

# STATE OF MINNESOTA

## Office of the State Auditor



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

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MANAGEMENT AND COMPLIANCE REPORT

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

YEAR ENDED DECEMBER 31, 2017

## **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 650 public pension funds; and

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

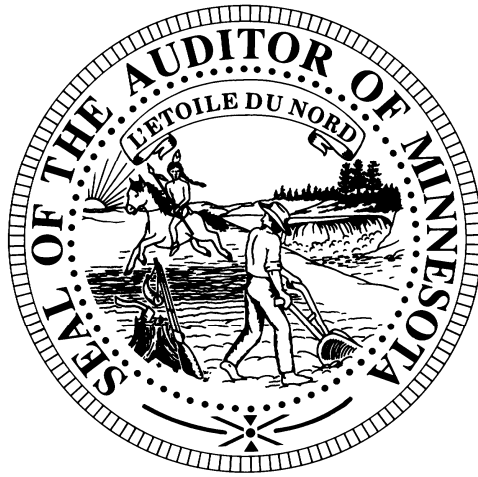
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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

**Year Ended December 31, 2017**



**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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REBECCA OTTO  
STATE AUDITOR

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2018. 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.

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 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. 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 or significant deficiencies may exist that have not been identified.

### **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 the Finding**

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

### **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/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

June 20, 2018

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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, 2017. 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 Saint Paul Regional Water Services and the Port Authority of the City of Saint Paul component units, which expended \$5,139,783 and \$6,721,340, respectively, in federal awards during the year ended December 31, 2017, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Saint Paul Regional Water Services because the Saint Paul Regional Water Services had a separate single audit in accordance with the Uniform Guidance. Our audit also did not include 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 with those requirements.

### ***Basis for Qualified Opinion on CDBG - Entitlement Grants Cluster (CFDA No. 14.218)***

As described in the accompanying Schedule of Findings and Questioned Costs, the City of Saint Paul did not comply with requirements regarding CFDA No. 14.218 CDBG - Entitlement Grants Cluster as described in finding number 2016-003 for Reporting, and 2017-002 for Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

### ***Qualified Opinion on CDBG - Entitlement Grants Cluster (CFDA No. 14.218)***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the CDBG - Entitlement Grants Cluster for the year ended December 31, 2017.

### ***Unmodified Opinion on the Other 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 its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2017.

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

## **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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003 and 2017-002 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 to be a significant deficiency.

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

## **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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated June 20, 2018, 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 2 percent, 2 percent, and 16 percent, respectively, and the Port Authority of the City of Saint Paul, which represent 34 percent, 6 percent, and 28 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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.

### **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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

June 20, 2018

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major programs: **Unmodified for all major programs, except for the CDBG - Entitlement Grants Cluster, which is qualified.**

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

The major programs are:

CDBG - Entitlement Grants Cluster	CFDA No. 14.218
Edward Byrne Memorial Justice Assistance Grant Program	CFDA No. 16.738

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

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

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

None.

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

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2016-003

Reporting

**Direct Federal Program:** U.S. Department of Housing and Urban Development's (HUD) CDBG - Entitlement Grants Cluster (CFDA No. 14.218), 2009 and 2011

**Criteria:** Neighborhood Stabilization Program (NSP) reporting requirements, *Federal Register, Vol. 75, No. 201*, states NSP1 and NSP3 grantees must submit a quarterly performance report, as HUD prescribes, no later than 30 days following the end of each quarter, beginning 30 days after the completion of the first full calendar quarter after grant award and continuing until the end of the grant.

**Condition:** The four 2017 quarterly progress reports for NSP1 and NSP3 grants on the HUD exchange website tested were not submitted by the reporting deadline.

**Questioned Costs:** None.

**Context:** All delinquent reports have subsequently been submitted in 2018.

The sample size was 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 HUD requirements.

**Cause:** The City's accounting system is not set up to allow tracking of NSP expenditures and revenues at the property address level as is required by HUD for program reporting. City staff set up a separate system to track NSP program finances by address at the beginning of the program. Amounts aggregated in the separate parallel system had diverged from the City's accounting system records and City staff deemed the amounts inaccurate for property address-level reporting, requiring significant account reconciliation. The reporting fell behind and took time to get back on schedule.



**Recommendation:** We recommend the City establish procedures to ensure that NSP1 and NSP3 quarterly progress reports are completed by the HUD deadlines.

