

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

Audit Practice Division

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### **Ramsey County Saint Paul, Minnesota**

Management and Compliance Report

Year Ended December 31, 2023

**Ramsey County**  
**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

Board of County Commissioners  
Ramsey County  
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, each major fund, and the aggregate remaining fund information of Ramsey County, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 1, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ramsey County's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and 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 a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002 to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2023-003 to be a significant deficiency.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ramsey 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Ramsey County failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### Ramsey County's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on Ramsey County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County'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 and compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* 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/Julie Blaha

Julie Blaha  
State Auditor

May 1, 2025

/s/Chad Struss

Chad Struss, CPA  
Deputy State Auditor

**Report on Compliance for Each Major Federal Program and Report on Internal  
Control Over Compliance Required by the Uniform Guidance**Independent Auditor's Report

Board of County Commissioners  
Ramsey County  
Saint Paul, Minnesota

**Report on Compliance for Each Major Federal Program*****Qualified and Unmodified Opinions***

We have audited Ramsey County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Ramsey County's major federal programs for the year ended December 31, 2023. Ramsey County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Qualified Opinion on COVID-19 – Emergency Rental Assistance Program***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Ramsey County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on COVID-19 – Emergency Rental Assistance Program for the year ended December 31, 2023.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, Ramsey 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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2023.

***Basis for Qualified and Unmodified Opinions***

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

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

***Matter Giving Rise to Qualified Opinion on COVID-19 – Emergency Rental Assistance Program***

As described in the accompanying Schedule of Findings and Questioned Costs, Ramsey County did not comply with requirements regarding Assistance Listing No. 21.023 COVID-19 – Emergency Rental Assistance Program as described in finding number 2023-004 for Eligibility.

Compliance with such requirements is necessary, in our opinion, for Ramsey County to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

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

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

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

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

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

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

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-005 and 2023-006. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Ramsey County's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Ramsey County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-004 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-005 and 2023-006 to be significant deficiencies.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on Ramsey County's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Ramsey County's response was not subjected to the other 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.

*/s/Julie Blaha*

Julie Blaha  
State Auditor

May 1, 2025

*/s/Chad Struss*

Chad Struss, CPA  
Deputy State Auditor

# Ramsey County

## Saint Paul, Minnesota

### Schedule of Findings and Questioned Costs For the Year Ended December 31, 2023

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

##### Financial Statements

Type of auditor’s 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 federal programs:

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

Type of auditor’s report issued on compliance for major federal programs: **Unmodified, except for COVID-19 – Emergency Rental Assistance Program, which is qualified.**

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

Identification of major federal programs:

Assistance Listing	
Number	Name of Federal Program or Cluster
14.218	CDBG – Entitlement Grants Cluster
20.205	Highway Planning and Construction
21.023	COVID-19 – Emergency Rental Assistance Program
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
93.563	Child Support Services
93.658	Foster Care – Title IV-E

The threshold used to distinguish between Type A and B programs was \$3,000,000.

Ramsey qualified as a low-risk auditee? **No**



# Ramsey County

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### Section II – Financial Statement Findings

#### 2023-001      Audit Adjustment/Preparation of Financial Statements

**Prior Year Finding Number:** 2022-001

**Year of Finding Origination:** 2020

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

**Severity of Deficiency:** Material Weakness

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

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

- Debt Service Fund proceeds from the sale of bonds were decreased by \$59,000,000, premium on the sale of bonds was decreased by \$6,663,165, and transfers to other funds were increased by \$65,663,165, to remove bond proceeds and premium from the sale of bonds that were to be recorded in the Capital Projects Fund.
- Capital Projects Fund proceeds from the sale of bonds were increased by \$58,681,824, premium on the sale of bonds was increased by \$6,663,165, expenditures were increased by \$318,176, and transfers from other funds were decreased by \$65,663,165, to record bond proceeds, premium from the sale of bonds, and bond issuance costs recorded in the Debt Service Fund.
- Capital Projects Fund revenue was decreased, and deferred inflows of resources were increased, by \$9,897,245, to defer the recognition of revenue for receipts not received within the County's period of availability.
- Lake Owasso Residence Fund deferred outflows of resources were decreased by \$372,116, deferred inflows of resources were increased by \$2,498,113, and expenses were increased by \$2,125,997, to correctly reflect year-end OPEB related balances.
- Governmental activities assets were reduced by \$112,203,606, deferred outflows of resources were decreased by \$14,401,955, liabilities were increased by \$119,612,277, deferred inflows of resources were increased by \$35,885,616, and net position was increased by \$28,892,332, to remove beginning balances of internal service funds.

