

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

MANAGEMENT AND COMPLIANCE REPORT
PREPARED AS A RESULT OF THE AUDIT OF THE

CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA

YEAR ENDED DECEMBER 31, 2004

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

Year Ended December 31, 2004



Management and Compliance Report

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

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**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

Schedule 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of the City of Saint Paul.
- B. No matters involving internal control over financial reporting were reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
- C. No instances of noncompliance material to the financial statements of the City of Saint Paul were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133".
- E. The Auditor's Report on Compliance for the major federal award programs for the City of Saint Paul expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular.
- G. The major programs are:
- | | |
|---|--------------|
| Grants for Public Works and Economic Development Facilities | CFDA #11.300 |
| Community Development Block Grants/Entitlement Grants | CFDA #14.218 |
| Assistance to Firefighters Grant | CFDA #97.044 |
- H. The threshold for distinguishing between Types A and B programs was \$695,142.
- I. The City of Saint Paul was determined to be a low-risk auditee.

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

**Allowable Costs/Cost Principles – Emergency Shelter Grants Program (ESG)
CFDA #14.231 (03-01)**

Supporting documentation for the Emergency Shelter Grant program was not sufficient to determine the reasonableness or necessity of the costs incurred by the subgrantees.

Resolution

Subgrantee files now contain adequate documentation, in sufficient detail, to support the reasonableness or necessity of the payments made to subgrantees.



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PATRICIA ANDERSON
STATE AUDITOR

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the City of Saint Paul, Minnesota, as of and for the year ended December 31, 2004, and have issued our report thereon dated June 8, 2005. We did not audit the financial statements of the Port Authority of the City of Saint Paul, which represent 32 percent and 54 percent, respectively, of the assets and program revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Saint Paul's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Saint Paul's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of Saint Paul complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the City's management, the Mayor, and the City Council and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: June 8, 2005



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PATRICIA ANDERSON
STATE AUDITOR

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Saint Paul, Minnesota, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City of Saint Paul's financial statements include the operations of the Housing and Redevelopment Authority (HRA) of the City of Saint Paul and the Port Authority of the City of Saint Paul, component units of the City, which expended \$3,874,850, and \$3,029,505 respectively, in federal awards during the year ended December 31, 2004. Our audit, described below, did not include the operations of the HRA because it had a separate single audit in accordance with OMB Circular A-133. Our audit also did not include the operations of the Port Authority because other auditors were engaged to perform a separate single audit in accordance with OMB Circular A-133.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Saint Paul's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Saint Paul complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the City of Saint Paul is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City of Saint Paul, Minnesota, as of and for the year ended December 31, 2004, and have issued our report thereon dated June 8, 2005. We did not audit the financial statements of the Port Authority of the City of Saint Paul, which represent 32 percent and 54 percent, respectively, of the assets and program revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Saint Paul's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City's management, the Mayor, the City Council, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

/s/Greg Hierlinger

PATRICIA ANDERSON
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: June 8, 2005

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**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

Schedule 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Commerce			
Direct Grant			
Grants for Public Works and Economic Development Facilities Economic Development Administration	11.300	\$ 1,543,474	\$ -
U.S. Department of Housing and Urban Development			
Direct Grants			
Community Development Block Grants/Entitlement Grants	14.218	\$ 8,063,236	\$ 2,201,589
Emergency Shelter Grants Program	14.231	324,873	299,497
Community Development Block Grants/Brownfields Economic Development Initiative (BEDI; Section 108)	14.246	287,666	287,666
Passed Through Public Housing Agency of Saint Paul Public and Indian Housing Drug Elimination Program A Community Outreach Program	14.854	398,787	-
Total U.S. Department of Housing and Urban Development		\$ 9,074,562	\$ 2,788,752
U.S. Department of the Interior			
Direct Grant			
Rivers, Trails and Conservation Assistance Mississippi National River and Recreation Area National Park Service	15.921	\$ 49,000	\$ -
U.S. Department of Justice			
Direct Grants			
Local Law Enforcement Block Grants Program Local Law Enforcement Block Grant Program VII	16.592	\$ 306,216	\$ 306,216
Local Law Enforcement Block Grant Program VIII	16.592	196,346	132,019
Bulletproof Vest Partnership Program	16.607	2,781	-
Public Safety Partnership and Community Policing Grants Internet Crimes Against Children	16.710	237,090	-
COPS 2004 Technology	16.710	98,664	-
Recruitment, Hiring, and Retention of Community Policing Officers	16.710	46,734	-
Value Based Initiative Grant	16.710	132,029	-

