

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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MANAGEMENT AND COMPLIANCE REPORT FOR

**ST. LOUIS COUNTY**  
**DULUTH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2014

## **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 150 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 700 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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**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

**Year Ended December 31, 2014**



**Management and Compliance Report**

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

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**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

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**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- 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 programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

Community Development Block Grants/Entitlement Grants	CFDA #14.218
Temporary Assistance For Needy Families	CFDA #93.558
Social Services Block Grant	CFDA #93.667
Medical Assistance Program	CFDA #93.778

The threshold for distinguishing between Types A and B programs was \$927,530.

St. Louis County qualified as a low-risk auditee? **Yes**

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-010

#### Departmental Internal Accounting Controls

**Criteria:** Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system.

**Condition:** Due to the limited number of office personnel within various County departments, proper segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible.

**Context:** Because of the small size of some of the departments in St. Louis County, the internal control that management can design and implement into these departments is limited.

**Effect:** Without proper segregation of duties, an opportunity is created for errors or fraudulent activities to occur and remain undetected.

**Cause:** This condition is not unusual in small departmental situations where staffing limitations can result in improper segregation of duties. Management has identified departments where inadequate segregation of duties issues exists. Management has determined that given departmental size, staffing considerations, and resource limitations the desirable level of segregation of duties necessary to achieve an adequate level of internal control is not feasible.

**Recommendation:** Management is aware that segregation of duties is not adequate from an internal control point of view. We recommend the County Board of Commissioners be mindful that limited staffing causes inherent risks in safeguarding the County's assets and the proper reporting of its financial activity. We recommend the Board of Commissioners continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

#### Client's Response:

*The Auditor's Office will notify Department Heads of this finding and remind them to review their internal controls and to segregate duties where possible. The Internal Auditor will also meet with Department Heads to review internal controls.*



Finding 2012-001

Payroll Reporting Procedures

**Criteria:** County policy requires employees to print and sign a paper copy of their time report attesting to hours worked. The employee's supervisor is required to review and sign the employee's time report to document approval of hours listed as worked. The policy also requires the departmental timekeeper to maintain on file the signed and approved paper copy of the time report as documentation. This procedure is a basic internal control mechanism ensuring hours reported as worked have been properly approved.

**Condition:** We selected a sample of 40 transactions from the population of all 2014 payroll transactions for our tests of internal controls. Tests performed detected an instance in which a supervisor from the Recorder's Office had not signed a copy of an employee's timesheet documenting approval of hours worked.

**Context:** Supervisory approval of employee hours worked is a required procedure under the time reporting policy established by the County Auditor's Office. County staff designated as departmental timekeepers receive approved time reports from supervisors. Based upon the approved time reports, timekeepers transfer workers' time to an electronic time reporting format for further processing by the County Auditor's Payroll Department. Timekeepers are required to print and sign the electronic report, submit it to their supervisor for review and approval, and maintain it and the original approved employee time reports on file as required documentation.

**Effect:** A control deficiency in operation exists over the internal control implemented to ensure that all hours worked by County staff are properly authorized, supported, and documented. A time report signed by the employee, and approved by the employee's supervisor, evidences that time reported and paid is accurate and legitimate.

**Cause:** Time reporting procedures established by the County Auditor's Office to ensure payroll transactions are accurate and legitimate were not followed in accordance with County policy.

**Recommendation:** We recommend County time reporting procedures be enforced. Employee and supervisory signatures on time reports are a basic internal control procedure established by the County Auditor's Office that should be followed by all County departments to ensure all payroll transactions processed and paid are attested to and approved. Since the responsibility to maintain the original signed time reports on file rests with County staff designated as departmental timekeepers, we also recommend the County Internal Auditor consider randomly selecting and reviewing a sample of employee time reports throughout the year to ensure County time reporting procedures are being followed as intended.

Client's Response:

*The Auditor's Office will notify Department Heads of this finding and have them confirm that they have notified their supervisors of this requirement and have procedures in place to ensure that all timesheets have been reviewed and signed by a supervisor.*

*The County is in the process of implementing a time and scheduling system called WorkForce, which will require an electronic approval by the supervisor before the timesheet can be submitted.*

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

ITEM ARISING THIS YEAR

Finding 2014-001

Eligibility Testing

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778)

**Pass-Through Agency:** Minnesota Department of Human Services

**Criteria:** OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

**Condition:** The state maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all assets were verified or entered into MAXIS to support participant eligibility. The following instances were detected in our sample of 40 cases tested:

- In one instance asset verification was not completed.
- In one instance asset information available through other County resources was not input into MAXIS.