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- Governmental activities capital assets were increased by \$341,661, accumulated depreciation was increased by \$4,540,214, and expense was increased by \$4,198,553, to adjust account balances to correctly reflect year-end balances.
- Governmental activities claims and judgments payable and expense were decreased by \$58,225,803, to correct an overstatement made in error.

An additional 300 audit adjustments were necessary to properly account for year-end account balances and transactions. All audit adjustments were reviewed and approved by management and are reflected in the financial statements. The significant number of errors noted delayed the timing of the audit and resulted in additional audit hours to ensure amounts reported were fairly stated.

**Cause:** The County experienced turnover in staff responsible for preparation of its financial statements.

**Recommendation:** We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

**View of Responsible Official:** Concur

### **2023-002      Bank Reconciliation**

**Prior Year Finding Number:** 2022-002

**Year of Finding Origination:** 2020

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

**Severity of Deficiency:** Material Weakness

**Criteria:** Reconciliations are control activities designed to provide reasonable assurance that errors will be prevented and detected in a timely manner and involve the comparison of records or balances from different sources. Effective reconciliations properly account for any differences between the records or balances. This includes investigating why the differences exist and resolving them in a timely manner.

**Condition:** Audit procedures identified approximately \$30 million in needed adjustments in the County's December 2023 bank reconciliations to correct receipts and disbursements which were not recorded in the general ledger as of December 31, 2023. In addition, the bank reconciliation included an unreconciled difference of \$264,483.

**Context:** The unreconciled difference noted is less than one percent of the County's total cash and investments.

**Effect:** When accounting records are not reconciled on a regular basis, there is an increased risk errors or irregularities will not be detected in a timely manner.

**Cause:** The Finance Department took over completion of the bank reconciliations from another department in 2023 while also experiencing staff turnover at the County.

**Recommendation:** We recommend the County review procedures in place over preparation of the bank reconciliation to ensure that bank records reconcile to the County's general ledger in a timely manner.

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**View of Responsible Official:** Concur

**2023-003      Sheriff Department Internal Controls**

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

**Year of Finding Origination:** 2023

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

**Severity of Deficiency:** Significant Deficiency

**Criteria:** Management is responsible for establishing and maintaining internal control. Internal controls in place over operations should be designed and implemented to provide reasonable assurance that errors or irregularities are prevented, or detected and corrected, in a timely manner. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities.

U.S. generally accepted accounting principles and the County Financial Accounting and Reporting Standards (COFARS) developed by the Office of the State Auditor recommend transactions are recorded properly so that reliable reports can be prepared and accountability for assets is maintained.

Reconciliations are control activities designed to provide reasonable assurance that errors will be prevented and detected in a timely manner and involve the comparison of records or balances from different sources. Effective reconciliations properly account for any differences between the records or balances. This includes investigating why the differences exist and resolving them in a timely manner.

**Condition:** During review of internal controls at the Sheriff Department, the following were noted:

- One staff person is responsible for counting, reconciling, and preparing the deposit of inmate funds for the Jail;
- The County did not record activity in the Sheriff Department's escrow, inmate, and buy accounts in the County's general ledger or a subsidiary ledger available for monitoring and accumulating information for financial reporting; and
- Of the Sheriff Department's four bank accounts, two were reconciled annually; otherwise, no other bank reconciliations were completed in 2023.

**Context:** The Sheriff Department's bank accounts not recorded in the County's general ledger as of December 31, 2023, totaled \$2.1 million.

**Effect:** Inadequate segregation of duties could adversely affect the ability of the County employees, in the normal course of performing their assigned functions, to detect misstatements in a timely period. In addition, when accounting records are not reconciled on a regular basis, there is an increased risk that errors or irregularities will not be detected in a timely manner.

**Cause:** The County does not have formal policies and procedures in place over cash collections and bank reconciliations. In addition, it has not been the County's practice to include the Sheriff Department's escrow, inmate, and buy accounts in the general ledger.

