



# **MINNESOTA OFFICE OF THE STATE AUDITOR**

**THE HOUSING AND REDEVELOPMENT  
AUTHORITY OF STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**FOR THE FISCAL YEARS ENDED JUNE 30,  
1995, 1996, AND 1997**

**JUDITH H. DUTCHER  
STATE AUDITOR**

REPORT OF THE OFFICE OF THE STATE AUDITOR

ON

AGREED-UPON PROCEDURES

REGARDING

**THE HOUSING AND REDEVELOPMENT AUTHORITY OF STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

FOR THE FISCAL YEARS ENDED JUNE 30, 1995, 1996, AND 1997

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ST. CLOUD, MINNESOTA

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Independent Auditor's Report on Applying Agreed-Upon Procedures		1
Payments Other Than Salary Made to the Former Executive Director	Schedule 1	18
Payments Over \$2,500 by Vendor	Schedule 2	21

## **INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

Board of Commissioners  
The Housing and Redevelopment Authority of Stearns County

We have performed the procedures described below, which were agreed to by the Housing and Redevelopment Authority of Stearns County (Stearns County HRA), solely to address concerns raised by the Stearns County HRA's Board of Commissioners. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Stearn's County HRA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### 1. Procedure

Review contracts and agreements for administrative services between the Housing and Redevelopment Authority of (St. Cloud HRA) and the Stearns County HRA for the fiscal years ended June 30, 1995, 1996, and 1997. Prepare a list of these contracts/agreements including date, term, duties or functions required, charges for services, amount of payments made on the contracts/agreements, the backup documents to support the payments, and the source of the payments (General Fund or special projects).

### Findings

- A. On February 6, 1985, four St. Cloud HRA employees were given base salary increases based on additional administrative work requirements and responsibilities performed for the Stearns County HRA. The Stearns County HRA Board approved the increases effective January 1, 1985, and agreed that the payments were to be made from Stearns County HRA funds. For the fiscal years ended June 30, 1995, 1996, and 1997, the following payments were made as a result of this agreement:

Title	Amount Approved by the HRA Board	Payments Made for the Year Ended June 30			Source of Payments
		1995	1996	1997*	
Executive Director	\$250 per month	\$ 3,000	\$ 3,000	\$ 2,000	General Fund
Accountant	\$235 per month	2,820	2,820	1,880	General Fund
Assistant Accountant	\$75 per month	900	900	600	General Fund
Administrative Secretary	\$200 per month	2,400	2,400	1,600	General Fund

\* Beginning in March 1997, all four employees voluntarily chose to no longer accept these payments.

B. A St. Cloud HRA employee has a computer consultant and maintenance contract with the St. Cloud HRA. The most recent contract, dated September 27, 1995, was signed by the former Executive Director and calls for payments of \$250 per month. The terms of the contract are ongoing unless a 30-day cancellation is issued by either party. One-half of these payments, or \$1,500 per year, was charged to the Stearns County HRA General Fund (account #15-151-4201.00, Computer Maintenance and Repair) for the fiscal years ended June 30, 1995, 1996, and 1997. We could find no evidence of approval of this contract in the Stearns County HRA's Board minutes.

C. A St. Cloud HRA employee has an office cleaning contract with the St. Cloud HRA. The contracts for the fiscal years ended June 30, 1995, 1996, and 1997, were prepared and signed by the former Executive Director and called for payments of \$300 per month.

The entire amount of the contract is charged to the Internal Service Fund where it is pooled with other overhead costs and allocated to all St. Cloud and Stearns County HRA funds. For the fiscal years ended June 30, 1995, 1996, and 1997, totals of \$3,500, \$3,600, and \$3,600 were charged to the Internal Service Fund on this contract. The exact amount of these costs allocated to the Stearns County HRA is difficult to determine due to the fact that they are pooled before being allocated. We could find no evidence of approval of this contract in the Stearns County HRA's Board minutes.

D. The Stearns County HRA annually approves a professional services contract with the St. Cloud HRA whereby the St. Cloud HRA performs all administrative services for the Minnesota Housing Finance Agency (MHFA) Rehabilitation Loan Program in the County. Administrative fees equal to 14 percent of the Stearns County HRA's grant are charged for this service.

We found no other contracts or agreements for administrative services between the Stearns County HRA and the St. Cloud HRA for the fiscal years ended June 30, 1995, 1996, and 1997.

2. Procedure

Review contracts and agreements between the Stearns County HRA and the Executive Director for the fiscal years ended June 30, 1995, 1996, and 1997.

- A. Prepare a list of these contracts/agreements, by project, including any or all Stearns County HRA Board resolutions, amount of payments made, the backup documents to support payments, and the source of the payments (General Fund or special projects).

Findings

- (1) On May 1, 1997, the Stearns County HRA Board entered into an agreement with the former Executive Director to perform consulting services on the Cold Spring project and the Single Family Programs. Fees were not to exceed \$650 and \$3,500, respectively. Payments for services rendered on these agreements totaled \$660 and \$1,950, respectively, and were charged to the General Fund (account #15-151-4959.04, Capital Project Planning and Management - Single Family).

