



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
[state.auditor@state.mn.us](mailto:state.auditor@state.mn.us) (E-mail)  
1-800-627-3529 (Relay Service)

September 16, 2009

Suzanne P. Kelly  
Interim Superintendent  
St. Paul Public Schools  
360 Colborne Street  
St. Paul, Minnesota 55102-3299

Dear Ms. Kelly:

The Office of the State Auditor received concerns from the St. Paul Public Schools, Independent School District No. 625 ("District"), that a District employee may have used District funds to pay for a private residential Xcel Energy ("Xcel") account. The OSA conducted a review for the time period of January 1, 2006, through August 24, 2009. The review disclosed that \$81,087.68 in District funds were diverted to a District employee's Xcel account.

In compliance with Minn. Stat. § 6.51, a copy of the public version of the OSA's Investigative Report is being filed with the District and the Ramsey County Auditor. The Investigative Report is subject to public inspection. *See* Minn. Stat. § 6.51. The not public version of the Investigative Report was filed with the Ramsey County Attorney to institute such proceedings as the law and the public interest require. At this time, data supporting the Investigative Report are considered not public data pursuant to Minn. Stat. § 6.715.

Based upon this review, we recommend that the District conduct a review of other District accounts handled by the Accounting Technician. In particular, we recommend that the District determine whether the additional checks picked-up by the Accounting Technician during this time period, as reflected on the District's log, were used to pay District expenses.

We also recommend that the District review its internal control procedures. As part of that review, the District should consider limiting or eliminating the ability of employees to "pick-up" checks from the business office. Having the business office directly mail payments is an additional method of segregating duties.

In addition, we recommend the District work with Xcel to determine whether the number of District accounts could be reduced. We also recommend that the District consider

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issuing separate District checks for separate District Xcel accounts in order to reduce the likelihood that District payments could be applied to non-District accounts.

After the District has had an opportunity to review this matter and to consider necessary internal control changes, please provide the Office of the State Auditor with a summary of the District's review and proposed internal control changes.

If you have any questions, please do not hesitate to contact me at 651-297-5853.

Sincerely,

*/s/ Nancy J. Bode*

Nancy J. Bode  
Assistant Legal Counsel

Enclosure

cc. The Honorable Susan Gaertner, Ramsey County Attorney  
St. Paul Police Department's Crimes Against Property Unit  
Nancy L. Cameron, Deputy General Counsel for the District  
KPMG - Minneapolis, District's Auditor