**Recommendation:** We recommend the County implement policies and procedures over cash collections and bank reconciliations to improve internal controls. We also recommend the County's elected officials and management

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## Saint Paul, Minnesota

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be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the staff are implementing the internal control policies and procedures to the extent possible. Lastly, we recommend the County record all accounts in its general ledger or a subsidiary ledger available for monitoring and accumulating information for financial reporting.

**View of Responsible Official:** Concur

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

#### 2023-004      Eligibility

**Prior Year Finding Number:** 2022-006

**Year of Finding Origination:** 2022

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Material Weakness and Modified Opinion

**Federal Agency:** U.S. Department of the Treasury

**Program:** 21.023 COVID-19 – Emergency Rental Assistance Program

**Pass-Through Agency:** N/A - Direct

**Criteria:** Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

The U.S. Department of the Treasury *Frequently Asked Questions* for Emergency Rental Assistance (ERA), revised July 27, 2022, requires grantees to obtain a current lease that identifies the unit where the applicant resides, to have support that an applicant is at risk of experiencing homelessness with a written attestation from the applicant or evidence of risk as determined by the grantee, have a reasonable basis for determining and redetermining income, and have documentation of the cost of any hotel or motel charged to the grant and the cost of the hotel or motel stay not include expenses incidental to the charge for the room.

Title 2 U.S. *Code of Federal Regulations* § 200.403(g) requires costs to be adequately documented.

In addition, the County's Federal Emergency Program Guide for Tenant Application requires the County to obtain a written attestation if the Household has no qualifying income, or does not have documentation of all current income, and requires the County to use the Homeless Management Information System (HMIS) record when eligibility is based on homelessness.

**Condition:** In a sample of 16 participant's eligibility documentation tested, the following exceptions were detected:

- For one participant, the address indicated on the ERA Request Form did not agree to the address included in the lease agreement.
- Three participants did not have documentation to support that they were at risk of experiencing homelessness.

## Ramsey County Saint Paul, Minnesota

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- Three participants did not have documentation to support a reasonable basis for determining income.
- Two participants did not have documentation to support a redetermination of income.
- Three participants had instances where one-time payments, such as security deposits and application fees, were duplicated.
- Thirteen participants did not have documentation originating from the hotel or shelter supporting payment amount and that incidental expenses were not included.
- Eight participants had inconsistencies in the payment data provided between the participant name noted as the payee and the participant name noted as being applicable to in the transaction description.

**Questioned Costs:** \$140,822. Questioned costs are calculated based on payments to sampled participants. The amounts relating to costs that were not supported by adequate documentation at the time of the audit are \$138,844, and amounts relating to duplicate payments are \$1,978. These questioned costs were provided to a subrecipient that made the direct payments on behalf of participants.

**Context:** The County had 80 total participants for the COVID-19 – Emergency Rental Assistance Program in 2023.

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

**Effect:** The County is not in compliance with requirements of the U.S. Department of the Treasury and the County's Program Guide for Tenant Application.

**Cause:** The County informed us that documentation could not be located, and that a number of staff who were involved in the program are no longer a part of the department. In addition, the County informed us that it had a contract in place with a consultant to assist the County in housing participants. However, no documentation was provided supporting detailed hotel expenses. Lastly, the County informed us that the inconsistencies in the payment data appears to have been clerical mistakes.

**Recommendation:** We recommend the County maintain documentation supporting participant eligibility in a location accessible to County staff. In addition, we recommend the County obtain documentation originating from hotels or shelters in sufficient detail as to provide support for costs charged to the grant and verify incidental expenses are not included.

**View of Responsible Official:** Concur

**2023-005      Reporting – PR29 – CDBG Cash on Hand Quarterly and Federal Funding and Accountability and Transparency Act**

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

**Year of Finding Origination:** 2023

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Significant Deficiency and Other Matter

**Federal Agency:** U.S. Housing and Urban Development

**Program:** 14.218 Community Development Block Grants/Entitlement Grants

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### 14.218 COVID-19 – Community Development Block Grants/Entitlement Grants

**Pass-Through Agency:** N/A - Direct

**Criteria:** Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

The PR29 – CDBG Cash on Hand Quarterly report is a required quarterly report. The basis of accounting described in the directions is a cash basis. Also, the directions list accounts to be included in the reports, including program income accounts.

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, that are codified in Title 2 U.S. *Code of Federal Regulations*, Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS).