**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Justice (Continued)			
Passed Through Minnesota Department of Public Safety			
Juvenile Accountability Incentive Block Grants			
Disproportionate Minority Contact	16.523	70,388	-
2004 Juvenile Accountability Incentive Block Grants	16.523	160,158	-
Juvenile Justice and Delinquency Prevention Allocation to States			
Youth Achievers Program	16.540	54,000	-
Mobile Crisis Team	16.540	54,000	-
Developing, Testing, and Demonstrating Promising New Programs			
Juvenile Justice and Delinquency Prevention - Special Emphasis - Underage Liquor Compliance Checks	16.541	2,000	-
Byrne Formula Grant Program			
Vietnamese Youth Education and Crime Prevention	16.579	49,810	-
Youth Health and Academic Enrichment	16.579	37,206	-
Econ Crime Prevention	16.579	96,045	-
Our Children Program	16.579	73,328	-
Youth Express Big and Huge Program	16.579	98,200	-
Narcotics Control Program - Surveillance	16.579	90,211	-
Youth Achievers Program	16.579	101,702	-
Violence Against Women Formula Grants			
Family Violence Unit Grant	16.588	61,062	-
National Incident Based Reporting System (NIBRS) Grant	16.733	155,258	-
Total U.S. Department of Justice		\$ 2,123,228	\$ 438,235
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction			
Federal Highway Administration	20.205	\$ 7,915,663	\$ -
Intermodal Surface Transportation Efficiency Act			
Mississippi East Bank	20.205	108,943	-
Como Trail Tunnel	20.205	384,940	-

**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

**Schedule 2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation (Continued)			
Passed Through Minnesota Department of Natural Resources			
Recreational Trails Program			
Como Pedestrian Trail	20.219	90,000	-
Passed Through Minnesota Department of Public Safety			
State and Community Highway Safety			
Safe and Sober	20.600	41,666	-
Alcohol, Traffic Safety, and Drunk Driving Prevention			
Incentive Grants			
Night Cap Grant	20.601	4,210	-
Interagency Hazardous Materials Public Sector Training and Planning Grants			
2004 Hazardous Materials Emergency Preparedness Grant Program			
	20.703	3,000	-
Total U.S. Department of Transportation		\$ 8,548,422	\$ -
U.S. Equal Employment Opportunity Commission			
Direct Grant			
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts			
Equal Employment Opportunity - EEOC	30.002	\$ 52,700	\$ -
Institute of Museum and Library Services, National Foundation on the Arts and the Humanities, Office of Library Services			
Direct Grant			
State Library Program			
Small Business Homework Center	45.310	\$ 4,018	\$ -
Passed Through Minnesota Department of Education and the Friends of the Library			
State Library Program			
Homework Center	45.310	16,349	-
Senior Grant	45.310	5,769	-
Needs Assessment	45.310	7,245	-
Passed Through the College of St. Catherine			
State Library Program			
Teaching/Learning Library	45.310	61,510	-
Total Institute of Museum and Library Services		\$ 94,891	\$ -

**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Environmental Protection Agency			
Direct Grant			
Brownsfields Assessment and Cleanup Cooperative Agreements			
Haz-mat Clean-up - Vento Nature Sanctuary	66.818	\$ 400,000	\$ -
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Empowerment Zones Program			
Enterprise Community Grant	93.585	\$ 286,083	\$ 273,987
Block Grants for Prevention and Treatment of Substance Abuse			
Night Moves Program	93.959	64,686	-
Total U.S. Department of Health and Human Services		\$ 350,769	\$ 273,987
Corporation for National and Community Service			
Direct Grant			
Volunteers in Service to America (VISTA)	94.013	\$ 119,855	\$ -
Passed through ServeMinnesota			
AmeriCorps	94.006	69,259	-
Total Corporation for National and Community Service		\$ 189,114	\$ -
U.S. Department of Homeland Security			
Direct Grants			
Assistance to Firefighters Grants			
Fire Prevention and Safety Program	97.044	\$ 15,977	\$ -
Fire Prevention and Safety Program	97.044	13,461	-
2002 Fire Operations and Firefighter Safety	97.044	490,002	-
State and Local All Hazards Emergency Operations Planning			
State and Local Supplemental Appropriation Planning	97.051	21,558	-

**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

***Schedule 2
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security (Continued)			
Passed through Minnesota Department of Public Safety			
State Domestic Preparedness Equipment Support Program			
2003 Federal Homeland Security Equipment Grant Program			
Part II	97.004	22,179	-
2002 Domestic Preparedness Grant	97.004	4,317	-
2003 Federal Homeland Security Equipment Grant Program			
Part I	97.004	71,312	-
2003 State Homeland Security Part II Critical Infrastructure			
Protection	97.004	76,878	-
2004 State Homeland Security Grant Program			
	97.004	4,547	-
Passed through Ramsey County			
Emergency Management Performance Grants			
2002 State and Local Supplemental Appropriation Planning Grant	97.042	25,012	-
Total U.S. Department of Homeland Security		\$ 745,243	\$ -
Total Cash Federal Awards		\$ 23,171,403	\$ 3,500,974
Noncash Awards			
U.S. Department of Housing and Urban Development			
Direct			
Community Development Block Grants/Section 108 Loan			
Loan Guarantees	14.248	3,658,360	3,658,360
Total Federal Awards		\$ 26,829,763	\$ 7,159,334

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the City of Saint Paul. It does not include \$3,874,850 and \$3,029,505 in federal awards expended by the HRA and Port Authority, respectively, component units of the City, which had separate single audits. The City of Saint Paul's reporting entity is defined in Note 2 to the financial statements.
2. The expenditures on this schedule are on the basis of accounting used by the individual funds of the City of Saint Paul. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis. The basis used for CFDA No. 14.248 is the value of new loans guaranteed during the year.
3. Pass-through grant numbers were not assigned by the pass-through agencies.