

TRAVEL DEMAND MANAGEMENT GRANT RECIPIENT REVIEW: MOVE MINNEAPOLIS

PROGRAM EVALUATION AND AUDIT



METROPOLITAN
C O U N C I L

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TDM grant oversight and project documentation must be improved

What We Found

The Minneapolis Regional Chamber reported a diversion of assets in 2023. The Chamber is a recipient of federal travel demand management (TDM) funds and parent organization of the Minneapolis Transit Management Organization (TMO) DBA Move Minneapolis. Federal funds may have been impacted due to poor documentation and lack of financial controls. Conditions strongly suggest a high risk of misuse of federal funds as unsupported expenditures and federally unallowable costs were identified. Move Minneapolis and the Chamber were out of compliance with grant terms and federal regulations. These put into question the grant recipient's ability to be a good steward of public funds.

There are opportunities for improvement for the Council's TDM program and grant management. The TDM program lacks a clear process for invoice review and prioritization of adequate documentation; lacks clarity in roles and responsibilities for TDM grant management, especially between divisions; and lacks focus on programmatic oversight to ensure effectiveness.

What We Recommend

- Pursue suspension and debarment for entities in violation of grant agreements terms and recover unallowable or inflated costs.
- Notify FTA of unallowable costs, asset diversion concerns, and recovery actions.
- Reevaluate the current TDM grant oversight structure.
- Use a documented competitive selection process for CMAQ TMO grants.
- Develop and document a formal procedure outlining additional oversight and control measures to be applied to grant making and subrecipient monitoring.
- Adopt a cross functional group to address continued improvements related to weakness in vendor file management and improper payments.

Management Response

Management agreed with our recommendations. The Council did not disperse \$478,961 of expenses for Move from 2025 and plans to review the overall structure of grant programs.

Why We Did This Work

Audit has reviewed Transportation Management Organizations (TMOs) and their activities several times. The Council distributes federal funds to local TMOs and has an oversight role to make sure that federal funds are spent appropriately. The CEO for one of the TMOs, Move Minneapolis, and their "parent" organization, the Minneapolis Regional Chamber, recently resigned. Tax documents noted a diversion of assets and public statements made to news organizations indicated inadequate fiduciary duties were carried out.

What We Reviewed

Auditors reviewed documentation and activities for the Chamber and Move Minneapolis in 2023 and 2024 and Council programmatic oversight.

How We Did This Work

Auditors reviewed Move's invoices against the grant's terms and federal regulations. This included reviewing rent charges, timesheets, program expenses, and other program documentation. Audit also interviewed Chamber's and Move's staff, their external investigator, and their accounting firm.

Summary of Findings

Number	Description	Recommendation	Follow-up Action	Page
I. Compliance Issues				
Observation 1.1	Audit cannot confirm that federal funds were not impacted by the diversion of assets.	4: Remediation	Confirmation	Hyperlink to page
Observation 1.2	Subrecipient did not inform the Council or FTA as required of known diversion of assets.	4: Remediation	Confirmation	Hyperlink to page
Observation 1.3	Move charged in-kind donations as direct costs, violating federal regulations.	4: Remediation	Confirmation	Hyperlink to page
Observation 1.4	Move Minneapolis' rent-related expenditures invoiced were inflated by over 50%.	4: Remediation	Confirmation	Hyperlink to page
Observation 1.5	Subrecipient was not in compliance with federal cost allocation guidelines.	2: Grant Making Internal Controls	Confirmation	Hyperlink to page
Observation 1.6	Commuter Programs did not route the grant agreement for OEEEO review, resulting in no DBE goal setting and reporting.	2: Grant Making Internal Controls	Confirmation	Hyperlink to page

II. Financial Controls and Documentation				
Observation 2.1	Subrecipient's undocumented internal financial controls exhibit gaps in segregation of duties, approval authority, and vendor file management.	2: Grant Making Internal Controls	Confirmation	Hyperlink to page
Observation 2.2	Approved invoices contained inadequate documentation of costs.	2: Grant Making Internal Controls 4: Remediation	Confirmation	Hyperlink to page
Observation 2.3	Move invoiced excessive, undocumented, and unallowable insurance charges.	2: Grant Making Internal Controls 4: Remediation	Confirmation	Hyperlink to page
Observation 2.4	Move Minneapolis' salary and fringe costs could not be reconciled.	2: Grant Making Internal Controls 4: Remediation	Confirmation	Hyperlink to page
III. Grant Oversight				
Observation 3.1	The TAB used an undocumented, noncompetitive selection process for CMAQ TMO grants.	1: Programmatic Restructuring	Confirmation	Hyperlink to page
Observation 3.2	Move Minneapolis did not adequately measure and document their outcomes towards stated organizational goals.	1: Programmatic Restructuring	Confirmation	Hyperlink to page
Observation 3.3	Move Minneapolis, a subsidiary of The Chamber, received Federal funds directly without subrecipient agreement.	2: Grant Making Internal Controls	Confirmation	Hyperlink to page

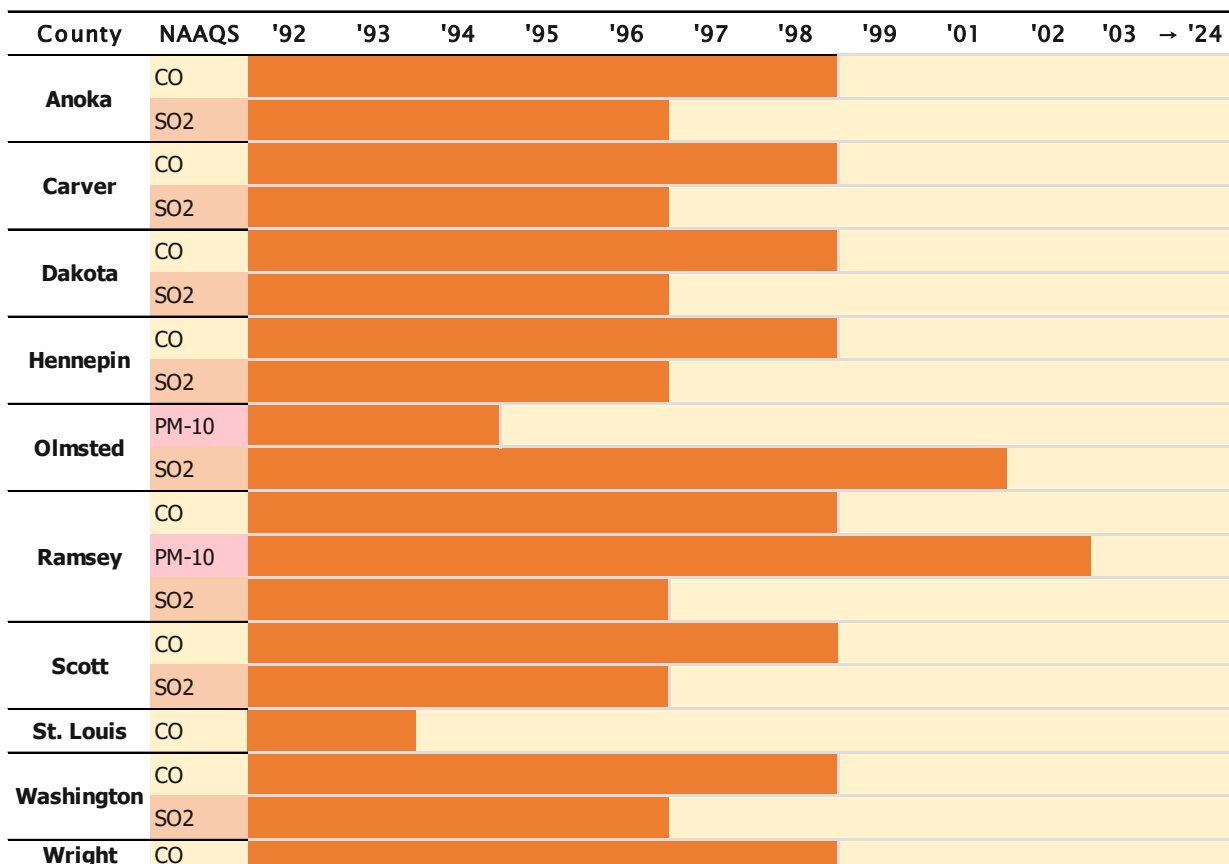
Observation 3.4	The Chamber received a subaward under a Unique Entity Identifier with inactive federal registration.	2: Grant Making Internal Controls	Confirmation	Hyperlink to page
Observation 3.5	Partial grant payments were processed without a supporting policy.	3: Recurring Findings	Confirmation	Hyperlink to page
Observation 3.6	Move Minneapolis received two incorrect payments on a blank PO over a year late.	3: Recurring Findings	Confirmation	Hyperlink to page
Observation 3.7	A duplicate payment was made and not identified in a timely manner.	3: Recurring Findings	Confirmation	Hyperlink to page

Background

Congestion Mitigation and Air Quality Improvement (CMAQ) Program

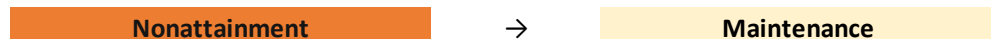
Established under the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991, the Congestion Mitigation and Air Quality Improvement (CMAQ) Program is a federal initiative aimed at reducing traffic congestion and improving air quality, especially in regions struggling to meet national air quality standards, areas known as “non-attainment” zones (**Figure One**).

Figure One: Minnesota Counties Non-Attainment/ Maintenance Status by Year for CMAQ Pollutants



*CO (Carbon Monoxide), PM-10 (Particulate Matter ≤10 Microns), SO₂ (Sulfur Dioxide).

Source: https://www3.epa.gov/airquality/greenbook/anayo_mn.html



In 2024, CMAQ supported state projects with more than \$2.639 billion in funding.¹ These investments target diverse transportation challenges and help states and metropolitan planning organizations (MPOs) reduce air pollutants. Since the program’s inception, the Twin Cities metropolitan area has made significant strides, with all areas being reclassified as “maintenance” since 2003 (**Figure One**).

Transportation Management Organizations (TMOs), also known as Transportation Management Associations (TMAs), are third-party subrecipients that perform Travel Demand Management (TDM) activities such as outreach and education. Federal CMAQ funds are specifically set-aside for TDM activities during the Council’s Regional Solicitation.² These funds are distributed to specific TMOs, who must provide a local match equal to at least 20% of the funding.³ The Council is the direct recipient of these funds and passes these funds on to four TMOs: Move Minneapolis, Move Minnesota, I-494, and Anoka County.

TDM projects are included in the Statewide Transportation Improvement Program (STIP).⁴ The STIP allocation for all TDM activities in 2025 was \$4.375 million (\$3.5 million federal, \$875,000 local match). In both 2026 and 2027, the total funding allotted is significantly decreasing to \$2.625 million (\$2.1 million federal, \$525,000 local). Of this total, \$413,622 has been budgeted for Move Minneapolis, the organization that is the focus of this audit (**Table One**).

Table One: Move Minneapolis Grant Information

Grant Number	Projected Activity Period	Project Cost	Federal Grant	Local Match
SG-2022-024	1/1/23 to 12/31/23	\$517,027	\$413,622	\$103,405
SG-2023-003	1/1/24 to 12/31/24	\$517,027	\$413,622	\$103,405

Council CMAQ Grant Program Management

The Council manages multiple grant programs across various departments. However, CMAQ-funded TDM activities are uniquely administered by Commuter Programs. Management and oversight responsibilities lie within two areas of the Council, Metro Transit (MT) and Metropolitan Transportation Services (MTS). Metro Transit’s Commuter Programs unit in the Customer Service and Marketing Department oversees the four TMOs and manage the Council’s TDM activities, which cover the

¹ U.S. Department of Transportation, Federal Highway Administration. (2025, January 31). Infrastructure Investment and Jobs Act - Congestion Mitigation and Air Quality (CMAQ) Improvement Program Fact Sheet. Web. [Link](#).

² Regional Solicitation is the Council’s process for awarding more than \$250 million in federal funds. It occurs every two years. For information, please see: [Link](#).

