

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

STEARNS COUNTY
ST. CLOUD, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

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

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

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Year Ended December 31, 2016



Management and Compliance Report

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

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

Independent Auditor's Report

Board of County Commissioners
Stearns County
St. Cloud, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stearns County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 11, 2017. Our report includes a reference to other auditors who audited the financial statements of the Housing and Redevelopment Authority (HRA) of Stearns County, the discretely presented component unit, for the year ended June 30, 2016, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stearns 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 a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 1996-006, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stearns 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 Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing as the cities administer the tax increment financing in Stearns County.

In connection with our audit, nothing came to our attention that caused us to believe that Stearns County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 2014-003. 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

Also included in the Schedule of Findings and Questioned Costs is an unresolved other matter described as item 2013-001.

Stearns County's Response to Findings

Stearns County's responses to the internal control and legal compliance findings and to the other matter identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected 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 Counties* 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

September 11, 2017

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of County Commissioners
Stearns County
St. Cloud, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Stearns County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. Stearns County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Stearns County's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Stearns County component unit, which expended \$1,311,285 in federal awards during the year ended June 30, 2016, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the HRA of Stearns County because it had a separate single audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Stearns 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stearns 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, Stearns 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

Stearns County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Stearns County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Stearns 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001, that we consider to be a significant deficiency.

Stearns County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Stearns County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stearns County, Minnesota, as of and for the year ended December 31, 2016, including the Housing and Redevelopment Authority of Stearns County as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated September 11, 2017, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the HRA of Stearns County, which was audited by other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stearns County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic

financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 11, 2017

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

| | |
|---|-----------------|
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) | CFDA No. 10.561 |
| Temporary Assistance for Needy Families | CFDA No. 93.558 |
| Child Support Enforcement | CFDA No. 93.563 |

The threshold for distinguishing between Types A and B programs was \$750,000.

Stearns County qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 1996-006

Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The County Parks Department lacks overall segregation of duties over the accounting functions performed within the office. One individual within the Parks Department has access to cash and is responsible for administering the collections and reconciling and depositing the fees collected.

Context: Due to the limited number of office personnel within the Parks Department, segregation of the accounting functions necessary to ensure adequate internal accounting control can be difficult to achieve. This is not unusual in operations the size of Stearns County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The Parks Department was unaware of what types of additional controls it could put in place to better segregate the accounting functions.

Recommendation: We recommend the County's elected officials and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2015-001

Eligibility

Program: U.S. Department of Health and Human Services' Temporary Assistance for Needy Families (CFDA No. 93.558); Award No. 1601MNTANF, 2016

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. When performing our case file testing for eligibility, we noted that not all documentation was available to support participant eligibility. In other circumstances, information was input into MAXIS incorrectly. The following instances were noted in our sample of 40 case files tested:

- One case file had support for income that did not match what was input into MAXIS.
- One case file did not have the disqualification questions on the combined application form fully certified by the participant.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: The State of Minnesota contracts with the County's Human Services Department to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility), while the Minnesota DHS maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The lack of documentation and the improper input of information into MAXIS increases the risk that participants will receive benefits when they are not eligible.

Cause: County program personnel gathering and entering case information into MAXIS did not ensure all required information was input correctly.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly input into MAXIS and maintained in the case files. Consideration should be given to providing additional training to County program personnel.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2014-003

Contract Compliance

Criteria: Minn. Stat. § 270C.66 states that, before making final settlement with any contractor under a contract requiring the employment of employees for wages by the contractor and by subcontractors, the County is required to obtain a certificate by the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minn. Stat. § 290.92.

Condition: In February 2016, the County entered into a contract for construction of the Melrose mobile home park safe room; in March 2016, the County entered into a contract for the courthouse building re-roofing project; and in May 2016, the County entered into a contract for the County Board room audio/visual equipment and installation. All of these contracts involved the employment of individuals for wages. Final payment was made on each of these contracts before the Affidavit of Withholding Form (IC-134) required by the Minnesota Department of Revenue was received from the contractors.

Context: Final payments were made on the projects as follows: October 10, 2016, on the Melrose mobile home park safe room project; August 4, 2016, on the courthouse building re-roofing project; and September 8, 2016, on the County

Board room audio/visual equipment and installation project. The required Affidavit of Withholding Forms were obtained by the County from each contractor in November 2016.

Effect: Noncompliance with Minn. Stat. § 270C.66.

Cause: The County did not follow the proper statutory guidelines regarding contracting and bidding. The Affidavit of Withholding Forms were obtained after inquiry by the auditors.

