

# STATE OF MINNESOTA

## Office of the State Auditor



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

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MANAGEMENT AND COMPLIANCE REPORT  
PREPARED AS A RESULT OF THE AUDIT OF THE

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

YEAR ENDED SEPTEMBER 30, 2006

## **Description of the Office of the State Auditor**

The mission of the State Auditor's Office 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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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**Year Ended September 30, 2006**



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

**Schedule 1**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

- A. Our report expresses an unqualified opinion on the basic financial statements of the Minneapolis Public Housing Authority (MPHA).
- B. No matters involving internal control over financial reporting were 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*."
- C. No instances of noncompliance material to the financial statements of the MPHA were disclosed during the audit.
- D. Reportable conditions relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular 133." One of the reportable conditions is a material weakness.
- E. The Auditor's Report on Compliance for the major federal award programs for the MPHA expresses an unqualified opinion.
- F. Findings relative to a major federal program for the MPHA were reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

|   |                 |
|---|-----------------|
| Public and Indian Housing Program         |                 |
| Operating Subsidy (Low Rent)              | CFDA No. 14.850 |
| Development Projects                      | CFDA No. 14.850 |
| Section 8 Housing Choice Vouchers Program | CFDA No. 14.871 |
| Public Housing Capital Fund Program       | CFDA No. 14.872 |
- H. The threshold for distinguishing between Types A and B programs was \$2,328,353.
- I. The MPHA was not determined to be a low-risk auditee.

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

None.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

03-2 Low Rent - Eligibility - CFDA No. 14.850

U.S. Department of Housing and Urban Development (HUD) Low Rent requirements include third-party verifications of income, assets, and other information; selection from the waiting list; annual re-examinations; and information regarding rent calculations. In addition, information on program participants should match between original file documentation and the same information reported to HUD.

Based on a review of 40 Low Rent participant files, we noted for 3 files reviewed, re-examinations were not conducted in a timely manner. The required annual re-examinations were between one and two months late.

The MPHA reported to us that the re-examinations were late due to tenants missing scheduled appointments and because of delays experienced in receipt of third-party verifications. Also, when there is an increase in rent, the MPHA is required to give a 30-day written notice to the tenant. Because the MPHA had to wait the full 30 days, the effective date of the re-examination was pushed to a later date, causing the re-examination to be past the due date.

The corrective actions taken by the MPHA during the past three years have lessened the number of errors noted during our testing over that time and, in some cases, resolved them as noted later in this report.

We continue to recommend the re-examinations be conducted in a timely manner, since changes in family income and composition may occur that necessitate adjustments in rent.

Corrective Action Plan:

Contact Person:

*Mary Boler, Director of Property Management Operations  
Kim Hamilton, Supervisor of Leasing & Occupancy*

Corrective Action Plan:

*We have significantly reduced the number of overdue re-examinations over the past year and are encouraged by this reduction in outstanding re-exams. We also recognize that there will always be residents who do not cooperate in a timely manner and staff will follow through with lease terminations as necessary. When there is a delay in the process due to the tenant not cooperating, we apply back charges to the date any increases should have gone into effect, thus recovering the lost revenue.*

Anticipated Completion Date:

*Staff training will continue on an as-needed basis.*

03-3 Section 8 Housing Choice Vouchers - Eligibility, Reporting, and Special Tests and Provisions (Housing Inspections) - CFDA No. 14.871

HUD Section 8 requirements include third-party verifications of income, assets, and other information; annual inspection of housing units; and information regarding rent reasonableness. In addition, information on program participants should match between original file documentation and the same information reported to HUD.

Based on a review of 40 Section 8 participant files, the following items were noted:

- All files reviewed contained prepared applications but, in one file, the signature and date were missing from the application, so the auditor was unable to determine when that particular application had been prepared.
- One file reviewed had deficiencies in required third-party verifications for income, assets, or deductions. The file lacked support for the full-time student status of a 22 year old individual for whom the allowance was taken.