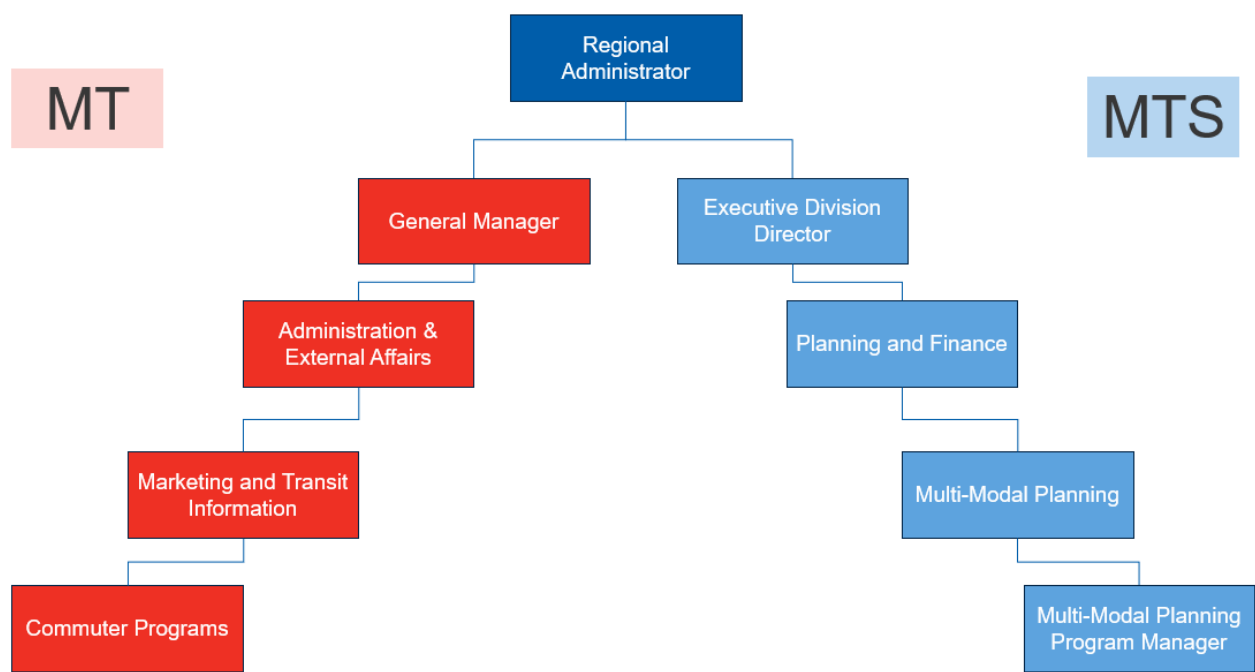
³ FAST Act § 1408, 1435; 23 U.S.C. 120. The FAST Act is the most recent legislation that reaffirmed the local match percentage for CMAQ: 80% federal / 20% local match with exceptions for limited project categories. The grant agreement also included the 80/20 match requirement. [Link](#).

⁴ Minnesota Department of Transportation. (Approved by FHWA/FTA Nov. 12, 2024). 2025-2028 State Transportation Improvement Program (STIP). Web. [Link](#)

remaining geographic area not served by the four TMOs (**Figure Two**). Specifically, the Commuter Programs Manager is responsible for closely monitoring the activity and expenditures of CMAQ subrecipients for compliance with Council, state, and federal policies, procedures, and documentation requirements.⁵ Finally, they are also responsible for administering regional TDM programs and providing the technical and analytical assistance to subrecipients with the assistance of five staff members.

As the Council’s Metropolitan Planning Organization (MPO) function, Metropolitan Transportation Services (MTS) has a role in program coordination through its Multi-Modal Planning department. The TDM Program Manager is responsible for developing and managing the Regional TDM Program Work Plans, supporting regional TDM tools, managing a TDM performance management structure, reviewing TDM program documents, supporting the Regional Solicitation, and maintaining relationships in the TDM industry.⁶

Figure Two: Council Program Oversight



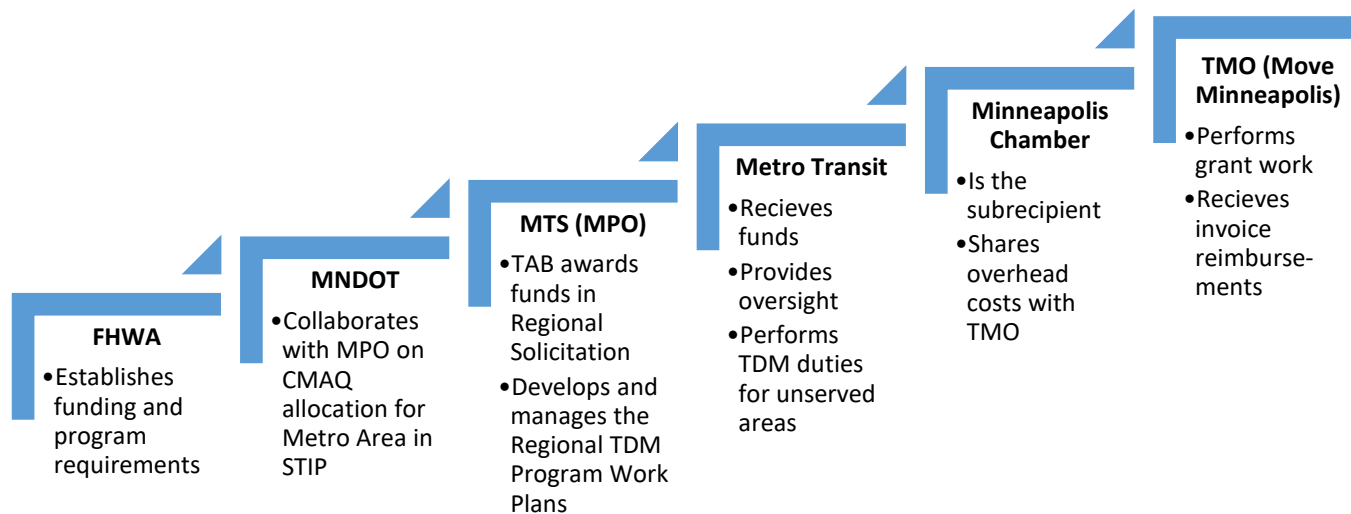
Minneapolis Regional Chamber and Move Minneapolis

The Council’s grant agreement is with the Minneapolis Regional Chamber (The Chamber).⁷ The Chamber is a local chamber of commerce, with seven staff.⁸ The Downtown Minneapolis Transportation Management Organization doing business as Move Minneapolis (Move) focuses on outreach and engagement within downtown Minneapolis. It operates as a subsidiary of the Minneapolis Regional Chamber, with its own Employer Identification Number (EIN). However, the two

⁵ Metropolitan Council. *Manager, Commuter Programs*. Web. [Link](#).
⁶ Metropolitan Council. *Program Manager, TDM*. Web. [Link](#).
⁷ Subrecipient Grant Agreement Number SG-2023-003.
⁸ Minneapolis Regional Chamber. *About Us*. Web. [Link](#).

organizations are deeply interconnected as they share staff, board, CEO, funds, office space, and other administrative expenses. Their efforts primarily target work commutes, with a special emphasis on hybrid and in-person employers, downtown residents, and essential trips that can shift to lower-emission transportation modes, including public transit, carpooling, vanpooling, biking, walking, and teleworking.

Figure Three: FHWA to TMO Funding Stream



Audit previously reviewed Metro Transit’s broader grant administration functions and did not have any findings.⁹ However, previous Council audits of the TDM program specifically had findings on adhering to grant requirements.¹⁰ Move Minneapolis, for example, has had prior issues with maintaining required information and documenting expenses. Move’s former executive director was investigated from 2015 to 2016, and found to have falsified grant records, deleted files, and otherwise acted improperly.¹¹ More recently, the Chamber’s president resigned following an April 2024 internal investigation into financial governance and controls of the Chamber.¹²

Public filings in 2023 disclosed material diversions totaling \$290,000 across the Chamber and its affiliates, citing unsubstantiated payments to unknown vendors and questionable travel expenses.¹³ According to public media reporting, after reviewing the investigation’s findings on June 27, 2024, the

⁹ Metropolitan Council (October 2023). Metro Transit Grants Administration. Web. [Link](#).

¹⁰ Metropolitan Council (June 2017). *Congestion Mitigation and Air Quality (CMAQ) Improvement Program Grant Use and Administration*. Web. [Link](#).

¹¹ Roper, E. (May 2016). *Audit: Move Minneapolis overbilled feds, destroyed files*. Star Tribune. Web. [Link](#).

¹² Hughlett, M. (2024, August 16). *Minneapolis chamber faces \$500K shortfall; CEO left after internal financial investigation*. Star Tribune. [Link](#).

¹³ Hughlett, M. (2025, April 22). With inquiry of former CEO, Minneapolis chamber of commerce looks to merge with St. Paul counterpart. Minnesota Star Tribune. Retrieved from <https://www.startribune.com/minneapolis-st-paul-chamber-of-commerce-merger-talks-joint-venture/601329128>

Chamber's CEO was given the option to have the Chamber's Executive Committee evaluate the results. Instead, he chose to resign, effective immediately. Following the CEO's resignation, the Chamber implemented several corrective measures. An interim CEO was appointed, and both the Executive and Finance Committees conducted a review of the Chamber's financial controls, with oversight from the Chamber's Board. On October 23, 2025 the former CEO of the Chamber and Move Minneapolis was indicted on five-counts of fraud.¹⁴

Objective

The primary focus of this audit was to examine the Minneapolis TMO and ensure proper oversight of federal funds. The primary objectives were:

1. Determine if grant expenditures are allowable and allocable in compliance with federal and grant requirements including 2 CFR 200, FAR Part 31, FTA Circular 5010.1F, and sections 4 and 8 of the FTA Master Agreement.
2. Review program activities to ensure they align with grant objectives and CMAQ rules, including those under 23 U.S. Code 149.

The CMAQ grant's purpose is reflected in several of the *Imagine 2050*'s regional values including stewardship, accountability, and equity.¹⁵ Further, *Imagine 2050*'s goal to *lead on addressing climate change* is directly impacted by the use and implementation of CMAQ funds. As such, this audit furthered *stewardship* and *accountability* by making sure that public funds are spent in accordance with grant rules, while also supporting larger organizational objectives related to sustainability by making sure that grant funds are spent on mitigation activities.

This audit also aligns with Metro Transit and Regional Administration's strategic plans. In relation to the *Metro Transit Forward* strategic plan, the CMAQ grant relates to the experience and service frameworks, including contributions to the Council's Climate Action Work Plan implementation.¹⁶ For the Regional Administration strategic plan, this audit ties into the *governance* pillar which addresses the need for transparency and effective decision making.¹⁷

Scope

This audit examined Move Minneapolis' use of CMAQ funds for fiscal years 2023 and 2024. All grant documents were subject to review, including external audit reports, financial statements for both Move Minneapolis and the Minneapolis Regional Chamber, invoices, and CMAQ project documentation.¹⁸ After meeting with the Chamber's external investigators, Audit reviewed invoices going back to 2019,

¹⁴ Nelson, S. (2025, October 23). Charges: Ex-president of Minneapolis Regional Chamber embezzled more than \$200,000. Star Tribune. <https://www.startribune.com/charges-ex-ceo-of-minneapolis-regional-chamber-embezzled-more-than-200000/601503001>

¹⁵ *Imagine 2050*: Metropolitan Council. *Imagine 2050: Regional Development Guide*. Web. [Link](#).

¹⁶ Metro Transit. *Forward: Vision, mission, strategic priorities*. Web. [Link](#).

¹⁷ Metropolitan Council. (2025, March 12). Information Presentation: Management Committee Meeting. *Regional Administration Strategic Plan*. Web. [Link](#).

¹⁸ 2 CFR Part 200 Subpart F. [Link](#).

performing a cursory review for alleged fictitious vendors. During follow up document requests, Audit reviewed additional documentation for April and September 2024 specifically.

Methodology

To determine that expenses were allowable and allocable, auditors reviewed Move Minneapolis' invoices, payroll records, and program documentation for compliance with the grant agreement, 2 CFR Part 200, FAR Part 31, FTA C 5010.1F, and sections 3 and 8 of the FTA Master Agreement. For invoices, Audit reviewed 23 monthly invoices between 2023 and 2024. This included reviewing the supporting documentation for recurring costs, in kind expenses, travel, reimbursement requests, and interorganizational billing statements. For payroll, Audit reviewed the supporting documentation for 2024, including certified payroll and timesheets.

Auditors also conducted a series of interviews, some onsite at the Chamber's downtown office, while follow-up interviews were virtual. From the Chamber, auditors interviewed the Interim President and CEO, the Treasurer, the former Chief Financial Officer, an Accountant, and the Chief of Staff. From Move, auditors interviewed the Executive Director and key program staff. Additionally, the Chamber provided access to the attorneys from the external investigative firm and third-party accountants. Finally, Audit spoke with Council staff responsible for or involved with TMO oversight.

To review program activities, auditors sampled deliverables from Move Minneapolis' annual work plan, reviewed meeting minutes, data submissions, project tracking documents, and other items to ensure work was completed and met the grant guidelines.

