

**Minneapolis Public Schools
Special School District No. 1
Minneapolis, Minnesota**

**Communications Letter of
the Student Activity Accounts**

June 30, 2019

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

Report on Matters Identified as a Result of the Audit of the Financial Statements	1
Material Weakness	3
Required Communication	4

Report on Matters Identified as a Result of the Audit of the Financial Statements

To the School Board, Advisors,
Students, and Management
Minneapolis Public Schools
Special School District No. 1
Minneapolis, Minnesota

In planning and performing our audit of the Statement of Receipts and Disbursements of the student activity accounts of Minneapolis Public Schools, Special School District No. 1, Minneapolis, Minnesota, as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's student activity accounts internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's student activity accounts internal control. Accordingly, we do not express an opinion on the effectiveness of the District's student activity accounts 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 have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the District's student activity accounts financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

The material weakness identified is stated within this letter.

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.

This communication is intended solely for the information and use of management, the School Board, students of the District and the Minnesota Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Bergan KDV Ltd." with a small flourish at the end.

Minneapolis, Minnesota
November 11, 2019

**Minneapolis Public Schools
Special School District No. 1
Material Weakness**

Inadequate Design of Internal Control

The District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. In addition, the District does not have adequate segregation of accounting duties due to a limited number of office employees. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

Cash Receipt Process

The Finance Clerk at each location is responsible for collecting and writing receipts for all money received, depositing all monies in the bank, reconciliation of bank statements, and recordkeeping of transactions.

In addition, adequate controls to ensure the collection and recognition of the cash receipts are not in place for all activities.

Cash Disbursement Process

The Finance Secretary has the ability to prepare checks for disbursements as well as reconcile the student activity accounts.

Because of the limited number of personnel available to perform these duties, complete segregation of key accounting functions may not be feasible; however, we recommend Administration continually and thoroughly monitor these processes and provide further segregation where possible.

The lack of adequate segregation of accounting duties could adversely affect the ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

**Minneapolis Public Schools
Special School District No. 1
Required Communication**

We have audited the financial statements of the of the student activity accounts of Minneapolis Public Schools Special School District No. 1, Minneapolis, Minnesota for the year ended June 30, 2019, and have issued our report dated November 11, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the note to financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

**Minneapolis Public Schools
Special School District No. 1
Required Communication**

Qualitative Aspects of Significant Accounting Practices (Continued)

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.