*Schedule 1*  
*(Continued)*

- For two files reviewed, the tenant rent and housing assistance payments calculated by auditors differed from the amounts calculated by the MPHA. The differences resulted from calculation errors, use of incorrect amounts for deductions, and use of outdated information.
- One file reviewed did not contain verification of the social security numbers of all household members six years old and older.
- For two files reviewed, re-examinations were not conducted in a timely manner. Re-examinations are required annually.
- In two files, deficiencies with HUD Form 50058, *Family Report*, were noted. In one file, a full-time student should have been noted as a minor. In the other file, a social security number was incorrectly reported on the form. These errors would not have had an effect on eligibility or other outcomes.
- Two files were missing a signature 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. Anyone unlawfully in the United States is ineligible to participate in the Section 8 program.
- In 11 files reviewed, the annual inspections of housing units were either late or the file contained no documentation indicating that the inspection had been completed. Housing inspections are required annually.
- In three files, deficiencies with the Housing Assistance Payment (HAP) contracts were noted. In two files, the signed HAP contracts were missing, and in one file, the HAP contract with the landlord was not signed for the current year. HAP contracts ensure that landlords agree to the terms the MPHA requires in the leases and to the amounts paid in rent both by the MPHA and the tenant. Housing assistance payments to landlords should not be made until the HAP contract has been properly executed.
- Two files reviewed did not contain current signed leases. Federal regulations and MPHA procedures require a lease for each landlord that has a Section 8 tenant living in a unit.

*Schedule 1*  
*(Continued)*

While the corrective actions taken by the MPHA during the past three years have lessened the number of errors noted during our testing over that time, we continue to recommend the following:

- Adhere to the written policies and procedures for verifications of income and assets and the documentation of efforts to independently obtain third-party verifications.
- Correct files where documentation is missing, incomplete, or incorrect as noted above. For future applications, all required documentation should either be obtained at the time of application or be received before applicants can be accepted into the program. For all files, at the time of recertification, such documentation should be reviewed and updated as necessary.
- Recalculate and correct tenant rent and housing assistance payments where differences have been identified. Tenants should be reimbursed or otherwise credited for overpayments.
- Ensure re-examinations are conducted in a timely manner, since changes in family income and composition may occur that necessitate adjustments in tenant rent and housing assistance payments.
- Ensure annual inspections of housing units are completed on time.

Corrective Action Plan:

Contact Person:

*Cheryl Borden, Director of Housing Choice Voucher Program*

Corrective Action Plan:

*As the auditor has stated, over the last three years we decreased the number of errors regarding Section 8 requirements for third-party verification, annual re-examinations and inspection of units, and other information on program participants. Considerable effort has been made to improve this area of work. The following lists the action plan we will follow over the next year.*

**Schedule 1**  
**(Continued)**

*MPHA's Section 8 Quality Control (QC) Specialist will continue to view participant data in HUD's PIC system, identify missing and late re-examinations reflected and then refer the information to the technician's supervisor to assure completion. The Quality Control Specialist will review files for compliance of re-exam procedures – which includes application of 3rd party verifications. Additionally, the QC Specialist will review files to confirm that Section 8 staff are using the MPHA checklist that ensures that all required documents, including HAP contracts and lease agreements, are accurately obtained. MPHA's Section 8 staff will continue to follow HUD's prescribed Verification Hierarchy Policy, which includes primary use of HUD's Enterprise Income Verification (EIV) System.*

*Section 8 Housing Choice Voucher (HCV) Supervisors will hold bi-weekly Eligibility Technician staff meetings to communicate expectations and provide training on an on-going basis. Supervisors will also emphasize continued use of the file processing checklist. This checklist assures that copies of social security cards, verification of 214 Status for all family members, Form 9886, Sex Offender Status and copies of Identification cards of all adult members of household at program admission have been obtained and filed. The Quality Control Specialist will also confirm use of the checklist.*

*The HCV Inspections Supervisor has revised the Annual Inspection scheduling process. Pending inspections are now pulled from the same list that the Eligibility Technician use for the annual recertification, ensuring that all annual inspections are completed within the required 364 days. The Supervisor has also assumed responsibility of scheduling all annual inspections and re-inspections, to assure compliance and timely completion and that re-inspections are conducted within 30 days of the original inspection date. In addition, annual inspections are now entered into the Section 8 software database by the Inspection Team to insure that inspection results are communicated to PIC within 24 hours of the completed inspection.*