We examined Stearns County HRA Board minutes, Stearns County HRA Board agenda packets, and various memos for the fiscal years ended June 30, 1995, 1996, and 1997. Other than the agreement for administrative services noted in 1.A. above, we found no contracts or agreements between the Stearns County HRA and the former Executive Director.

- (2) All payments made to the former Executive Director, excluding regular payroll payments, for the fiscal years ended June 30, 1995, 1996, and 1997, are summarized in Schedule 1. While compiling this information, we noted the following:

(a) Billing of the Former Executive Director's Consulting Services

As can be seen from Schedule 1, the former Executive Director performed consulting services on many different projects. If the project did not have a general ledger account, the consulting services cost was billed to another project that had an established general ledger account number. The Office of the State Auditor's Tax Increment Financing (TIF) Division will be issuing a separate report addressing this issue.

(b) Payments Made to the Former Executive Director for Consulting Services

During the fiscal years ended June 30, 1995, 1996, and 1997, the former Executive Director submitted 64 claims for consulting services on TIF projects, public housing projects, and the Single Family Housing Program, totaling \$173,161. Each of these 64 payments was in excess of \$1,000.

The procurement policies in effect at the time these payments were made specified that, through April 1995, all payments over \$500 required Stearns County HRA Board approval. Effective May 1, 1995, all payments over \$1,000 required Stearns County HRA Board approval. These payments for consulting services first started appearing on the "Over \$500 Disbursements" or "Over \$1,000 Disbursements" lists submitted to the Stearns County HRA Board for approval in January 1997; the seven payments that appeared on these lists from January through June 1997, totaled \$15,861.

The former Director of Accounting for the HRA has stated in a signed affidavit that, prior to January 1997, the former Executive Director instructed her to leave these payments off of the "Over \$500/\$1,000 Disbursements" lists because they were employee compensation. These payments omitted from these lists submitted to the Stearns County HRA Board totaled \$157,300 for the three-year period. These payments should have been included on the lists for approval by the Stearns County HRA Board like the other payments to independent contractors.

Prior to January 1997, we found no evidence that the Board knew of, or authorized, the former Executive Director to work as an independent contractor for these various projects. The Board minutes do indicate that, for some projects, the Board was aware that the former Executive Director was working on the project as the HRA Executive Director. It does not appear that the former Executive Director had the authority to work on these projects as an independent contractor nor did he have authority to remove his billings as an independent contractor from the Board claim review process. We are forwarding a copy of this report to the Stearns County Attorney for review and appropriate action.

(c) Conflict of Interest

In addition to being unauthorized, the former Executive Director may have violated Minn. Stat. § 469.009 prior to January of 1997 because he had a personal financial interest in these billings to the Stearns County HRA. This statute prohibits employees from taking an action or making a decision which could substantially affect the employee's financial interest.

The former Executive Director's status as an employee of the Stearns County HRA is strongly supported by organizational documents. The Stearns County HRA Bylaws, Article II, section 5, states, in part:

"The Authority shall employ an Executive Director . . ." (emphasis added).

This parallels the language of Minn. Stat. § 469.012, subd. 1, which states that the Stearns County HRA Authority has the power to "employ an Executive Director." In the October 6, 1989, Stearns County HRA Board minutes, a salary adjustment is requested "for part-time Stearns County HRA employees," including the "Executive Director."

The Stearns County HRA Bylaws also indicate that "the compensation of the Executive Director shall be determined by the Authority." When salary amounts were paid to the former Executive Director, the checks were posted to the Stearns County HRA account. Despite this, however, it was the St. Cloud HRA that issued 1099's to the former Executive Director and the other part-time employees of the Stearns County HRA. The Stearns County HRA should have issued W-2's directly to its own employees.



Despite the confusion created by the issuance of 1099's by the St. Cloud HRA, the evidence strongly suggests that the former Executive Director was an employee of the Stearns County HRA and, as such, was subject to the requirements of Minn. Stat. § 469.009.

Minn. Stat. § 469.009 also requires the employee to submit a written statement to the Board describing the nature of the conflict of interest. We found no evidence that the former Executive Director made written disclosure to the Stearns County HRA Board of his personal financial interest in these billings to the Stearns County HRA. Though the Board had authorized or acknowledged the former Executive Director's assistance to various projects as the Executive Director, prior to January 1997, there is nothing in the record to indicate the Board was aware that the former Executive Director was assisting in these projects as a private citizen for personal financial gain.

Not only was there a lack of disclosure but, as previously indicated, the former Director of Accounting has stated in a signed affidavit that the former Executive Director instructed her not to submit these bills to the Board for approval thereby ensuring the Board would not be aware of the payments being billed and received by the former Executive Director. Under Minn. Stat. § 469.009, both the failure to disclose a conflict and conflict itself are gross misdemeanors. We will be forwarding a copy of this report to the Stearns County Attorney for review and appropriate action.

(d) Rate Charged by the Former Executive Director for Consulting Services

On December 18, 1985, the Stearns County HRA Board adopted a fee schedule for professional services that was distributed to city and township officials within Stearns County. The basic fee to be charged to public and private entities for technical assistance provided by the Stearns County HRA was \$25 and \$35 per hour, respectively. On January 18, 1989, the basic hourly rate charged to public and private entities for these services was increased to \$25 to \$40 and \$35 to \$50, respectively.