**Questioned Costs:** Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

**Context:** The State of Minnesota contracts with the County Public Health and Human Services Department to perform the “intake function” (meeting with the social services recipient to determine income and categorical eligibility) while the state maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to participants.

**Effect:** The errors would not have had an effect on eligibility; however, the lack of documented verification or improper input of information into MAXIS increases the risk that clients will receive benefits when they are not eligible.

**Cause:** Program personnel entering case information into MAXIS did not ensure all required information was verified or input correctly.

**Recommendation:** We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is obtained and properly input into MAXIS. In addition, consideration should be given to providing additional training to program personnel.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Ann Busche, Janet Nilsen, Ben Manley, Hanley Wehseler, and Cristen Christensen*

Corrective Action Planned:

*The Division Director of Financial Assistance sent out an email to the Financial Assistance Supervisors explaining the importance of the verification process and asking them to follow up with their units on this issue.*

*The Financial Assistance Trainers will increase their emphasis on the verification process within their training materials. This finding will be addressed with current staff at the next monthly income maintenance unit staff meeting and added to agenda on an annual basis. The PHHS department is also assigning a staff person to verify that any clients in MAXIS that have a bank balance that is managed by the County in the Social Welfare Fund is entered into MAXIS.*

Anticipated Completion Date:

*April 28, 2015, is when the email was sent to Supervisors.*

*On May 13, 2015, the Financial Assistance Trainers were notified to update their training materials for the next group of staff that go through the training process.*

*On June 1, 2015, the initial check of Social Welfare Fund balances will be completed, and then the review will be done quarterly.*

## PREVIOUSLY REPORTED ITEM RESOLVED

### **Cash Management (2013-001)**

For the U.S. Department of Transportation's Highway Planning and Construction Grant (CFDA No. 20.205), the County requested reimbursement from the Minnesota Department of Transportation for federal program expenditures before the costs for which reimbursement was requested were paid.

### **Resolution**

A technical interpretation requested before, but not received from the Minnesota Division of the Federal Highway Administration until after this item was reported, states that if the County is operating under an approved Delegated Contract Process (DCP) with Minnesota Department of Transportation, requests for reimbursement of federal program expenditures may be made when the costs are incurred rather than when paid. Based on this guidance, the 2013 finding is resolved.

## **IV. OTHER ITEM FOR CONSIDERATION**

### *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in St. Louis County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year, and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.

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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

Board of County Commissioners  
St. Louis County  
Duluth, 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, each major fund, and the aggregate remaining fund information of St. Louis County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 9, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered St. Louis County'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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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 combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County'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 the attention of 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-010 and 2012-001, that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether St. Louis County'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 Political Subdivisions*, 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 County'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, except that we did not test for compliance with the provisions for tax increment financing because that provision was not applicable.

In connection with our audit, nothing came to our attention that caused us to believe that St. Louis County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 County's noncompliance with the above referenced provisions.

## **Other Matters**

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the County, and we are reporting it for that purpose.



## **St. Louis County's Response to Findings**

St. Louis County's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County'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 Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

June 9, 2015

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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 OMB CIRCULAR A-133**

### Independent Auditor's Report

Board of County Commissioners  
St. Louis County  
Duluth, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited St. Louis County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. St. Louis County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of St. Louis County'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 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 St. Louis County'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 County's compliance with those requirements.

### ***Opinion on Each Major Federal Program***

In our opinion, St. Louis County 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, 2014.

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

Management of St. Louis County 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 County'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 OMB Circular A-133, 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 County'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 identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001, that we consider to be a significant deficiency.

St. Louis County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. St. Louis County'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 Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Louis County as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated June 9, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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 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. The 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.

### **Purpose of This Report**

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

June 9, 2015

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**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Direct		
Recovery Act of 2009: Capital Improvement and Maintenance - ARRA	10.687	\$ 65,842
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	734,102
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	2,256,756
Passed Through Minnesota Management & Budget Schools and Roads - Grants to States	10.665	<u>1,576,362</u>
<b>Total U.S. Department of Agriculture</b>		<b>\$ <u>4,633,062</u></b>
<b>U.S. Department of Housing and Urban Development</b>		
Direct		
Community Development Block Grants - Entitlement Grants	14.218	\$ 2,103,090
Emergency Solutions Grant Program	14.231	155,430
Shelter Plus Care	14.238	37,246
Home Investment Partnerships Program	14.239	<u>492,390</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<b>\$ <u>2,788,156</u></b>
<b>U.S. Department of the Interior</b>		
Direct		
Payments in lieu of taxes	15.226	<b>\$ <u>261,100</u></b>
<b>U.S. Department of Justice</b>		
Direct		
Supervised Visitation, Safe Havens for Children	16.527	\$ 151,043
Passed Through City of Virginia Public Safety Partnership and Community Policing Grants	16.710	<u>8,439</u>
<b>Total U.S. Department of Justice</b>		<b>\$ <u>159,482</u></b>

