

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Metropolitan Council of the Twin Cities Area

Management and Compliance Report

Year Ended December 31, 2023

Metropolitan Council of the Twin Cities Area

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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 Council and Audit Committee
Metropolitan Council of the Twin Cities Area
Saint Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Metropolitan Council of the Twin Cities Area (Metropolitan Council), a component unit of the State of Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Metropolitan Council's basic financial statements, and have issued our report thereon dated June 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Metropolitan Council's internal control over financial reporting as a basis for designing 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 our opinion on the effectiveness of the Metropolitan Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Metropolitan Council'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 a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Metropolitan Council'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 financial statements. 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

In connection with our audit, nothing came to our attention that caused us to believe that the Metropolitan Council failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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 Metropolitan Council's noncompliance with the above referenced provisions, insofar as they relate to accounting matters. Additionally, we tested for compliance with the authority to issue public debt.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and 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 Metropolitan Council'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 Metropolitan Council'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

June 19, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor



**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 Council and Audit Committee
Metropolitan Council of the Twin Cities Area
Saint Paul, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Metropolitan Council of the Twin Cities Area's (Metropolitan Council) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Metropolitan Council's major federal programs for the year ended December 31, 2023. Metropolitan Council's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Metropolitan Council complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Metropolitan Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Metropolitan Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Metropolitan Council's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Metropolitan Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Metropolitan Council's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Metropolitan Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of the Metropolitan Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 the Metropolitan Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Metropolitan Council's response to the noncompliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Metropolitan Council's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a 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 a 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 attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Metropolitan Council's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Metropolitan Council's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Metropolitan Council as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Metropolitan Council's basic financial statements. We issued our report thereon, dated June 19, 2024, 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 basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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/Chad Struss

Chad Struss, CPA
Deputy State Auditor

June 19, 2024

Metropolitan Council of the Twin Cities Area

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2023

Section 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 federal programs:

- 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**

Identification of major federal programs:

Assistance Listing	
Number	Name of Federal Program or Cluster
14.871	Housing Voucher Cluster
14.879	
20.500	Federal Transit Cluster
20.507	
20.525	
20.256	

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000.

The Metropolitan Council qualified as a low-risk auditee? **No**

Section II – Financial Statement Findings

No matters were reported.

Metropolitan Council of the Twin Cities Area

Section III – Federal Award Findings and Questioned Costs

2023-001 Eligibility – Source Documentation

Prior Year Finding Number: 2022-002

Year of Finding Origination: 2022

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Housing and Urban Development

Program: 14.871 Section 8 Housing Choice Vouchers

14.879 Mainstream Vouchers

Award Number and Year:

Assistance Listing Number	Award Number	Year
14.871	MN163VO/MN163AF	2023
14.871	MN163EP/MN163EI/MN163ES/MN163EF/MN163EH	2023
14.871	MPHA 22.059	2023
14.879	MN163DV/MN163F	2023

Pass-Through Agency: N/A – Direct

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.

Per Title 24 U.S. *Code of Federal Regulations* § 982.553(a)(2), each member over the age of 18 is subject to a criminal background check prior to admission into the program.

In addition, Public Housing Authorities are required by Notice PIH 2010-19 to provide the “Debts Owed to Public Housing Agencies and Terminations” notice to all applicants and program participants over the age of 18, and all such individuals are required to acknowledge receipt of the notice by signature located on the notice itself.

Condition: A sample of 40 case files was reviewed, and the following issues were identified:

- three case files were missing documentation or evidence that a criminal background check was performed for one or more adult members of the household.
- one case file was missing the "Debts Owed" form for one adult member of the household.

Questioned Costs: None.

Context: HousingPro is the system used by the Metropolitan Council Housing Redevelopment Authority to calculate the monthly Housing Assistance Payments for the Housing Choice Voucher program participants and to document and support eligibility determinations. Proper input of information into the system and documentation retention are important functions to ensure accurate and proper eligibility determination and calculations of Housing Assistance Payments. The deviations identified did not impact eligibility or result in an incorrect level of benefit amount.

Metropolitan Council of the Twin Cities Area

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

Effect: Errors in eligibility-determining factors increase the risk that program participants will receive benefits when they are not eligible or are paid at an incorrect benefit amount.

Cause: Personnel entering case information into HousingPro did not ensure necessary documentation was completed and/or maintained.

Recommendation: We recommend that the Metropolitan Council implement additional procedures to provide reasonable assurance that all necessary documentation is maintained supporting compliance with federal regulations.

View of Responsible Official: Concur.



Representation of the Metropolitan Council of the Twin Cities Area
Corrective Action Plan
For the Year Ended December 31, 2023

Finding Number: 2023-001

Finding Title: Eligibility – Source Documentation

**Program: 14.871 Section 8 Housing Choice Vouchers
14.879 Mainstream Vouchers**

Name of Contact Person Responsible for Corrective Action:

Terri Smith, Director Metro HRA

Corrective Action Planned:

HRA staff has developed a checklist form and update procedures for all staff to ensure signatures and forms are not missing in case files, this includes but is not limited to criminal background checks performed, citizenship forms, members of the household forms, and debts owed forms. The checklist will be completed for each case and stored in each participant file as part of the quality control process.

The quality control process that was implemented in June 2023 had not been in place for a full year when the 2023 audit was completed. All files are being checked at Annual Recertification. Once this has been in place for a full year, all files will have been checked for the appropriate forms and signatures.

Anticipated Completion Date:

This process will be in place effective July 2024.