During the fiscal years ended June 30, 1995, 1996, and 1997, the former Executive Director was charging the Stearns County HRA an hourly rate of one and one half times his hourly wage earned as Executive Director, or from \$52.20 per hour in June 1994, to \$61.44 per hour in March 1997. The rates approved by the Stearns County HRA were to be the amounts charged to public and private entities by

the Stearns County HRA for the technical assistance of its employees. Here, the former Stearns County HRA Executive Director was charging the Stearns County HRA itself for his personal work on these projects. As previously stated, prior to January 1997, we found no evidence that the Stearns County HRA Board knew or authorized the former Executive Director to work as an independent contractor for these various projects. Even if the former Executive Director had been authorized to bill the Stearns County HRA for these services, the former Executive Director should not have charged more than the maximums approved by the Stearns County HRA Board.

(e) Documentation of Payments Made to the Former Executive Director for Consulting Services

The majority of payments made to the former Executive Director for the fiscal years ended June 30, 1995, 1996, and 1997, were supported by adequate documentation. However, we could find no documentation to support the following payments for consulting services and expenses:

<u>Date</u>	<u>Check Number</u>	<u>Amount</u>
November 1, 1994	57512	\$ 3,124.15
November 15, 1994	57690	2,339.72
December 1, 1994	58172	1,996.65
March 1, 1997	77110	<u>1,198.08</u>
Total		<u>\$ 8,658.60</u>

(f) Reimbursements for Meals and Other Meeting Costs

The St. Cloud HRA's meal reimbursement policy allows for reimbursement of meals to employees on St. Cloud HRA business at prevailing rates and states that expenses are to be documented with receipts and explanations. During the fiscal years ended June 30, 1995, 1996, and 1997, the former Executive Director submitted claims for reimbursement of meals and other meeting costs as follows:

	<u>Fiscal Year Ended June 30</u>			<u>Total</u>
	<u>1995</u>	<u>1996</u>	<u>1997</u>	
Meals	\$ 309	\$ 1,252	\$ 767	\$ 2,328
Rolls - meetings	126	52	120	298
Groceries - meeting	-	95	-	95
Totals	<u>\$ 435</u>	<u>\$ 1,399</u>	<u>\$ 887</u>	<u>\$ 2,721</u>

	<u>Fiscal Year Ended June 30</u>			<u>Total</u>
	<u>1995</u>	<u>1996</u>	<u>1997</u>	
St. Cloud HRA	\$ 366	\$ 1,067	\$ 822	\$ 2,255
Stearns County HRA	<u>69</u>	<u>332</u>	<u>65</u>	<u>466</u>
Totals	<u>\$ 435</u>	<u>\$ 1,399</u>	<u>\$ 887</u>	<u>\$ 2,721</u>

Over the three-year period the former Executive Director submitted claims for reimbursement of 77 meals, an average of \$30.23 per meal. Individual meal amounts ranged from \$3.12 to \$257.89, and were, for the most part, from restaurants in the City of St. Cloud. The former Executive Director would usually make notations on or next to the credit card receipts submitted for reimbursement, listing the individuals whose meals were included in the total. Many times, these individuals were not employees of either HRA. We question the public purpose of paying for meals within the City limits, as well as the practice of buying meals for individuals who are not employees of either HRA.

On August 21, 1995, the former Executive Director was reimbursed for rolls purchased at the Town House Bakery. A receipt for \$9.44, dated June 9, 1995, was submitted as supporting documentation. In October 1995, the former Executive Director submitted what appeared to be a carbon copy of the exact same receipt as the one submitted for payment in August; he was subsequently reimbursed for this on October 13, 1995.

(g) Netting of Revenues and Expenditures

We noted several instances in the general ledger where revenues were netted against the former Executive Director's consulting expenditures:

- For the year ended June 30, 1995, \$14,741 of the former Executive Director's consulting services and expenses was charged to various "Cold Spring/SJ/DBL" project expenditure accounts in the Capital Projects Fund (account #16-167). During the year, two reimbursements totaling \$7,264 were received from DBL and were posted to the Cold Spring/SJ/DBL Non-Technical Salaries expenditure account in the Capital Projects Fund. This had the effect of reducing the consulting and travel expenditures reported in this account from \$14,741 to \$7,477. A journal entry was then made to move this remaining \$7,477 from Capital Projects Fund

accounts #16-162-4150.00, #16-167-4110.01, and #16-167-4150.00 to account #15-151-4959.01 (General Fund, Mill Levy, Capital Project General Technical Assistance expenditures).

