

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT FOR

ST. LOUIS COUNTY
DULUTH, MINNESOTA

YEAR ENDED DECEMBER 31, 2012

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 160 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 730 public pension funds; and

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

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

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**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

Year Ended December 31, 2012



Management and Compliance Report

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

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**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

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**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP)	CFDA #10.561
Schools and Roads - Grants to the States	CFDA #10.665
Public Safety Partnership and Community Policing Grants	CFDA #16.710
Child Support Enforcement	CFDA #93.563
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	CFDA #97.036
Homeland Security Grant Program	CFDA #97.067

The threshold for distinguishing between Types A and B programs was \$1,279,777.

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-10 Departmental Internal Accounting Controls

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

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

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

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

Cause: This condition is not unusual in small departmental situations where staffing limitations can result in improper segregation of duties. Management has identified departments where inadequate segregation of duties issues exists. Management has determined that given limited resources it is not feasible to achieve the desired level of segregation of duties in these departments.

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

Client's Response:

The Auditor's Office will notify Department Heads of this finding and remind them to review their internal controls and to segregate duties where possible. We also send out quarterly e-mails to the department heads of internal control areas we feel they should review and offer the Auditor's office staff to assist in the review.

ITEM ARISING THIS YEAR

12-1 Payroll Reporting Procedures

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

Condition: We selected and tested a sample of 25 transactions from the population of all 2012 payroll transactions. Tests performed detected an instance in which an employee had not printed and signed a copy of a time sheet as required under the time reporting procedures established by the County Auditor's Office. Because of this, we were unable to verify that an immediate supervisor had approved the time report as required. In this instance, the immediate supervisor was on vacation and unavailable to sign and approve the employee's time report. As a result, an electronic record of this employee's time report was submitted to the Payroll Department for payment. Upon our request, we received an unsigned/unapproved version of the employee's time sheet from the departmental supervisor, but were unable to verify that it was processed in accordance with County policy.

Context: Employees are required to print and sign copies of their time reports attesting to time worked. Supervisors are required to sign and approve the workers' time report. County staff designated as departmental timekeepers receive approved time reports from supervisors. The timekeepers then transfer the hours worked to an electronic time reporting format for further processing by the County Auditor's Payroll Department. Timekeepers are responsible to maintain the original signed and approved time reports on file as required documentation.

Effect: County procedures governing time reporting were not followed in this instance. A control deficiency exists in the operation of the internal control which was implemented to ensure that all hours worked by County staff are properly authorized, supported, and documented. A time report signed by the employee, and approved by the employee's supervisor, evidences that time reported and paid is accurate and legitimate.

Cause: There was a failure by the departmental staff involved to follow procedures established by the County Auditor's Office which were designed to ensure that all hours reported as worked are legitimate, properly approved, and documented.

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

Client's Response:

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

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

PREVIOUSLY REPORTED ITEMS RESOLVED

Time Sheet Approval (06-2)

Departmental supervisor's time reports are not being approved by another level of management as required under County time reporting procedures.

Resolution

St. Louis County reviewed and revised its time reporting policy to no longer require department head's time reports to be approved by another level of management.

Purchasing Card Internal Controls (10-1)

A former employee was in possession of an active purchasing card after termination.

Resolution

We detected no current instances of unauthorized access to County purchasing cards.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS.

PREVIOUSLY REPORTED ITEM RESOLVED

Cash Management - Wildland Fire Management - ARRA (11-1)

Reimbursement requests were made before the actual vendor claim had been paid.

Resolution

Wildland Fire Management - ARRA was a one-time grant. We did not detect any such instances in grant programs tested in the current year.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Wells Fargo Bank Depository Pledge Agreement (11-2)

The depository pledge agreement St. Louis County received from Wells Fargo Bank, NA, did not comply with Minn. Stat. § 118A.03, subd. 4, requiring the depository to release collateral pledged upon demand.

Resolution

Wells Fargo Bank, NA, provided a new pledge agreement that complies with Minn. Stat. § 118A.03, subd. 4.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of County Commissioners
St. Louis County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Louis County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Louis County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's

financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 96-10 and 12-1, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Louis County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because that provision was not applicable.

In connection with our audit, nothing came to our attention that caused us to believe that St. Louis County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

St. Louis County's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 26, 2013

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
St. Louis County

Report on Compliance for Each Major Federal Program

We have audited St. Louis County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2012. St. Louis County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of St. Louis County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Louis County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, St. Louis County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of St. Louis County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Louis County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated June 26, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