Recommendation: We recommend the County implement procedures to ensure the required Affidavit of Withholding Form is obtained before making final payment to contractors and subcontractors on all contracts involving the employment of individuals for wages.

View of Responsible Official: Acknowledged

B. OTHER MATTER

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2013-001

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award Nos. 05-1605MN5ADM and 05-1705MN5ADM, 2016

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: The Minnesota DHS maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all documentation was available to support participant eligibility.

During our testing of a sample of 15 case files, we noted 3 instances where asset or income documentation did not adequately support all participant eligibility requirements and/or match the information in MAXIS.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: The State of Minnesota contracts with the County's Human Services Department to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility), while the Minnesota DHS maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

Effect: Inadequate documentation and the improper input of information into MAXIS increases the risk that participants will receive benefits when they are not eligible.

Cause: County program personnel gathering and entering case information into MAXIS did not ensure all required information was input correctly.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly input into MAXIS and maintained in the case files. Consideration should be given to providing additional training to County program personnel.

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEM RESOLVED

2015-002 Subrecipient Monitoring (CFDA No. 93.558)

**REPRESENTATION OF STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 1996-006

Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Glenn Carnahan

Corrective Action Planned:

Partially corrected during 2016. The issues surrounding the Sheriff, Jail, and Environmental Services have all been resolved; only the Parks Department had a segregation of duties issue at the end of 2016. The Parks' issue was that one individual was entering the receipts and also had custody of the cash. Beginning in March, 2017, the Parks Operation Coordinator began reviewing the cash count and initialing the related worksheet (added a "review process"). The new procedures were discussed with the State Auditors. With the added review, there should not be any segregation of duties finding for the 2017 audit.

Anticipated Completion Date:

Completed in late March, 2017.

Finding Number: 2015-001

Finding Title: Eligibility

Program: Temporary Assistance for Needy Families (CFDA No. 93.558)

Name of Contact Person Responsible for Corrective Action:

Janet Goligowski

Corrective Action Planned:

A TANF Supervisor will perform 5 random quality assurance (QA) checks for compliance in the areas of note: family relationship, income matches, and application completion until 95% accuracy is achieved. This will begin immediately with daily, weekly, and then monthly QA's. Ten random QA's will continue monthly once 95% accuracy is achieved. Data will be tracked, measured, corrected and used to train staff on policy issues. Review form and tracking spreadsheet created.

Anticipated Completion Date:

Effective 9/13/2017

Finding Number: 2014-003

Finding Title: Contract Compliance

Name of Contact Person Responsible for Corrective Action:

Stephen Hammes

Corrective Action Planned:

Administration, Purchasing, and the County Auditor's office will be adding a workflow to the financial system to track the receipt of IC-134 forms and communicate sign-offs for final payment.

Anticipated Completion Date:

December 2017

Finding Number: 2013-001

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Janet Goligowski

Corrective Action Planned:

Healthcare (MA) Supervisors will perform 10 random quality assurance (QA) checks for compliance in the areas of note: income matches, asset verifications, and application completion until 95% accuracy is achieved. This will begin immediately with daily, weekly, and then monthly QA's. Ten random QA's will continue monthly once 95% accuracy is achieved. Data will be tracked, measured, corrected, and used to train staff on policy issues. Review form and tracking spreadsheet created.

Anticipated Completion Date:

Effective 9/13/2017

**REPRESENTATION OF STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 1996-006

Finding Title: Segregation of Duties

Summary of Condition: Several County departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, depositing receipts, and reconciling bank accounts.

Summary of Corrective Action Previously Reported: Stearns County management is aware of this situation and will continue to apply other accounting techniques and methods to verify the reasonableness of these areas of concern.

Status: Partially Corrected. The issues surrounding the Sheriff, Jail, and Environmental Services have all been resolved; only the Parks Department had a segregation of duties issue at the end of 2016. The Parks' issue was that one individual was entering the receipts and also had custody of the cash. Beginning in March, 2017, the Parks Operation Coordinator began reviewing the cash count and initialing the related worksheet (added a "review process"). The new procedures were discussed with the State Auditors. With the added review, there should not be any segregation of duties finding for the 2017 audit.

Was corrective action taken significantly different than the action previously reported?
Yes X No

During 2016 we worked with the Sheriff, Jail, and Environmental Services areas to eliminate the lack of segregation of duties. Additional tracking and/or reviews were added, depending upon the situation.