- For the year ended June 30, 1996, \$30,193 of the former Executive Director's consulting services was charged to the Cold Spring/SJ/DBL project, Non-Technical Salaries expenditure account in the Capital Projects Fund (account #16-167-4110.01). During the year, checks for \$5,000 and \$9,400 were received from First Trust and the State of Minnesota, respectively, and were posted to this account. This had the effect of reducing the consulting expenditures reported in the account from \$30,193 to \$15,793. A journal entry was then made to move the remaining \$15,793 from account #16-167-4110.01 to account #16-601-4110.00 (Capital Projects Fund, Cold Spring Granite project, Non-Technical Salaries expenditures).
- For the year ended June 30, 1996, \$4,275 of the former Executive Director's consulting services was charged to the Avon project, Non-Technical Salaries expenditure account in the Capital Projects Fund (account #16-167-4110.01). During the year, a check for \$5,000 was received from First Trust, and was posted to this account. This had the effect of reducing the consulting expenditures reported in this account from \$4,275 to zero. A journal entry was then made to move the \$725 of income left in this account to account #15-151-4959.00 (General Fund, Mill Levy, Capital Project Planning and Management expenditures), which had the effect of reducing the consulting expenditures reported in this account by \$725.

Revenues should not be netted against expenditures; each should be posted to its appropriate revenue and expenditure accounts.

- B. Include copies of the claim summary sheets.

#### Finding

Copies of the former Executive Director's claim summary sheets for the fiscal years ended June 30, 1995, 1996, and 1997, were given to Stearns County HRA management.

### 3. Procedure

Identify contracts and agreements over \$2,500 between the Stearns County HRA and third parties including developers, other governmental units, and other contracted vendors such as attorneys, accountants, financial consultants, and inspectors, for the fiscal years ended June 30, 1995, 1996, and 1997. Prepare a list of these contracts/agreements, including any or all Stearns County HRA Board resolutions, amount of payments made by vendor, project, the backup documents to support the payments, and the source of payments (General Fund or special projects).

#### Findings

We began by reviewing the Stearns County HRA's "All Transactions Journal" for the years ended June 30, 1995, 1996, and 1997, to identify vendors who received more than \$2,500 in payments in any one of the three years. We also made inquiries of St. Cloud HRA employees about any other contracts or agreements concerning the Stearns County HRA. We did not include the contracts or agreements paid from the MHFA and Department of Trade and Economic Development (DTED) programs in our review because the Stearns County HRA is not involved in choosing these contractors; they are chosen by the homeowners. The results of our review are summarized in Schedule 2.

- A. Of the payments we summarized in Schedule 2 for the three-year period, we noted two contracts or agreements in excess of \$2,500 that were approved by the Stearns County HRA Board in the Stearns County HRA Board minutes: a contract with Gopher State Contractors, Inc., approved on November 9, 1994, to construct multi-family public housing units in the Cities of St. Joseph, Albany, and Sartell, and a contract with Leonard, Street, and Deinard, approved on January 25, 1995, for legislative representation. The Stearns County HRA Board also approved an agreement with Hughes, Mathews, and Didier, P.A., to act as legal counsel; no payments had been made on this agreement as of June 30, 1997.

We noted no other contracts or agreements approved by the Stearns County HRA Board. However, all of the payments summarized in Schedule 2 were approved by the Stearns County HRA Board.

- B. For the three-year period under review, we noted two contracts in excess of \$2,500 that were approved by the former Executive Director: a contract with Gary Muntifering, signed August 15, 1989, to perform housing inspections, and a contract with Miller and Schroeder Financial, Inc., signed January 20, 1988, for financial advisor services. Both of these contracts automatically renew each year unless material changes are made to them, or they could be

terminated by either party by giving a 60-day written notice. We found no mention or approval of either of these contracts in the Stearns County HRA Board minutes.

- C. Each year the Stearns County HRA issues Single Family Mortgage Revenue Bonds, and may periodically issue bonds for construction projects. Issuance fees charged for bond counsel and underwriter services on these bonds are generally paid out of the escrow accounts when the bonds are issued, not by the Stearns County HRA. As a result, these types of fees were not included in our review. However, for the years ended June 30, 1995, 1996, and 1997, the Stearns County HRA Board made the following resolutions, which included appointments of bond counsel and underwriters:

<u>Resolution</u>	<u>Bond Counsel Appointed in the Resolution</u>	<u>Underwriter Appointed in the Resolution</u>
94-09: Adopting the 1994 Single Family Mortgage Revenue Bond Program for the issuance of Single Family Mortgage Revenue Bonds	Holmes & Graven	Miller & Schroeder
95-03: Authorizing the Application to the MHFA for Authority to issue Tax-Exempt Bonds for a 1995 Single Family Mortgage Revenue Bond Program	Holmes & Graven	Miller & Schroeder
95-09: Adopting the 1995 Single Family Mortgage Revenue Bond Program for the issuance of Single Family Mortgage Revenue Bonds	Holmes & Galey, Ltd.	Miller & Schroeder
95-18: Resolution calling for a public hearing on and giving preliminary approval to a proposed project under the Minnesota Municipal Industrial Act; this resolution deals with the issuance of bonds for the Cold Spring TIF project	Holmes & Galey, Ltd.	FBS Investment Services
96-01: Authorizing the application to the MHFA for authority to issue Tax-Exempt Bonds for a 1996 Single Family Mortgage Revenue Bond Program	Holmes & Galey, Ltd.	Miller & Schroeder
96-09: Adopting the 1996 Single Family Mortgage Revenue Bond Program for the issuance of Single Family Mortgage Revenue Bonds	Holmes & Galey, Ltd.	Miller & Schroeder