June 26, 2013

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Direct		
Cooperative Forestry Assistance	10.664	\$ 43,600
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	758,529
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP)	10.561	1,413,099
Passed Through Minnesota Department of Finance Schools and Roads - Grants to States	10.665	<u>1,926,574</u>
Total U.S. Department of Agriculture		<u>\$ 4,141,802</u>
U.S. Department of Housing and Urban Development		
Direct		
Community Development Block Grants - Entitlement Grants	14.218	\$ 2,483,275
Emergency Solutions Grant Program	14.231	65,741
Shelter Plus Care Program	14.238	500
Home Investment Partnerships Program	14.239	462,903
Homelessness Prevention and Rapid Re-Housing Program - ARRA	14.257	<u>94,882</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 3,107,301</u>
U.S. Department of the Interior		
Direct		
Payments in Lieu of Taxes	15.226	<u>\$ 240,841</u>
U.S. Department of Justice		
Direct		
Supervised Visitation, Safe Havens for Children	16.527	\$ 137,037
Bulletproof Vest Partnership Program	16.607	3,514
Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grants 16.710 \$664,459)	16.710	573,843
Passed Through City of Virginia Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grants 16.710 \$664,459)	16.710	<u>90,616</u>
Total U.S. Department of Justice		<u>\$ 805,010</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	\$ 12,268,309
Highway Planning and Construction - ARRA	20.205	194,049
(Total Highway Planning and Construction 20.205 \$12,462,358)		
Capital Assistance to States - Intercity Passenger Rail Service	20.317	<u>159,761</u>
Total U.S. Department of Transportation		<u>\$ 12,622,119</u>
U.S. Elections Assistance Commission		
Passed Through Minnesota Secretary of State		
Help America Vote Act Requirements Payments	90.401	<u>\$ 55,597</u>
U.S. Department of Health and Human Services		
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board		
Universal Newborn Hearing Screening	93.251	\$ 4,500
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	133,428
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting	93.505	43,622
Temporary Assistance for Needy Families (TANF)	93.558	343,551
(Total Temporary Assistance for Needy Families 93.558 \$3,633,517)		
Medical Assistance Program	93.778	201,904
(Total Medical Assistance 93.778 \$4,911,200)		
Maternal and Child Health Services Block Grant to the States	93.994	250,813
Passed Through Minnesota Department of Human Services		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	69,215
Promoting Safe and Stable Families	93.556	181,611
Temporary Assistance for Needy Families (TANF) Cluster		
Temporary Assistance for Needy Families (TANF)	93.558	3,289,966
(Total Temporary Assistance for Needy Families 93.558 \$3,633,517)		
Emergency Contingency Fund for Temporary Assistance for Needy Families - ARRA	93.714	231,498
Child Support Enforcement	93.563	3,313,539
Refugee and Entrant Assistance - State-Administered Programs	93.566	1,955
Child Care and Development Block Grant	93.575	134,994
Stephanie Tubbs Jones Child Welfare Services Program	93.645	63,802
Foster Care Title IV-E	93.658	951,040
Social Services Block Grant	93.667	1,783,368
Chafee Foster Care Independence Program	93.674	42,311
Medical Assistance Program	93.778	4,709,296
(Total Medical Assistance 93.778 \$4,911,200)		
Total U.S. Department of Health and Human Services		<u>\$ 15,750,413</u>

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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 22,039
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	3,716,150
Hazard Mitigation Grant	97.039	69,006
Emergency Management Performance Grant	97.042	154,417
Pre-Disaster Mitigation	97.047	28,452
Interoperable Emergency Communications	97.055	9,856
Port Security Grant Program	97.056	357,429
Homeland Security Grant Program	97.067	1,425,527
Buffer Zone Protection Program (BZPP)	97.078	153,267
Total U.S. Department of Homeland Security		\$ 5,936,143
Total Federal Awards		\$ 42,659,226

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**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of St. Louis County under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of St. Louis County, it is not intended to and does not present the financial position, changes in net position, or cash flows of St. Louis County.

3. Summary of Significant Accounting Policies

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

4. Clusters

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

Highway Planning and Construction Cluster	\$ 12,462,358
Temporary Assistance for Needy Families (TANF) Cluster	3,865,015

**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

5. Reconciliation of Intergovernmental Revenue

	<u>Federal CFDA Number</u>	<u>Amount</u>
Federal grant revenue per Schedule of Intergovernmental Revenue		\$ 40,839,966
Unavailable Revenue in 2012 - grants received more than 60 days after year-end		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	26,537
Shelter Plus Care Program	14.238	500
Public Safety Partnership and Community Policing Grants	16.710	1,467
Highway Planning and Construction (Regular)	20.205	846,725
Highway Planning and Construction (Disaster)	20.205	202,248
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	870
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting	93.505	10,281
Child Care and Development Block Grant (Basic Sliding Fee)	93.575	6,883
Child Care and Development Block Grant (Minnesota Family Investment Project)	93.575	3,573
Foster Care Title IV-E (Administration)	93.658	4,260
Foster Care Title IV-E (SSTS Administration)	93.658	5,485
Medical Assistance Program (Transportation)	93.778	3,517
Disaster Grants - Public Assistance (Forest Roads)	97.036	37,412
Disaster Grants - Public Assistance (Regular)	97.036	1,599,259
Emergency Management Performance Grant	97.042	78,117
Interoperable Emergency Communications	97.055	4,470
Unavailable in 2011 recognized as revenue in 2012		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	(21,994)
Cooperative Forestry Assistance	10.664	(18,250)
Coastal Zone Management Administration Awards	11.419	(24,713)
Public Safety Partnership and Community Policing Grants - Law Enforcement		
Technology Grant	16.710	(95,424)
Public Safety Partnership and Community Policing Grants - Methamphetamine Grant	16.710	(66,831)
Supervised Visitation, Safe Havens for Children	16.527	(7,069)
Highway Planning and Construction	20.205	(418,643)
Highway Planning and Construction - ARRA	20.205	(18,103)
Energy Efficiency and Conservation Block Grant Program - ARRA	81.128	(8,603)
Medical Assistance Program (MIECHV)	93.778	(64,982)
Medical Assistance Program (Transportation)	93.778	(81,662)
Hazard Mitigation Grant	97.039	(4,000)
Pre-Disaster Mitigation	97.047	(328)
Port Security Grant Program	97.056	(233,391)
Homeland Security Grant Program	97.067	(3,948)
Grant received previously recognized as revenue carried over several years		
Help America Vote Act Requirements Payments	90.401	55,597
		<u>\$ 42,659,226</u>
Total Expenditures per Schedule of Expenditures of Federal Awards		

**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

6. Subrecipients

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.218	Community Development Block Grant/Entitlement Grants	\$ 2,257,382
14.239	Home Investment Partnerships Program	<u>367,995</u>
	Total	<u>\$ 2,625,377</u>

7. American Recovery and Reinvestment Act

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