

STATE OF MINNESOTA

Office of the State Auditor



Julie Blaha
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

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 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice – conducts financial and legal compliance audits of 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 approximately 600 public pension funds; and

Tax Increment Financing – 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 Employees 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, 2018



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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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 Melvin Carter, Mayor,
and Members of the City Council
City of Saint Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 17, 2019. Our report includes a reference to other auditors who audited the financial statements of the Saint Paul RiverCentre Convention and Visitors Authority and the Port Authority of the City of Saint Paul, 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. The financial statements of the Saint Paul RiverCentre Convention and Visitors Authority were not audited in accordance with *Government Auditing Standards*.

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 to determine the 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.

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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 combination of deficiencies, in internal control over financial reporting 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. A significant deficiency is a deficiency, or 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002 to be a material weakness and item 2018-001 to be a significant deficiency.

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 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 or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the City's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the Schedule of Findings and Questioned Costs as item 2016-006. 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.

City of Saint Paul's Response to Findings

The City of Saint Paul's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, 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/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 17, 2019

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Saint Paul's compliance with the types of compliance requirements described 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's major federal programs for the year ended December 31, 2018. 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.

The City of Saint Paul's basic financial statements include the operations of the Port Authority of the City of Saint Paul component unit, which expended \$3,217,377 in federal awards during the year ended December 31, 2018, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Port Authority of the City of Saint Paul because other auditors were engaged to perform a single audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Saint Paul's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Saint Paul complied, in all material respects, with the types of 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002. Our opinion on each major federal program is not modified with respect to this matter.

The City of Saint Paul's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Saint Paul is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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 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 the attention of those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002, that we consider to be a significant deficiency.

The City of Saint Paul's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated September 17, 2019, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Saint Paul RiverCentre Convention and Visitors Authority, which represent 1 percent, 2 percent, and 16 percent, respectively, and the Port Authority of the City of Saint Paul, which represent 32 percent, 5 percent, and 24 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors. Our audit was conducted 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 (SEFA), as required by the Uniform Guidance, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 17, 2019

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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? **Yes**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

CDBG – Entitlement Grants Cluster	
Community Development Block Grants/Entitlement Grants	CFDA No. 14.218
Home Investment Partnership Program	CFDA No. 14.239
Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA No. 20.205

The threshold for distinguishing between Types A and B programs was \$750,000.

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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

ITEMS ARISING THIS YEAR

Finding Number 2018-001

Land Held for Resale

Criteria: Land held for resale is reported as an asset at the net realizable value for all assets acquired before 2009 and at cost of purchase for all assets purchased after 2009 in the fund which acquired it, per the Housing and Redevelopment Authority (HRA) of the City of Saint Paul's policy. Supporting documentation for the valuation of land held for resale should be prepared and retained by the HRA of the City of Saint Paul.

Condition: During the audit of the HRA of the City of Saint Paul's land held for resale, 18 properties were tested by verifying the value at which they were recorded in the system as of December 31, 2018. The HRA of the City of Saint Paul was unable to provide documentation supporting the value of three of the properties tested.

Context: It is unknown whether or not the values of these properties are reported in accordance with the HRA of the City of Saint Paul's policy.

Effect: There is an increased risk that the HRA of the City of Saint Paul's land held for resale asset values are reported incorrectly or not in accordance with the HRA of the City of Saint Paul's policy.

Cause: The primary staff responsible for maintaining the land held for resale inventory and the staff who worked on these particular properties with missing information have both retired. Current staff taking over this duty had difficulty locating the proper documentation to support the valuation of these land held for resale properties.

Recommendation: We recommend the HRA of the City of Saint Paul strengthen internal controls over the valuation of its land held for resale inventory. Documentation should be prepared and retained to support the land held for resale values reported.

View of Responsible Official: Concur

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding Number 2018-002

Prior Period Adjustment

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 identify one indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of a material misstatement due to error.

Condition: A prior period adjustment material to the City's financial statements was identified by the City and is reflected in the financial statements.

Context: The need for prior period adjustments can raise doubts as to the reliability of the City of Saint Paul's financial information being presented.

Effect: The January 1, 2018, fund balance of the City Capital Projects Fund was restated by (\$3,430,681) to remove capital activity pertaining to the Saint Paul RiverCentre Convention and Visitors Authority (Visitors Authority).