*The Section 8 QC Specialist will perform continuous quality control of randomly selected files to ensure that timely processes and correct inspection documents are in the participant files. He will also review data in HUD's PIC system to ensure accurate and timely inspection submissions are made and read by HUD.*

*Section 8 Housing Choice Voucher Supervisors worked with their staff and completed the corrections identified by this audit and released any reimbursements that may be required.*

**Anticipated Completion Date:**

*Staff training will continue on an as needed basis as well as the use of the documentation checklist to assist staff in obtaining all required documentation.*

*The Quality Control Specialist will continue quality control audits including inspections and HUD information systems reporting.*

*The HCV Inspections Supervisor has already revised the Annual Inspection scheduling process. The Supervisor has assumed responsibility of scheduling all annual inspections and re-inspections, to assure compliance and timely completion and that re-inspections are conducted within 30 days of the original inspection date.*

*All errors identified in the audit have been corrected.*

**PREVIOUSLY REPORTED ITEMS RESOLVED**

**Low Rent - Eligibility, Reporting, and Special Tests and Provisions -  
CFDA No. 14.850 (03-2)**

The following summarizes prior audit issues and recommendations for the Low Rent Program based on a review of 40 participant files and corrective actions resulting in current year resolution:

**Third-Party Verifications**

Three files reviewed did not contain necessary third-party verifications.

**Resolution**

For all Low Rent participant files reviewed during the current audit, we noted no instances of files missing the necessary third-party verifications.

**Tenant Rent Calculations**

For two files reviewed, the tenant rent calculated by auditors differed from the amount calculated by the MPHA.

**Resolution**

For all Low Rent participant files reviewed during the current audit, we noted no instances of rent calculations differing between those of the auditor and the MPHA.

**Status 214 Citizenship Form**

One file reviewed was missing a Status 214 Citizenship form for a family member in the household.

**Resolution**

For all Low Rent participant files reviewed during the current audit, we noted no instances of missing Status 214 Citizenship forms.

**Section 8 Housing Choice Vouchers - Eligibility, Reporting, and Special Tests and Provisions (Housing Inspections and Rent Reasonableness) - CFDA No. 14.871 (03-3)**

The following summarizes prior audit issues and recommendations for the Section 8 Housing Choice Voucher Program based on a review of 40 participant files and corrective actions resulting in current year resolution:

**HUD Form 9886, Authorization for Release of Information**

Two files reviewed were either missing a current HUD Form 9886 or the form was not properly signed and dated.

**Resolution**

For all Section 8 participant files reviewed during the current audit, we noted no instances of files where the HUD Form 9886 was either missing the current form or the form was incomplete.

**Rent Reasonableness Determinations**

Four files reviewed did not contain rent reasonableness determinations.

**Resolution**

For all Section 8 participant files reviewed during the current audit, we noted no instances of files failing to contain rent reasonableness determinations.

**Capital Fund Program - Davis-Bacon Act, Procurement and Suspension and  
Debarment – CFDA No. 14.872 (05-1)**

The MPHA uses construction managers to oversee some of its large projects. Our contract testing noted three contracts where no evidence was available to document that the construction manager had verified that contractors were not suspended or debarred from participating in federally funded projects. We also noted two instances where the construction manager had not sent the necessary payroll documents to the MPHA's Davis-Bacon compliance manager.

**Resolution**

For all the contracts reviewed during the current audit, evidence was available to document that the construction manager had verified that contractors were not suspended or debarred. Also, the construction managers had sent the necessary payroll documents to the MPHA's Davis-Bacon compliance manager.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans; and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

*Schedule 1*  
*(Continued)*

Some of the issues that the MPHA Board will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the MPHA Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the MPHA Board determines that the establishment of a trust is desirable in order to fund the OPEB, the MPHA Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the MPHA Board will have to decide whether to hire an actuary.

If applicable for the MPHA, GASB Statements 43 and 45 would be implemented for the years ended September 30, 2008 and 2009, respectively.



