STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

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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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                  /s/Greg Hierlinger

REBECCA OTTO             GREG HIERLINGER, CPA
STATE AUDITOR        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          /s/Greg Hierlinger
REBECCA OTTO          GREG HIERLINGER, CPA
STATE AUDITOR          DEPUTY STATE AUDITOR

June 20, 2018
I. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:
- Material weaknesses identified? 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


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


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
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  

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 ___
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<td>14.239</td>
<td>286,655</td>
<td>-</td>
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<td>Neighborhood Stabilization Program - ARRA</td>
<td>14.256</td>
<td>62,256</td>
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<tr>
<td>Fair Housing Assistance Program - State and Local</td>
<td>14.401</td>
<td>294,550</td>
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<tr>
<td>Passed Through Minnesota Home Ownership Center Housing Counseling Assistance Program</td>
<td>14.169</td>
<td>FY2017-11</td>
<td>18,215</td>
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<tr>
<td>Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii</td>
<td>14.228</td>
<td>02-2009-14B-NSP</td>
<td>203,122</td>
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</tr>
<tr>
<td><strong>Total U.S. Department of Housing and Urban Development</strong></td>
<td></td>
<td></td>
<td>$9,528,004</td>
<td>$2,863,063</td>
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<tr>
<td><strong>U.S. Department of the Interior National Park Service</strong></td>
<td></td>
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</tr>
<tr>
<td>Direct</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mississippi National River and Recreation Area State and Local Assistance</td>
<td>15.941</td>
<td></td>
<td>$40,797</td>
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<tr>
<td><strong>U.S. Department of Justice</strong></td>
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<td></td>
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</tr>
<tr>
<td>Direct</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Safety Partnership and Community Policing Grants</td>
<td>16.710</td>
<td>$386,108</td>
<td>$-</td>
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</tr>
<tr>
<td>Edward Byrne Memorial Justice Assistance Grant Program</td>
<td>16.738</td>
<td>804,688</td>
<td>12,448</td>
<td></td>
</tr>
<tr>
<td>Criminal and Juvenile Justice and Mental Health Collaboration Program</td>
<td>16.745</td>
<td>1,954</td>
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</tr>
<tr>
<td>Equitable Sharing Program</td>
<td>16.922</td>
<td>28,999</td>
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</tr>
<tr>
<td>Passed Through Minnesota Department of Public Safety</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Missing Children's Assistance</td>
<td>16.543</td>
<td>SWIFT 109610</td>
<td>440</td>
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<tr>
<td></td>
<td></td>
<td>2016-MC-FX-K007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crime Victim Assistance</td>
<td>16.575</td>
<td>STPAULAO-0039</td>
<td>48,270</td>
<td></td>
</tr>
<tr>
<td>Paul Coverdell Forensic Sciences Improvement Grant Program</td>
<td>16.742</td>
<td>A-NFSIA-2017</td>
<td>6,378</td>
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<tr>
<td></td>
<td></td>
<td>SPPD-00006</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total U.S. Department of Justice</strong></td>
<td></td>
<td></td>
<td>$1,381,683</td>
<td>$12,448</td>
</tr>
</tbody>
</table>

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)

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

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)

<table>
<thead>
<tr>
<th>Federal Grantor</th>
<th>Federal CFDA Number</th>
<th>Pass-Through to Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporation for National and Community Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volunteers in Service to America</td>
<td>94.013</td>
<td>$ 232,231</td>
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<tr>
<td>Passed Through ServeMinnesota</td>
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<td></td>
</tr>
<tr>
<td>AmeriCorps</td>
<td>94.006</td>
<td>17ACHMN0010001-17</td>
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<tr>
<td>Total Corporation for National and Community Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 308,116</td>
</tr>
</tbody>
</table>

| U.S. Department of Homeland Security | | |
| Direct | | |
| Assistance to Firefighters Grant | 97.044 | $ 425,096 |
| Port Security Grant Program | 97.056 | 281,789 |
| Passed Through Minnesota Department of Public Safety | | |
| Pre-Disaster Mitigation | 97.047 | A-HM-PDM-2016-STPAULCI-02 | 8,991 |
| 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 |
| Total Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 $1,161,449) | | |
| | | $ 1,907,097 |

| Total U.S. Department of Homeland Security | | |
| | | $ 1,907,097 |

| Total Federal Awards | | |
| | | $ 14,301,611 |

| Totals by Cluster | | |
| 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 |

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

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