

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

CHISAGO COUNTY
CENTER CITY, MINNESOTA

YEAR ENDED DECEMBER 31, 2017

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Year Ended December 31, 2017



Management and Compliance Report

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

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**CHISAGO COUNTY
CENTER CITY, 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
Chisago County
Center City, 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 Chisago County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 14, 2018. Our report includes a reference to other auditors who audited the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority, the discretely presented component unit, 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 Chisago County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-003 and 2007-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chisago 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 because the County administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Chisago County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. 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.

Chisago County's Response to Findings

Chisago County's responses to the internal control findings 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

June 14, 2018

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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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
Chisago County
Center City, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Chisago 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, 2017. Chisago County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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 Chisago 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 Chisago 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, Chisago 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 to 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

Chisago County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. Chisago County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Chisago 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 certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 to 2017-003, that we consider to be significant deficiencies.

Chisago County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Chisago County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated June 14, 2018, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority, which was audited by other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chisago 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 14, 2018

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Child Support Enforcement	CFDA No. 93.563
Medicaid Cluster	CFDA No. 93.778

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

Chisago 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 ITEMS NOT RESOLVED

Finding Number 1996-003

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

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Chisago 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 County does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

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

Finding Number 2007-001

Assessing and Monitoring Internal Controls

Criteria: The County's management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition: A risk assessment of existing controls over significant functions of the accounting system used to produce financial information has not been completed.

Context: The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided.

Effect: Weaknesses in internal control could go undetected, which could affect the County's ability to detect material misstatements in the financial statements.

Cause: The County has not had the staffing resources available to complete the risk assessment process.

Recommendation: We recommend County management implement procedures to document the significant internal controls in its accounting system. We also recommend a formal plan be developed that calls for assessing and monitoring significant internal controls on a regular basis, no less than annually. The assessment of risks should be documented and procedures implemented to address those risks found. Monitoring procedures should be documented to show the results of the review, changes required, and who performed the work.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding Number 2017-001

Eligibility

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

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 awards.

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. The following instances were noted in the sample of 40 cases tested:

- Two instances were found where updated bank statements were provided and included in the case files, but were not updated in MAXIS.
- One instance was found where the program application was not signed.

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

The State of Minnesota contracts with the County 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: The lack of updated information in MAXIS and verification of eligibility-determining factors increases the risk that program participants will receive benefits when they are not eligible.

Cause: County program personnel entering case information into the MAXIS system did not ensure all required information was obtained, verified, maintained in the case files, or updated in the MAXIS system.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is obtained and properly updated in MAXIS. In addition, consideration should be given to providing additional training to program personnel.

View of Responsible Official: Concur

Finding Number 2017-002

Uniform Guidance Written Procurement Policies and Procedures

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform with applicable federal law and the standards identified in this regulation. The Uniform Guidance provides for a grace period for implementation of the new procurement standards provided that election is documented with the choice to use previous procurement standards.

Condition: The County's written procurement policies did not have the required components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations* §§ 200.320 and 200.318, including provisions for suspension and debarment. The County did not enact the extension of the waiver offered by the Uniform Guidance for implementation of the new procurement standards.

Questioned Costs: Not applicable.

Context: This issue was discovered during the audit of the major federal program; however, it impacts federal programs entity-wide. Written policies and procedures that reflect the specific components of federal regulations improve controls to ensure compliance with federal award requirements. The County drafted procurement policies and procedures on March 1, 2017, which include many of the Uniform Guidance components.

Effect: Noncompliance with federal program requirements. Additionally, written policies and procedures that reference the Uniform Guidance procurement requirements, but do not include all the requirements, could increase the risk of noncompliance with other federal program requirements.

Cause: County staff believed that it was sufficient to reference the Uniform Guidance procurement requirements instead of listing the requirements in the policy.

Recommendation: We recommend the County implement and adhere to written procurement policies and procedures addressing the specific components of the Uniform Guidance requirements.

View of Responsible Official: Acknowledged

Finding Number 2017-003

Reporting

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

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 award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Requirements for the Local Collaborative Time Study (LCTS) Cost Schedules (DHS-3220 reports) are laid out in DHS Bulletin #16-32-04 - *Local Collaborative Time Study (LCTS) Fiscal Operations*. The bulletin states that LCTS fiscal site contacts are required to verify that the information on the LCTS Fiscal and Cost Schedule is accurate and that it complies with all guidelines set forth in the LCTS Cost Schedule instructions. It also states that the County's LCTS fiscal reporting and payment agent is required to review all cost schedules from participating agencies on or before the 20th calendar day following the end of each quarter.