Finally, as appropriate, Audit reviewed older invoices and the Council's financial systems to see if potential fictitious vendors were paid as part of grant activities.

Limitations

This audit was limited in scope to a review of one TMO, Move Minneapolis, and their parent organization, The Minneapolis Regional Chamber. The audit did not examine the operations or practices of the three other TMOs that receive CMAQ funds or other federally funded programs administered by the Council. As such, the audit's findings and conclusions are limited to Move Minneapolis and Commuter Programs and are not intended to be generalized to other TMOs or to the Council's broader grant management practices.

I. Compliance Issues

This section addresses identified compliance risks including inadequate cost documentation and financial controls, inflated expenses and improper application of in-kind donations, with implications of not meeting local match requirements. Additionally, indirect cost allocation practices were not aligned with federal requirements, and procedures for ensuring DBE compliance were inconsistently applied.

1.1 Audit cannot confirm that federal funds were not impacted by the diversion of assets.

A limited internal investigative scope and remediation actions, a pervasive lack of documentation, complex and opaque financial relationships, fungibility, and evidence of fraudulent practices make it impossible to conclusively determine whether CMAQ federal funds received by Move Minneapolis were diverted.

Audit cannot confirm that federal funds awarded to Move Minneapolis were not impacted by the former CEO's alleged misconduct or the material diversion of assets publicly disclosed in 2023. Federal grant requirements under the FTA Master Agreement and Uniform Guidance (2 CFR 200) demand documented costs, transparent records, and robust internal controls to protect the integrity of federal funds, including preventing the diversion of assets. These standards were not met. The inability for Audit to determine whether CMAQ funds were affected stems from the Chamber's narrowly scoped investigation, pervasive gaps in documentation, and financial operations so intertwined between affiliated entities that tracing funds to their intended use was materially impaired.

According to Chamber staff, the Chamber's investigation originated in late 2023 when, amid a severe budget deficit, the Chamber engaged a third-party to conduct a financial review that identified questionable personal expenses by the Chamber's CEO along with other control issues. Public filings in 2023 disclosed material diversions totaling just under \$290,000 between the Chamber and Foundation, citing unsubstantiated payments to unknown vendors and questionable travel expenses.¹⁹ Move Minneapolis's own 2023 IRS Form 990 disclosed no diversions.

In early 2024, during a routine financial audit, the former CFO discovered an undisclosed bank account during audit preparations, which prompted further scrutiny. In April 2024, the Chamber retained a law firm to perform a limited investigation, which concluded in June 2024. The investigators provided Audit with documentation that showed that they ultimately found diversions in five separate months from 2019 to 2024, including fabricated vendors such as "Synergy Partners," which claimed work on a "transit" project potentially tied to CMAQ funding.²⁰ The Chamber's former CEO allegedly routed member donations through undisclosed bank accounts, submitted falsified invoices for

¹⁹ Hughlett, M. (2025, April 22). *With inquiry of former CEO, Minneapolis chamber of commerce looks to merge with St. Paul counterpart*. *Star Tribune*. Web. [Link](#).

²⁰ The project was "Where does this Bus Go?" a Metro Transit public relations campaign from 2018 to 2020. The Chamber and Move were identified as partners on Transit's website. Audit reviewed the Council's financial system and invoices. To our knowledge, "Synergy Partners" was not billed on any Council invoices and was not a vendor in the Council's system. For more information and videos, please see: [Link](#).

personal travel, and redirected refunds to his home. The interim Chamber's CEO acknowledged there was "not a 100% certainty that federal funds were not touched."

These conditions collectively undermine confidence in the Chamber's stewardship of public funds and heighten the risk that unallowable or fraudulent costs were charged to federal awards. As a result, the Council faces potential compliance violations, reputational harm, repayment of questioned costs, and possible funding restrictions.

1.2 Subrecipient did not inform the Council or FTA as required of known diversion of assets.

The Chamber failed to notify the Federal Transit Administration (FTA) as required about a significant internal financial fraud investigation involving the diversion of \$290,000 in 2023. Neither the Chamber nor Move formally notified the Council's project manager of ongoing investigations or their subsequent findings. While the current Chamber CEO alerted federal and state enforcement agencies, including the IRS Criminal Investigation Division, the Minnesota Attorney General's Office, and the FBI, proper notification protocols mandated under the subgrant agreement were not followed. This agreement, grounded in 2 CFR Part 200 and the False Claims Act, requires subrecipients to promptly disclose any potential fraud, waste, or abuse to the Council, the FTA Chief and Regional Counsel, and the U.S. Department of Transportation Inspector General.²¹

This failure to communicate potential fraud compromises federal oversight and transparency, placing federal funds at risk and undermining the Council's credibility as a steward of public resources. The omission threatens future funding eligibility and exposes the subrecipient and associated entities to significant legal and financial penalties under the False Claims Act, which allows for fines between \$5,000 and \$10,000 per violation and triple damages for the government. These lapses in compliance also violate grant conditions and jeopardize the integrity of federally supported programs.

1.3 Move charged in-kind donations as direct costs, violating federal regulations.

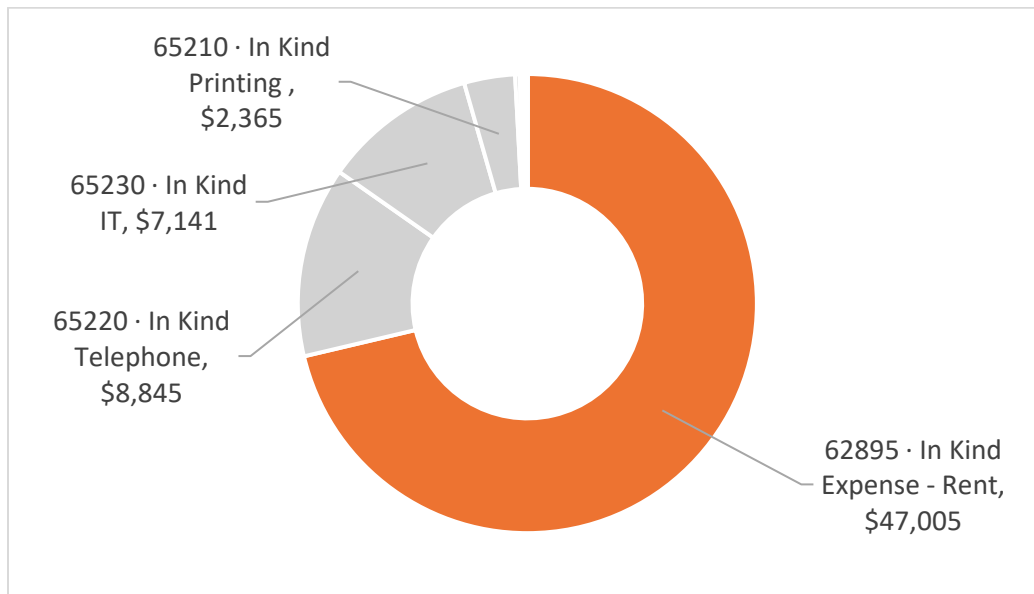
Move improperly invoiced in-kind donations and treated them as reimbursable expenses, contrary to 2 CFR 200.434(b), which prohibits charging in-kind contributions to a federal award as either direct or indirect costs.²² In-kind donations were charged as expenses on twenty out of the twenty-three invoices, with in-kind rent being the majority of the unallowable in-kind expenses (**Figure Four**). In total, the Council reimbursed approximately \$50,974 in in-kind expenses in 2023-2024.²³ While in-kind donations may be used to satisfy the required 20% local match, they should not be included on invoices as billable expenses. This misclassification poses both a financial and compliance risk.

²¹ False Claims Act, 31 U.S.C. §§ 3729–3733 (laws in effect Aug. 13, 2025). Office of the Law Revision Counsel, U.S. House of Representatives. [Link](#).

²² 2 CFR 200.434(b). [Link](#). "the value of services and property donated (that is, in-kind donations) to the recipient or subrecipient may not be charged to the Federal award either as a direct or indirect cost." However, the value of donated services and property may be used to meet cost sharing requirements. As outlined in the subrecipient agreement, 20% of expenses must be met by local match. For example, \$103,405 of the total 2024 project cost of \$517,027 must be locally matched.

²³ This number is an estimate because partial payments were made in November 2023 and December 2024. Partial payments were made in line with the Not to Exceed (NTE) dollar amount set in the grant agreement.

Figure Four: Invoiced Unallowable In-Kind Expenses to the Council 2023-2024



A key issue is that the same in-kind donation amount was used twice: once as an expense (which was reimbursed at 80% with federal funds) and once as a local match (which should have been its only role). While Move and The Chamber acknowledged that the in-kind allocation reflected poor accounting practice, they argued that it was not necessarily duplicative. Their rationale was that the net financial effect was neutral due to other unclaimed expenses and because the 20% local match reduction applied to all invoiced amounts exceeded the value of the in-kind line items. However, the argument that in-kind expenses were not paid simply because 20% of expenditures were already deducted for the local match reflects Move’s misunderstanding of how allowability, in-kind contributions, and match requirements function. This issue was likely perpetuated by this lack of familiarity with federal grant regulations and inadequate invoice review by the Council’s project manager.

1.4 Move Minneapolis’ rent-related expenditures invoiced were inflated by over 50%

Move’s rent expenditures were inflated by over 50% as compared to the Chamber’s lease agreement and what the landlord billed. Move largely paid rent to the Chamber in accordance with the affiliate agreement, which is used each year to estimate shared recurring costs.²⁴ However, Move did not reconcile based on actual charges, ending up paying significantly more than their fair share based on the Move Minneapolis and Chamber’s staffing ratio. Despite making up less than 25% of the total staff and working largely remotely, Move paid 45% of the downtown office’s rental costs in 2023 and 41% in 2024. Rent also exceeded the Council approved budgeted amount by \$8,764 in 2023 and \$10,235 in 2024.²⁵ Additionally, unaffiliated subletters such as the Latino Chamber of Commerce share the space and were not accounted for in the rent allocation.

²⁴ There were noticeable variations in the rent costs for certain months when “negotiations” were occurring. The Chamber and MOVE did not provide documentation of the negotiations as requested.

²⁵ Move staff confirmed that they worked remotely for a large portion of their time. As such, it is unclear if expenses for the shared space were even necessary.

Unsupported expenses violate cost allowability principles, creating compliance, financial, and reputational risks. To be allowable under a federal award, costs must be necessary, reasonable, and allocable.²⁶ The Grant Agreement reiterates this requirement in clause 3.01 Authorized Use of Grant Funds: “The Subrecipient must use Grant Funds only for costs that are: (1) FTA-eligible expenses; (2) in accordance with the Approved Budget; and (3) directly incurred for the Project during the Project Activity Period.”

The Chamber’s rent costs for locations not involved with the federal award are unallowable, as such costs are not supported by documentation and therefore cannot be considered allocable. CFR 200.306(i)(3) states that donated space must be valued no higher than the fair rental rate.²⁷ The Notice of Grant Award (NOGA) that apportions funds to TMOs for fiscal year 2023 and 2024 states “Project Managers should review all expenditures charged to the grant to determine if the charges fall under the appropriate activity line(s) listed in the approved budget and within the dollar amount available.”

In 2023, the estimated rent of \$313,224 significantly exceeded the \$169,635 of actual rent paid to the landlord. Based on actual rent and staffing proportion, Move’s share should have been no more than \$41,307.28 (**Table Two**). Of this, only \$33,046 should have been reimbursed by the Council, in accordance with the 80/20 match requirement. In actuality, Move invoiced \$68,794 including in-kind rent, and the Council paid \$55,011 which represents an overpayment of \$21,965.

Table Two: Rent Allocation Comparison 2023²⁸

Category	Agreement	Actual	Correct
Total Rent	\$313,224	\$169,635	\$169,635
Basis of Allocation	5.6 / 23 FTE	Unclear	5.6 / 23 FTE
MOVE Allocation (Percent)	24%	41%	24%
MOVE Allocation (Dollars)	\$76,263	\$68,764	\$41,307
Reimbursable Amount (80% of actual)	\$61,011	\$53,561^b	\$33,046

²⁶ 2 CFR 200.403. [Link](#).

²⁷ 2 CFR 200.306(i)(3). [Link](#). “The value of donated space must not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.”

