

**Minneapolis Public Schools
Special District No. 1**

**Reports on *Government Auditing
Standards, Uniform Guidance,
and Legal Compliance***

June 30, 2023



**Minneapolis Public Schools
Special District No. 1
Table of Contents**

Schedule of Expenditures of Federal Awards	1
Notes to the Schedule of Expenditures of Federal Awards	3
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	6
Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance	10
Minnesota Legal Compliance	21
Schedule of Findings and Corrective Action Plans on Legal Compliance	22

**Minneapolis Public Schools
Special District No. 1
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

<u>Federal Agency/Pass Through Agency/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 2,845,016
National School Lunch Program	10.555	8,682,398
Commodities Programs - Non Cash	10.555	1,367,364
Fresh Fruits and Vegetables Program	10.582	519,396
COVID - Summer Food Service Program for Children	10.559	833,388
Total Child Nutrition Cluster		<u>14,247,562</u>
Cash in Lieu of Child and adult Care Food Program	10.558	1,082,894
Farm to School Grant Program	10.575	3,653
Total U.S. Department of Agriculture		<u>15,334,109</u>
U.S. Department of Education		
Through Minnesota Department of Education		
Adult Education - Basic Grants to States	84.002	670,861
Title I Grants To Local Educational Agencies		
Title I, Part A	84.010	27,813,045
Title I, Part D	84.010	118,780
Total Title I Grants To Local Educational Agencies		<u>27,931,825</u>
Special Education Cluster		
Special Education	84.027	6,892,575
COVID - ARP IDEA Part B	84.027X	1,634,420
Total Special Education--Grants to States		<u>8,526,995</u>
Special Education - Preschool Grants	84.173	524,376
COVID - ARP IDEA Part B Section 619 - Preschool Grants	84.173X	120,280
Total Special Education--Preschool Grants		<u>644,656</u>
Total Special Education Cluster		<u>9,171,651</u>
Special Education - Grants for Infants and Families	84.181	295,428
Career and Technical Education - Basic Grants to States	84.048	788,489
Education for Homeless Children and Youth	84.196	85,000
Comprehensive State Literacy Development	84.371C	1,542,534
Maltreatment reeducation	84.027A	8,820
English Language Acquisition	84.365	867,530
21st Century Community Learning Centers	84.287	590,927
Title II, Part A - Supporting Effective Instruction	84.367	2,151,764
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	1,054,247
COVID - Governor's Emergency Education Relief Fund	84.425C	35,413
COVID - ARP Homeless I	84.425W	270,296
COVID - Supplemental Support Under American Rescue Plan	84.425T	52,365
COVID - Elementary and Secondary School Education Relief Fund III	84.425U	66,971,862
COVID - Elementary and Secondary School Education Relief Fund	84.425D	9,289,453
Total Education Stabilization Funds		<u>76,619,389</u>

See notes to the schedule of expenditures of federal awards.

**Minneapolis Public Schools
Special District No. 1
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

<u>Federal Agency/Pass Through Agency/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditures</u>
U.S. Department of Education (Continued)		
Through Minnesota Department of Education Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	128,570
Through Metro ECSU Special Education - Paraprofessional	84.027	\$ 1,200
Direct		
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	797,356
21st Century Community Learning Centers	84.287	296,243
Fund for Improvement of Education	84.215	501,157
Indian Education Grants to Local Educational Agencies	84.060	174,703
Total U.S. Department of Education		<u>123,677,694</u>
U.S. Department of Treasury		
Through Minnesota Department of Education COVID - American Rescue Plan	21.027	<u>1,362,856</u>
Corporation for National and Community Service		
Through Serve Minnesota AmeriCorps	94.006	<u>99,841</u>
U.S. Department of Health and Human Services		
Through Minnesota Department of Education Refugee Family Coach	93.566	75,348
COVID - Minnesota COVID-19 Testing	93.323	96,938
Total U.S. Department of Health and Human Services		<u>172,286</u>
U.S. Department of Homeland Security		
Direct Citizenship Grant	97.010	<u>22,869</u>
National Endowment for the Humanities		
Through Minnesota Department of Education Library Services Tech Art	45.310	<u>1,099</u>
Total Federal Expenditures		<u>\$ 140,670,754</u>

**Minneapolis Public Schools
Special District No. 1
Notes to the Schedule of Expenditures of Federal Awards**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 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 presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes of net assets, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same Assistance Listing numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 4 – NONMONETARY ASSISTANCE

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed for the USDA Commodities Program (CFDA #10.555).