<u>Resolution</u>	<u>Bond Counsel Appointed in the Resolution</u>	<u>Underwriter Appointed in the Resolution</u>
96-16: Giving preliminary approval for the issuance of Single Family Revenue Refunding Bonds jointly with Dakota County Housing and Redevelopment Authority	Leonard, Street, & Deinard	Not specified
97-03: Authorizing the application to issue Tax-Exempt Single Family Mortgage Revenue Bonds, pursuant to Minn. Stat. ch. 474A, as amended	Appointment of bond counsel was reserved	Miller & Schroeder

- D. During our review, we noted the following payments posted to Stearns County HRA expenditure accounts that should have actually been charged to the St. Cloud HRA:

<u>Date</u>	<u>Check No.</u>	<u>Payee</u>	<u>Service Performed</u>	<u>Amount</u>
January 13, 1995	59021	Huntingdon	Environmental study on Industrial Center West	\$ 4,216.00
February 15, 1995	59758	Huntingdon	Environmental study on Industrial Center West	9,103.80
December 13, 1996	75197	Real Estate Services	Northern Wire Appraisal	<u>4,800.00</u>
Total				<u>\$ 18,119.80</u>

We recommend the Stearns County HRA seek reimbursement from the St. Cloud HRA for these payments.

#### 4. Procedure

Review operating policies and procedures applicable to the Board of Commissioners, employees, contractors, and other third parties in effect for the fiscal years ended June 30, 1995, 1996, and 1997.

- A. Prepare a list of these policies and procedures and determine if they were followed.

## Finding

We reviewed the Stearns County HRA's Board minutes from its inception on December 19, 1972, through June 30, 1997, and noted the following policies and procedures approved by the Stearns County HRA Board:

### (1) Policy

On December 18, 1985, the Stearns County HRA Board adopted a fee schedule for professional services that was to be distributed to City and Township officials within Stearns County. Technical assistance was to be provided at a basic hourly rate of \$25 per hour for public entities, and \$35 per hour for private entities. These hourly rates were changed by the Stearns County HRA Board on January 18, 1989, to \$25 to \$40 per hour for public entities, and \$35 to \$50 per hour for private entities.

#### Compliance With the Policy

As discussed above in item 2.A.2(d), we feel the former Executive Director did not adhere to the rates specified in the fee schedule.

### (2) Policy

On January 15, 1986, and again on January 18, 1989, the Stearns County HRA Board passed resolutions 86-01 and 89-01, respectively, adopting interim operating policies for the Stearns County HRA. Among the policies is a statement that staff is to transmit a list of disbursements over \$500 for review by the Board monthly. On April 19, 1995, the St. Cloud HRA Board passed resolution 95-14 adopting a new procurement policy. Item B of this policy states that all expenditures over \$1,000 require St. Cloud HRA Board approval on a monthly basis. This policy was applied to the Stearns County HRA as well and, effective in May 1995, the Stearns County HRA Board began approving only those payments over \$1,000. On May 16, 1997, the Stearns County HRA Board adopted its own procurement policy which included Stearns County HRA Board approval of all expenditures over \$1,000.

#### Compliance With the Policy

As discussed above in item 2.A.2(b), we feel that the former Executive Director did not adhere to the requirement to submit all disbursements over \$500/\$1,000 to the Stearns County HRA Board for approval.



(3) Policy

On January 15, 1986, and again on January 18, 1989, the Stearns County HRA Board passed resolutions 86-01 and 89-01, respectively, adopting interim operating policies for the Stearns County HRA. Among the policies is a statement on new project initiatives that states: "If, in accordance with the Agency's fee schedule, any city or township requests technical or project assistance, prior to initiating same a summary will be transmitted to each Board member for review. If no meeting is called pursuant to Paragraph 4, staff can enter into a preliminary contract for said initiative, with formal ratification taking place at the next quarterly meeting."

Compliance With the Policy

Schedule 1 contains a summary of the projects for which the former Executive Director submitted billings. We examined the Stearns County HRA Board minutes, various memos, and Stearns County HRA Board agenda packets for approval to work on these projects as required by the Stearns County HRA's operating policies. We could find no evidence to indicate that the Stearns County HRA Board approved of or was aware that the former Executive Director was working on the following projects listed in Schedule 1: Avon, Burlington Northern Acquisition, Caliber Systems, General, Holdingford, Melrose, Overhead Door, Paynesville, Quarry Park, St. John's, and Waite Park. For the remaining projects, we found: (1) specific approval for the former Executive Director, in his capacity as Executive Director, to work on them; or (2) a mention in the Stearns County HRA Board minutes that he was working on them.

Based on these findings, it appears that the former Executive Director did not always adhere to the policy requiring him to transmit a summary to the Stearns County HRA Board, informing it that technical assistance would be provided, before he actually performed the service.

(4) Policy

On January 20, 1988, the Stearns County HRA Board passed resolution 88-01 adopting policies and procedures for the preparation and implementation of TIF projects in Stearns County. Payment of consulting services was not addressed in this policy.

### Compliance With the Policy

The Office of the State Auditor's TIF Division will be issuing a separate report on certain aspects of the Stearns County HRA's TIF operations.