²⁸ Table Notes: Agreement: The total that would result from accurately applying the formula in the affiliate agreement, based on the 5.6/23FTE ratio. Actual: The amount invoiced by the landlord serves as the total rent. Move’s dollar allocation represents Move’s paid rent including in-kind rent which was invoiced as an expense. The percentage allocation is calculated based on the ratio of these two numbers. The reimbursable amount is the actual dollar value the Council reimbursed for rent. Correct: The accurate rent allocation calculated by applying the actual FTE ratio to the landlord’s rent, and the correctly 80% apportioned share of Council expenses. Since there were fewer remaining funds than invoiced in November 2023, the Council paid only

In 2024, the estimated rent of \$304,568 also significantly exceeded the \$174,410 of actual rent paid to the landlord. Based on actual rent and staffing proportion, Move's share should have been no more than \$40,550 (**Table Three**). Of this, only \$32,440 should have been reimbursed by the Council, in accordance with the 80/20 match requirement. In actuality, Move invoiced \$70,255 including in-kind rent, and the Council paid \$56,204, which represents an overpayment of \$32,440.

Table Three: Rent Allocation Comparison 2024

Category	Agreement	Actual	Correct
Total Rent	\$304,568	\$174,410	\$174,410
Basis of Allocation (FTE Ratio)	4.65 / 20 FTE	Unclear	4.65 / 20 FTE
Move Allocation (Percent)	23%	40%	23%
Move Allocation (Dollar)	\$70,812	\$70,255	\$40,550
Reimbursable Amount (80% of Move Allocation)	\$56,650	\$52,265^a	\$32,440

The Chamber's former CFO drafted the affiliate agreements using estimated amounts, not actual expenses. The Chamber did not provide the formula they used to create the estimate. However, the Chamber provided a breakdown of all actual rent costs charged to the Chamber and included facilities that were never used by Move, "depreciation on tenant improvements," and "interest portion on lease amortization" (**Table Four**). Move could not support the charges.

Table Four: Rent Invoices

Allowable - Used by Move	Unallowable - Not Used by Move
Y-Q Associates – Rent Wells Fargo ²⁹	Acorn Mini Storage Y-Q Associates - Parking Boulevard Building Rice Real Estate

\$39,867.84 of the \$51,909.97 invoiced. This adjustment (77%), when applied equally across all line items, reduces the total rent paid for the month from \$6,250 to \$4,800.12, a \$1,449.88 difference. Therefore, the amount of in-kind the Council paid is 80% of the total billed minus the difference between what was invoiced and what was paid by the Council in November i.e. $\$68,764 \times 0.8 - (\$6,250 \text{ to } \$4,800.12) = 53,561$. Which makes the overpayment in 2023 \$20,515.49.

²⁹ The reported use of the Wells Fargo storage facility suggests its use was allowable. Audit did not independently verify the unit's contents or usage.

Including the buildings that Move did not use could explain the overallocation, but Move's weak internal controls allowed the issue to go undetected. No written financial controls were documented and roles and responsibilities between staff and the organizations themselves is unclear. The internal allocation plan (affiliate agreement) and treatment of indirect costs was also insufficient. Grant oversight was also lacking, as Metro Transit never requested the underlying supporting documentation for the recurring charges or questioned the inflated and overbudget rental costs. Rent consistently aligned much more closely with the actual lease agreement both prior to and following the period of asset deviation and changes in leadership.³⁰

These inflated costs have implications for local match requirements. Move used rent as part of its in-kind donations to meet the local match requirements. Additionally, Move billed these in-kind expenses to the Council. When reported expenses, such as rent, are artificially increased, they distort the proportion of local contributions versus eligible reimbursable costs. As a result, the organization may not have actually met the local match requirements as they overstated the value that they were providing as a donation.

1.5 Subrecipient was not in compliance with federal cost allocation guidelines.

Move Minneapolis violated federal cost allocation guidelines by exceeding allowable indirect costs and failing to implement a compliant allocation methodology. The grant agreement capped indirect costs at 10% of eligible direct costs (15% after October 2024) yet Move's budget reflected \$92,891, surpassing the \$51,832.50 limit. Move also lacked sufficient documentation to demonstrate how indirect costs were calculated, allocated, or charged.

Under 2 CFR 200.414, recipients without a negotiated rate may elect a de minimis rate, but must apply it consistently, document methodology, and comply with grant terms unless formally approved otherwise.³¹ To remain compliant, Move could document and get the allocation methodology approved. Move neither produced a formal cost allocation plan nor justified its expense classification. Reliance on informal approvals and undocumented practices introduced significant compliance risks.

The absence of a structured, documented allocation method increases the likelihood of inconsistent charges, double billing, and expense misclassification across funding sources. Such practices diminish financial accountability and jeopardize eligibility for future grants. Formalizing cost allocation procedures and securing written approvals remain essential to restoring compliance and safeguarding federal funds.

1.6 Commuter Programs did not route the grant agreement for OEEEO review, resulting in no DBE goal setting and reporting.

Commuter Programs failed to route the Chamber's federally funded grant agreement with the Chamber to the Office of Equity and Equal Opportunity (OEEEO) for required review and Disadvantaged Business Enterprise (DBE) goal setting. Consequently, the agreement advanced

³⁰ In 2020 and 2019, rent amounted to approximately 12k per month (144k per year). In 2021, while Move was in leadership flux, rent rose to \$25,425 per month. In 2021, records of actual rent payments never exceeded \$14,000 a month which is a significant discrepancy between the \$25,425 that was in the agreement. In 2025, the budgeted facility rent decreased significantly to \$233,880.

³¹ 2 CFR 200.414. [Link](#). "Recipients and subrecipients that do not have a current Federal negotiated indirect cost rate (including provisional rate) may elect to charge a de minimis rate of up to 15 percent of modified total direct costs."

without compliance oversight, and no formal DBE goal was established despite the agreement containing DBE program language.

Federal regulations, at the time of grant execution, required subrecipients to comply with all applicable statutes, ensure nondiscrimination, and promote DBE participation in federally funded contracts.^{32, 33} MTS' and Metro Transit's Subrecipient Monitoring Procedures mandate routing grants over \$50,000 to OEE0 for DBE goal-setting and post-award compliance briefings. The Notice of Grant Award (NOGA) and the subgrant agreements explicitly incorporate these requirements.

This non-compliance was due to the department's inadequate understanding and training for DBE obligations. The failure to route the agreement prevented OEE0 from establishing goals and monitoring DBE engagement. The omission undermined oversight, increased compliance risk, and potentially deprived disadvantaged firms of subcontracting opportunities such as printing and web design.

II. Financial Controls and Documentation

This section describes financial control gaps of the subrecipient and its affiliates including insufficient financial controls and inadequate documentation of costs to more specific areas such as the inappropriate charging of insurance, recurring costs, and salary and fringe benefits.

2.1 Subrecipient's undocumented internal financial controls exhibit gaps in segregation of duties, approval authority, and vendor file management.

Recipients are required to establish and maintain effective internal controls to ensure compliance with federal statutes and terms of the award.³⁴ According to a federal indictment, the former CEO of the Chamber was allegedly able to falsify vendor files, misuse company cards on personal expenses, create fictitious invoices, and siphon donations into a hidden bank account, indicating severe control gaps in multiple areas. Council auditors observed many examples of poor financial controls including inadequate segregation of duties, insufficient documentation to support expenses, weak vendor management practices, and the failure to clearly track federal funds separately from other accounts.

Key areas of control weakness include:

Governance: There was noted to be a heavy reliance on undocumented general consensus for key governing decisions, indicating a weak approval authority structure. Some of these key decisions involved Move, including the transferring of funds from Move to a savings account managed by the Chamber.

Conflict of Interest: Roles and responsibilities were not adequately segregated. A potential conflict of interest existed among the two staff performing accounting duties, the CFO and the staff accountant are mother and son. The staff accountant was responsible for a significant

³² 2 CFR 200.332(b)(2). [Link](#).

³³ 49 CFR 26.13 [Link](#). "The recipient's DBE program, as required by 49 CFR part 26 and as approved by DOT, is incorporated by reference in this agreement. Implementation of this program is a legal obligation and failure to carry out its terms shall be treated as a violation of this agreement."

³⁴ 2 CFR 200.303. [Link](#).

number or roles for both organizations including: “general accounting, day-to-day work, invoicing, accounts payable and receivable.”

Documentation: Audit observed poor personal expense tracking on invoices, including a lack of receipts, non-itemized receipts, and credit card statements in lieu of a formal receipt. In late 2023, a third-party consultant found similar control weaknesses but there was not a formal corrective action plan written.

Accounting Practices: Standards for Financial and Program Management require account separation. According to 45 CFR § 75.302 (b)(1) the financial management system must identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.³⁵ Beyond what has been detailed in the annual affiliate agreements and budgets, there are no written policies for accounting. The complexity of interorganizational billing and lack of clear credit application rules, severely impaired the audit trail. Multiple credits were applied across multiple invoices (containing both positive and negative line items) often to make partial payments. This practice made it impossible to fully reconcile shared services billed to the Council with what was actually settled between the two affiliates in the two months tested (April and September 2024).

The organizations also failed to adequately segregate federal expenses. The former CFO did not consistently allocate costs across all funding classes. Instead, she charged the majority of expenses from the Chamber directly to CMAQ, with limited exceptions (e.g., legal, audit). A parallel “CMAQ-aligned” category was also created for expenses paid by other funders but initially budgeted in CMAQ, further blurring reporting. Federal grant management standards require that expenditures charged to the grant be clearly distinguishable.³⁶

As of March, financial policies and controls had not yet been documented. However, some new financial controls have since been established, and governance structures improved, including the addition of a Chamber Board member to the Executive Committee, who also serves on the Move Minneapolis Advisory Board. Late in the audit, a simple written control checklist was provided but was not tested.

2.2 Approved invoices contained inadequate documentation of costs.

All Move Minneapolis invoices from 2023-2024 lacked adequate supporting documentation, such as certified payroll, receipts for recurring expenses, and sufficiently detailed receipts for incidentals such as food and travel. Documents provided as part of multiple follow-up requests were also insufficient.³⁷ Inadequate documentation is a violation of grant and federal award requirements. To be allowable under CFR §200.403, costs must be necessary, reasonable, and allocable.³⁸ The Grant Agreement

³⁵ 45 CFR § 75.302 (b)(1). [Link](#).

³⁶ 45 CFR § 75.302 (b)(1). [Link](#).

³⁷ This included interorganizational billing records, additional receipts, and general ledger entries. However, these documents were inadequate, illegible, or incomplete and could not be used to support a full reconciliation of Move’s costs.

³⁸ CFR §200.403. [Link](#).

further requires that all costs be eligible, within budget, incurred during the project period, and supported by proper records such as payroll, invoices, and receipts.³⁹

The most financially significant gaps in documentation were in rent, operations (recurring costs), and salaries. Invoices never included certified payroll or timecards.⁴⁰ Receipts for recurring expenses were either unavailable (printing) or inconsistent with other supporting documentation such as interorganizational billing (rent, IT, and telephone). Recurring expenses are documented in an affiliate agreement included in the first invoice of the year, but this agreement was not approved by the Council, is not legally binding, and does not have a clear allocation basis. The affiliate agreement is not tied to actual receipts, but rather budgeted amounts. Recurring expenses often varied month to month. Move and the Chamber staff were unable to provide the rationale and documentation behind refunds, changes, or other negative line items observed on invoices.⁴¹

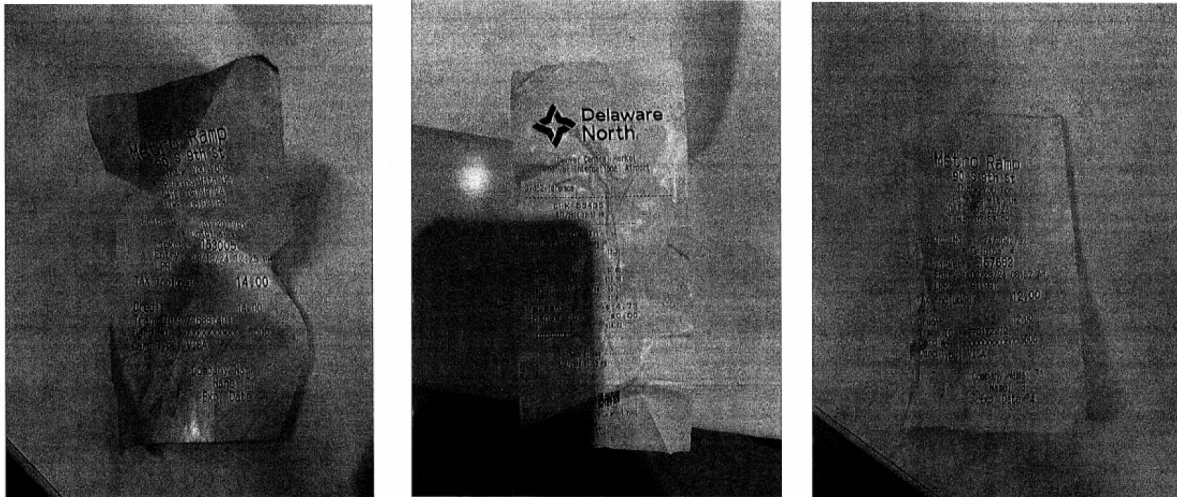
Smaller incidental purchases also lacked support. Food receipts did not have itemized details, and others were illegible due to photo quality (**Image Set One**). In two instances, the gift card purchases made it impossible to tell if items purchased were allowable. For example, in October 2023, a Four Seasons gift card was invoiced, and while travel expenses could be allowable in certain circumstances, a gift card obscures the purpose. Similarly, the provision of credit card statements without transaction details obscures the allowability of purchases. An even weaker form of documentation was the common use of a “No-Receipt Credit Card Expense” form, which was sometimes submitted and approved by the same staff member.