NOTE 5 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 6 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Basic Financial Statements Performed in Accordance
with *Government Auditing Standards***

Independent Auditor's Report

To the School Board
Minneapolis Public Schools
Special District No. 1
Minneapolis, Minnesota

We have audited, in accordance with the 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minneapolis Public Schools, Special District No. 1 Minneapolis, Minnesota, as of and for the year ended June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses, Audit Finding 2023-001 and 2023-006.

Report on Internal Control over Financial Reporting (Continued)

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies, Audit Finding 2023-003 and 2023-005.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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 basic 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*.

District's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our engagement and described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

Minneapolis, Minnesota
December 27, 2023

**Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance Required by
the Uniform Guidance**

Independent Auditor's Report

To the School Board
Minneapolis Public Schools
Special District No. 1
Minneapolis, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District'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 District 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 June 30, 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 District 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 District'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 District'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 District'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 GAAS, *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 District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District'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 District'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 instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Audit Finding 2023-007. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The District'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 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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Audit Finding 2023-004 to be a material weakness.

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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Audit Finding 2023-002 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 District 's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District '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 Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 27, 2023, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BerganKDV, Ltd.

Minneapolis, Minnesota
December 27, 2023

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal control over financial reporting:

- Material weakness(es) identified Yes, Audit Findings 2023-001, 2023-006
- Significant deficiency(ies) identified? Yes, Audit Findings 2023-003, 2023-005

Noncompliance material to financial statements noted? No

Federal Awards

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

Internal control over major programs:

- Material weakness(es) identified Yes, Audit Finding 2023-004
- Significant deficiency(ies) identified? Yes, Audit Finding 2023-002

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? Yes, Audit Finding 2023-007

Identification of Major Programs

Assistance Listing No: 21.027
 Name of Federal Program or Cluster: American Rescue Plan

Assistance Listing No: 84.027, 84.173

Name of Federal Program or Cluster: Special Education Cluster

Assistance Listing No: 84.425
 Name of Federal Program or Cluster: Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$4,220,123

Auditee qualified as low risk auditee? No

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2023-001 – Lack of Segregation of Duties

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the basic financial statements requires adequate segregation of accounting duties.

Condition:

We noted during review of the District's internal controls that there is a lack of segregation of duties over certain processes. A lack of segregation occurs when there is an individual who has responsibility to perform multiple functions in four key areas: initiation/authorization, processing/recording, reconciling/reporting of financial data, and custody of assets.

We noted lack of segregation of duties, to various degrees, in the following area:

- Financial Closing Process: Certain employees record transactions and reconcile balances at the end of the year without evidence of reconciliations being performed timely with review by another employee.
- SAP User Rights: A number of employees have excessive access to Accounts Payable functions, Purchasing functions, and the general ledger. Also, there were instances identified where individuals have excessive access to perform many responsibilities within a process (e.g. create a vendor, enter an invoice for payment, and cut a check). There are also some employees who have the ability to make journal entries without review as a result of SAP user rights allocated to them. We recommend that the District review all user roles and the permissions granted to each role for appropriateness, taking into consideration adequate segregation of duties. The District should also validate that adequate compensating controls are implemented to review and detect irregular or fraudulent activity performed by users with elevated permissions. Additionally, individuals in a position of authority should have limited transactional ability within the SAP application to further prevent management override controls.

Context:

This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect:

The lack of adequate segregation of accounting duties adversely affected the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements. Financial information could contain inaccurate information if reconciliations are not reviewed timely.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-001 – Lack of Segregation of Duties (Continued)

Cause:

Process flows and SAP user access rights are not designed to provide for proper segregation of duties in each area. Turnover of finance staff contributed to reconciliations of certain account balances not being completed or reviewed timely.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the finding.

2. Actions Planned in Response to Finding

Financial Closing Process – The process for the financial closing process will improve after changes in roles and responsibilities in the Finance Department.

SAP User Rights – The Executive Director – IT has been working on system audits and some corrective action has already been implemented on user rights and we will keep monitoring the process.

3. Official Responsible for Ensuring CAP

Financial Closing Process – Chief Financial Officer.

4. Planned Completion Date for CAP

The planned completion date for the CAP is June 30, 2024.

5. Plan to Monitor Completion of CAP

The Finance Department will be monitoring the corrective action plan.

Audit Finding 2023-003 – Internal Control Deficiency Related to Payroll

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the basic financial statements.

Condition:

During the course of our engagement, we noted instances where employees were overpaid and were required to repay the District these overpayments. District's internal controls relating to payroll were not sufficient to detect the overpayments timely.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-003 – Internal Control Deficiency Related to Payroll (Continued)

Context:

This finding impacts internal control over financial reporting.

Effect or Potential Effect:

Internal controls over payroll affected the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements.