Cause: Prior years' capital activity between the Visitors Authority and the City Capital Projects Fund should have been transferred out of the City Capital Projects Fund. This went unnoticed until there was a change in personnel.

Recommendation: We recommend the City review activity with component units to ensure it is accurately accounted for.

View of Responsible Official: Concur

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2017-002

Procurement, Suspension, and Debarment

Direct Federal Programs: U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grants/Entitlement Grants (CFDA No. 14.218), 2016, 2017, and 2018; Home Investment Partnerships Program (CFDA No. 14.239), 2017 and 2018

Criteria: Federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) state that the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Non-federal entities must follow further federal guidance over full and open competition as provided in Title 2 U.S. *Code of Federal Regulations* § 200.319; cost/price analysis provided in Title 2 U.S. *Code of Federal Regulations* § 200.323; and verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, and 200.318(h).

Condition: The following items were noted:

- The one service agreement tested for the Home Investment Partnerships Program (HOME) lacked documentation of the history of the procurement, including the contractor selection, the reason for the procurement method, and the basis for the contract price.
- The one small purchase tested for HOME lacked documentation of the significant history of the procurement.
- The City lacked documentation of the bid tabulation or clear history of the procurement for property work completed related to two rehabilitation loans for the Community Development Block Grants/Entitlement Grants Program (CDBG); therefore, it could not be determined if there was full and open competition.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Questioned Costs: None.

Context: The following items were noted:

- The City had only one service agreement over the simplified acquisition threshold and one vendor over the small purchase threshold related to the HOME program during 2018, and both were tested. There were no micro-purchases related to this program.
- For the CDBG program, two of 11 vendors over the simplified acquisition threshold, four of 30 vendors over the small purchases threshold, and five of nine vendors over the micro-purchase threshold were tested.

The sample sizes were based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The City is not in compliance with federal grant regulations.

Cause: Contract files lack documentation due to misunderstanding of documentation requirements.

Recommendation: We recommend the City document the history of procurement transactions, including contract selection, in accordance with federal grant regulations.

View of Responsible Official: Concur

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2016-006

Statements of Economic Interest

Criteria: Minnesota Statute, section 10A.09, subdivision 6, states each individual who is required to file a statement of economic interest must also file an annual statement by the last Monday in January of each year that the individual remains in office.

Condition: Statements of economic interest for six of the 44 forms tested were not filed with the City Clerk's Office by the last Monday in January, and four statement forms were not returned.

Context: The annual statement must cover the period through December 31 of the year prior to the year when the statement is due.

Effect: The City is not in compliance with the state statute.

Cause: A number of City officials required to file a statement of economic interest did not promptly return the forms to the City Clerk.

Recommendation: We recommend the City communicate the due date to all individuals required to file a statement of economic interest and emphasize the importance of promptly returning the forms to the City Clerk.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2016-003 Reporting (CFDA No. 14.218)

2017-001 Real Property Disposition (CFDA No. 14.218)



City of Saint Paul
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**REPRESENTATION OF THE CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding Number: 2018-001
Finding Title: Land Held for Resale

Name of Contact Person Responsible for Corrective Action:

Rhonda Gillquist, PED Lead Accountant

Corrective Action Planned:

The HRA has recently centralized our asset management functions for better oversight. Property management staff were formerly part of the Housing team, and now that function is housed within the Finance and Administration team along with Accounting. We will review the current policy for land held for resale adopted in 2009 to determine if changes are needed. Once we have completed the policy review and any updates, we will ensure that our property documentation includes the appropriate value information consistent with the policy.

Anticipated Completion Date:

December 31, 2019 to review the current 2009 land held for resale policy.
December 31, 2020 to update the land held for resale policy and ensure that our records include the appropriate documentation of value consistent with the policy.

Finding Number: 2018-002
Finding Title: Prior Period Adjustment

Name of Contact Person Responsible for Corrective Action:

Chris Eitemiller, Accounting Manager
Michael Solomon, Treasurer
Kevin Mannerter, Accountant IV

Corrective Action Planned:

OFS Senior Accountant will work with OFS Treasury staff to ensure RCVA capital related entries are properly reflected in the system moving forward.