³⁹ Subrecipient Grant Agreement Number SG-2023-003: Clause 3.01 Authorized Use of Grant Funds: “The Subrecipient must use Grant Funds only for costs that are: (1) FTA-eligible expenses; (2) in accordance with the Approved Budget; and (3) directly incurred for the Project during the Project Activity Period” Furthermore “All Project Costs charged to the Project must be supported by proper documentation, including properly executed payrolls, effort reporting or time records, invoices, contracts, receipts for expenses or vouchers, evidencing in detail the nature and propriety of the charges”

⁴⁰ 2 CFR §200.430(g). [Link](#). “salaries and wages must be based on records that accurately reflect the work performed.” This section further details that records must support the distribution employee’s salary among specific activities or costs, be incorporated into official record, encompass all activities (federal and non-federal) on an integrated basis, and that budgeted estimates can only be used in the interim and must be reconciled.

⁴¹ April 2024 is a notable example where three line items were negative and rent increased by approximately \$2000 more than agreed upon in the affiliate agreement.

Image Set One: Examples of Poor Legibility Common in Invoices (August 2024)



The Chamber's and Move's lack of documented financial controls contributed significantly to poor invoice documentation. Without formal policies or procedures in place, there was no clear division of roles and responsibilities, which undermined accountability. In several instances, the same individual who incurred or authorized expenditures was also responsible for reviewing and approving the related invoices, which created opportunities for errors or omissions to go unchecked.

Ultimately, the payment of these invoices was due to inadequate review and enforcement by Commuter Programs staff. The project manager described invoices as “pretty light on detail” and staff hours as “squishy”. When asked to describe their oversight activities, the project manager stated that “She’s not doing a financial audit each time – they (the subrecipients) are responsible for making sure that they’re using GAAP.” However, the Commuter Programs Manager’s position description states a duty of the role is to “Closely monitor activity and expenditures of CMAQ grant sub recipients to ensure compliance with Metropolitan Council, State and Federal policies, procedures and documentation requirements.”

Due to the poor documentation, Audit cannot confirm that unallowable expenses were not charged to the federal grant. While this is a direct compliance risk, it also increases the risk of fraud and could lead to financial risk of repayment, loss of public trust, and even jeopardize future funding.

2.3 Move Minneapolis invoiced excessive, undocumented, and unallowable insurance charges

During the 2023–2024 period, Move Minneapolis invoiced the Council for excessive, undocumented, and potentially unallowable insurance costs. The Chamber failed to provide supporting insurance policies or receipts with invoices, and where documents were available, allocation methods remained unclear. This occurred because invoices were not sufficiently reviewed, and no cost allocation plan or indirect cost rate was in place.

Federal regulations and the grant agreement require insurance expenses to be necessary, allocable, documented, and exclude coverage for punitive liabilities.⁴² Instead, Move charged the Council for Directors and Officers (D&O) insurance, including coverage for penalties without evidence of direct benefit or named insured status (**Tables Five, Six**). As a result, the Council may have reimbursed costs that offered no programmatic value, posed compliance risk, and reduced funds available for mission-related activities, while increasing exposure to financial, operational, and regulatory vulnerabilities.

Table Five: 2023 Insurance Charges

Month	Type	Invoiced	Receipt	Policy Provided	Move Named Insured
Recurring	Unknown	\$118.22/month	None	No	Unknown
February	Cyber	\$2,320.67	\$3,513.66	2025 Policy	Yes
February	D & O	Combined with Cyber	None	Renewed 2022 Policy	No
June	Liability	\$2,341.42	\$10,635.22	Renewed 2024 Policy	Yes

Table Six: 2024 Insurance Charges

Month	Type	Invoiced	Receipt	Policy Provided	Move Named Insured
Jan-Aug	Unknown	\$118.22/month	None	No	Unknown
Sep-Nov	Unknown	\$97.70/month	None	No	Unknown
January	D&O	\$1,071.92	\$5,763	Renewed 2022 Policy	No
February	Cyber	\$653.54	\$3,513.66	2025 Policy	Yes
May	Liability	\$2,400.00	\$11,049.22	2024 Policy	Yes

2.4 Move Minneapolis' salary and fringe costs could not be reconciled.

Move Minneapolis' invoiced salary and fringe amounts did not align with its timesheets and certified payroll. On average, variances between certified payroll and invoices were \$2,316.36 (7%) over a 13-month period, from September 2023 to December 2024 (**Table Seven**).⁴³ Council auditors later

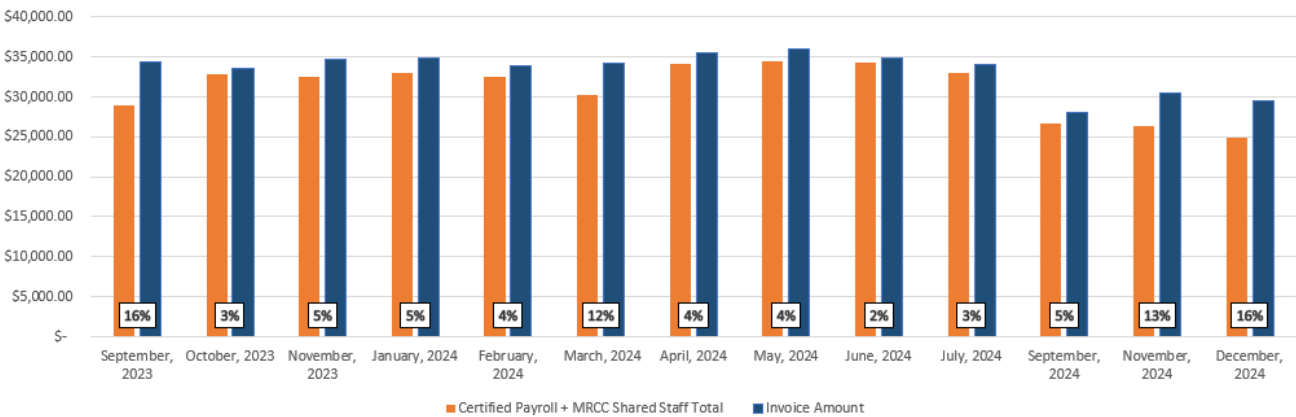
⁴² 2 CFR 200.447. [Link](#). Costs associated with insurance that are *required or approved* under the terms and conditions of a federal award are considered allowable expenses. 2 CFR §200.441 [Link](#). Costs resulting from violations of, or failure to comply with, federal, state, or local laws and regulations (including fines, penalties, damages, and settlements) are unallowable.

⁴³ The variance represents a generous estimate. Since the entities lacked a cost allocation plan and shared staff contributions were not separated in the certified payroll. It was difficult to verify and reconcile how much shared staff were paid from the CMAQ grant. Due to staff's individualized timekeeping practices, it was also difficult to determine what work was done in relation to the CMAQ grant programming. These include the use of acronyms and undefined keywords. There is a lack of financial controls surrounding timesheets, including review and verification of what employees are putting in their timesheets. For example, one of the employees entered "November 31, 2024" on their timesheet and entered in time and line items.

expanded the scope to include additional documentation but retained the original timeframe for salary analysis due to the volume of records provided.

To establish a basis for comparison, staff salaries were converted to hourly rates by dividing annual salaries by total annual hours. These calculated rates were then multiplied by the hours recorded on timecards and compared against certified payroll and invoices, creating a three-way match for validation.

Table Seven: Certified Payroll and Invoice Variance (September 2023 through December 2024)



It took multiple document requests before Move sent the original, unaltered certified payroll documents. After the initial document request in December 2024, Move sent redacted payroll documentation. Redacted parts included multiple duplicate and voided checks. Move explained that there was a transition between payroll systems as well as staffing changes that attributed to the voided checks.

Due to the discrepancies, Audit asked Move to provide receipts for benefits and fringe for April and September 2024. Despite the additional information, the amount in the receipts did not match what was invoiced to the Council. There was a 23% variance in April and a 36% variance in September, with the Council being invoiced less than what the actual cost for benefits were (**Table Eight**).

Table Eight: Variance Between Invoiced Benefits and Receipts

Month	Invoiced Fringe & Benefits	Actual Fringe & Benefits	Difference	Variance %
April 2024	\$2,194.26	\$2,857.24	\$662.98	23%
September 2024*	\$1,720.54	\$2,686.52	\$965.98	36%

**Note: September 2024 totals exclude dental insurance. Move only provided the breakdown of individual employee costs for April.*

Since salaries make up the majority of Move Minneapolis's budget, these questionable charges carry increased risk. Mismatched salary records are a red flag for payroll fraud. As unsupported expenses are unallowable, these inflated salary expenses may need to be repaid. Inadequate timekeeping, a lack of documentation supporting salary charges, and inadequate tracking of shared administrative staff time violates 2 CFR Part 200.302, which requires proper documentation of costs, adequate internal and transparent and traceable expenditure records.⁴⁴ 2 CFR 200.430(g) provides further guidance that "salaries and wages must be based on records that accurately reflect the work performed."⁴⁵ These records must be based on an internal control system that provides "reasonable assurance that the charges are accurate, allowable, and properly allocated". It further details that records must support the distribution of the employee's salary among specific activities or costs, be incorporated into official record, encompass all activities (federal and non-federal) on an integrated basis, and that budgeted estimates can only be used in the interim and must be reconciled. As this review encompasses a limited thirteen-month period, the actual misstated expenses are likely higher.

III. Programmatic Oversight

Above, we identified significant internal control issues with a subrecipient. While it's incumbent on recipients of federal funds to know and follow federal guidelines to protect these funds, this audit work also identified opportunities to improve the system of controls specific to the implementation and oversight of the TDM program. Notably, the TDM program has a unique selection and management structure that likely contributed to these problems. Areas for improvement include the documentation of grant-awarding methodology, performance monitoring, and maintenance of complete and accurate supporting documentation. Tightened internal controls at the programmatic level can improve the effectiveness of monitoring and oversight of TDM grantees.

3.1 The TAB used an undocumented, noncompetitive selection process for CMAQ's TMO grants.

The Council's Transportation Advisory Board (TAB) awards federal funds via the competitive Regional Solicitation process. The Transportation Improvement Plan states CMAQ funds are distributed through this competitive process. However, CMAQ funds for the TMO's TDM activities were not truly competitive. Instead, TAB relied on longstanding practice and internal assumptions about the unique role of TMOs in delivering regional TDM services. This practice was undocumented and did not explicitly assess whether a competitive process could have or should have been used.

Instead of a competitive process, MTS considers these TDM funds as "base level" or "set aside funding."⁴⁶ The most recent Transportation Improvement Program (TIP) allocated \$3,500,000 of \$85,912,697 total from the CMAQ funds. The TAB conducts a competitive regional solicitation to allocate funds and CMAQ funds are no exception to this rule.

As a result, there is a compliance risk and a significant opportunity cost to the MPO not fulfilling their role. This weakens transparency in the Council's activities and may undermine public trust in the

⁴⁴ 2 CFR Part 200.302. [Link.](#)

⁴⁵ 2 CFR 200.430(g). [Link.](#)

⁴⁶ The TIP does not define these terms.

funding allocation process. In addition, if programs are not being analyzed for effectiveness, that means the best programs are not being chosen in the noncompetitive process.

3.2 Move Minneapolis did not adequately measure and document their outcomes towards stated organizational goals.

Move did not adequately measure or document outcomes toward its stated goals, undermining transparency and program accountability. Most planning materials were in draft form, with minimal evidence of managerial oversight. In 2023, there were 4 documented goals with a total of 51 steps and 12 key performance indicators (KPIs). 8 of these KPIs from 2023 did not have any documented outcomes. In 2024, there were 8 goals with a total of 63 steps and 13 KPIs. Five of the KPIs from 2024 did not have any documented outcomes and were not tracked throughout the year. There was an excessive number of goals that would be difficult for Move to complete since Move currently has three FTE. In addition, many of the goals were not measurable. While there is evidence that most of the KPIs are being tracked through the year, the lack of documented outcomes makes it difficult to report what has been accomplished.

