

# State of Minnesota



## Office of the State Auditor

Julie Blaha

State Auditor

Audit Practice Division

---

### **City of Saint Paul Saint Paul, Minnesota**

Management and Compliance Report

Year Ended December 31, 2024

**City of Saint Paul  
Saint Paul, Minnesota**

**Table of Contents**

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	3
Schedule of Findings and Questioned Costs	6
Corrective Action Plan	9
Summary Schedule of Prior Audit Findings	11



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

Independent Auditor's Report

The Honorable Kaohly Her, Mayor  
and Members of the City Council  
City of Saint Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Saint Paul, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 11, 2026. Our report includes a reference to other auditors who audited the financial statements of the Port Authority of the City of Saint Paul component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report also includes a reference to other auditors who audited the financial statements of the Saint Paul RiverCentre Convention and Visitors Authority component unit, as described in our report on the City's financial statements. The financial statements of the Saint Paul RiverCentre Convention and Visitors Authority were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Saint Paul RiverCentre Convention and Visitors Authority. This report also does not include the results of our audit testing of the Saint Paul Regional Water Services component unit's internal control over financial reporting or compliance and other matters. We issue a separate Management and Compliance Report for the Saint Paul Regional Water Services component unit.

**Report on Internal Control Over Financial Reporting**

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

*A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.*

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001, that we consider to be a material weakness.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Saint Paul's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Minnesota Legal Compliance

In connection with our audit, we noted that the City of Saint Paul failed to comply with the provisions of the claims and disbursements section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as item 2024-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City of Saint Paul failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

## City of Saint Paul's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Saint Paul's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## Purpose of This Report

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

/s/Julie Blaha

Julie Blaha  
State Auditor

/s/Chad Struss

Chad Struss, CPA  
Deputy State Auditor

February 11, 2026



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

### Independent Auditor's Report

The Honorable Kaohly Her, Mayor  
and Members of the City Council  
City of Saint Paul, Minnesota

### Report on Compliance for Each Major Federal Program

#### Opinion on Each Major Federal Program

We have audited the City of Saint Paul's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of Saint Paul's major federal programs for the year ended December 31, 2024. The City of Saint Paul's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Saint Paul complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

#### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

#### Other Matter – Federal Expenditure Not Included in the Compliance Audit

The City of Saint Paul's basic financial statements include the operations of the Port Authority of the City of Saint Paul and the Saint Paul Regional Water Services component units, which expended \$2,548,091 and \$5,493,509, respectively, in federal awards which are not included in the City of Saint Paul's Schedule of Expenditures of Federal Awards during the year ended December 31, 2024. Our compliance audit, described in the Opinion on Each Major Federal Program section, does not include the operations of the Port Authority of the City of Saint Paul and the Saint

Paul Regional Water Services component units because separate single audits were performed in accordance with the Uniform Guidance.

### **Responsibilities of Management for Compliance**

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

### **Auditor's Responsibilities for the Audit of Compliance**

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a

material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*/s/Julie Blaha*

Julie Blaha  
State Auditor

February 11, 2026

*/s/Chad Struss*

Chad Struss, CPA  
Deputy State Auditor

**City of Saint Paul  
Saint Paul, Minnesota**

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2024**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Noncompliance material to the financial statements noted? **No**

**Federal Awards**

Internal control over the major federal programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Type of auditor’s report issued on compliance for the major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

Identification of the major federal programs:

<b>Assistance Listing Number</b>	<b>Name of Federal Program or Cluster</b>
14.239	Home Investment Partnerships Program
20.205	Highway Planning and Construction
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$2,555,743.

The City of Saint Paul qualified as a low-risk auditee? **No**

**Section II – Financial Statement Findings**

**2024-001      Material Audit Adjustments**

**Prior Year Finding Number:** N/A

**Year of Finding Origination:** 2024

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Material Weakness

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards

# City of Saint Paul

## Saint Paul, Minnesota

---

define a material weakness as a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

**Condition:** Audit adjustments were identified that resulted in significant changes to the City's financial statements.

**Context:** The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. These adjustments were found in the audit; however, independent external auditors cannot be considered part of the City's internal control.

**Effect:** The following audit adjustments were reviewed and approved by management and are reflected in the financial statements:

- The City Capital Projects Fund due from other governments and deferred inflows of resources – unavailable revenue were decreased by \$55,532,947 to reduce expenditure-driven reimbursement receivables.
- The Solid Waste and Recycling Enterprise Fund assessments receivable and revenue were decreased by \$21,385,705 to record the assessments in the year the services occurred rather than in the year of approval.

**Cause:** For the City Capital Projects Fund adjustment, highway payments were treated as allocations instead of based on expenditures. For the Solid Waste and Recycling Enterprise Fund, the assessments were recorded in a manner appropriate for capital improvement assessments rather than service-type assessments.