**View of Responsible Official:** Concur

ITEMS ARISING THIS YEAR

Finding Number 2017-001

Real Property Disposition

**Direct Federal Program:** U.S. Department of Housing and Urban Development's (HUD) CDBG - Entitlement Grants Cluster (CFDA No. 14.218), 2017

**Criteria:** The City of Saint Paul's Policy and Procedures for Disposition of Housing and Redevelopment Authority (HRA) owned real estate requires the HRA Board to approve all dispositions of property.

**Condition:** One of three property dispositions tested did not have approval by the HRA Board.

**Questioned Costs:** None.

**Context:** The project involved two phases of development. The first phase was approved by the HRA Board. Instead of taking the sale of the second phase of the project to the HRA Board for approval, the contract with the developer of the first phase was amended to add the additional property.

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

**Effect:** The property sale did not follow City of Saint Paul policies and procedures.

**Cause:** Staff oversight.

**Recommendation:** We recommend all property dispositions follow the City's policy.

**View of Responsible Official:** Concur

Finding Number 2017-002

Procurement and Suspension and Debarment

**Direct Federal Program:** U.S. Department of Housing and Urban Development's (HUD) CDBG - Entitlement Grants Cluster (CFDA No. 14.218), 2015 and 2016

**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 verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* § 180.300, 200.213.

**Condition:** The following items were noted:

- 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.

**Questioned Costs:** None.

**Context:** The City staff that completed portions of the procurement process no longer work for the City, and it is unknown if documentation supporting compliance was misplaced.

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 regulations.

**Cause:** Contract files lack documentation due to misunderstanding of documentation requirements, along with potentially misplaced information.

**Recommendation:** We recommend the City document the history of procurement transactions, including contract selection, in accordance with federal regulations. The City should verify vendors are not debarred or suspended or that other exclusions apply, prior to entering into the contract and maintain that documentation.

**View of Responsible Official:** Concur

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### MINNESOTA LEGAL COMPLIANCE

##### PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2016-006

##### Statements of Economic Interest

**Criteria:** Minnesota Statute § 10A.09, subd. 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 20 of the 48 forms tested were not filed with the City Clerk's Office by the last Monday in January.

**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

2014-002 Bank Reconciliations and Reconciliations of Treasury Cash and Investment Balances to INFOR Balances

2016-001 Audit Adjustments

2016-002 Uniform Guidance Written Procurement Policies and Procedures (CFDA No. 14.218 and CFDA No. 97.044)

2016-004 Subrecipient Monitoring (CFDA No. 14.218)

2016-005 Special Tests and Provisions - Environmental Reviews (CFDA No. 14.218)

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

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Finding Number: 2016-003**

**Finding Title: Reporting**

**Program: CDBG - Entitlement Grants Cluster (CFDA No. 14.218)**

Name of Contact Person Responsible for Corrective Action:

Joe Musolf, PED Principal Project Manager  
Kristin Guild, Deputy Director of PED

Corrective Action Planned:

The City is now current on HUD quarterly reporting for NSP grants and procedures are in place to maintain timeliness.

Anticipated Completion Date:

April 2018

**Finding Number: 2017-001**

**Finding Title: Real Property Disposition**

**Program: CDBG - Entitlement Grants Cluster (CFDA No. 14.218)**

Name of Contact Person Responsible for Corrective Action:

Kristin Guild, Deputy Director of PED  
Loan Servicing and Real Estate Supervisor, PED

Corrective Action Planned:

Future property dispositions will follow the City's policy.

Anticipated Completion Date:

December 2018

**Finding Number: 2017-002**  
**Finding Title: Procurement and Suspension and Debarment**  
**Program: CDBG - Entitlement Grants Cluster (CFDA No. 14.218)**

Name of Contact Person Responsible for Corrective Action:

Kristin Guild, Deputy Director of PED  
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 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.

Anticipated Completion Date:

December 2018

**Finding Number: 2016-006**  
**Finding Title: Statements of Economic Interest**

Name of Contact Person Responsible for Corrective Action:

Shari Moore, City Clerk  
Trudy Moloney, Director of City Council Operations

Corrective Action Planned:

The City will communicate the due date to all individuals required to file a statement of economic interest. Emphasis will be placed on the importance of promptly returning the forms to the City Clerk to comply with state statute.

Anticipated Completion Date:

January 2019



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Mayor Melvin Carter

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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, 2017**

**Finding Number: 2014-002**

**Finding Title: Bank Reconciliations and Reconciliations of Treasury Cash and Investment Balances to INFOR Balances**

**Summary of Condition:** Monthly reconciliations for the City's primary checking account were not completed timely during 2014 and 2015. Also during 2014 and 2015, Treasury cash and investment balances were not reconciled to the City's accounting system, INFOR, on a regular basis. At December 31, 2014 and 2015, there was a substantial difference that was not reconciled. In 2016, all bank reconciliations were completed on a timely basis; however, the Treasury cash and investment balances were only reconciled to the INFOR system balance for December 2016. The substantial difference noted at December 31, 2014 and 2015, was still a reconciling item in 2016.