Finding Number: 2015-001

Finding Title: Eligibility

Program: Temporary Assistance for Needy Families (CFDA No. 93.558)

Summary of Condition: A sample of 40 Temporary Assistance for Needy Families case files were selected for testing controls over, and compliance with, the eligibility requirements of the program. Of the 40 case files selected, one case file did not contain support to establish a family relationship between the adults and children; the makeup of the household was undeterminable in one case file due to an incomplete combined application form; four case files had support for

income that did not match what was input into MAXIS or was missing income support; and three case files did not have the disqualification questions on the combined application form fully certified by the participant due to missing pages, unanswered questions, or no signature.

Summary of Corrective Action Previously Reported: The County will implement program integrity checks on a random basis to assure staff are following the processes. Additional training on processes for financial workers may be conducted in each unit as needed.

Status: Not Corrected.

2015 findings - Program integrity checks were conducted. Errors that required action were corrected and training provided both to the individual as well as at unit meetings.

2016 findings - The new findings relate specifically to 4 income matches that are/have been done per DHS policy and therefore, will not require correction. 2 cases are cited as error for no verification of relationship in file; one case error isn't an error as verification of birth is allowable relationship proof (see attached policy); and one case the birth certificate was sent to another county along with the client file; we retrieved this and it is not an error.

However as is indicated in the new corrective action plan, random case actions conducted by supervisors on a daily basis, while extremely resource intensive, have begun effective 9/14/2017.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2015-002

Finding Title: Subrecipient Monitoring

Program: Temporary Assistance for Needy Families (CFDA No. 93.558)

Summary of Condition: The County did not perform any monitoring procedures over its subrecipient for the Temporary Assistance for Needy Families program during 2015.

Summary of Corrective Action Previously Reported: The department has been working on a grant monitoring policy and procedure and this process is scheduled to be implemented in September 2016. The process includes such things as determination of subrecipient, financial monitoring, and evaluation of risk.

Status: Corrected.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2014-003

Finding Title: Contract Compliance

Summary of Condition: During 2015, the County’s Purchasing Department solicited for bids on three separate projects that were subject to the state’s contracting and bidding laws. We noted the following issues:

- A request for bids for the Courts Facility roof replacement project was published on the County’s website from March 19, 2015, to March 31, 2015. However, the County only published in the official newspaper, as part of the County Board minutes, on March 31, 2015, the same day as the bid opening.
- A request for bids for the Administration Center roof top units was published on the County’s website from March 19, 2015, to March 31, 2015. However, the County only published in the official newspaper, as part of the County Board minutes, on March 31, 2015, the same day as the bid opening. In addition, a signed contract was not obtained from the contractor on this project.
- The request for bids for the Rose Park safe room was only advertised on the County’s website and not in the official newspaper. This contract was not approved by the County Board, nor was there a signed contract in place.
- None of the bid specifications or contracts for the three projects mentioned above included notification from the County to the prime contractor to pay any subcontractors within ten days of receipt of payment from the County, or pay interest at the rate of 1.5 percent per month.

Summary of Corrective Action Previously Reported: The County took steps following the 2014 audit to add a layer of review to all contracts. This additional control did not take place until October 30, 2015, which was months after the aforementioned projects. The current Contract Review Checklist, if in place at that time, would have caught each of the issues reported in the finding.

Status: Partially Corrected. In addition to the control put into effect last year, Administration, Purchasing, and the County Auditor’s office will add a workflow to the County financial system tracking the receipt of the IC-134. Departments will be included in conversations regarding their projects and the connection between the IC-134 and final payment. We will add a module to the County Sharepoint site to allow collaboration between County Auditor, Purchasing, and department staff to keep all parties on the same page.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2013-001

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: During our testing of a sample of 15 Medical Assistance case files, we noted three instances where asset or income documentation did not adequately support all participant eligibility requirements and/or match the information in MAXIS.

Summary of Corrective Action Previously Reported: In October 2014, Stearns County implemented case reviews as indicated in the 2013 Corrective Action Plan. We continue to do ongoing case reviews; the Minnesota Department of Human Services conducts off-site case reviews as well. Results of both reviews are used for immediate case correction, unit training, individual training, and technical training. In addition, in July 2015, an internal Quality Assurances Audit team was established to facilitate ongoing real-time case reviews specifically targeting healthcare cases for additional analysis of errors, and then earmarking training and case corrections.

Status: Not Corrected.

2015 findings - Random case sampling case reviews were conducted. Errors that required action were corrected and training provided both to the individual as well as at unit meetings.

2016 findings - Two errors cited by the State Auditor were done correctly per DHS policy at the time of the benefit issuance; therefore should not be errors. Two errors are errors in which workers applied wrong eligibility rules; METS and MAXIS cases have since been assigned to separate workers.