This occurred due to unclear oversight roles across the Council, Commuter Programs Manager, and the MPO. Under the subgrant agreement and CMAQ statute, programming must be satisfactorily performed, tied to measurable goals, and capable of demonstrating impact.⁴⁷ Without consistent performance tracking, the program's effectiveness and alignment with CMAQ goals, such as reducing traffic demand through sustainable commuting, remain unverified. This lapse weakens the Council's ability to justify federal fund use, exposes reputational risk, and raises concerns about the value of outsourcing commuter engagement.

3.3 Move Minneapolis, a subsidiary of the Chamber, received federal funds directly without a subrecipient agreement.

The Council disbursed federal funds directly to Move, without a formal subrecipient agreement. The absence of such an agreement reflects a fundamental misunderstanding of Move's legal status, as The Chamber treated it as a project rather than an independent entity. Move is a Chamber's subsidiary and maintains a separate EIN. While the grant named the Minneapolis Regional Chamber as subrecipient for the "Move Minneapolis TMO" project, Move operates as a legally distinct entity, maintaining separate financial records and annual audits. Federal regulations under 2 CFR § 200.332 require formal subaward agreements for each entity receiving funds, ensuring compliance with federal statutes and award terms.⁴⁸ Without an agreement, no expenses were eligible for repayment.

This confusion was compounded by intertwined governance, shared leadership, and blurred entity names in official documents. The Council's project manager was unaware that Move received funds directly, revealing a significant lapse in grant oversight. Without a formal subrecipient agreement, accountability and transparency are compromised, exposing the Council to reputational, compliance, and financial risks. This mismanagement threatens federal funding continuity and complicates recovery of funds. The arrangement's similarity to a shell entity, lacking enforceable obligations, heightens the risk of fraud and undermines federal grant integrity.

⁴⁷ 23 USC 149. [Link.](#)

⁴⁸ 2 CFR § 200.332. [Link.](#)

3.4 The Chamber received a subaward under a Unique Entity Identifier with inactive federal registration.

As a recipient of federal funds, the Council is obligated to make sure it does not distribute funds to suspended, disbarred, or otherwise ineligible entities. The grant agreement was executed under the Chamber's Unique Entity Identifier (UEI). This UEI had an inactive registration on SAM.gov profile at the time of signing in violation of 2 CFR § 25.300(a).⁴⁹ This issue arose because the Council lacks an automated control system for verifying UEI status, relying instead on manual checks by staff, which increases the risk of oversight. In this case, however, the grant recipient themselves informed the project manager via email of the inactive registration status. There was not a response from the project manager in Commuter Programs' files.

Having an active registration is one indicator that proper certifications and assurances have been obtained and kept up to date. As a result, there is a compliance risk as the Chamber was ineligible for federal funding due to their inactive UEI. Additionally, this oversight increases the risk of disbursing federal funds to ineligible or noncompliant entities.

3.5 Partial grant payments were processed without a supporting policy.

Metro Transit processed partial payments to Move twice without any formal policy to govern such transactions. In November 2023 and December 2024, payments of \$39,867.84 and \$13,739.16 were made against invoices that exceeded the remaining contract funds, reflecting a partial payment approach driven by contract ceilings rather than a defined procedure. The Council lacks any standard operating procedure or internal guidance for processing partial payments outside these specific CMAQ agreements, resulting in inconsistent and discretionary handling by project managers and finance staff.

Without documented criteria or centralized controls, Metro Transit relies heavily on individual discretion, which compromises transparency and traceability of how federal dollars are allocated. This gap increases the risk that unallowable costs, such as in-kind contributions prohibited under federal regulations, could be improperly covered. Moreover, the lack of revised invoices or documented allocation rationale may lead to misstated financial statements and non-compliance with federal requirements, exposing the Council to potential audit findings, questioned costs, and reputational damage. Establishing clear policies and controls for partial payments is essential to safeguard federal funds, ensure consistent financial reporting, and uphold regulatory compliance.

3.6 Move Minneapolis received two incorrect payments on a blank PO over a year late.

The Council made two incorrect payments to Move Minneapolis for invoices that should have been paid only to the Minneapolis Downtown Council, resulting in duplicate payments for the same charges. The first error involved a \$1,435 invoice from December 2022, and the second was a \$1,480 invoice from December 2023 (**Table Nine**). All payments were issued on a blank purchase order more than a year late, 305 to 740 days past due. Metro Transit Finance confirmed that the Chamber reimbursed the Council for the incorrect vendor payments in the amount of \$2,915 in February 2025. The reimbursed amount was requested by the Chamber's staff accountant.

⁴⁹ 2 CFR Appendix-I-to-Part-200(b)(5)(ii)). [Link](#).

Table Nine: Correct and Incorrect/Duplicative Invoice Payments

Voucher ID	Name 1	Invoice Date	Payment Date	PO Number	Days Late	\$ Amount
4628095	MINNEAPOLIS DOWNTOWN COUNCIL	12/3/2022	11/7/2024	(blank)	740	\$ 1,435
4628094	MINNEAPOLIS DOWNTOWN COUNCIL	12/11/2023	11/7/2024	(blank)	367	\$ 1,480
4599829	DOWNTOWN MINNEAPOLIS TMO DBA MOVE MPLS	12/3/2022	9/6/2024	(blank)	678	\$ 1,435
4599832	DOWNTOWN MINNEAPOLIS TMO DBA MOVE MPLS	12/11/2023	9/6/2024	(blank)	305	\$ 1,480

Council procedure FM 10-1 and Minnesota Statute 471.425 requires invoices to be paid within 35 days, with 1.5% monthly interest on late payments. Failure to properly validate vendor identity before payment, especially on blank POs, introduces considerable risk of late, incorrect, improper, or duplicative payments. In this instance, similar vendor names, shared building addresses, and a lack of automated safeguards contributed to the duplicate incorrect payments. Similar vendor file issues were flagged in a 2022 audit but remain unresolved due to delays in the Business Process Systems Improvement (BPSI) project.⁵⁰ This lapse undermines compliance with prompt payment requirements, increases the risk of financial loss, and diminishes the Council's ability to recover funds. It reflects a broader control deficiency in verifying vendor identity and preventing duplicate payments.

3.7 A duplicate payment was made and not identified in a timely manner.

A May 2021 invoice from Move Minneapolis totaling \$35,936.78 was paid twice (**Table Ten**). Two separate voucher IDs were created for the same invoice amount, and both payments were processed under payment reference "2013936."

Table Ten: Duplicate and Impacted Invoices

	Voucher ID	Name 1	Invoice #	Invoice Date	Payment Date	PO #	Payment Reference	\$ Amount
ORIGINAL	4035549	DOWNTOWN MINNEAPOLIS TMO DBA MOVE MPLS	45798	6/7/2021	7/26/2021	269819	2013936	\$ 35,936.78
DUPLICATE	4035546	DOWNTOWN MINNEAPOLIS TMO DBA MOVE MPLS	44317	6/7/2021	07/26/2021	269819	2013936	\$ 35,936.78
UNPAID	NONE			7/1/2021		269819		29686.79
ADJUSTED	4077292	DOWNTOWN MINNEAPOLIS TMO DBA MOVE MPLS	44378	8/9/2021	10/18/2021	269819	2017873	\$ 15,942.87

To offset the overpayment, the July 2021 invoice was partially paid, reflecting \$15,942.87 instead of the actual \$22,192.86, while the correct but unpaid June 2021 invoice of \$29,686.79 was left

⁵⁰ Vendor File Management, Program Evaluation and Audit, 2022: Vendor File Management Recommendation Five: "During the BPSI project, vendor managers from Risk Management, Housing Redevelopment Authority, and Procurement should meet with the integrator to ensure that their needs are met. Some needs could be ensuring proper data migration, validating redundant files, automated vendor inactivation, and an automated, periodic review of vendor information"

outstanding. All payments were made under the same purchase order and remained within the grant's funding limit, but basic accrual accounting principles require payments to be clearly matched to the correct expense period.⁵¹ Council Procedure FM 10-1, Minnesota Statute 471.425, and the grant agreement require timely, accurate payments.⁵²

The root cause was weak, largely manual accounts payable controls that allowed two voucher IDs to be created for the same invoice. A note in the Council's internal grant tracking spreadsheet flagged the duplicate, but no formal correction followed.⁵³ While the total funds disbursed stayed within the grant limit, improper offsetting misstates both the overpaid and adjusted periods. Such lapses elevate the risk of fraud and waste resources on correcting preventable errors, highlighting the need for stronger invoice validation and payment verification processes.

Currently, there is not a documented process for correcting issues. Confusion was compounded by a mismatch between Move's monthly invoice submissions and the Council's quarterly payment schedule, where grouped payments increased the likelihood of oversight.

Recommendations and Council Management Response

1. Programmatic Restructuring

Recommendation: The Council should restructure the Travel Demand Management program to ensure alignment with federal requirements and Council goals. The restructure should include an assessment of program staff knowledge, skills, and abilities needed for effective grant and financial management, as well as subrecipient oversight. It should also evaluate the processes for selecting and awarding recipients.

Management Response: Management agrees and will complete changes in three areas:

1. Move TDM grant administration to the MTS/CD Finance & Administration Department, consolidating all outgoing transportation grant management
2. Continue to implement the region's TDM Action Plan guiding work plans and performance metrics by all regional TDM practitioners, including the Council
3. Review the Council's TDM operational service delivery model and implement a transition to a revised structure

Each of these change areas are described in further detail below.

First, management will revise the grant program by moving Travel Demand Management (TDM) grant management to the Community Development/Metropolitan Transportation Services Finance and Administration Department. Management recognizes that many of the

⁵¹ Conceptual Framework for Financial Reporting. (FASB, 2021, Concepts Statement No. 8). [Link](#).

⁵² [MN State Statute 471.425](#): "The rate of interest calculated and paid by the municipality on the outstanding balance of the obligation not paid according to the terms of the contract or during the standard payment period shall be 1-1/2 percent per month or part of a month."

Accounts Payable Payment Method Policy: "All staff involved in processing payments for the Council are responsible for ensuring that payments are processed accurately and paid according to the terms of the contract, or if no contract terms apply, within 35 days of the date of receipt."

⁵³ The exact individual who identified the error is unknown, the notes in the tracking document indicate at some point the project manager became aware.

issues identified in this audit result largely from decentralized grant management functions, where responsibilities in the grant lifecycle related to awarding and spending oversight were dispersed across multiple departments. Consolidating subrecipient oversight and outgoing grant oversight under a single department will strengthen control, accountability, and consistency in compliance practices.

CD/MTS Finance & Administration already has subrecipient oversight and outgoing grant management responsibilities for several programs, and established systems, procedures, and trained personnel focused on subrecipient compliance, making it well-suited to ensure consistent application of financial controls, grant spending requirements, and maintaining the correct knowledge, skills, and abilities of staff as those requirements evolve over time. This includes enhanced training and procedures to ensure consistent pre-award evaluations of applicants, as required by 2 CFR §200.302 (internal controls) and §200.332(b) (risk assessment), strengthened eligibility verification, cost review, and indirect cost compliance prior to issuing awards. This transition will help ensure:

- Updated grant agreement templates to include appropriate references to ensure compliance with 2 CFR §200
- Implementation of a standardized risk assessment tool to evaluate financial and organizational capacity of each applicant prior to grant execution
- Required documented indirect cost agreements or de minimis rate election in compliance with 2 CFR §200.414
- Formalized pre-award grant file documentation checklist capturing all required federal compliance elements and associated documentation
- As applicable, ongoing participation in professional development for grants management through the National Grants Management Association and State of Minnesota Office of Grants Management

Grant management transition will begin by January 1, 2026 and associated actions above will be implemented prior to execution of 2026 TDM grant agreements.

Second, MTS Planning recently added capacity to enhance and build our regional TDM strategy and programming so this restructure will better align and increase the impact of TDM services in our region by having one designated area that is responsible for program planning, funding allocations to providers, and performance measurement.

The Council will continue to implement recommendations in the [Regional TDM Action Plan \(2023\)](#), including regional work program development and performance measurement. “Develop a Regional TDM Program Performance Framework” (Action 1.7).

The Transportation Advisory Board is currently developing the 2026 regional solicitation for federal funds and will clarify competitive and base funds in this process, including for Council-led planning, TDM, and BRT programs funded through the solicitation. A [recent TAB presentation](#) included information on base and competitive funding in the upcoming solicitation, and ongoing work will incorporate report recommendations, including the following actions and schedule:

- Increased role of Regional TDM Program Manager in 2026 work plan and budget setting for TDM/TMO activities, Q4 2025 for greater consistency across programs. Further involvement and alignment planned across 2026 for 2027 budget development.