#### (5) Policy

On May 16, 1997, the Stearns County HRA Board passed resolution 97-08 adopting a procurement policy for the Stearns County HRA. On May 28, 1997, the Stearns County HRA Board approved a conflict of interest policy, noting that it is only a temporary policy and that it is to be incorporated into something larger in the future.

### Compliance With the Policy

We noted no instances of noncompliance with these policies from their adoption through June 30, 1997.

- B. Determine if qualified vendors were given equal opportunity.

### Findings

The Stearns County HRA did not adopt its own procurement policy until May 16, 1997. Until that date, the Stearns County HRA operated under the St. Cloud HRA's procurement policy.

#### (1) Contracts Involving Construction Work or the Purchase of Equipment, Supplies, or Materials

##### (a) Contracts Over \$25,000

For contracts over \$25,000 involving construction work or the purchase of equipment, supplies, or materials, the St. Cloud HRA's procurement policy mirrors Minn. Stat. § 469.015, subd. 1, which stipulates that the contract is to be awarded to the lowest responsible bidder. Before receiving bids, an authority must publish a notice that bids will be received and state the place the bids will be opened.

For the fiscal years ended June 30, 1995, 1996, and 1997, we noted no instances of noncompliance with the St. Cloud HRA's procurement policy, or with Minn. Stat. § 469.015, on Stearns County HRA contracts over \$25,000 involving construction work or the purchase of equipment, supplies, or materials. This indicates that, on these types of contracts, qualified vendors were given equal opportunity.

(b) Contracts Under \$25,000

Item A of the St. Cloud HRA's procurement policy states, "The Executive Director may make purchases and contracts, in an amount not to exceed \$500.00, in the open market after such inquiry as he/she deems necessary to ensure that the price obtained is the most advantageous to the Authority."

Item B of the St. Cloud HRA's procurement policy states, in part, "For purchases and contracts from \$500.00 to \$25,000.00, the Executive Director shall solicit quotations locally, by telephone or in writing, from at least three (3) suppliers, if so many may be available in the locality. A tabulation of solicitations made and quotations received shall be kept on file. . . ."

For the fiscal years ended June 30, 1995, 1996, and 1997, we were able to identify a few instances where quotations for construction work or the purchase of equipment, supplies, or materials were on file. St. Cloud HRA staff indicated that quotes are generally solicited when purchasing these kinds of items, but they are not always kept on file. Consequently, we were unable to determine if all qualified vendors were given equal opportunity.

(2) Professional Services Contracts

The statutes governing HRA contracts cover only construction work or the purchase of equipment, supplies, or materials; they are silent on personal and professional services contracts. The St. Cloud HRA's procurement policy states that personal and professional services contracts may be negotiated, but a formal report of the award is to be made to the St. Cloud HRA Board.

(a) As noted in items 1.B. and 1.C., the former Executive Director signed professional services contracts with St. Cloud HRA employees for computer consulting and cleaning services. As noted in item 3.B., the former Executive Director signed professional services contracts for financial advisor services and housing inspections. We noted no quotations from other qualified vendors in any of these files.

(b) As noted in item 2.A.(2), the former Executive Director performed consulting services on various TIF, public housing, and Single Family Housing projects for the Stearns County HRA. We found no tabulation of bids or quotations for these services, so we could not determine if other qualified vendors were given equal opportunity.

- (c) We found no formal signed contracts or agreements with the following professional services contractors listed on Schedule 2: Real Estate Services, Miller Hanson Westerbeck Berger, First Trust Center, Rinke Noonan, Braun Intertec Corporation, Bradley & Deike, and Helmin Landscaping. We found no evidence in the Stearns County HRA Board minutes or files that quotations or bids were solicited on the work performed by these contractors. As a result, we cannot determine if other qualified vendors were given equal opportunity.

\* \* \* \* \*

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Housing and Redevelopment Authority of Stearns County's Board of Commissioners and should not be used by those who have not agreed to the procedures and taken the responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

JUDITH H. DUTCHER  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 2, 1997

**THE HOUSING AND REDEVELOPMENT AUTHORITY OF STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 1**

**PAYMENTS OTHER THAN SALARY MADE TO THE FORMER EXECUTIVE DIRECTOR  
FOR THE FISCAL YEARS ENDED JUNE 30, 1995, 1996, AND 1997**