However as is indicated in the new corrective action plan, random case actions conducted by supervisors on a daily basis, while extremely resource intensive, have begun effective 9/14/2017.

Was corrective action taken significantly different than the action previously reported?

Yes X No

In April 2017, HS Gateway Services Division created an additional healthcare programs unit to specifically separate METS and MAXIS healthcare programs. METS healthcare workers are assigned specifically METS and MAXIS healthcare workers for non-MAGI work specifically within MAXIS. This separation allows eligibility specialization and training to occur within the two different (MAGI and non-MAGI) programs.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

| Federal Grantor Pass-Through Agency Program or Cluster Title | Federal CFDA Number | Pass-Through Grant Numbers | Expenditures | Passed Through to Subrecipients |
|---|------------------------------------|---|---------------------|--|
| U.S. Department of Agriculture | | | | |
| Passed through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 16162MN 004W1003 | \$ 749,280 | \$ - |
| Passed through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 172MN101S2514 | 352,193 | - |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$1,294,544) | 10.561 | 16162MN101S2514 | 942,351 | - |
| Total U.S. Department of Agriculture | | | \$ 2,043,824 | \$ - |
| U.S. Department of Justice | | | | |
| Direct | | | | |
| Justice Systems Response to Families | 16.021 | | \$ 1,037 | \$ - |
| State Criminal Alien Assistance Program | 16.606 | | 40,601 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | | 18,140 | 17,468 |
| Passed through Minnesota Department of Public Safety Crime Victim Assistance | 16.575 | A-CVS-2016- STEARNAO-00087 | 44,562 | - |
| Total U.S. Department of Justice | | | \$ 104,340 | \$ 17,468 |
| U.S. Department of Transportation | | | | |
| Passed through Minnesota Department of Transportation Highway Planning and Construction Cluster | | | | |
| Highway Planning and Construction | 20.205 | 27-7314205 | \$ 2,432 | \$ - |
| Highway Planning and Construction | 20.205 | 27-7315085 | 13,588 | - |
| Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$106,829) | 20.205 | 27-7315120 | 90,809 | - |
| Passed through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program (Total Expenditures for Highway Planning and Construction Cluster \$281,797) | 20.219 | TRAL020 | 174,968 | - |
| Passed through City of Saint Cloud Highway Safety Cluster | | | | |
| State and Community Highway Safety | 20.600 | Not Provided | 11,783 | - |
| National Priority Safety Program (Total Expenditures for Highway Safety Cluster \$18,442) | 20.616 | Not Provided | 6,659 | - |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | Not Provided | 14,337 | - |
| Total U.S. Department of Transportation | | | \$ 314,576 | \$ - |

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

| Federal Grantor Pass-Through Agency Program or Cluster Title | Federal CFDA Number | Pass-Through Grant Numbers | Expenditures | Passed Through to Subrecipients |
|---|------------------------------------|---|---------------------|--|
| U.S. Department of Health and Human Services | | | | |
| Passed through Minnesota Department of Health | | | | |
| Public Health Emergency Preparedness | 93.069 | U90TP000529 | \$ 111,495 | \$ - |
| Universal Newborn Hearing Screening | 93.251 | H61MC0035-16-02 | 2,550 | - |
| Immunization Cooperative Agreements | 93.268 | 68583 | 9,530 | - |
| Immunization Cooperative Agreements (Total Immunization Cooperative Agreements 93.268 \$58,356) | 93.268 | SH23IP000737 | 48,826 | - |
| Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program | 93.314 | 6 NUR3DD 000842-06-02 | 450 | - |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program | 93.505 | 57445 | 340,175 | - |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (Total Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program 93.505 \$712,676) | 93.505 | 57446 | 372,501 | - |
| PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance | | | | |
| Financed in Part by Prevention and Public Health Funds | 93.539 | 68583 | 3,055 | - |
| Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$1,776,164) | 93.558 | 2015G996115 | 86,803 | - |
| Maternal and Child Health Services Block Grant to the States | 93.994 | Not Provided | 145,039 | - |
| Passed through Minnesota Department of Human Services | | | | |
| Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | SM016024-15 | 52,048 | - |
| Promoting Safe and Stable Families | 93.556 | G-1601MNFPS | 40,640 | - |
| Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$1,776,164) | 93.558 | 1601MNTANF | 1,689,361 | 1,368,961 |
| Child Support Enforcement | 93.563 | 1604MNCEST | 71,611 | - |
| Child Support Enforcement | 93.563 | 1604MNCSES | 1,666,238 | - |
| Child Support Enforcement (Total Child Support Enforcement 93.563 \$2,266,576) | 93.563 | 1704MNCSES | 528,727 | - |
| Refugee and Entrant Assistance - State-Administered Programs | 93.566 | 1601MNRCA | 12,484 | - |
| Refugee and Entrant Assistance - State-Administered Programs (Total Refugee and Entrant Assistance - State-Administered Programs 93.566 \$25,964) | 93.566 | 1701MNRCA | 13,480 | - |
| Child Care and Development Block Grant | 93.575 | G1601MNCCDF | 70,634 | - |
| Child Care and Development Block Grant (Total Child Care and Development Block Grant 93.575 \$90,069) | 93.575 | G1701MNCCDF | 19,435 | - |
| Community-Based Child Abuse Prevention Grants | 93.590 | G-1502MNFPRG | 5,908 | - |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | G-1601MNCWSS | 14,765 | - |
| Foster Care - Title IV-E | 93.658 | 1601MNFOST | 762,371 | - |
| Foster Care - Title IV-E (Total Foster Care - Title IV-E 93.658 \$771,654) | 93.658 | 1701MNFOST | 9,283 | - |
| Social Services Block Grant | 93.667 | G-1601MNSOSR | 480,897 | - |
| Social Services Block Grant (Total Social Services Block Grant 93.667 \$641,192) | 93.667 | G-1701MNSOSR | 160,295 | - |