Cause:

Turnover of finance staff contributed to payroll activity not being reviewed timely which resulted in overpayments to employees.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.
2. Actions Planned in Response to Finding
The District's internal controls related to payroll will continue to improve.
3. Official Responsible for Ensuring CAP
Tristen Kangas, Payroll Manager, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.
5. Plan to Monitor Completion of CAP
The Finance Department management will be monitoring the corrective action plan.

Audit Finding 2023-005 – Budget Reporting Process

Criteria or Specific Requirement:

The District should use budgets within SAP to provide budget to actual reports in accordance with UFARS and GAAP and analyze variances on a regular basis.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-005 – Budget Reporting Process (Continued)

Condition:

During our audit, we noted significant variances between budgeted amounts and actual amounts for expenditures by program and revenue classifications. Upon further investigation, amounts presented in the original budget and final budget did not appear to follow UFARS or GAAP reporting requirements due to the current budget practice resulting in adjustments to program codes that are inconsistent with actual activity in accordance with UFARS and GAAP.

Context:

This finding impacts internal control over financial reporting.

Effect or Potential Effect:

Budget to actual variances may be inaccurate.

Cause:

Budgets were not allocated to correct classifications.

Recommendation:

We recommend that the District improve its budget process and ensure UFARS and GAAP reporting requirements are followed.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.
2. Actions Planned in Response to Finding
The District's internal controls related to the budgeting process will continue to improve.
3. Official Responsible for Ensuring CAP
Thom Roethke, Director of Budget, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-005 – Budget Reporting Process (Continued)

CORRECTIVE ACTION PLAN (CAP) (CONTINUED):

5. Plan to Monitor Completion of CAP

The Finance Department management will be monitoring the corrective action plan.

Audit Finding 2023-006 – Material Audit Adjustments

Criteria or Specific Requirement:

Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements to correct material misstatements.

Condition:

During our audit, material audit adjustments were identified to ensure accurate financial reporting for accounts payable, cash, long-term debt, and property taxes.

Context:

This finding impacts internal control over financial reporting.

Effect or Potential Effect:

The District's financial position was misstated.

Cause:

Complete and accurate reconciliations of accounts payable, cash, long-term debt and property tax balances were not performed timely or accurately.

Recommendation:

We recommend management review all accounts closely at year-end to detect and correct misstatements of balances. We also recommend the District improve the accounts payable listing and reconciliation process to remove all old items.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the finding.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2023-006 – Material Audit Adjustments (Continued)

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

2. Actions Planned in Response to Finding
The District's will develop a process for ensuring that all standard year-end entries are complete before the auditors begin their fieldwork.
3. Official Responsible for Ensuring CAP
Aaron Gilbert, Director of Finance - Controller, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
Ongoing review and monitoring will take place throughout the year and at fiscal year-end.
5. Plan to Monitor Completion of CAP
The Finance Department management will be monitoring the corrective action plan.

SECTION III – PRIOR YEAR FINDINGS

Audit Finding 2022-002 – Prior Period Adjustment

During the course of our audit as of June 30, 2022, a prior period adjustment was recognized that had not been recognized in the correct reporting period, therefore resulting in a material misstatement of the District's prior year basic financial statements. The District's internal controls were not sufficient to detect the misstatement in a timely basis. In order to ensure the basic financial statements were free from material misstatements, a prior period adjustment was necessary to correct an understatement of debt service balances. There were no prior period adjustments needed as of June 30, 2023.

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding 2023-002 – Education Stabilization Fund (Assistance Listing 84.425) Grant Period – Year Ended June 30, 2023

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the basic financial statements and being charged to federal programs.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Audit Finding 2023-002 – Education Stabilization Fund (Assistance Listing 84.425) Grant Period – Year Ended June 30, 2023 (Continued)

Questioned Costs:

Known Question Costs determined through audit test work totaled \$9,239. Based on the sample size and the total population, this amount extrapolates to \$245,883.

Condition:

During our audit, we noted an employee receiving an overpayment on their payroll check, as well as another employee being paid for a claim payment had been mistakenly created, and the attempt to correct the issue lead to incorrectly recording additional salary on the general ledger and charging the related activity to federal programs.

Context:

The District could be requesting higher reimbursements then they are entitled to, as well as overpaying employees.

Effect or Potential Effect:

Federal expenditures and related reimbursements from the federal government could be overstated.

Cause:

District Personnel did not ensure salaries were being paid and recorded correctly.

Recommendation:

Review internal controls relating to payroll and federal programs to ensure payroll activity is properly reported.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.
2. Actions Planned in Response to Finding
The District's internal controls related to payroll will continue to improve.
3. Official Responsible for Ensuring CAP
Linh Phan, Manager, Accounting and Finance, Grants Accounting
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Audit Finding 2023-002 – Education Stabilization Fund (Assistance Listing 84.425) Grant Period – Year Ended June 30, 2023 (Continued)

CORRECTIVE ACTION PLAN (CAP) (CONTINUED):

5. Plan to Monitor Completion of CAP

The Finance Department management will be monitoring the corrective action plan.