**Recommendation:** We recommend the City implement additional procedures over financial reporting that include a comprehensive review of balances by a qualified individual to ensure the City's financial statements are complete, accurate, and fairly presented in accordance with generally accepted accounting principles in the United States of America.

**View of Responsible Official:** Concur

### Section III – Federal Award Findings and Questioned Costs

No matters were reported.

### Section IV – Other Findings and Recommendations

**2024-002**      **Prompt Payment of Invoices**

**Prior Year Finding Number:** N/A

**Year of Finding Origination:** 2024

**Type of Finding:** Minnesota Legal Compliance

**Criteria:** Pursuant to Minn. Stat. § 471.425, subd. 2, the City is required to make payment on vendor invoices according to the terms of the contract, or within 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later. For bills paid after the time period set by contract or standard payment period, the government entity must calculate and pay interest as required.

**Condition:** Three of the 25 invoices tested for compliance with this statute were not paid within the required 35 days. In addition, the City did not calculate or pay interest on the invoices.

## City of Saint Paul Saint Paul, Minnesota

---

**Context:** The departments receive the invoices. The department heads review and approve the invoices and send them to the Office of Financial Services for payment. The City paid the non-compliant invoices anywhere from 36 to 112 days after the invoice date.

**Effect:** The City is not in compliance with Minn. Stat. § 471.425, subd. 2.

**Cause:** The City does not have any documentation that supports the time delay between invoice date and the date the Office of Financial Services received the invoice. Without supporting documentation, the City assumes it received the invoices on or within a few days after the invoice date and that there was a delay in processing. The City informed us that invoices were received in a department. The department did not provide the invoices to the Office of Financial Services in time to meet the 35-day requirement.

**Recommendation:** We recommend the City's Office of Financial Services work with the departments and determine procedures necessary to ensure payments are made in accordance with Minn. Stat. § 471.425, subd. 2.

**View of Responsible Official:** Concur



**Representation of the City of Saint Paul**  
**Saint Paul, Minnesota**

**Corrective Action Plan**

For the Year Ended December 31, 2024

**Finding Number: 2024-001**

**Finding Title: Material Audit Adjustments**

Name of Contact Person Responsible for Corrective Action:

City Capital Projects Fund: Danielle Behling, Grainne Medearis, Joyce Hernandez

Solid Waste and Recycling Enterprise Fund: Danielle Behling, Loree Brown, Alex Klarich

Corrective Action Planned:

City Capital Projects Fund: Public Works capital projects accountant will review the MnDOT SAAS report and associated agreements and use the Minnesota Office of the State Auditor Highway Funding Classifications Guide to ensure that due from other governments related to highway funding are being properly recorded based on their funding classification (appropriation versus expenditure based). The Public Works finance lead will review all fund financial statement work prepared by the Public Works capital projects accountant. The Office of Financial Services City Capital Projects Fund accountant will review all due from other governments recorded in the City Capital Projects Fund to verify that proper procedure has been followed.

Solid Waste and Recycling Enterprise Fund: Office of Financial Services accountant responsible for assessments receivable will review all assessments to determine whether any are service-based and ensure that service-based assessments are recorded in the year that services occurred. Public Works Solid Waste and Recycling Enterprise Fund accountant will review all assessments recorded in the fund to ensure that revenue is being recognized in the year the services occurred. The Public Works finance lead will review all fund financial statement work prepared by the Public Works Solid Waste and Recycling Enterprise Fund accountant.

Anticipated Completion Date:

05/31/2026

**Finding Number: 2024-002**

**Finding Title: Prompt Payment of Invoices**

Name of Contact Person Responsible for Corrective Action:

Andre Parenteau



Corrective Action Planned:

The Accounts Payable Manager will send out an annual communication to all departments emphasizing proper invoice procedures. The City will post the communication and additional resources on the internal finance page. Office of Financial Services Accounts Payable staff will conduct a training session with all new accounts payable clerk staff. Accounts Payable Manager will review all invoice and payments dates periodically and work directly with departments who are not following proper invoice procedures. The City will confirm that interest is being paid on applicable late payments in accordance with State statute.

Anticipated Completion Date:

06/30/2026



## Representation of the City of Saint Paul Saint Paul, Minnesota

### Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2024

**Finding Number: 2023-001**

**Year of Finding Origination: 2022**

**Finding Title: Suspension and Debarment**

**Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds**

**Summary of Condition:** In the sample of eight covered transactions tested, the City did not perform the verification for suspension or debarment for two beneficiaries before entering into the covered transactions.

**Summary of Corrective Action Previously Reported:** The Office of Financial Services worked with all departments who were managing American Rescue Plan funds to ensure that documentation was retained showing that all vendors, including beneficiaries, were not debarred, suspended or otherwise excluded from conducting business with the Federal government at the time of contracting. The Office of Financial Services ensured this check for suspension/debarment was added to the City's procedures for granting funds to beneficiaries; it was already included in procedures for dealing with subrecipients and contractors.

**Status:** Fully Corrected. Corrective action was taken.