



June 25, 2024

Dear Dakota County,

The DNR Pass Through Grants Unit including Monica Weber, Stepheni Hubert and Katherine Sherman-Hoehn conducted monitoring on Tuesday, June 4th, 2024, on the Outdoor Heritage Fund (OHF) projects legislatively appropriated to Dakota County. This included the following appropriations:

- ML 2022, Ch. 77, Art. 1, Sec. 2, subd. 5(a)
- ML 2019, First Special Session, Ch. 2, Art. 1, Sec. 2, Subd. 5(c)
- ML 2018, Ch. 208, Art. 1, Sec. 2, Subd. 5(f)

The Minnesota Department of Administration Office of Grants Management requires grant monitoring once during the grant period on projects valued over \$50,000 and annually on projects over \$250,000. The purpose of the monitoring was to ensure that OHF dollars are spent in accordance with state law, policies, and grant agreement language. This visit is also to provide an opportunity for dialogue on the process.

The county has made progress on resolving their ongoing challenges administering these grants and the DNR grants unit appreciates the cooperation and communication from the county. However, there are still significant areas of concern and continued violation of policies resulting in findings of non-compliance.

Areas of Concern

- **Internal Communication**

In 2020 the DNR Grants Unit found that communication between County employees on grant requirements was often lagging, leading to delays in reimbursement requests and potentially contributing to the loss of land acquisition documents and the disallowed costs for the Wallin parcel due to the hypothetical condition in the appraisal. These points were brought up in the 2021 and 2022 monitoring visits as well.

Findings of Non-Compliance

1. **Disallowed Costs** (Severity: Major)

In May of 2023 Dakota County was informed of the disallowed cost for the Wallin parcel the county had previously acquired, due to a failure of following all the conditions of

Attachment E. This led to a \$434,250 of ineligible reimbursement from the ML 18 appropriation. In June 2024, it was discovered that the Adlemann parcel listed on the ML 18 work plan was not acquired within the grant period and would not be eligible for reimbursement. We consider that these ineligible and disallowed expenditures resulted from deficiencies in Dakota County's payment request processes for land acquisitions, and represent a substantial risk of recurrence if they are not corrected. In October of 2022, Dakota County indicated in a letter to the DNR they were revising these practices with subsequent land acquisitions to prevent future issues. Given the additional acquisition that did not meet grant conditions we will evaluate whether these changes are sufficient to resolve the issues as we receive reimbursement requests for land acquisitions made using them.

2. **Requesting reimbursement at least annually** (Severity: Major)

At the 2022 monitoring visit, your grant specialist noted you were at risk of noncompliance with the requirement for annual reimbursement requests. The failure to request funds at least annually continued in calendar year 2023 for your ML 2022, Ch. 77, Art. 1, Sec. 2, subd. 5(a) appropriation. This is the second year in a row that Dakota County has had this finding.

In October of 2022 Dakota County said they were changing their reimbursement practices to ensure annual requests for reimbursement were completed, and while they were in compliance with some of their grants, they failed to submit annually for all appropriations. In June of 2023, the county agreed to submit quarterly reimbursements, for previous and future requests. As noted above, not only was this not completed for ML 18 and ML 19, but the more lenient annual reimbursement was also not followed for ML 22.

Corrective Actions

While the DNR does not question the fiscal integrity of Dakota County, we do believe that more diligent and consistent attention needs to be followed for these appropriations to close and operate successfully. The finding of more ineligible costs continues to present a challenge to the county in fully utilizing these grants. Therefore we require Dakota County to take these corrective actions:

- Dakota County must submit all expenses incurred prior to January 1, 2024, for all appropriations for reimbursement by September 30, 2024.
 - This can be done in separate reimbursement requests per grant in order to separate out different land closings for ease of administration and review.

- Dakota County will submit reimbursements on a quarterly basis starting October 1st, 2024.
- Dakota County will submit all documentation required to reconcile acquisitions within 6 months of closing. If an advance is requested, Dakota County must submit all documentation for the advance 30 business days prior to close.