**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

(Continued)

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	\$ 5,817,193
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	<u>75,000</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 5,892,193</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Public Health Emergency Preparedness	93.069	\$ 109,047
Universal Newborn Hearing Screening	93.251	4,100
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	900
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	88,575
PPHF: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds	93.531	36,565
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$3,637,611)	93.558	343,551
Maternal and Child Health Services Block Grant to the States	93.994	218,197
Passed Through Minnesota Department of Human Services Projects for Assistance in Transition from Homelessness (PATH)	93.150	62,288
Promoting Safe and Stable Families	93.556	156,268
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$3,637,611)	93.558	3,294,060
Child Support Enforcement	93.563	3,587,919
Refugee and Entrant Assistance - State-Administered Programs	93.566	87
Child Care and Development Block Grant	93.575	103,690
Stephanie Tubbs Jones Child Welfare Services Program	93.645	37,051
Foster Care Title IV-E	93.658	1,577,324
Social Services Block Grant	93.667	1,549,733
Chafee Foster Care Independence Program	93.674	42,311
Medical Assistance Program	93.778	<u>4,829,671</u>
<b>Total U.S. Department of Health and Human Services</b>		<b><u>\$ 16,041,337</u></b>



**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

(Continued)

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 30,500
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	623,772
Emergency Management Performance Grants	97.042	92,025
Port Security Grant Program	97.056	249,771
Homeland Security Grant Program	97.067	<u>146,285</u>
<b>Total U.S. Department of Homeland Security</b>		<b>\$ <u>1,142,353</u></b>
<b>Total Federal Awards</b>		<b>\$ <u><u>30,917,683</u></u></b>

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**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by St. Louis County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of St. Louis County under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of St. Louis County, it is not intended to and does not present the financial position, changes in net position, or cash flows of St. Louis County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Subrecipients

Of the expenditures presented in the schedule, St. Louis County provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grant/Entitlement Grants	\$ 1,877,857
14.239	Home Investment Partnerships Program	417,527
	Total	<u>\$ 2,295,384</u>

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5. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Highway Planning and Construction Cluster	\$ 5,892,193
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6. Reconciliation of Intergovernmental Revenue

	Federal CFDA Number	Amount
Federal grant revenue per Schedule of Intergovernmental Revenue		\$ 30,891,126
Unavailable Revenue in 2014 - grants received more than 60 days after year-end		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	50,908
Highway Planning and Construction (Regular)	20.205	614,207
Highway Planning and Construction (Disaster)	20.205	11,159
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	280
Temporary Assistance for Needy Families	93.558	6,681
Refugee and Entrant Assistance - State Administered Programs	93.566	87
Child Care and Development Block Grant (Basic Sliding Fee)	93.575	8,390
Medical Assistance Program	93.778	48,293
Disaster Grants - Public Assistance (Forest Roads)	97.036	84,127
Disaster Grants - Public Assistance (Regular)	97.036	1,681,022
Emergency Management Performance Grants	97.042	79,634
Unavailable in 2013, recognized as revenue in 2014		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	(81,900)
Highway Planning and Construction (Regular)	20.205	(713,160)
Highway Planning and Construction (Disaster)	20.205	(146,168)
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	(1,745)
Child Care and Development Block Grant (Basic Sliding Fee)	93.575	(5,384)
Child Care and Development Block Grant (Minnesota Family Investment Project)	93.575	(2,349)
Foster Care Title IV-E (SSTS Administration)	93.658	(87,674)
Medical Assistance Program (SSTS Administration)	93.778	(256,602)
Disaster Grants - Public Assistance (Forest Roads)	97.036	(84,127)
Disaster Grants - Public Assistance (Regular)	97.036	(1,165,464)
Homeland Security Grant Program	97.067	(6,706)
Homeland Security Grant Program	97.067	(2,664)
Homeland Security Grant Program	97.067	(4,288)
Total Expenditures per Schedule of Expenditures of Federal Awards		\$ 30,917,683

7. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.