Condition: No documentation has been maintained to support that the two quarterly reports tested were reviewed by the County. Additionally, the Annual Spending and Collaborative Report did not contain documentation that the report was prepared by someone separate from the reviewer.

Questioned Costs: None.

Context: The DHS-3220 reports are submitted on a quarterly basis by each member of the LCTS to DHS for reimbursement of LCTS money, which is reimbursed to the County with federal Medical Assistance Program funds. The Chisago County Human Services Department acts as the LCTS fiscal reporting and payment agent for the local collaborative in Chisago County and is responsible for preparing and submitting the Annual Spending and Collaborative Reports.

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

Effect: Lack of sign-off by the preparer and a review and approval process increases the risk that reports will not be submitted as required or will not be correct.

Cause: The County indicated that it was not aware of the review and approval requirements.

Recommendation: We recommend the County implement procedures to ensure that the DHS-3220 and Annual Spending Reports required to be submitted are signed by the person preparing the reports and reviewed for accuracy and completeness by an individual independent of the preparer. Evidence of the review should be retained.

View of Responsible Official: Concur

IV. PREVIOUSLY REPORTED ITEMS RESOLVED

2013-001 Driver Awareness Class

2016-001 Audit Adjustment

2016-002 Sale of Property

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REPRESENTATION OF CHISAGO COUNTY CENTER CITY, MINNESOTA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 1996-003

Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Hon. Dennis Freed
Chisago County Auditor-Treasurer
313 N. Main St. Suite 270
Center City, MN 55012
O: 651-213-8500
F: 651-213-8510
Dennis.Freed@chisagocounty.us

Corrective Action Planned:

The County is aware of this concern, notes significant progress made during FY 2017, and continues to work with individual organizational units that collect fees to address specific considerations, within limited staffing and resources constraints.

Anticipated Completion Date:

Ongoing

Finding Number: 2007-001

Finding Title: Assessing and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Hon. Dennis Freed
Chisago County Auditor-Treasurer
313 N. Main St. Suite 270
Center City, MN 55012
O: 651-213-8500
F: 651-213-8510
Dennis.Freed@chisagocounty.us

Corrective Action Planned:

The County is aware of the recommendation to implement procedures, conduct, and document an annual risk assessment of existing controls over significant functions of the accounting system used to produce financial information. Currently undertaken when feasible, as time and resources allow, the County agrees, in large part, with the Auditor’s determination of cause as “the County has not had the staffing resources available to [fully] complete the risk assessment process” [descriptor added].

Anticipated Completion Date:

Ongoing

Finding Number: 2017-001

Finding Title: Eligibility

Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Ms. Monica Long
Family Services Division Manager
Chisago County Health & Human Services
313 N. Main St. Suite 270
Center City, MN 55012
O: 651-213-5664
F: 651-213-5685
Monica.Long@chisagocounty.us

Corrective Action Planned:

With continued guidance from the Department of Human Services, Chisago County continues to follow internal procedures for monitoring performance of Non-Magi Medical Assistance cases. This will involve continuous employee training, formal case review processes and following supervisory developed protocols from previous years’ audits. Based on the findings in the 2017 (FY 2016 Audit), Chisago County will correct our deficiencies based on the results found on the recently conducted audit by completing the following:

- On a monthly basis, department supervisors will randomly select 20 cases (10 per location) to quality assurance reviews.
- Based on internal sampled results, identify individual needs and provide time in unit meeting setting and individual supervision for clarifying the importance of data entry through individualized monitoring.
- Provide additional policy clarifications, where needed from the Dept. of Human Services.
- Review monthly sampled cases for compliance and report findings on error trends using the Quality Assurance Team.

Based on the 2017 (FY 2016 Audit), results the agency will emphasize (see below) and Chisago County will continue to follow the outlined corrective action plan to ensure future compliance can be maintained.

- Proper entering and updating case information into MAXIS

Anticipated Completion Date:

Ongoing

Finding Number: 2017-002

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Mr. Mark Florin
Fiscal Operations Division Manager
Chisago County Health & Human Services
313 N. Main St. Suite 270
Center City, MN 55012
O: 651-213-5652
F: 651-213-5685
Mark.Florin@chisagocounty.us

Corrective Action Planned:

Department will review the written procurement policies and procedures and ensure that Health & Human Services staff revise such for compliance with CFDA NO.93.778.

Anticipated Completion Date:

October 31, 2018

Finding Number: 2017-003

Finding Title: Reporting

Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Mr. Mark Florin
Fiscal Operations Division Manager
Chisago County Health & Human Services
313 N. Main St. Suite 270
Center City, MN 55012

O: 651-213-5652

F: 651-213-5685

Mark.Florin@chisagocounty.us

Corrective Action Planned:

LCTS partners will submit signed reports with supporting documentation to Chisago County.