I would like to take this opportunity to thank Dakota County for your cooperation and assistance during the monitoring process. The DNR requests a formal notice of response to these findings and corrective actions by your authorized representatives and a representative with signatory authority by September 30, 2024.

If you have any additional comments or questions regarding monitoring, your grant agreement, contracting, or the reimbursement process, please do not hesitate to contact the DNR pass through grants unit.

I wish you success with your project and look forward to our future work together.

Sincerely,



Katherine Sherman-Hoehn

Grants Manager | Office of Management and Budget Services

Minnesota Department of Natural Resources

500 Lafayette Road

Saint Paul, MN, 55155

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Email: Katherine.sherman-hoehn@state.mn.us



June 28, 2023

Dear Lisa and Al,

I conducted monitoring on the Outdoor Heritage Fund projects legislatively appropriated to Dakota County: Dakota County Habitat Protection/Restoration, ML 2022, Ch. 77, Art. 1, Sec. 2, subd. 5(a); ML 2019, First Special Session, Ch. 2, Art. 1, Sec. 2, Subd. 5(c), ML 2018, Ch. 208, Art. 1, Sec. 2, Subd. 5(f).

The county has made progress to resolving the findings from last years monitoring and the DNR grants unit appreciates the cooperation and communication from the county to expedite reimbursement expenses from the 2018 appropriation. The county has laid out their new processes to ensure compliance with all the requirements in Attachment E, "DNR Supplemental Appraisal and Appraisal Review Guidelines", and other state guidelines. They have accepted their responsibility for previous mistakes, some of which led to disallowed costs. The county has also described their plan for seeking quarterly reimbursements for grants moving forward to ensure that a backlog of expenses do not consume so much staff time for both the county and the DNR in their review of eligible costs. In their 2022 appropriation we discussed doing payment for land acquisitions as an advance so that any potential for errors could be corrected before closing.

The Minnesota Department of Administration Office of Grants Management requires grant monitoring once during the grant period on projects valued over \$50,000 and annually on projects over \$250,000. The purpose of the monitoring was to ensure that OHF dollars are spent in accordance with state law, policies, and grant agreement language. This visit is also to provide an opportunity for dialogue on the process.

I would like to take this opportunity to thank you for your cooperation and assistance during the monitoring process. At this point, there are no follow-up items.

If you have any additional comments or questions regarding monitoring, your grant agreement, contracting, or the reimbursement process, please do not hesitate to contact me.

I wish you success with your project and look forward to our future work together.

Sincerely,

Monica Weber

Monica Weber

Grants Specialist Senior
Minnesota DNR- OMBS Grants Unit

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From: [Weber, Monica \(DNR\)](#)
To: [West, Lisa](#)
Cc: [Sherman-Hoehn, Katherine \(DNR\)](#); [Sandy Smith](#)
Subject: Disallowed Costs for Wallin acquisition
Date: Thursday, May 25, 2023 1:53:53 PM
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)
[image004.png](#)

Dear Lisa,

In reviewing the acquisition and reimbursement documents for the Wallin property acquisition from January 29 2021, I see an Extraordinary Assumption located on page 6 of the appraisal. According to the DNR Supplemental Guidelines all Hypothetical Conditions and Extraordinary Assumptions must be preapproved by the DNR Appraisal Management Unit. Also, Attachment E states that Hypothetical Conditions and Extraordinary Assumptions must be approved by DNR Appraisal Management Unit and need to occur prior to closing. I have done a considerable amount of research with the appraisal documents, with our pass through grants appraisal lead, and with the DNR Appraisal Management Supervisor from the Lands and Minerals Division, and there is no record that the assumption listed was ever approved by the DNR.

As a result of this finding, this acquisition will not be eligible for reimbursement by your Outdoor Heritage Fund grant, ML 2018, Ch. 208, Art. 1, Sec. 2, Subd. 5(f), Dakota County Habitat Protection/Restoration Phase VI. If you have documentation that the Extraordinary Assumption was approved, you can submit it to me and we will reconsider.