**Condition:** In the sample of two quarterly PR29 – CDBG Cash on Hand Quarterly reports tested, errors were noted in both reports resulting from the County improperly including accruals in the reporting and not including all accounts, including those relating to program income. In addition, Ramsey County has not submitted subaward information in the FSRS as required by the FFATA for the Community Development Block Grant.

**Questioned Costs:** None.

**Context:** The PR29 – CDBG Cash on Hand Quarterly report is not used to claim reimbursement of federal funds.

A subaward is any award provided by a pass-through entity to a subrecipient for the subrecipient to administer part of a federal award received by the pass-through entity. The FFATA issue was noted during the audit of the Community Development Block Grant; however, it impacts federal programs County-wide.

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

**Effect:** Ramsey County is not in compliance with the requirements for PR29 – CDBG Cash on Hand Quarterly or FFATA reporting.

**Cause:** The County experienced staff turnover. In addition, the County missed HUD notifications that FFATA needed to be implemented.

**Recommendation:** We recommend Ramsey County implement procedures to complete reports as required by HUD and ensure the correct accounting basis is used and all accounts are being included. We recommend Ramsey County implement procedures to complete reports required by FFATA. In addition, we recommend Ramsey County work with HUD on how best to correct PR29 – CDBG Cash on Hand Quarterly reporting.

**View of Responsible Official:** Concur

# Ramsey County

## Saint Paul, Minnesota

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**2023-006      Reporting – DHS Social Service Fund (DHS-2556)**

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

**Year of Finding Origination:** 2023

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Significant Deficiency and Other Matter

**Federal Agency:** U.S. Department of Health and Human Services

**Program:** 93.658 Foster Care – Title IV-E

**Award Number and Year:** 2301MNFOST, 2023

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

**Criteria:** Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Administrative program costs for Foster Care are submitted to the Minnesota Department of Human Services (DHS) through the DHS Social Service Fund (DHS-2556) report on a quarterly basis. DHS provides reporting instructions, including information regarding eligible and ineligible costs.

**Condition:** The DHS-2556 second quarter report overstated payroll expense for individuals required to participate in the social services time study by \$552,225 and understated payroll expense for individuals who do not participate in the social services time study.

**Questioned Costs:** None.

**Context:** DHS relies on accurate identification and reporting of program costs to ensure grant funds paid to the County are allowable and provide detailed information necessary for maintaining proper oversight over federal programs.

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

**Effect:** Errors in the reporting of costs on the quarterly reports can impair the ability of DHS to provide required oversight over federal programs and result in the County receiving either more or less federal funds than justified based on the actual underlying activity.

**Cause:** The error was due to an incorrect formula in a supporting workbook.

**Recommendation:** We recommend Ramsey County implement controls to ensure accurate reporting to DHS in accordance with federal program guidance and DHS instructions. We also recommend reports submitted incorrectly are corrected and resubmitted.

**View of Responsible Official:** Concur

**Representation of Ramsey County  
Saint Paul, Minnesota**

Corrective Action Plan  
For the Year Ended December 31, 2023

**Finding Number: 2023-001**

**Finding Title: Audit Adjustment/Preparation of Financial Statements**

Name of Contact Person Responsible for Corrective Action:

Daniel Rahkola, Division Director Finance

Corrective Action Planned:

Finance will restrict the preparation of the financial statements to staff within the Finance Department. We will also build financial statement templates with versioning control to ensure that all staff are working off the same files. Finally, we will implement a two-stage review process to reduce the potential for errors. The person preparing the file will submit the file for initial review to another accountant in Finance. That accountant will review the file to ensure the work meets quality standards, makes sense, and is clearly understandable. If the work is not up to specifications, it will be sent back to the preparing accountant for review. Once the file passes review, the reviewing accountant will enter the related journal into the accounting system. The journal and related work will be reviewed by an independent journal approving accountant to further ensure that the work is up to standard.

Anticipated Completion Date:

June 2, 2025

**Finding Number: 2023-002**

**Finding Title: Bank Reconciliation**

Name of Contact Person Responsible for Corrective Action:

Jeanette J. Boit-Kania, Debt and Investment Manager

Corrective Action Planned:

The county has hired two staff to reconcile cash monthly. Those staff have been working with the technical staff to understand our receipting and general accounting systems. The county has developed standardized templates to use in reconciling the cash balances. The county will begin to close the books on a quarterly basis to ensure that past cash balances can no longer change.