- TAB discussion and direction for competitive funding Q4 2025, incorporation in regional solicitation design Q1 2026, release for applications Q2 2026, project selection Q4 2026; ongoing every two years after
- Increased description and clarity of CMAQ funds for TDM activities in 2027-2030 TIP-drafting starting April 2026; adoption Sept 2026, federal approval late 2026

Third, the Council will complete a structural review of how it delivers TDM services to help determine the best operational program structure to deliver the region's TDM program goals and outcomes.

This structural review also reflects an opportunity for increased impact of our overall TDM programming and strategy as our region is experiencing increased rates of return to in-person work and more employers and employees are seeking ways they can support and use public transportation and multi-modal transportation alternatives.

Timetable: This review will be completed by March 1, 2026 with evaluation of delivery options and associated implementation steps for management decision. After a program structure is selected (March 2026), ongoing implementation planning will guide transition steps to implement the future structure.

Staff Responsible:

- Executive Director, Metropolitan Transportation Services
- Assistant General Manager, Administration & External Affairs, Metro Transit
- Director, Finance & Administration, CD/MTS
- Grants Manager, Finance & Administration, CD/MTS
- Commuter Programs Manager, Metro Transit
- Senior Manager MTS Planning, Metropolitan Transportation Services
- TDM Program Manager, Metropolitan Transportation Services

Audit Follow-Up: Confirmation

2. Grant Internal Controls

Recommendation: To comply with federal requirements the Council should develop and document a formal procedure outlining additional oversight and control measures to be applied to grant making and subrecipient monitoring with a focus on identified areas of weakness including:

- Invoice review
- Indirect cost rate application
- Payroll verification
- Allowability and allocability of incidentals, insurance, gift cards, travel etc.
- Program activity monitoring
- UEI verification
- Risk assessment
- DBE goal setting

Management Response: Management agrees that enhanced procedures and documentation are required to ensure effective post-award oversight, consistent monitoring, and compliance

with the federal Uniform Grant Guidance, 2 CFR § 200. The transfer of grant administration to grants staff in CD/MTS Finance & Administration (as described in recommendation #1) will help ensure compliant oversight, including procedures to:

- Require and validate federal government unique entity ID grantee registration via SAM.gov before grant execution (2 CFR § 25.300)
- Implement a standardized invoice review procedure for all grant payments to ensure compliance with cost principles
- Require grantees to regularly submit documentation of indirect cost agreements or de minimis rate use and ensure compliance through invoice review
- Flag high-risk cost types (gift cards, travel, incidentals) for secondary review and require pre-approval documentation
- Strengthen internal controls through enhanced segregation of duties in payment review and approval (2 CFR § 200.303)
- Establish a standardized monitoring framework that incorporates oversight activities to ensure compliance with FTA requirements.
- Require thorough site visits for all recipients, including enhanced visits for moderate and high-risk grantees, with written documentation of all findings and corrective actions
- Require more frequent workplan updates and progress toward stated goals to ensure alignment and progress on funded activities
- Develop and publish written procedures for monitoring, cost review, audit follow-up, and indirect cost validation
- To improve efficiency, consistency, and compliance in subgrant award management, we will transition this program to the Council's centralized grants management system once implemented.
- All new subawards will be submitted to the Office of Equal Employment Opportunity (OEEO) for review prior to execution to ensure alignment with equity and compliance standards.

Timetable: These activities will be implemented for any new 2026 TDM-related grants, with additional review of existing grants and any necessary amendments by April 1, 2026.

Staff Responsible:

- Metro Transit Commuter Programs Manager
- Metro Transit Director of Finance
- Director, Finance & Administration, CD/MTS
- Grants Manager, Finance & Administration, CD/MTS

Audit Follow-Up: Confirmation

3. Recurring/ Outstanding Findings

Recommendation: The Council should adopt a cross-functional group to address continued improvements related to weakness in vendor file management, and improper payments.

Management Response: Agree – the Council will adopt a cross functional team lead by the Council CFO and comprised of RA-Finance, MT Finance, Procurement, and MTS Finance to address continued improvements related to weakness in vendor file management, and improper payments.

Timetable: The Cross-Functional team will be established by November 2025. Implementation and improvements will be ongoing.

Staff Responsible:

- Chief Financial Officer, Regional Administration Finance
- Accounting Manager, Regional Administration Finance
- Acting Finance Director, Metro Transit Finance
- Accounting Manager, Metro Transit Finance
- Director, Finance & Administration, Community Development/Metropolitan Transportation Services

Audit Follow-Up: Confirmation

4. Remediation

Recommendation: The Council should pursue suspension and debarment for entities in violation of grant agreements terms, recover unallowable or inflated costs and notify FTA of unallowable costs, asset diversion concerns, and recovery actions.

Management Response: The Council agrees. The Council will demand a full accounting of the use of grant funds for the legally allowable look-back period and seek repayment for all unallowable costs. It will suspend Move Minneapolis during the period of further investigation and consider debarment at the conclusion of the investigation. The Council will also notify the FTA, the Office of the Legislative Auditor, and the Office of the State Auditor of this audit and the findings of the further investigation.

The Council's last payment to Move Minneapolis was made on April 17, 2025, and a total of \$38,066 has been paid to Move Minneapolis in 2025. The Council will not disburse the remaining \$478,961 allocated for 2025 pending the further investigation due to the concerns regarding program mismanagement and the deficiencies that have been identified through this audit.

Timetable: The Council will start the suspension process under its Vendor Suspension and Debarment Procedure (FM 14-3a) and initiate the follow up investigation in November 2025.

Staff Responsible: The Deputy Regional Administrator

Audit Follow-Up: Confirmation

Move Minneapolis also provided a management response (**Appendix C**). Audit did not independently verify statements in their response, nor any corrective actions that were taken.

Conclusions

Based on our review, it's clear from the identified poor internal controls and unclear governance structures that Move Minneapolis and the Minneapolis Regional Chamber are high-risk federal funding subrecipients. Their financial, compliance, and governance deficiencies expose the Council to significant financial, compliance, and reputational risk. They failed to meet federal compliance requirements of 2 CFR Part 200, including their responsibility to accurately document costs and to promptly report fraud, waste, or abuse. Due to lack of documentation and lack of strategic oversight, audit is unable to verify the efficacy of program activities or their alignment with grant objectives.

The \$290,000 diversion of assets in 2023 serves as a clear illustration of what can happen when base-level controls are weak or absent. Third-party investigations revealed fabricated vendors, undisclosed accounts, and falsified expenses. Inflated rent, billing irregularities, misclassified expenses, and incomplete records, indicate pervasive deficiencies while intertwined financial operations obscure whether funds were applied as intended. This failure obstructs federal oversight and erodes confidence in the stewardship of public funds.

This audit only reviewed one subrecipient of one federal TDM grant, which limits Audit's ability to make broader conclusions. However, the failures identified in monitoring, accountability, and grant management underscores the Council's responsibility to enhance oversight in the area of TDM management. Strengthened invoice review, rigorous documentation standards, clarified roles and responsibilities, and heightened programmatic oversight are critical to ensuring federal funds are properly protected and used. Strong controls do not just reduce risk; they prevent it from materializing in the first place. Recognizing that weak controls in this situation lead to tangible losses reinforces why basic oversight controls are not only important for compliance but help mitigate risk.

Appendix A: Recommendation Categories

Program Evaluation and Audit recommendations are categorized according to how Audit will follow-up on them. The categories are:

- **Retest** — Audit will retest the area using the same or similar procedures after a recommendation has been implemented and sufficient time has passed for the changes to take effect. The retest will take place on a specified timetable. The recommendation will be closed once the change has occurred. A new audit project will be opened for retesting and any new findings will include new recommendations
- **Confirmation** — Audit will confirm that an adequate risk response has been completed on the agreed upon timeline. The recommendation will be closed once the change has taken place.
- **Assess Risk** — Audit will not plan for specific follow up to these recommendations. Audit will discuss the area as part of its annual risk assessment activities and consider future audit work in the area.

Appendix B: Acronyms

Business Process Systems Improvement (BPSI)
Code of Federal Regulations (CFR)
Congestion Mitigation and Air Quality Improvement (CMAQ)
Directors and Officers (D&O)
Disadvantaged Business Enterprise (DBE)
Employer Identification Number (EIN)
Federal Bureau of Investigation (FBI)
Federal Transit Administration (FTA)
Full Time Employee (FTE)
Generally Accepted Accounting Principles (GAAP)
Intermodal Surface Transportation Efficiency Act (ISTEA)
Internal Revenue Service (IRS)
Key Performance Indicators (KPIs)
Metropolitan Planning Organizations (MPOs)
Metro Transit (MT)
Minneapolis Regional Chamber (MRC/The Chamber)
Metropolitan Transportation Services (MTS)
Notice of Grant Award (NOGA)
Not to Exceed (NTE)
Office of Equity and Equal Opportunity (OEEO)
Project Manager (PM)
Purchase Order (PO)
Regional Administration (RA)
Statewide Transportation Improvement Program (STIP)
Transportation Improvement Program (TIP)
Transportation Advisory Board (TAB)
Transportation Management Associations (TMAs)
Transportation Management Organizations (TMOs)
Travel Demand Management (TDM)
Unique Entity Identifier (UEI)



Appendix C: Management Response to Audit Report: Travel Demand Management Grant Recipient Review – Move Minneapolis

Prepared by: Tiffany Orth, Executive Director, Mike Logan President & CEO

Date: October 31, 2025

Organization: Move Minneapolis (Move Mpls) and Minneapolis Regional Chamber Audit

Reference: 0.04_TMO Move

I. General Statement

We appreciate the work of the Program Evaluation and Audit Division in conducting this review. We acknowledge the seriousness of the findings of the Audit Report and will address the identified issues to ensure compliance with federal, state, and Metropolitan Council requirements. We understand the concerns expressed in the Audit Report regarding the former Minneapolis Regional Chamber CEO's conduct. This response outlines our corrective actions, timelines, and accountability measures. It also provides further explanation and context for current leadership's perspective for some issues identified in the report.

II. Response to Key Audit Findings

Subrecipient did not inform the Council or FTA as required of known diversion of assets

We fully acknowledge that the Chamber should have disclosed what it knew, though Chamber leadership was advised at the time by both legal and accounting firms to keep everything confidential, especially as information was evolving and not confirmed. There was no intention to willfully hide anything from the Council or FTA. In retrospect, we acknowledge we should have disclosed more information at the time.

In regard to the lack of disclosure on Move Mpls' 2023 990, the diversion of assets noted in the Minneapolis Regional Chamber's 990 filings was limited to Minneapolis Regional Chamber accounts and as such, there was no known diversion of assets for Move Mpls to disclose. Our external auditors advised us that Form 990 Part VI is to be completed with respect to the facts and circumstances of the filing organization, not related organizations. Because there were no findings of diversion of funds from Move Mpls within the internal inquiry, Move Mpls had no requirement of disclosure.



Improper Use of In-Kind Donations

This was an inadvertent misclassification due to how budgeted expenses were reflected on invoices. We have ceased billing in-kind donations as reimbursable expenses on all 2025 invoices. We will work with guidance from the Metropolitan Council staff to address past invoices.

Inflated and Unsubstantiated Rent Charges

We acknowledge this error and have revised 2025 invoices to reflect Move Mpls’ actual rent expenses based on square footage per Move Mpls employee and actual rent charged to the Minneapolis Regional Chamber. We are renegotiating future affiliate agreements to reflect actual usage and staffing ratios. A revised cost allocation plan is being developed for FY 2026 and will be submitted to the Metropolitan Council as part of the regular budget review and work plan development process in October – November 2025. We will work with the Metropolitan Council staff to address past invoices.

Non-compliance with Federal Cost Allocation Guidelines

It was current leadership’s understanding that there had been previous reviews with Metropolitan Council staff of our de minimus rate that stated that Move Mpls could have a higher de minimus rate due to the higher cost of rent in downtown Minneapolis. However, we acknowledge that there was insufficient documentation of any formal approval and inconsistencies about cost allocation. We have adjusted our cost allocation methodology for 2025 to operate within the 15% de minimus rate, and we will work with the Metropolitan Council to establish a structured and documented allocation method that is consistently applied for any future invoices and budgets.