	<u>Account Number</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>Total</u>
<b><u>Summary of Claim Forms Submitted</u></b>					
<b>Consulting</b>					
Albany		\$ -	\$ 227	\$ 123	\$ 350
Avon		-	-	169	169
Belgrade	343	-	-	-	343
Brooten	5,504	246	-	-	5,750
Burlington Northern Acquisition	-	-	163	-	163
Caliber Systems	-	530	-	-	530
Cold Spring	6,454	2,612	5,422	-	14,488
Cold Spring Coborns	92	2,409	2,667	-	5,168
Cold Spring Creamery	-	5,164	1,895	-	7,059
Cold Spring Grainery	-	-	2,765	-	2,765
Cold Spring Granite	-	19,868	1,006	-	20,874
DBL	3,927	-	-	-	3,927
Eden Valley	134	-	-	-	134
General	9,995	12,221	11,263	-	33,479
Holdingford	-	-	108	-	108
Melrose	2,260	667	108	-	3,035
Overhead Door	-	-	215	-	215
Parktown	-	3,507	-	-	3,507
Paynesville	136	-	614	-	750
Public Housing	1,931	-	-	-	1,931
Quarry Park	-	-	507	-	507
Rheaumes House of Lettering	-	1,005	415	-	1,420
St. Augusta	6,200	7,002	330	-	13,532
St. Cloud Meat and Provision	-	3,430	246	-	3,676
St. Cloud Township	1,551	-	-	-	1,551
St. John's	-	544	1,905	-	2,449
St. Joseph	4,263	-	-	-	4,263
St. Joseph Township	-	-	322	-	322
Sartell	137	-	-	-	137
Scattered Housing	8,383	1,190	-	-	9,573
Single Family	4,914	11,473	14,384	-	30,771
Waite Park	-	-	215	-	215
<b>Total Consulting</b>		<b>\$ 56,224</b>	<b>\$ 72,095</b>	<b>\$ 44,842</b>	<b>\$ 173,161</b>
Expenses		978	3,199	812	4,989
Payments in lieu of retirement		9,145	8,589	8,520	26,254
Auto allowance		5,700	5,700	5,700	17,100
Monthly administrative allowance		3,000	3,000	2,250	8,250
Meals and other meeting costs		435	1,399	887	2,721
Supplies		835	1,288	2,999	5,122
<b>Total</b>		<b>\$ 76,317</b>	<b>\$ 95,270</b>	<b>\$ 66,010</b>	<b>\$ 237,597</b>

**THE HOUSING AND REDEVELOPMENT AUTHORITY OF STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 1**  
**(Continued)**

**PAYMENTS OTHER THAN SALARY MADE TO THE FORMER EXECUTIVE DIRECTOR  
FOR THE FISCAL YEARS ENDED JUNE 30, 1995, 1996, AND 1997**

<u>Account Number</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>Total</u>
<b><u>Summary by Fund/Project/Account</u></b>				
<b>Stearns County HRA</b>				
<b>General Fund (15)</b>				
<b>Mill Levy (151)</b>				
Non-technical salaries-ex	4110.01 \$ 25,233	\$ 16,880	\$ 15,365	\$ 57,478
Travel expense	4150.00 895	2,078	500	3,473
Office equipment	4198.00 -	-	949	949
Capital project planning and management	4959.00 3,200	1,300	17,419	21,919
Capital project general technical assistance	4959.01 14,741	-	-	14,741
Capital project planning and management - Single family	4959.04 -	11,090	14,308	25,398
Down payment assistance single family - administration	4964.01 4,072	383	-	4,455
<b>Total General Fund</b>	<b>\$ 48,141</b>	<b>\$ 31,731</b>	<b>\$ 48,541</b>	<b>\$ 128,413</b>
<b>Debt Service Fund (12)</b>				
<b>St. Cloud Meat and Provision (122)</b>				
Administrative fee	4171.00 \$ -	\$ 3,695	\$ -	\$ 3,695
<b>Capital Projects Fund (16)</b>				
<b>Avon (164)</b>				
Non-technical salaries-ex	4110.01 \$ -	\$ 4,275	\$ -	\$ 4,275
<b>Cold Spring/SJ/DBL (167)</b>				
Non-technical salaries-SJ DBL	4110.01 -	14,400	-	14,400
<b>St. Augusta (168)</b>				
Non-technical salaries-St. Augusta	4110.01 3,695	8,006	-	11,701
Travel expense	4150.00 12	24	-	36
<b>Scattered Housing (169)</b>				
Non-technical salaries-ex	4110.01 7,812	-	-	7,812
<b>Cold Spring Granite (601)</b>				
Non-technical salaries	4110.00 -	15,793	-	15,793
Travel expense	4150.00 -	62	92	154
<b>Total Capital Projects Fund</b>	<b>\$ 11,519</b>	<b>\$ 42,560</b>	<b>\$ 92</b>	<b>\$ 54,171</b>
<b>Public Housing Enterprise Fund (20)</b>				
<b>Homeowner Housing Rehabilitation (210)</b>				
Non-technical salaries-ex	4110.01 \$ 2,153	\$ -	\$ -	\$ 2,153
Travel expense	4150.00 12	-	-	12
<b>Total Public Housing Enterprise Fund</b>	<b>\$ 2,165</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,165</b>
<b>Total Stearns County HRA</b>	<b>\$ 61,825</b>	<b>\$ 77,986</b>	<b>\$ 48,633</b>	<b>\$ 188,444</b>

**THE HOUSING AND REDEVELOPMENT AUTHORITY OF STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 1**  
**(Continued)**

**PAYMENTS OTHER THAN SALARY MADE TO THE FORMER EXECUTIVE DIRECTOR  
FOR THE FISCAL YEARS ENDED JUNE 30, 1995, 1996, AND 1997**