Anticipated Completion Date:

December 31, 2019

Finding Number: 2017-002

Finding Title: Procurement, Suspension, and Debarment

Programs: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218) and Home Investment Partnerships Program (CFDA No. 14.239)

Name of Contact Person Responsible for Corrective Action:

Kristin Guild, Interim Director of PED
Kayla Schuchman, Housing Director, PED
Michelle Vojacek, PED Program Coordinator
Beth Ulrich, PED Grants Manager

Corrective Action Planned:

City staff will ensure that the procurement documentation in the project files for homeowner rehabilitation projects demonstrate that a competitive process was pursued. The rehabilitation advisor will provide the loan officer with the bid tabulation documentation as part of the closing package for signature by the homeowner.

Anticipated Completion Date:

December 31, 2019

Finding Number: 2016-006

Finding Title: Statements of Economic Interest

Name of Contact Person Responsible for Corrective Action:

John McCarthy, Interim OFS Director
Rachel Tierney, Deputy City Attorney
Shari Moore, City Clerk, Council

Corrective Action Planned:

Leadership staff from the Office of Financial Services, City Attorney's Office, and Council departments will meet to revise the city's ordinance to align more closely with Minnesota Statutes §§ 10A.01 and 10A.09. Revision of the ordinance will better identify officials required to complete a statement of economic interest form and change the means of enforcement.

Anticipated Completion Date:

December 31, 2019

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**REPRESENTATION OF THE CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding Number: 2016-003

Finding Title: Reporting

Program: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218), 2009 and 2011

Summary of Condition: The City's Planning Economic Development (PED) department has not submitted NSP Quarterly Progress Reports on the HUD Exchange website by the reporting deadline for all four quarters of 2017 for both NSP1 and NSP3 grants.

Summary of Corrective Action Previously Reported: Missing NSP Quarterly Progress Reports will be submitted. OFS and PED will develop a plan to submit reports by HUD's due dates.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2016-006

Finding Title: Statements of Economic Interest

Summary of Condition: The City did not ensure statements of economic interest were filed with the City Clerk's Office by the last Monday in January. Of the 48 forms reviewed by MN Office of State Auditor, 20 forms were not filed timely.

Summary of Corrective Action Previously Reported: The City will ensure statements of economic interest are filed by the last Monday in January.

Status: Not Corrected. Please see Corrective Action Plan for explanation.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2017-001

Finding Title: Real Property Disposition

Program: Community Development Block Grants/Entitlement Grants Cluster (CFDA No. 14.218), 2017

Summary of Condition: The City's policy and procedures for Disposition of HRA-owned real estate requires HRA Board approval for all dispositions. One of the three properties sold that was reviewed did not have Board Approval.

Summary of Corrective Action Previously Reported: Future property dispositions will follow the City's policy.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2017-002

Finding Title: Procurement, Suspension, and Debarment

Summary of Condition: Of four project files tested, one did not contain a history of procurement including documentation of the bid tabulation. The City lacked documentation demonstrating that it reviewed contractors or subcontractors for suspension or debarment prior to entering into contracts in three out of four contracts tested.

Summary of Corrective Action Previously Reported: City staff will ensure that the procurement documentation in the project files for homeowner rehabilitation projects demonstrates that a competitive process was pursued. The rehabilitation advisor will provide the loan officer with the bid tabulation documentation as part of the closing package for signature by the homeowner. Checks for suspension and debarment of proposed contractors will be done prior to entering into a contract with the contractor and said documentation will be maintained.