Inadequate Financial Controls and Documentation

The Minneapolis Regional Chamber and Move Mpls are working together to address these areas of concern. These measures include enacting and reinforcing existing financial controls (detailed below), reviewing and updating organizational bylaws, aligning board activities to ensure compliance, and engaging the services of a third-party accounting firm, All In One Accounting, to manage our finances and better align our systems and processes in accordance with GAAP principles and federal and state grant requirements. Previous Minneapolis Regional Chamber financial staff no longer manage Move Mpls’ finances and accounting. Financial policies and controls that have been reinforced or enacted, including the following:

General
A chart of accounts is used and regularly reviewed for accuracy.
The chart of accounts allows for tracking of revenue & expenses by activity, program, grant, restrictions, etc.
The chart of accounts allows for tracking direct and indirect expenses as may be required by funding agreements.

An approved annual budget is prepared and entered in the accounting system.
All local, state and federal information returns are filed on a timely basis.
Accounting and program staff are knowledgeable about all fund source rules, regulations and requirements.
Accounting staff are aware that the organization is sales tax exempt and what purchases do not qualify for exemption.
Minutes for all board and committee meetings are taken. The minutes are approved at the next meeting of the board or committee.
Organization reviews insurance coverage annually.
Organization carries a cyber insurance policy.
Directors & Officers insurance is included in the liability policy.
Vendor contracts over \$10,000 are reviewed and approved by the Finance and Executive Committees before execution and signature.
All In One Accounting (third party) Controller/CFO attends Finance Committee meetings.
Chamber affiliates have independent bank accounts and invoice submission accounts.
Grant reimbursement packets and invoices are prepared and reviewed by All In One Accounting, Executive Directors and President/CEO
Information Technology (IT)
IT staff or consultants ensure data is secured and backed up.
Multi-factor authentication is used when available.
Software used is documented by IT staff and regular updates are implemented and tracked for all staff.
Passwords are required to be updated every 90 days.
Cash Receipts
Mail is opened by non-accounting staff who prepare a daily log using template for checks: 1) Name on check 2) check date 3) amount 4) notes or remittance info 5) checks are endorsed with company stamp including for deposit only. Preparer signs off.
If donation checks are received by mail, a separate log is kept.
All remittances/letters received with check are attached to log.
Undeposited checks received, and cash held are in a secure location.
Deposit slip for bank is prepared using two-part deposit form.
Checks and cash are deposited at the bank at least weekly or once the threshold is met. The bank deposit receipt is attached to the logs that correspond to the deposit amount.
All checks and cash are deposited prior to month end.
Cash entries are posted timely once deposited in bank or as undeposited funds in accounting software by non-A/R staff member.

Documents are retained as outlined in the record retention policy.
Cash Disbursements
Check stock is secure.
Check signature stamps are secured.
Check signers are approved annually by Board or Finance Committee. Requirements for two signers with threshold are also approved.
Checks are never made payable to cash.
Checks are prepared by someone other than check signer.
Signed checks are mailed/distributed by someone other than preparer.
Voided checks are retained without signatures and stored securely.
Pre-signed checks are not allowed.
Dual authorization is required for electronic payments and wires.
Documents are retained as outlined in the record retention policy.
Bank reconciliations
All bank accounts are reconciled monthly on a timely basis. Reconciler and Controller sign off.
Any outstanding checks older than 90 days are reviewed and issuer contacted.
Any deposits older than 30 days are reviewed and bank is contacted.
Documents are retained as outlined in the record retention policy.
Receivables
Invoices are pre-numbered or numbers are systematically assigned.
A/R aging reports are regularly reviewed and contacts for invoices older than 90 days receive additional communication
A/R detail is reconciled to the general ledger.
Pledge invoices/statements are used to bill donors.
A/R listing is reconciled regularly to the general ledger.
Documents are retained as outlined in the record retention policy.
Fixed Assets
The fixed asset listing is maintained and is updated for changes to tie to the general ledger.
Insurance coverage is regularly reviewed for adequacy.
Documents are retained as outlined in the record retention policy.
Payables

All vendor payments require bills from vendors. Purchase orders are matched to invoices. No further approval is needed.
Signed approval of invoices along with coding to account/programs are required for payment.
W-9s are required for all contractors and LLC vendors.
1099 vendors are set up as such in accounting software.
Vendor bills with approvals are retained and filed for easy access.
Expenses over \$5,000 must be approved by the Board Chair/Treasurer before payment-this includes credit card payments
Documents are retained as outlined in the record retention policy.
Credit Cards
Card holders have their own cards and credit limits.
Monthly credit card statements are downloaded by accounts payable staff and the activity summarized by card holder. Card holders return the completed summary with receipts and coding for each charge. Card holder and supervisor sign the summary to show approval of charges.
Executive Director's/President's charges are compiled using the same method, The Treasurer or other board officer reviews, approves and signs the summary report.
Credit card activity is recorded in the general ledger via journal entry unless other software methods of direct uploading are available. Appropriate approvals are still needed.
Balances are paid in full each month.
The Treasurer reviews all credit card statements before approval by the Board Chair and CEO.
Documents are retained as outlined in the record retention policy.
Debt
Monthly payments are properly recorded to interest and principal.
G/L balances are reconciled monthly to the debtors' documents/online account balance.
Closing documents are retained as outlined in the record retention policy.
Fundraising
As donations are received, there is a system to acknowledge the gift and communicate any restrictions.
A database is used to track donations
Annual summaries of donations are sent to donors.
All sources of revenue are identified, and separate revenue accounts are used. Restricted and unrestricted revenue are tracked separately.

Documents are retained as outlined in the record retention policy.
Payroll
Management reviews payroll prior to submission to ensure employees are being paid appropriately.
Changes to pay rates are documented and approved by the President/CEO and maintained.
Timesheets are approved by employee and supervisor.
The payroll service generated change report is reviewed and signed off by the President/CEO.
Payroll check registers are compared to the pre-submission documentation to ensure agreement and signed off by the President/CEO.
The Treasurer can authorize and approve payroll.
Direct deposit is utilized.
Documents are retained as outlined in the record retention policy.
Financial Reporting
Timely comparative financial reports are produced at least on a quarterly basis.
A cash flow report is included in the regular financial reports.
A month end checklist and calendar with due dates is maintained.
The year-end check list includes annual filings.
Monthly meetings with third party accounting firm, Board Treasurer, President/CEO and senior management to review the financials and follow up on outstanding issues.
Documents are retained as outlined in the record retention policy.

Invoices had inadequate documentation of costs

Prior to the audit, current leadership had been following an established process for preparing and submitting CMAQ invoices with the understanding that the process had been developed in conjunction with Metropolitan Council staff. It was current leadership's understanding that the process specifically stated that we do not submit documentation for recurring expenses and that initial documentation for these expenses had already been provided. We also submitted the annual affiliate agreements per the process. There was no indication that there should be adjustments, and no request was made to submit a cost allocation plan beyond those agreements. We acknowledge the gaps that the audit revealed with this process, and all 2025 invoices submitted have included supporting documentation under a revised cost allocation plan. We are renegotiating the affiliate agreement to reflect actual usage and staffing ratios. A revised cost allocation plan is being developed for FY 2026 and will be submitted to Metropolitan Council as part of our regular budget review and work plan development process in October – November 2025. We will work with the Metropolitan Council staff to address past invoices.

Unallowable and Unsupported Insurance Charges

All insurance policies are being reviewed for allowability. Future invoices will include full documentation and allocation methodology. Unallowable costs will be excluded from future reimbursement requests.

Salary and Fringe Variances

Improved accounting practices enacted by our new accounting firm, All in One Accounting, have enabled more accurate tracking and reconciliation of payroll across funding sources. All Minneapolis Regional Chamber staff have been removed from prorated shared costs. A new timekeeping system will be implemented in 2026 for any future Minneapolis Regional Chamber staff that contributes charged overhead time to Move Mpls. Certified payroll and fringe documentation will be included in all future invoices. We will work with the Metropolitan Council staff to address past invoices.

Lack of Subrecipient Agreement

Current leadership had the understanding that the grant agreements should list the Minneapolis Regional Chamber as the subrecipient as they are Move Mpls' parent organization and past emails from both Metropolitan Council and previous Chamber leadership indicated that should continue. We were not informed that a separate sub-award agreement would be needed for Move Mpls to receive funds directly, but we commit to working with the Metropolitan Council to establish a formal subrecipient and sub-award agreement in accordance with federal regulations.

Programmatic Oversight and Performance Tracking

Our annual work plans have included measurable goals and KPIs as well as qualitative projects. In collaboration with our grant manager, we determine which KPIs and milestones to track and report on in our quarterly FFY reports. We develop our work plans in collaboration with our grant manager and the other Transportation Management Organizations (TMOs), and we engage in regular discussions on challenges and opportunities that arise with implementing them throughout the year. Move Mpls, along with the other regional TMOs, have been collaborating on the best ways to measure impact and track outcomes and that continues to be an ongoing and evolving process as the Metropolitan Council explores regional metrics for Travel Demand Management (TDM). We look forward to continuing to work with the Metropolitan Council to determine ideal outcomes and metrics for measuring the TMOs' influence on TDM in the region.

III. Corrective Action Plan Summary

Finding	Corrective Action	Responsible Party	Target Completion Date
Financial & Governance Controls	Implement policies and controls	Finance /CEO/Executive Director	Completed
In-Kind Billing	Cease in-kind billing	Finance	Completed
Rent Charges	Reconcile and adjust	Operations Manager	Completed

Cost Allocation Challenges	New, approved cost allocation plan	Finance/CEO/Executive Director	2025 adjustments made, 2026 plan – 12/1/26
Invoice Documentation	Including all supporting documentation	Finance/Executive Director	Completed
Subrecipient Agreement	Execute formal agreement	Legal/Council Liaison	Await direction from Metropolitan Council
Insurance Costs	Review and document	Finance	12/1/26
Payroll Variances	Reconcile and document	HR / Finance	12/1/26
KPI Tracking	Implement new KPIs at direction of Metropolitan Council	Executive Director/Council Program Manager	Await direction from Metropolitan Council

IV. Conclusion

Since the inception of this audit, our goal has been to act in good faith and with integrity. We have fully cooperated with all requests and have supplied information and materials to the best of our ability. Upon the departure of the former Minneapolis Regional Chamber CEO in June 2024, the Minneapolis Regional Chamber has been actively taking steps to implement governance controls that ensure the organization is transparent, accountable and building a solid foundation for growth to fulfill its mission. The Minneapolis Regional Chamber’s financial position has significantly improved throughout 2025. As this audit unfolded and we received guidance about Move Mpls’ operations, we made immediate corrections to rectify issues raised by Metropolitan Council auditors.

We remain proud of our results and dedicated to Move Mpls’ mission. The team has worked hard to be collaborative partners and to stand up programs, initiatives and resources that have provided real support and tangible benefits to employers, commuters, residents and other transportation partners. Move Mpls has continued to execute its 2025 CMAQ work plan despite not receiving any reimbursement since February of this year.

As we look ahead, Move Mpls is actively exploring fiscal sponsorship with other organizations outside of the Minneapolis Regional Chamber that could enable better strategic and operational alignment. With ongoing funding, we are confident that a new partnership can be realized.

We are committed to restoring compliance, transparency, and accountability in both the Minneapolis Regional Chamber and Move Mpls. We value our partnership with the Metropolitan Council and will work diligently to implement these corrective actions. We welcome continued collaboration and oversight to ensure the integrity of federally funded programs.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mike Logan', with a long horizontal flourish extending to the right.

Mike Logan
President & CEO
Minneapolis Regional Chamber

A handwritten signature in black ink, appearing to read 'Tiffany Orth', in a cursive style.

Tiffany Orth
Executive Director
Move Minneapolis

Appendix D: Distribution List

All audit reports are reported to the general public and are available on www.metrocouncil.org. This audit report was distributed to the following parties:

Metropolitan Council

- Members of the Audit Committee
- Chair of the Metropolitan Council
- Regional Administrator
- General Counsel, RA
- Deputy General Counsel, RA
- General Manager, MT
- Assistant General Manager, MT
- Executive Director, MTS
- Assistant Director, MTS
- Chief Financial Officer, RA
- Chief Procurement Officer, RA
- Chief of Staff, RA
- Chief of Staff, MT
- Director, Government Affairs, RA
- Director, Finance, MT
- Director, Metro Transportation Planning, MTS
- Director, CD and MTS Admin
- Director, Strategic Communications, MT
- Assistant Director, OEE0
- Manager, Multi-Modal Planning, MTS
- Manager, Compliance & Administration, RA
- Manager, Commuter Programs, MT
- Manager, Accounting, MT
- Manager, OEE0
- Senior Manager, MTS Planning
- Program Manager, TDM

The Chamber and Move Minneapolis

- Interim President and CEO, The Chamber
- Treasurer, The Chamber
- Chief of Staff, The Chamber
- Executive Director, Move Minneapolis

External Agencies

- Governor's Office
- Bureau of Criminal Apprehension
- Office of the Legislative Auditor
- Office of the State Auditor



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