	<u>Account Number</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>Total</u>
<b><u>Summary by Fund/Project/Account</u></b>					
<b>(Continued)</b>					
<b>St. Cloud HRA</b>					
<b>General Fund (01)</b>					
<b>Mill Levy (101)</b>					
Employee benefit contribution	4121.00	\$ -	\$ 25	\$ -	\$ 25
Travel expense	4150.00	300	2,487	1,147	3,934
Auto allowance	4150.01	5,700	5,700	5,700	17,100
Telephone expense	4189.00	-	-	24	24
Sundry administration	4190.00	581	372	410	1,363
Office equipment	4198.00	58	671	1,576	2,305
Computer equipment	4200.00	168	192	-	360
<b>Total General Fund</b>		<b>\$ 6,807</b>	<b>\$ 9,447</b>	<b>\$ 8,857</b>	<b>\$ 25,111</b>
<b>Internal Service Fund (05)</b>					
<b>Central Services - Allocated (501)</b>					
Employee benefit contribution	4121.00	\$ 7,586	\$ 7,837	\$ 8,520	\$ 23,943
Supplies	4156.00	99	-	-	99
<b>Total Internal Service Fund</b>		<b>\$ 7,685</b>	<b>\$ 7,837</b>	<b>\$ 8,520</b>	<b>\$ 24,042</b>
<b>Total St. Cloud HRA</b>		<b>\$ 14,492</b>	<b>\$ 17,284</b>	<b>\$ 17,377</b>	<b>\$ 49,153</b>
<b>Total</b>		<b>\$ 76,317</b>	<b>\$ 95,270</b>	<b>\$ 66,010</b>	<b>\$ 237,597</b>

**THE HOUSING AND REDEVELOPMENT AUTHORITY OF STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**PAYMENTS OVER \$2,500 BY VENDOR  
FOR THE FISCAL YEARS ENDED JUNE 30, 1995, 1996, AND 1997**

Contractor	Service Performed	Payments Made Year Ended June 30			Account No.	Fund
		1995	1996	1997		
Gary Muntifering	Housing quality inspections	\$ 4,394	\$ 3,887	\$ 3,224	13-131-4190.00	Section 8
	Mileage	1,268	1,113	870	13-131-4150.00	Section 8
	<b>Total</b>	<b>\$ 5,662</b>	<b>\$ 5,000</b>	<b>\$ 4,094</b>		
Real Estate Services	Appraisal - Cedar Village II SJ	\$ 650	\$ -	\$ -	20-210-4941.00	Public Housing
	Appraisal - St. Augusta	-	800	-	16-168-4955.00	Capital Projects
	Appraisal - Coborns	-	-	9,895	15-151-4959.00	(2) General
	<b>Total</b>	<b>\$ 650</b>	<b>\$ 800</b>	<b>\$ 9,895</b>		
Gopher State Contractors, Inc.	Public housing construction	<b>\$ 373,800</b>	<b>\$ 988,488</b>	<b>\$ 54,778</b>	20-210-4460.00	Public Housing
Miller & Schroeder Financial	Financial advisors - bonds	<b>\$ 35,700</b>	<b>\$ -</b>	<b>\$ -</b>	15-151-4959.04	General
Miller Hanson Westerbeck Berger	Public housing architect/engineer	<b>\$ 36,403</b>	<b>\$ 14,513</b>	<b>\$ -</b>	20-210-4810.00	Public Housing
First Trust Center	Single Family Bond issuance fees	<b>\$ 97,015</b>	<b>\$ 105,757</b>	<b>\$ 60,000</b>	15-151-4959.04	General
Rinke Noonan	Legal services - various projects	\$ 739	\$ -	\$ -	15-151-4130.00	General
	Legal services - various projects	20,414	-	-	20-210-4130.00	Public Housing
	Legal services - various projects	-	2,325	-	15-151-4959.02	(4) General
	Legal services - various projects	-	617	-	16-168-4130.00	Capital Projects
	Legal services - various projects	-	3,335	-	20-211-4130.00	Public Housing
<b>Total</b>		<b>\$ 21,153</b>	<b>\$ 6,277</b>	<b>\$ -</b>		
Leonard, Street, and Deinard	Legislative representative	<b>\$ 7,500</b>	<b>\$ -</b>	<b>\$ -</b>	15-151-4430.00	General



**THE HOUSING AND REDEVELOPMENT AUTHORITY OF STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**PAYMENTS OVER \$2,500 BY VENDOR  
FOR THE FISCAL YEARS ENDED JUNE 30, 1995, 1996, AND 1997**

Contractor	Service Performed	Payments Made Year Ended June 30			Account No.	Fund	
		1995	1996	1997			
Bradley & Deike	Legal services - various projects	\$ 60	\$ 850	\$ -	12-122-4190.00	Debt Service	St.
	Legal services - various projects	1,275	-	-	16-168-4190.00	Capital Projects	
	Legal services - various projects	-	313	-	12-121-4190.00	Debt Service	
	Legal services - various projects	-	287	313	15-151-4130.00	General	
	Legal services - various projects	-	425	-	16-167-4190.00	Capital Projects	
	Legal services - various projects	-	100	-	16-168-4130.00	Capital Projects	
	Legal services - various projects	-	800	775	16-601-4130.00	Capital Projects	
	<b>Total</b>	<b>\$ 1,335</b>	<b>\$ 2,775</b>	<b>\$ 1,088</b>			
Helmin Landscaping	Landscaping - Sartell townhomes	\$ -	\$ -	\$ 2,526	20-210-4460.00	Public Housing	I