Anticipated Completion Date:

August 29, 2025

**Finding Number: 2023-003**

**Finding Title: Sheriff Department Internal Controls**

Name of Contact Person Responsible for Corrective Action:

Kyle Mestad, Undersheriff, Chief of Staff  
Anna Halm, Principal Accountant

Corrective Action Planned:

Sheriff's Office staff met with Finance staff to review inmate fund counting, reconciling, and preparing of deposits. The duties have been changed since this finding and are now separated. Correctional staff at booking count funds with a machine and then a Sergeant performs reconciling and preparing deposits. Individuals booked into jail can see their account balances. An Accountant reviews and signs deposit slips before depositing into the bank account.

The Sheriff's Office and Finance staff worked together to enter the four checking accounts into the general ledger. This was completed in April 2024. Checking account information will be entered on a regular basis going forward.

Staff shortages resulted in delays in reconciliation of some checking accounts. It is anticipated that the affected checking accounts will be reconciled no later than June 2025. Checking accounts will be reconciled on a regular basis going forward as staffing shortages are resolved.

Anticipated Completion Date:

June 30, 2025

**Finding Number: 2023-004**

**Finding Title: Eligibility**

**Program: 21.023 COVID-19 – Emergency Rental Assistance Program**

Name of Contact Person Responsible for Corrective Action:

Daniel Rahkola, Division Director Finance

Corrective Action Planned:

Staff will be retrained on the procedures to ensure compliance with the needed standards.

Anticipated Completion Date:

June 30, 2025

**Finding Number: 2023-005**

**Finding Title: Reporting – PR29 – CDBG Cash on Hand Quarterly and Federal Funding and Accountability and Transparency Act**

**Program: 14.218 Community Development Block Grants/Entitlement Grants  
14.218 COVID-19 – Community Development Block Grants/Entitlement Grants**

Name of Contact Person Responsible for Corrective Action:

Max Holdhusen, Deputy Director of Community and Economic Development

Corrective Action Planned:

- 1) Ramsey County will implement internal procedures to complete PR29 quarterly reports as required by HUD and ensure the correct accounting basis and accounts are being utilized.
- 2) Ramsey County will implement procedures to complete reports on FSRS required by FFATA.
- 3) Ramsey County will develop/update our agency's written grants administration policies and procedures to align with current practices and applicable rules.
- 4) Ramsey County will conduct regular trainings of policies and procedures for staff involved with CDBG grants administration.

Anticipated Completion Date:

July 15, 2025

**Finding Number: 2023-006**

**Finding Title: Reporting – DHS Social Service Fund (DHS-2556)**

**Program: 93.658 Foster Care – Title IV-E**

Name of Contact Person Responsible for Corrective Action:

Janelle White – Controller for Ramsey County's Health & Wellness Service Team

Enrique Rivera – Fiscal Services Manager for Ramsey County's Health & Wellness Service Team

Corrective Action Planned:

Starting in the third quarter of 2024, Ramsey County instituted an additional verification step in the review process to support the determination of accurate cost pool categorization of reimbursable costs for the Random Moment Time Study Reports cost reports.

The additional step will be to confirm that on the Summary Tab of the Quarterly Payroll file, the cost codes lines are in sequential order and that the corresponding expense totals match the cost code. The Senior Accountant will do the first review of this step, and the Fiscal Manager will complete the second review.

The error on the 2nd quarter 2023 report was remedied and resubmitted in the 2nd quarter of 2024.

Anticipated Completion Date:

July of 2024 when the 2nd quarter DHS-2556 and DHS 2550 are due to be complete and finalized.

**Representation of Ramsey County  
Saint Paul, Minnesota**

Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2023

**Finding Number: 2022-001**

**Year of Finding Origination: 2020**

**Finding Title: Material Audit Adjustment**

**Summary of Condition:** A material audit adjustment was identified that resulted in significant changes to the County's financial statements.

**Summary of Corrective Action Previously Reported:** Do this work continuously throughout the year. Spread work over multiple people. (At least the PW Accounting Manager and the EGCI-Wide AR Accountant II.) Keep proper revenue and receivable balances using appropriate accounting codes (1xxxxx for Receivables, 3xxxxx for revenue). Perform a systematic process earlier in the year-end cycle to defer the revenue.