Anticipated Completion Date:

This requirement was already implemented for First Quarter 2018, with reporting in 04/2018, and will continue forward.



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REPRESENTATION OF CHISAGO COUNTY CENTER CITY, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 1996-003

Finding Title: Segregation of Duties

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

Summary of Corrective Action Previously Reported: The County is aware of this concern and continues to work with organizational units which collect fees to address specific considerations, within limited staffing and resources constraints.

Status: Partially Corrected.

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

Chisago County worked with departments who had issues with segregation of duties to change procedures to ensure that duties for collecting fees in these departments are not all done by one staff person and the number of departments with this issue has been reduced.

Finding Number: 2007-001

Finding Title: Assessing and Monitoring Internal Controls

Summary of Condition: A risk assessment of existing controls over significant functions of the accounting system used to produce financial information has not been completed.

Summary of Corrective Action Previously Reported: The County is aware of the recommendation to implement procedures, conduct, and document an annual risk assessment of existing controls over significant functions of the accounting system used to produce financial information. Currently undertaken when feasible, as time and resources allow, the County agrees, in large part, with the Auditor's determination of cause as "the County has not had the staffing resources available to [fully] complete the risk assessment process" [descriptor added].

Status: Not Corrected. Please see corrective action plan for explanation.

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

Yes _____ No xx

Finding Number: 2016-001

Finding Title: Audit Adjustment

Summary of Condition: A material audit adjustment was identified that resulted in significant changes to the 2016 County's financial statements.

Summary of Corrective Action Previously Reported: The County will review its policies and procedures to ensure that transactions are recorded in accordance with generally accepted accounting principles.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No xx

Finding Number: 2013-001

Finding Title: Driver Awareness Class

Summary of Condition: Chisago County has established a Driver Awareness Class option in lieu of issuance or court filing of a state uniform traffic ticket. Sheriff's Deputies have the discretion to offer traffic violators the option of attending the Driver Awareness Class in lieu of a citation. The course is two hours long and costs \$75, which is payable to the Chisago County Sheriff.

Summary of Corrective Action Previously Reported: The County is aware of this concern but respectfully disagrees with the analysis of the Office of the State Auditor with regard to the Chisago County Sheriff's Office's Driving Awareness Program.

The Auditor has opined that Minnesota Statute §169.022 prohibits a local law enforcement agency from affording drivers the opportunity to attend a Driver Awareness Program as an alternative to facing a conviction for identified non-serious traffic offenses. However, Minnesota's traffic code is not prescriptive and does not mandate the manner in which law enforcement carries out its enforcement of the traffic code. The discretion of law enforcement as to how enforcement efforts are carried out is central to the law enforcement function and is well-recognized by Minnesota courts. The Chisago County Sheriff's Office's Driver Awareness Program is based upon this principal of enforcement discretion.

The State Auditor's Findings and Recommendations also reference a January 2014 Order by Judge James A. Fabian of the Third Judicial District regarding a civil suit brought by citizens in Wabasha County objecting to a Wabasha County program (Beverly Snow et. al. vs. Wabasha County et. al.; Court File 79-CV-14-223). While the Court enjoined the Wabasha County program from

continuing, that court did not decide any issues related to the Chisago County program and lacks jurisdiction to impact Chisago County.

To date, no suit has been brought in Chisago County objecting to the Chisago County Sheriff's Office's Driver Awareness Program. Any order issued in Wabasha District Court is limited to the facts litigated there in that county and has no legal implications for Chisago County's Driver Awareness Program.

In summary, Chisago County intends to fully comply with any law or ruling which specifically prohibits the Chisago County's Sheriff's Office's Driver Awareness Program. Until such, Chisago County intends to continue to provide a positive educational opportunity for drivers to improve public safety.

Status: Fully Corrected. Corrective action was taken.

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

Yes xx No _____

This program was discontinued by the County Sheriff in 2017 even though the County continues to disagree with the premise of this finding.

Finding Number: 2016-002

Finding Title: Sale of Property

Summary of Condition: The sale of a truck with an estimated value in excess of \$15,000 was sold using an electronic selling process; however, the advertisement for bids was not published in the County's official newspaper.

Summary of Corrective Action Previously Reported: The County will change review and amend its policies and procedures so that the County is in full compliance with Minn. Stat. §373.01, subd. 1(c), by advertising for bids when personal property has an estimated value in excess of \$15,000.

Status: Fully Corrected. Corrective action was taken.