Audit Finding 2023-004 – Special Education Cluster (Assistance Listing 84.027, 84.173) Grant Period – Year Ended June 30, 2023

Criteria or Specific Requirement:

To meet eligibility standards for an award for the fiscal year, the LEA must budget for the education of children with disabilities at least the same amount, from one of the following sources, as the LEA spend for the purpose for the same source for the most recent fiscal year for which information is available:

1. Local funds only;
2. The combination of state and local funds;
3. Local funds only on a per capital basis; or
4. The combination of state and local funds on a per capita basis.

Condition:

During our audit, we noted the District did not have internal controls in place to ensure the District would meet Maintenance of Effort requirements.

Context:

There is a risk that the District will fail to comply with the eligibility and compliance standard for Maintenance of Effort requirements.

Effect or Potential Effect:

The District could fail to comply with Maintenance of Effort requirements.

Cause:

The District did not have sufficient internal controls to monitor Maintenance of Effort requirements.

Recommendation:

We recommend reviewing internal controls related to the monitoring of Maintenance of Effort requirements to ensure compliance with requirements.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Audit Finding 2023-004 – Special Education Cluster (Assistance Listing 84.027, 84.173) Grant Period – Year Ended June 30, 2023 (Continued)

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.
2. Actions Planned in Response to Finding
The District's internal controls related to Maintenance of Effort will continue to improve.
3. Official Responsible for Ensuring CAP
Linh Phan, Manager, Accounting and Finance, Grants Accounting
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.
5. Plan to Monitor Completion of CAP
The Finance Department management will be monitoring the corrective action plan.

Audit Finding 2023-007 – Education Stabilization Fund (Assistance Listing 84.425) Grant Period – Year Ended June 30, 2023

Criteria or Specific Requirement:

Internal control that supports the District's ability to maintain compliance with federal program compliance requirements.

Questioned Costs:

Known Question Costs determined through audit test work totaled \$9,239. Based on the sample size and the total population, this amount extrapolates to \$245,883.

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Audit Finding 2023-007 – Education Stabilization Fund (Assistance Listing 84.425) Grant Period – Year Ended June 30, 2023 (Continued)

Condition:

During our audit, we noted an employee receiving an overpayment on their payroll check, as well as another employee being paid for a claim payment had been mistakenly created, and the attempt to correct the issue lead to incorrectly recording additional salary on the general ledger.

Context:

The District could be requesting higher reimbursements then they are entitled to, as well as overpaying employees.

Effect or Potential Effect:

The District did not comply with allowable cost and allowable activities compliance requirements for the Education Stabilization Fund.

Cause:

District Personnel did not ensure salaries were being paid and recorded correctly.

Recommendation:

Review internal controls relating to payroll and federal programs to ensure payroll activity is properly reported.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.
2. Actions Planned in Response to Finding
The District's internal controls related to payroll will continue to improve.
3. Official Responsible for Ensuring CAP
Linh Phan, Manager, Accounting and Finance, Grants Accounting
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.
5. Plan to Monitor Completion of CAP
The Finance Department management will be monitoring the corrective action plan.

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Minneapolis Public Schools
Special District No. 1
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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minneapolis Public Schools Special District No. 1, Minneapolis, Minnesota, as of and for the year ended June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 27, 2023.

In connection with our audit, we noted that the District failed to comply with the provisions of the claims and disbursements of the *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Corrective Action Plans on Legal Compliance as item 2023-008. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit as 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 District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

A stylized, handwritten-style signature of "BergankDV, Ltd." in a dark grey color.

Minneapolis, Minnesota
December 27, 2023

**Minneapolis Public Schools
Special District No. 1
Schedule of Findings and Corrective Action
Plans on Legal Compliance**

CURRENT YEAR LEGAL COMPLIANCE FINDING:

Audit Finding 2023-008 – Prompt Payment of Local Government Bills

Minnesota Statute 471.425 requires that school districts must pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period. For school districts with governing boards that have regular meetings at least once a month, the standard payment period is within 35 days of the date of receipt.

During our audit, we noted invoices in our sample selection were not paid within the standard payment period of 35 days.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.
2. Actions Planned in Response to Finding
The District will ensure that payments are made promptly in accordance with *Minnesota Statute 471.425*.
3. Official Responsible for Ensuring CAP
Aaron Gilbert, Director of Finance - Controller, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.
5. Plan to Monitor Completion of CAP
The Finance Department management will be monitoring the corrective action plan.