In the meantime, can you please revise request 2, removing the acquisition cost for this property, revise the Project Activity Form, the OHF Spreadsheet, and the Reimbursement Request Form and resubmit.

From our conversations I know you have a new process in place to ensure this type of oversight does not happen again. This is an unfortunate situation, but I hope we can move forward with closing out this grant and ensuring Dakota County is reimbursed for all eligible expenses.

Regards,

Monica Weber

Monica Weber

Grants Specialist Senior | OMBS Grants Unit

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Minnesota Department of Natural Resources
500 Lafayette Road
Saint Paul, MN 55155

October 3, 2022

Lisa West
Senior Project Manager
Dakota County
14955 Galaxie Avenue
Apple Valley, MN 55124

Dear Ms. West,

On July 6, 2022, you requested reimbursement for a land acquisition easement from July 9, 2020 using your Dakota County Habitat Protection/Restoration Phase V, (ML 2018, Ch. 208, Art. 1, Sec. 2, Subd. 5(f)) appropriation. At the time, you stated you could not find the executed purchase agreement for the transaction, but supplied other materials, including a final settlement statement, proof of payment with the county general ledger, and other public records to show that the purchase had occurred at no more than the appraised value. This letter details our determination on whether to reimburse for that transaction, and other action relating to the issue.

As you know, Attachment E requires a purchase agreement as part of the acquisition package. The Grants Unit requires this for documentation of the purchase price, but also to ensure that none of the elements of the purchase agreement are out of line with Outdoor Heritage Fund statute, appropriation law, and allowable costs documentation. The other supporting documentation you supplied cannot fully take the place of the executed purchase agreement for this reason. Upon review however, the DNR considers the risk in this case that the executed purchase agreement contained something that would make the transaction an unallowable cost is small.

The loss of the purchase agreement also represents a failure to conform to the requirements of your grant agreement, clause 11 on State Audits, and Reimbursement Manual. This states that under Minn. Stat. §16B.98, Subd. 8, "the Grantee's books, records, documents, and accounting procedures and practices relevant to this grant agreement are subject to examination by the State and/or the State Auditor or Legislative Auditor, as appropriate, for a minimum of six years from the end of this grant agreement."

The 2020 monitoring letter from the DNR Grants Unit found that communication between County employees on these requirements was often lagging, and your grant specialist also brought this topic up in your 2021 and 2022 monitoring visits. At the 2022 monitoring visit, they also noted you were at risk of noncompliance with the requirement for annual reimbursement requests, which was added to the Reimbursement Manual in 2021. The DNR finds that the issues noted in these visits likely contributed to the loss of the purchase agreement.

In order to resolve these findings, the DNR:

- Requires a narrative from the County with the changes you have made or will make to ensure that you are following all requirements above, and a timeline by which changes will be made.
- Will be initiating special conditions on future reimbursements.
 - For expenses that occurred prior to June 30, 2022, on active Outdoor Heritage Fund appropriations, you must condense all expenses into one request per appropriation.
 - For Outdoor Heritage Fund expenses that occurred on or after July 1, 2022, you must request reimbursement no more than one year from the point of service performed.
 - Please ensure that all the proper paperwork for all expenses is submitted for each of these requests. Please work with your grant specialist to clarify any questions you may have about these requests.

After the DNR has reviewed and accepted your narrative, we will release payment for the land transaction. This is a one-time exemption; we will not be granting future exemption requests for incomplete documentation.

I know you have been working closely with Monica Weber on this topic, and I appreciate the supporting documentation you were able to gather. I also know there have been many changes to your processes since 2018, and I am confident we can work together to help you resolve this finding, and be reimbursed, quickly. This finding is not a reflection on all of the excellent work Dakota County does on these appropriations, and the great benefit you bring to the citizens of Minnesota.

Sincerely,

/s/Katherine Sherman-Hoehn
Katherine Sherman-Hoehn
Manager, Office of Management and Budget Grants Unit

CC:

Al Singer, Dakota County Lands Department

Mark Johnson, Executive Director Lessard-Sams Outdoor Heritage Council

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