Representation of Metropolitan Council of the Twin Cities

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2023

Finding Number: 2022-001

Year of Finding Origination: 2022

Finding Title: Bank Reconciliations

Summary of Condition: During review of the Metropolitan Council's December 2022 bank reconciliation, the auditor was unable to reconcile the bank balance to the Metropolitan Council's general ledger. The December bank reconciliation was not completed or reviewed until April of 2023. Reconciliations tested for additional months in 2022 were not reviewed by the Metropolitan Council. Furthermore, the Metropolitan Council has been unable to successfully reconcile the bank balances to the general ledger balances, noting unidentified reconciling items for each month.

Summary of Corrective Action Previously Reported: Bank Reconciliation will be completed and reviewed in a timely manner, each month. Bank statements from the prior month are received by the 15th of the following month. The bank reconciliation should be completed and reviewed no later than two weeks after the receipt of the bank statements. The bank reconciliation will be successfully reconciled back to the general ledger, including noting all unidentified reconciling items for the month. Additional internal controls will also be developed and implemented to ensure all items are recorded correctly on the bank reconciliation.

Status: Fully Corrected. Corrective action was taken.

Finding Number: 2022-002

Year of Finding Origination: 2022

Finding Title: Eligibility – Source Documentation

Program: 14.871 Section 8 Housing Choice Vouchers
14.879 Mainstream Vouchers

Summary of Condition: A sample of 40 case files were reviewed, and the following issues were identified:

- Seven case files were missing documentation or evidence that a criminal background check was performed for one or more adult members of the household.
- Two case files were missing a family member on the Status 214 Citizenship Form.
- Four case files were missing the "Debts Owed" form for one or more adult members of the household.

Summary of Corrective Action Previously Reported: HRA staff will develop a checklist form and update procedures for all staff to ensure signatures and forms are not missing in case files, this includes but is not limited to background checks performed, citizenship forms and members of the household. The checklist will be completed for each case and stored in each participant file as part of the quality control process.

Status: Partially Corrected.

The checklist described on the Summary of Action Previously Reported was in place effective June 2023. During the 2023 audit, 40 case files were sampled, and four case files were missing required documents.

The quality control process that was implemented in June 2023 had not been in place for a full year when the 2023 audit was completed. All files are being checked at Annual Recertification. Once this has been in place for a full year, all files will have been checked for the appropriate forms and signatures.

Metropolitan Council of the Twin Cities Area

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2023

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Direct				
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871		\$ 97,351,997	\$ -
Section 8 Housing Choice Vouchers – Emergency Housing Vouchers	14.871		2,889,289	-
(Total Section 8 Housing Choice Vouchers 14.871 \$100,619,062)				
Total Direct Assistance Listing Number 14.871			\$ 100,241,286	\$ -
Mainstream Vouchers	14.879		\$ 2,769,130	\$ -
Passed through City of Minneapolis, Minnesota				
Housing Opportunities for Persons with AIDS	14.241	C-02454	\$ 418,804	\$ -
Passed through Minneapolis Public Housing Authority				
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871	MPHA 22.059	\$ 377,776	\$ -
(Total Section 8 Housing Choice Vouchers 14.871 \$100,619,062)				
Total U.S. Department of Housing and Urban Development			\$ 103,806,996	\$ -
U.S. Department of Transportation				
Direct				
Federal Transit Administration				
Federal Transit Cluster				
Federal Transit – Capital Investment Grants	20.500		\$ 207,226,878	\$ 303,356
Federal Transit – Formula Grants	20.507		\$ 63,973,044	\$ 3,642,487
COVID-19 Federal Transit – Formula Grants	20.507		223,974,715	-
Total Assistance Listing Number 20.507			\$ 287,947,759	\$ 3,642,487
State of Good Repair Grants Program	20.525		\$ 13,297,331	\$ -
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		\$ 6,113,321	\$ -
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		\$ 174,564	\$ 174,564
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	1051589	\$ 4,662,478	\$ 60,000
Highway Planning and Construction	20.205	1046170	646,931	-
Total Assistance Listing Number 20.205			\$ 5,309,409	\$ 60,000
Formula Grants for Rural Areas and Tribal Transit Program	20.509	1051727	\$ 851,800	\$ -
Total U.S. Department of Transportation			\$ 520,921,062	\$ 4,180,407

Metropolitan Council of the Twin Cities Area

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2023 (Continued)

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Environmental Protection Agency				
Passed Through Minnesota Public Facilities Authority				
Clean Water State Revolving Fund Cluster				
Capitalization Grants for Clean Water State Revolving Funds	66.458	MPFA-CWRF-L-027-FY22	\$ 13,314,829	\$ -
Capitalization Grants for Clean Water State Revolving Funds	66.458	MPFA-CWRF-L-043-FY23	35,244,000	-
Total Assistance Listing Number 66.458			\$ 48,558,829	\$ -
U.S. Department of Homeland Security				
Direct				
Rail and Transit Security Grant Program	97.075		\$ 45,139	\$ -
Total Federal Awards			\$ 673,332,026	\$ 4,180,407
Totals by Cluster				
Total expenditures for Housing Voucher Cluster			\$ 103,388,192	
Total expenditures for Federal Transit Cluster			514,585,289	
Total expenditures for Transit Services Programs Cluster			174,564	
Total expenditures for Clean Water State Revolving Fund Cluster			48,558,829	

Metropolitan Council of the Twin Cities Area

Notes to the Schedule of Expenditures of Federal Awards As of and for the Year Ended December 31, 2023

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Metropolitan Council of the Twin Cities Area (Metropolitan Council). The Metropolitan Council's reporting entity is defined in Note 1.A to the financial statements.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Metropolitan Council under programs of the federal government for the year ended December 31, 2023. 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 of Expenditures of Federal Awards presents only a selected portion of the operations of the Metropolitan Council, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Metropolitan Council.

Expenditures reported on the schedule are reported on the modified 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.

Note 2 – De Minimis Cost Rate

The Metropolitan Council has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.