this role, the new Administrative Assistant will have the responsibility to place the housing assistance payments for abated and cancelled units under HQS enforcement on hold. This streamlines MPHA's process and assures a single point of information for all units in program violation. This process prevents multiple technicians from receiving the information and makes it easier to track. In addition, the MPHA IT department has developed and improved the internal monitoring report.

**Status:** Fully 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 for each service line, including for Inspections, with the goal of more direct oversight of key functions and achievement of consistent regulatory compliance. MPHA added an additional Quality and Technical Specialist 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. A Continuous Improvement team was assembled that included key front-line staff from all service lines, including two from Inspections. This team, in conjunction with management, has been refining our work processes and data tracking. In addition, the program has been working with the MPHA IT department to further develop and improve internal monitoring reports.

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 2 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, resulting in the improper calculation of the 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 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 an additional Quality and Technical Specialist 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 staffer also allows for more intentional and a higher number of quality control audits. A Continuous Improvement team was assembled that includes key front-line staff from all service lines. This team, in conjunction with management, has been refining our work processes and data tracking. This team is assisting in the further development of training for new and existing staff around key operational procedures, especially regulatory requirements. In addition, the program has been working with the MPHA IT department to further develop and improve internal monitoring reports.

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 Planned: 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 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 an additional Quality and Technical Specialist 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 staffer also allows for more intentional and a higher number of quality control audits. A Continuous Improvement team was assembled that includes key front-line staff from all service lines. This team, in conjunction with management, has been refining our work processes and data tracking. This team is assisting in the further development of training for new and existing staff around key operational procedures, especially regulatory requirements. In addition, the program has been working with the MPHA IT department to further develop and improve internal monitoring reports. MPHA is engaged with a contractor to review the HCV quality control procedures and to provide additional quality control audits. Newly hired employees receive more intensive training and their information processing work is evaluated by HCV Program Specialists, HCV Supervisors, and the Quality and Technical Specialist team. Additional training will be provided if 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.

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

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

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to 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	-	\$ 1,131,737	\$ -
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	-	<u>967,837</u>	<u>-</u>
<b>Total Section 8 Project-Based Cluster</b>			<b>\$ 2,099,574</b>	<b>\$ -</b>
Continuum of Care Program	14.267	-	78,830	-
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871	-	2,557,783	-
Moving to Work Demonstration Program	14.881	-	<u>85,737,676</u>	<u>-</u>
<b>Total Federal Awards</b>			<b><u>\$ 90,473,863</u></b>	<b><u>\$ -</u></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, 2017**

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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, 2017. 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.