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

Yes xx No _____

The County has reviewed and amend its policies and procedures so that the County is in full compliance with Minn. Stat. §373.01, subd. 1(c), by advertising for bids when personal property has an estimated value in excess of \$15,000.

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	172MN004W1003	\$ 175,679
Passed through Minnesota Department of Human Services SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN127Q7503	879
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$355,229)	10.561	172MN101S2514	354,350
Passed through Minnesota Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	172MN992Y8604	<u>359</u>
Total U.S. Department of Agriculture			<u>\$ 531,267</u>
U.S. Department of Interior			
Direct Payments in Lieu of Taxes	15.226		<u>\$ 3,770</u>
U.S. Department of Justice			
Direct Bulletproof Vest Partnership Program	16.607		\$ 3,607
Passed through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVSP-2017	<u>51,677</u>
Total U.S. Department of Justice			<u>\$ 55,284</u>
U.S. Department of Transportation			
Passed through Minnesota Department of Transportation Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	1314230	\$ 596,338
Passed through Minnesota Department of Public Safety Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC17-2017	6,848
National Priority Safety Programs	20.616	A-ENFRC17-2017	3,615
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC17-2017	<u>2,886</u>
Total U.S. Department of Transportation			<u>\$ 609,687</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

(Continued)

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Education			
Passed through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	H18A160029	\$ 1,450
U.S. Department of Health and Human Services			
Passed through Minnesota Department of Human Services Promoting Safe and Stable Families TANF Cluster	93.556	G-1601MNFPSS	\$ 9,594
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$375,836)	93.558	1601MNTANF	329,153
Child Support Enforcement	93.563	1704MNCSES	720,602
Refugee and Entrant Assistance - State-Administered Programs CCDF Cluster	93.566	1701MNRCA	850
Child Care and Development Block Grant	93.575	G1701MNCCDF	17,398
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRPG	26,269
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	8,759
Foster Care Title IV-E	93.658	1701MNFOST	299,187
Social Services Block Grant	93.667	G-1701MNSOSR	245,917
Child Abuse and Neglect State Grants	93.669	G-1701MNCA01	2,891
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	1,576
Children's Health Insurance Program Medicaid Cluster	93.767	05-1705MN0301	397
Medical Assistance Program	93.778	05-1705MN5ADM	1,448,726
Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,462,798)	93.778	05-1705MN5MAP	14,072
Passed through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	NU90TP921911-01-00	65,799
Universal Newborn Hearing Screening	93.251	H61MC00035-16-02	75
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	NUR3DD000842-06-02	300
TANF Cluster			
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$375,836)	93.558	1601MNTANF	46,683
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	39,261

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

(Continued)

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed through Stearns County, Minnesota			
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by Prevention and Public Health Funds	93.539	1H23IP000737	15,642
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part part by the Prevention and Public Health Fund (PPHF)	93.733	SH23IP000737	<u>793</u>
Total U.S. Department of Health and Human Services			<u>\$ 3,293,944</u>
U.S. Department of Homeland Security			
Passed through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	R29G40CGFFY16	\$ 8,375
Passed through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	A-EMPG-2017	8,648
Homeland Security Grant Program	97.067	A-UASI-2017	<u>54,689</u>
Total U.S. Department of Homeland Security			<u>\$ 71,712</u>
Total Federal Awards			<u>\$ 4,567,114</u>
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 355,229
Total expenditures for Highway Planning and Construction Cluster			596,338
Total expenditures for Highway Safety Cluster			10,463
Total expenditures for TANF Cluster			375,836
Total expenditures for CCDF Cluster			17,398
Total expenditures for Medicaid Cluster			1,462,798

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2017.

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Chisago County under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Chisago County, it is not intended to and does not present the financial position or changes in net position of Chisago 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. Chisago County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	4,369,333
Grants received more than 60 days after year-end, unavailable in 2017		
State Administrative Matching Grants for the Supplemental		
Nutrition Assistance Program (CFDA No. 10.561)		71,492
Promoting Safe and Stable Families (CFDA No. 93.556)		2,462
Temporary Assistance for Needy Families (CFDA No. 93.558)		31,065
Child Support Enforcement (CFDA No. 93.563)		92,665
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)		4,226
Stephanie Tubbs Jones Child Welfare Services Program		
(CFDA No. 93.645)		2,117

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue (Continued)

Unavailable in 2016, recognized as revenue in 2017	
Special Education - Grants for Infants and Families (CFDA No. 84.181)	(483)
Universal Newborn Hearing Screening (CFDA No. 93.251)	(800)
Temporary Assistance for Needy Families (CFDA No. 93.558)	(3,781)
Child Care and Development Block Grant (CFDA No. 93.575)	<u>(1,182)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 4,567,114</u>