REBECCA OTTO  
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# STATE OF MINNESOTA

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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***

Board of Commissioners  
Minneapolis Public Housing Authority

We have audited the financial statements of the Minneapolis Public Housing Authority (MPHA) as of and for the year ended September 30, 2006, and have issued our report thereon dated May 23, 2007. These financial statements include the Community Housing Resources' activities for the year ended December 31, 2005. Separate management and compliance letters have been issued for the Community Housing Resources. 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.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the MPHA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MPHA's 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 six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in public indebtedness and claims and disbursements because they are not applicable to the MPHA.

The results of our tests indicate that, for the items tested, the MPHA complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of Commissioners and management 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

May 23, 2007



REBECCA OTTO  
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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

Board of Commissioners  
Minneapolis Public Housing Authority

### Compliance

We have audited the compliance of the Minneapolis Public Housing Authority (MPHA) 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 September 30, 2006. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the MPHA's management. Our responsibility is to express an opinion on the MPHA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination on the MPHA's compliance with those requirements.

In our opinion, the MPHA 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 September 30, 2006.

#### Internal Control Over Compliance

The management of the MPHA 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 MPHA'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 the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the MPHA's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 03-2 and 03-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition listed as item 03-3 above to be a material weakness.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the MPHA as of and for the year ended September 30, 2006, and have issued our report thereon dated May 23, 2007. Our audit was performed for the purpose of forming an opinion on the MPHA'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 Board of Commissioners, management 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

May 23, 2007

*/s/Greg Hierlinger*

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DEPUTY STATE AUDITOR

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

*Schedule 2*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Grant Program Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b>  |
|--|------------------------------------|----------------------|
| <b>U.S. Department of Housing and Urban Development</b>                |                                    |                      |
| Direct Funding   |                                    |                      |
| Public and Indian Housing Program                                      |                                    |                      |
| Operating Subsidy (Low Rent)   | 14.850                             | \$ 18,477,536        |
| Development Projects   | 14.850                             | 150,433              |
| <b>Total CFDA #14.850</b>  |                                    | <b>\$ 18,627,969</b> |
| Section 8 Project-Based Programs                                       |                                    |                      |
| N/C S/R Section 8 Program  | 14.182                             | \$ 791,371           |
| Section 8 Moderate Rehabilitation                                      | 14.856                             | 620,477              |
| <b>Total Section 8 Project-Based Cluster</b>                           |                                    | <b>\$ 1,411,848</b>  |
| Section 8 Housing Choice Vouchers Program                              | 14.871                             | <b>\$ 39,728,373</b> |
| Revitalization of Severely Distressed Public Housing                   | 14.866                             | <b>\$ 3,841,711</b>  |
| Public Housing Capital Fund Program                                    |                                    |                      |
| Replacement Housing Factor FFY 2002                                    | 14.872                             | \$ 497,522           |
| Replacement Housing Factor FFY 2003                                    | 14.872                             | 41,937               |
| Capital Fund FFY 2003  | 14.872                             | 2,381,583            |
| Capital Fund FFY 2004  | 14.872                             | 7,164,946            |
| Capital Fund FFY 2005  | 14.872                             | 3,383,603            |
| <b>Total CFDA #14.872</b>  |                                    | <b>\$ 13,469,591</b> |
| Passed Through the City of Minneapolis                                 |                                    |                      |
| Community Development Block Grant (CDBG)                               |                                    |                      |
| CDBG-Funded Low-Rent Housing Program                                   | 14.218                             | <b>\$ 451,277</b>    |
| <b>Total U.S. Department of Housing and Urban Development</b>          |                                    | <b>\$ 77,530,769</b> |
| <b>U.S. Department of Justice</b>                                      |                                    |                      |
| Passed Through Minnesota Department of Public Safety                   |                                    |                      |
| Byrne Formula Grant Program  | 16.579                             | <b>\$ 78,307</b>     |
| <b>Corporation for National and Community Service</b>                  |                                    |                      |
| Direct Funding   |                                    |                      |
| Volunteers in Service to America                                       | 94.013                             | <b>\$ 2,677</b>      |
| <b>Total Federal Awards</b>  |                                    | <b>\$ 77,611,753</b> |

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the Minneapolis Public Housing Authority. The MPHA's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the accrual basis of accounting.
3. For the year ended September 30, 2006, CFDA No. 16.579 was passed through to a subrecipient.