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

| Federal Grantor Pass-Through Agency Program or Cluster Title | Federal CFDA Number | Pass-Through Grant Numbers | Expenditures | Passed Through to Subrecipients |
|---|------------------------------------|---|----------------------|--|
| U.S. Department of Health and Human Services | | | | |
| Passed through Minnesota Department of Human Services (Continued) | | | | |
| Chafee Foster Care Independence Program | 93.674 | G-1501MNCILP | 5,590 | - |
| Medical Assistance Program | 93.778 | 05-1605MN5ADM | 2,698,747 | - |
| Medical Assistance Program | 93.778 | 05-1705MN5ADM | 370,735 | - |
| Medical Assistance Program | 93.778 | 05-1605MN5MAP | 38,820 | - |
| Medical Assistance Program | 93.778 | 05-1705MN5MAP | 8,650 | - |
| (Total Medical Assistance Program 93.778 \$3,116,952) | | | | |
| Total U.S. Department of Health and Human Services | | | \$ 9,841,143 | \$ 1,368,961 |
| U.S. Department of Homeland Security | | | | |
| Passed through Minnesota Department of Natural Resources | | | | |
| Boating Safety Financial Assistance | 97.012 | Not Provided | \$ 1,285 | \$ - |
| Passed through Minnesota Department of Public Safety | | | | |
| Hazard Mitigation Grant | 97.039 | F-HMPG-DR4113- STEARNSCO-1556 | 180,875 | - |
| Emergency Management Performance Grants | 97.042 | F-EMPG-2016- STEARNSCO-1725 | 62,806 | - |
| Total U.S. Department of Homeland Security | | | \$ 244,966 | \$ - |
| Total Federal Awards | | | \$ 12,548,849 | \$ 1,386,429 |

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Stearns County. The County's reporting entity is defined in Note 1 to the financial statements. Stearns County's financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Stearns County component unit, which expended \$1,311,285 in federal awards during the year ended June 30, 2016. Those expenditures are not included in the County's Schedule of Expenditures of Federal Awards because the HRA of Stearns County had a separate single audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Stearns County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Stearns County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Stearns 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Stearns County has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

| | |
|---|----------------------|
| Federal grant revenue per Schedule of Intergovernmental Revenue | \$ 13,694,692 |
| Grants received more than 60 days after year-end, unavailable in 2016 | |
| Temporary Assistance for Needy Families | 416,437 |
| Recreational Trails Program | 150,000 |
| Maternal and Child Health Service Block Grant to the States | 49,863 |
| Projects for Assistance in Transition from Homelessness (PATH) | 11,319 |
| Hazard Mitigation Grant | 412 |
| Unavailable in 2015, recognized as revenue in 2016 | |
| Child Support Enforcement | (83,100) |
| Hazard Mitigation Grant | (1,950) |
| Community-Based Child Abuse Prevention Grants | (24) |
| Recognized as revenue in 2016 for previous years' expenditures | |
| Highway Planning and Construction | <u>(1,688,800)</u> |
| Expenditures Per Schedule of Expenditures of Federal Awards | <u>\$ 12,548,849</u> |