**Summary of Corrective Action Previously Reported:** The City's Office of Financial Services (OFS) will undertake a process to reconcile Treasury cash and investment balances to INFOR beginning with 2014 data. Adjustments will be made as necessary. Once differences are resolved, OFS staff will reconcile INFOR with Treasury cash and investment balances on a timely and regular basis.

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

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

Yes \_\_\_\_\_ No  X

**Finding Number: 2016-001**

**Finding Title: Audit Adjustments**

**Summary of Condition:** Material audit adjustments were identified that resulted in significant changes to the City's financial statements.

**Summary of Corrective Action Previously Reported:** OFS Accounting and Treasury staff will ensure debt-related entries are properly reflected in the system moving forward.

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

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

Yes \_\_\_\_\_ No  X

**Finding Number: 2016-002**

**Finding Title: Uniform Guidance Written Procurement Policies and Procedures**

**Programs: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218), 2015 and 2016; and Assistance to Firefighters Grant (CFDA No. 97.044), 2015**

**Summary of Condition:** The City has written procurement policies; however, the policies did not include all the required components in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318.

**Summary of Corrective Action Previously Reported:** Procurement policies and procedures will be updated to include updated Uniform Guidance requirements.

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

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

Yes \_\_\_\_\_ No  X

**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 since the second quarter of 2015 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:** Partially Corrected. Four 2017 quarterly reports for NSP1 and NSP3 were not submitted by the reporting deadline. Please see Corrective Action Plan for explanation.

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

Yes \_\_\_\_\_ No  X



**Finding Number: 2016-004**

**Finding Title: Subrecipient Monitoring**

**Program: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218), 2015 and 2016**

**Summary of Condition:** The City did not perform risk assessments for any of its CDBG sub-recipients in 2016.

**Summary of Corrective Action Previously Reported:** CDBG sub-recipients are determined during the City's bi-annual Capital Improvement Budget (CIB) process. During the 2018-19 CIB process, which began in April 2017, a process was put in place to conduct risk assessments for each CDBG grant sub-recipient before making any sub-awards.

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

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

Yes \_\_\_\_\_ No  X

**Finding Number: 2016-005**

**Finding Title: Special Tests and Provisions - Environmental Reviews**

**Program: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218), 2009 and 2010**

**Summary of Condition:** The MN Office of State Auditors reviewed four projects and tested for environmental reviews. None of the four projects had documentation of the reviews or documentation of an exemption in the file.

**Summary of Corrective Action Previously Reported:** PED staff will ensure the documentation requirement for environmental reviews are in the files.

**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 42 forms reviewed by MN Office of State Auditor, 37 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. In previous years, the filing due date had been in April. This process will be updated so that January 2018's filings are completed timely.