Status: Partially Corrected. Suspension and debarment finding has been resolved. The portion of the finding that was not resolved relates to procurement bid process. Please see the corrective action plan for explanation.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Direct				
CDBG – Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants				
	14.218		\$ 8,554,293	\$ 2,606,023
Emergency Solutions Grant Program	14.231		716,890	677,691
Home Investment Partnerships Program	14.239		2,054,847	-
Neighborhood Stabilization Program – ARRA	14.256		24,838	-
Fair Housing Assistance Program – State and Local	14.401		28,500	-
Passed Through Minnesota Home Ownership Center				
Housing Counseling Assistance Program	14.169	FY2017-11	146,823	-
Total U.S. Department of Housing and Urban Development			\$ 11,526,191	\$ 3,283,714
U.S. Department of the Interior National Park Service				
Direct				
Mississippi National River and Recreation Area State and Local Assistance				
	15.941		\$ 39,960	\$ -
Passed Through Minnesota Historical Society				
Historic Preservation Fund Grants-In-Aid	15.904	P17AF00098.025	25,000	-
Historic Preservation Fund Grants-In-Aid	15.904	P17AF00098.018	886	-
(Total Historic Preservation Fund Grants-In-Aid 15.904 \$25,886)				
Total U.S. Department of the Interior National Park Service			\$ 65,846	\$ -
U.S. Department of Justice				
Direct				
Public Safety Partnership and Community Policing Grants				
	16.710		\$ 397,950	\$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738		176,767	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		67,441	-
Equitable Sharing Program	16.922		167,786	-
Passed Through Minnesota Department of Public Safety				
Missing Children's Assistance				
	16.543	SWIFT 109610 A-CVSP-2017- STPAULAO-0039	1,939 14,338	- -
Crime Victim Assistance	16.575	A-CVS-2018- STPAULAO-00114	106,940	-
Crime Victim Assistance	16.575			
(Total Crime Victim Assistance 16.575 \$121,278)				

**CITY OF SAINT PAUL
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Justice (Continued)				
Passed Through Saint Paul and Ramsey County Domestic Abuse Intervention Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2016-WE-AX-0013	101,182	-
Total U.S. Department of Justice			\$ 1,034,343	\$ -
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	1030098	\$ 2,853,416	\$ -
Highway Planning and Construction	20.205	SP 091-090-080	277,584	-
Highway Planning and Construction	20.205	SP 164-070-014	18,480	-
(Total Highway Planning and Construction 20.205 \$3,149,480)				
Passed Through Ramsey County Highway Safety Cluster				
State and Community Highway Safety	20.600	TZD	98,819	-
National Priority Safety Programs	20.616	TZD	34,392	-
(Total National Priority Safety Programs 20.616 \$44,004)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	TZD	170,069	-
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$189,583)				
Passed Through Minnesota Department of Public Safety Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-OFFICR19-2019-STPAULCI-034	19,514	-
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$189,583)				
Highway Safety Cluster National Priority Safety Programs	20.616	A-OFFICR19-2019-STPAULCI-034	9,612	-
(Total National Priority Safety Programs 20.616 \$44,004)				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	A-HMEP-2017-STPFIRE-007	13,728	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	A-HMEP-2017-STPFIRE-026	34,669	-
(Total Interagency Hazardous Materials Public Sector Training and Planning Grants 20.703 \$48,397)				
Total U.S. Department of Transportation			\$ 3,530,283	\$ -

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Treasury				
Passed Through Minnesota Housing Finance Agency National Foreclosure Mitigation Counseling	21.000	PL114-113X1350	<u>\$ 1,469</u>	<u>\$ -</u>
U.S. Institute of Museum and Library Services				
Passed Through Friends of the Saint Paul Public Library Grants to States	45.310	LS-00-18-0024-18	<u>\$ 18,897</u>	<u>\$ -</u>
U.S. Environmental Protection Agency				
Direct				
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814		\$ 54,492	\$ -
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		35,190	-
Passed Through Minnesota Public Facilities Authority Drinking Water State Revolving Fund Cluster Capitalization Grants for Drinking Water State Revolving Funds	66.468	MPFA-DWRF-L- 049-FY17	<u>573,773</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>\$ 663,455</u>	<u>\$ -</u>
Corporation for National and Community Service				
Direct				
Volunteers in Service to America	94.013		\$ 200,951	\$ -
Passed Through ServeMinnesota				
AmeriCorps	94.006	17ACHMN0010001-17	171,454	-
AmeriCorps	94.006	17AFHMN0010005-18	44,150	-
AmeriCorps	94.006	17ACHMN0010001-18	46,866	-
(Total AmeriCorps 94.006 \$262,470)			<u>262,470</u>	<u>-</u>
Total Corporation for National and Community Service			<u>\$ 463,421</u>	<u>\$ -</u>
Executive Office of the President				
Passed Through North Central High Intensity Drug Trafficking Areas				
High Intensity Drug Trafficking Areas Program	95.001	G18MN0028A	\$ 22,095	\$ -
High Intensity Drug Trafficking Areas Program (Total High Intensity Drug Trafficking Areas Program 95.001 \$100,045)	95.001	G17ML0028A	77,950	-
Total Executive Office of the President			<u>\$ 100,045</u>	<u>\$ -</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Direct				
Assistance to Firefighters Grant	97.044		\$ 186,390	\$ -
Port Security Grant Program	97.056		417,503	-
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	A-EMPG-2014- STPAULEERMGT-0772	29,966	-
Pre-Disaster Mitigation	97.047	A-HM-PDM-2016- STPAULCI-02	42,743	-
Homeland Security Grant Program	97.067	A-SHSP-2015- STPAULCI-028	180,000	-
Homeland Security Grant Program	97.067	A-UASI-2016- STPAULCI-012	581,848	-
Homeland Security Grant Program	97.067	A-UASI-2017- STPAULCI-012	582,727	-
Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$1,421,097)	97.067	A-SHSP-2017- STBOMB-015	76,522	-
Total U.S. Department of Homeland Security			\$ 2,097,699	\$ -
Total Federal Awards			\$ 19,501,649	\$ 3,283,714
Totals by Cluster				
Total expenditures for CDBG – Entitlement Grants Cluster			\$ 8,554,293	
Total expenditures for Highway Planning and Construction Cluster			3,149,480	
Total expenditures for Highway Safety Cluster			142,823	
Total expenditures for Drinking Water State Revolving Fund Cluster			573,773	