**Immediate Plan:**

- Assemble Project Team of (PW Accounting Manager, PW Accounting Consultant, EGCI Controller, Accounts/Receivable Accounting Manager, new AR Acct, Deputy Accounting Director, and her Accountant 3).
- Research how other counties do this. Have contacts at both Hennepin County and Washington County.
- Decide on best method going forward. This includes the initial re-setting of receivable/revenue balances by project and/or CSAH revenue category. Then decide on method to get this updated during the year. Either updated after every significant transaction, or certain intervals during the year.
- Research all projects and/or CSAH Revenue Categories and get the proper Receivable/Revenue/Deferred Revenue balance into ASPEN.
- AR Accountant working in conjunction with the PW Accounting Manager to then keep ASPEN continuously updated based on the above plan. That will enable us to monitor these balances at least at various time during year.
- Will start entering revenue deferral JE's during year-end (Feb./March).
- Will also check in with the Auditors (OSA) this fall on how we're doing.
- This should greatly cut down on the adjusting entries when we work on the Financial Statement in March and April and reduce the risk of another audit finding.

**Status:** Not Corrected. All the staff and the management responsible for the preparation of the ACFR left the county in late 2023. The work outlined in the corrective action plan was not completed before they left. The incoming staff and management were not able to implement the plan as it took time for them to understand the state of the accounting systems.

**Finding Number:** 2022-002

**Year of Finding Origination:** 2020

**Finding Title:** Bank Reconciliation

**Summary of Condition:** During review of the County's December 2022 bank reconciliation, a number of adjustments were identified by the client to correct timing delays in recorded cash in the general ledger, some of which were delayed as much as nine months. In addition, the bank reconciliation included an unreconciled difference of approximately \$187,000. Lastly, the County did not perform bank reconciliations in 2022 detailed to the extent to identify unrecorded receipts noted in the audit as well as to support differences between bank and book balances.

**Summary of Corrective Action Previously Reported:** Hired an outside consultant with knowledge of Ramsey County to complete the January 2023 bank reconciliation and create procedure documentation for future bank reconciliations.

Effective September 1, 2023, we will be transitioning the receipting and bank reconciliation duties from IPR to the Finance department along with associated staff FTEs. These individuals will report to the debt and investment manager.

Under the direction of the debt and investment manager, staff will use the procedures from the outside consultant to reconcile the bank accounts monthly. These bank reconciliations will detail discrepancies and outstanding items. The staff member will have the access to create correcting journal entries for any discrepancies immediately. After bank reconciliation is complete, the debt and investment manager will review and sign off.

**Status:** Not Corrected. It took significantly longer than anticipated to hire the staff required to implement this process and have them develop a new process to reconcile cash.

**Finding Number:** 2022-003

**Year of Finding Origination:** 2022

**Finding Title:** Employee Census Data and Pay Rates

**Summary of Condition:** In a sample of 25 employees, one birthdate per PERA data did not agree to the employee's personnel file by 32 years. In addition, two employees' census data was not reported in the PERA ERIS system. Furthermore, when observing controls over PERA census information and pay rates, it was noted that reviews of the "HR Audit Report" by the Human Resources Department were either not being done timely, evidence of the reviews were not documented, or the Human Resources Department did not have documentation from the employees' originating departments to sufficiently review the changes in census data or pay rates.

**Summary of Corrective Action Previously Reported:** In 2022 Ramsey County Human Resources experienced significant turnover; the Transactions area was affected on more than one occasion and the staff in the area turned over twice. This resulted in a backlog of work in the auditing unit. Audits which

were intended to be completed weekly were not done timely nor were documentation procedures always followed.

To correct the deficiencies workflow the Transactions will: 1) work to stabilize its staffing level; 2) ensure staff are trained; 3) review the "HR Audit Report" in a timely manner; 4) ensure any necessary changes are done in a timely manner; 5) ensure Audit Reports are dated and signed by the reviewer; 6) ensure documents are uploaded into Laserfiche electronic document management system and employee personnel files.

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

**Finding Number:** 2022-004

**Year of Finding Origination:** 2022

**Finding Title:** Activities Allowed or Unallowed and Allowable Costs/Cost Principles

**Program:** 14.231 Emergency Solutions Grant Program

**Summary of Condition:** The County did not obtain itemized documentation from its subrecipients for six out of 40 disbursements tested. The amount of disbursements that did not have supporting documentation totaled \$507,553. Itemized documentation would include reports derived from payroll systems or subrecipient general ledgers and original receipts.