**Status:** Not Corrected. Please see 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, 2017**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Housing and Urban Development</b>				
Direct				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		\$ 8,124,389	\$ 2,391,961
Emergency Solutions Grant Program	14.231		538,817	471,102
Home Investment Partnerships Program	14.239		286,655	-
Neighborhood Stabilization Program - ARRA	14.256		62,256	-
Fair Housing Assistance Program - State and Local	14.401		294,550	-
Passed Through Minnesota Home Ownership Center				
Housing Counseling Assistance Program	14.169	FY2017-11	18,215	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	02-2009-14B-NSP	203,122	-
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ 9,528,004</b>	<b>\$ 2,863,063</b>
<b>U.S. Department of the Interior National Park Service</b>				
Direct				
Mississippi National River and Recreation Area State and Local Assistance	15.941		\$ 40,797	\$ -
<b>U.S. Department of Justice</b>				
Direct				
Public Safety Partnership and Community Policing Grants	16.710		\$ 386,108	\$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738		804,688	12,448
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		1,954	-
Equitable Sharing Program	16.922		28,999	-
Passed Through Minnesota Department of Public Safety				
Missing Children's Assistance	16.543	SWIFT 109610, 2016-MC-FX-K007	440	-
Crime Victim Assistance	16.575	A-CVSP-2017- STPAULAO-0039	48,270	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	A-NFSIA-2017- SPPD-00006	6,378	-
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	104,846	-
<b>Total U.S. Department of Justice</b>			<b>\$ 1,381,683</b>	<b>\$ 12,448</b>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Public Safety Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	A-HMEP-2016- STPFIRE-010	\$ 10,118	\$ -
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	SP 091-090-080	681,467	-
Highway Planning and Construction <i>(Total Highway Planning and Construction 20.205     \$762,987)</i>	20.205	SP 164-070-014	81,520	-
Passed Through Ramsey County Highway Safety Cluster				
State and Community Highway Safety	20.600	Not provided	59,327	-
National Priority Safety Programs	20.616	Not provided	9,669	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	Not provided	173,591	-
<b>Total U.S. Department of Transportation</b>			<b>\$ 1,015,692</b>	<b>\$ -</b>
<b>U.S. Department of Treasury</b>				
Passed Through Minnesota Housing Finance Agency National Foreclosure Mitigation Counseling	21.000	PL113-76X1350	\$ (1,279)	\$ -
National Foreclosure Mitigation Counseling	21.000	PL113-235X1350	165	-
National Foreclosure Mitigation Counseling <i>(Total National Foreclosure Mitigation Counseling 21.000 \$6,938)</i>	21.000	PL114-113X1350	8,052	-
<b>Total U.S. Department of Treasury</b>			<b>\$ 6,938</b>	<b>\$ -</b>
<b>U.S. Environmental Protection Agency</b>				
Direct				
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814		\$ 87,507	\$ -
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		25,777	-
<b>Total U.S. Environmental Protection Agency</b>			<b>\$ 113,284</b>	<b>\$ -</b>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>Corporation for National and Community Service</b>				
Direct				
Volunteers in Service to America	94.013		\$ 232,231	\$ -
Passed Through ServeMinnesota				
AmeriCorps	94.006	17ACHMN0010001-17	75,885	-
<b>Total Corporation for National and Community Service</b>			<b>\$ 308,116</b>	<b>\$ -</b>
<b>U.S. Department of Homeland Security</b>				
Direct				
Assistance to Firefighters Grant	97.044		\$ 425,096	\$ -
Port Security Grant Program	97.056		281,789	-
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	A-EMPG-2014- STPAULEERMGT-0772	29,772	-
Pre-Disaster Mitigation	97.047	A-HM-PDM-2016- STPAULCI-02	8,991	-
Homeland Security Grant Program	97.067	A-UASI-2015- STPAULCI-0012	642,290	-
Homeland Security Grant Program	97.067	A-UASI-2016- STPAULCI-012	395,512	-
Homeland Security Grant Program	97.067	A-SHSP-2014- STPBOMB-00017	87,905	-
Homeland Security Grant Program <i>(Total Homeland Security Grant Program 97.067     \$1,161,449)</i>	97.067	A-SHSP-2015- STPAULCI-0019	35,742	-
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 1,907,097</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 14,301,611</b>	<b>\$ 2,875,511</b>
<b>Totals by Cluster</b>				
Total expenditures for CDBG - Entitlement Grants Cluster			\$ 8,124,389	
Total expenditures for Highway Planning and Construction Cluster			762,987	
Total expenditures for Highway Safety Cluster			68,996	

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Saint Paul. The City's reporting entity is defined in Note II to the basic financial statements. This schedule does not include \$5,139,783 and \$6,721,340 in federal awards expended by the Saint Paul Regional Water Services and the Port Authority of the City of Saint Paul, respectively, discretely presented component units of the City, which had separate single audits.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Saint Paul under programs of the federal government for the year ended December 31, 2017. 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, 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.

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. 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City of Saint Paul has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

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4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 13,049,939
Expenditures of program income	
Community Development Block Grants/Entitlement Grants	2,060,827
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	203,122
Edward Byrne Memorial Justice Assistance Grant Program	5,869
Home Investment Partnerships Program	133,614
Expenditures occurring in 2016, but revenue recognized in 2017	
Community Development Block Grants/Entitlement Grants	(1,048,686)
Interagency Hazardous Materials Public Sector Training and Planning Grants	(1,855)
Expenditures occurring in 2017, but revenue deferred until 2018	
Assistance to Firefighters Grant	74,209
Emergency Management Performance Grants	17,035
Brownfields Assessment and Cleanup Cooperative Agreements	2,985
Highway Planning and Construction	54,123
Homeland Security Grant Program	124,167
Neighborhood Stabilization Program - ARRA	62,256
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	4,982
Unspent forfeitures awarded	
United States Department of Justice - Equitable Sharing Program	(217,133)
United States Department of Treasury - Equitable Sharing Program	(216,764)
Reclassification of prior year expenditures	
Community Development Block Grants/Entitlement Grants	<u>(7,079)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 14,301,611</u>