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Saint Paul and the Saint Paul Regional Water Services, a component unit of the City. For the year ended December 31, 2018, the level of federal funding for the Saint Paul Regional Water Services did not require that a separate single audit be performed for the component unit. This schedule does not include \$3,217,377 in federal awards expended by the Port Authority of the City of Saint Paul, a component unit of the City, which had a separate single audit. The City and the Saint Paul Regional Water Services' reporting entities are defined in Note II to the basic financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Saint Paul and the Saint Paul Regional Water Services under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Saint Paul and the Saint Paul Regional Water Services, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Saint Paul or the Saint Paul Regional Water Services.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of the City of Saint Paul and the Saint Paul Regional Water Services. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the full accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Saint Paul and the Saint Paul Regional Water Services have elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 16,567,207
Expenditures of program income	
Community Development Block Grants/Entitlement Grants	1,122,037
Home Investment Partnerships Program	82,286
Housing Counseling Assistance Program	137,832
Neighborhood Stabilization Program – ARRA	4,554
Expenditures occurring in 2017, but revenue recognized in 2018	
Highway Planning and Construction	(54,123)
State and Community Highway Safety	(509)
National Priority Safety Programs	(399)
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	(2,505)
Brownfields Assessment and Cleanup Cooperative Agreements	(480)
AmeriCorps	(29,262)
Emergency Management Performance Grants	(17,035)
Assistance to Firefighters Grant	(74,209)
Homeland Security Grant Program	(154,992)
Expenditures occurring in 2018, but revenue deferred until 2019	
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	54,128
Edward Byrne Memorial Justice Assistance Grant Program	48,430
Highway Planning and Construction	1,203,078
Brownfields Assessment and Cleanup Cooperative Agreements	1,497
Emergency Management Performance Grants	6,722
Homeland Security Grant Program	8,792
Pre-Disaster Mitigation	24,827
Expenditures for the Saint Paul Regional Water Services	
Capitalization Grants for Drinking Water State Revolving Funds	573,773
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 19,501,649

5. Saint Paul Regional Water Services' Reconciliation of Schedule of Expenditures of Federal Awards to Actual Reimbursements

The Saint Paul Regional Water Services had expenditures under one federal award in 2018. This was Capitalization Grants for Drinking Water State Revolving Funds, which is passed through the Minnesota Public Facilities Authority, a component unit of the State of Minnesota. This award is in the form of a Drinking Water Note Payable secured by net revenues of the Saint Paul Regional Water Services. It will be repaid over a 20-year period.

**CITY OF SAINT PAUL
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5. Saint Paul Regional Water Services' Reconciliation of Schedule of Expenditures of Federal Awards to Actual Reimbursements (Continued)

Expenditures for the Capitalization Grants for Drinking Water State Revolving Funds during the year ended December 31, 2018, totaled \$573,773. Reimbursements during fiscal year 2018, which are reflected in the increase to the revenue notes long-term obligations, totaled \$774,895; \$246,730 is for 2017 expenditures, and the remaining \$528,165 is related to 2018 expenditures.