**Summary of Corrective Action Previously Reported:** Ramsey County had exceptions for 6 of 40 transactions tested. The exceptions noted were for a lack of receipt copies and not having the proper payroll reports attached.

We agree with the lack of receipt copies. For payroll, we felt the payroll reports provided were adequate to determine the appropriate labor cost. The receipt issue came to about 2.5% of the \$5.5M that was expended under this award in 2022 while the payroll documentation was about 7% of this amount.

Nonetheless, we will create and use a check list to ensure we have the proper receipt copies and payroll reports for each subrecipient invoice we approve. We will also work on clarifying the required payroll reports with our grantors.

**Status:** Not Corrected. The county has been experiencing significant turnover in many departments. All the staff involved in the management of this grant are no longer with the county.

**Finding Number:** 2022-005

**Year of Finding Origination:** 2022

**Finding Title:** Activities Allowed or Unallowed and Allowable Costs/Cost Principles

**Program:** 21.023 COVID-19 – Emergency Rental Assistance Program

**Summary of Condition:** The following exceptions were detected in the audit of COVID-19 – Emergency Rental Assistance Program:

- In the sample of 15 disbursements tested, five consisted of advance payments to the County's subrecipients where itemized documentation was not subsequently obtained, and

- In the sample of three journal entries tested, all three included duplicate expenditures.

**Summary of Corrective Action Previously Reported:**

- The County will request supporting documentation, including general ledger report and/or bank statements and client list, to verify that advance payment have been spent before dispersing additional advance payments to subrecipient.
- Make sure extra time is given when moving expenses between grants to ensure that nothing gets moved twice.

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

**Finding Number:** 2022-006

**Year of Finding Origination:** 2022

**Finding Title:** Eligibility

**Program:** 21.023 COVID-19 – Emergency Rental Assistance Program

**Summary of Condition:** In a sample of 19 participant's eligibility documentation tested, the following exceptions were detected:

- One payment to a participant's landlord exceeded the amount in the agreement;
- Three participants did not have documentation to support household income; and
- All participants did not have documentation originating from the hotel or shelter supporting the payment amount on behalf of the participant, including that incidental expenses were not included; or the hotel invoice did not agree to the actual payment amount.

**Summary of Corrective Action Previously Reported:** In response to the finding, Ramsey County Housing Department (HSD) will implement the following:

1. For the ERA-based Highway to Housing program that ended May 30, 2023
  - a. Records from the hotels, outlining the costs were located and will be migrated to a centralized/ Sharepoint site; and
  - b. Additionally, HSD will source the income verification for the three participants and save copies to the centralized/ Sharepoint site
2. For the new ERA-based Housing Court program, which is a tenant rental assistance program, no hotels stays will be covered- only outstanding rent, fees, and utilities as outlined by the landlord. For this program, the following records are obtained for each client and maintained on the centralized SharePoint site:
  - a. Application to the programming outlining program eligibility and amount owed with signed self-attestation, third party verification, and signed attestation from an authorized representative; and
  - b. Copy of the lease, ledger, or notice of outstanding rent and/or utility arrears.

**Status:** Not Corrected. The county has been experiencing significant turnover in many departments. All the staff involved in the management of this grant are no longer with the county.

**Finding Number:** 2022-007

**Year of Finding Origination:** 2020

**Finding Title:** Custodial Credit Risk – Deposits

**Summary of Condition:** In a sample of three months tested for adequate collateral coverage of the County's main checking account, the month of May had nine days that did not have sufficient collateral, one day which exceeded \$169.4 million. The month of October had eleven days that did not have sufficient collateral, one day which exceeded \$134 million. Lastly, the County's deposits at another institution were undercollateralized by \$47.5 million, \$47.4 million, and \$49.9 million on May 31, October 31, and December 31, 2022, respectively.

**Summary of Corrective Action Previously Reported:** U.S. Bank accounts will be reviewed daily and deposits held kept at an amount under collateral coverage and is reasonable for the monthly activity. Excess funds will be transferred to the short-term money market fund as needed. Deposits held in Bremer bank will also be monitored for collateral coverage.

All investment accounts will be monitored monthly for collateral compliance.

At the end of the audit period additional collateral documentation was found but was not found in time for the auditors to review.

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