This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay] for assistance or visit the Office of the State Auditor's website: www.osa.state.mn.us.

Clay County
Moorhead, Minnesota

Management and Compliance Report

Year Ended December 31, 2025

Audit Practice Division

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR
State Auditor Julie Blaha

(651) 296-2551 | State.Auditor@osa.state.mn.us | www.osa.state.mn.us

Clay County
Moorhead, Minnesota

Table of Contents

	Page
Independent Auditor's 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*	1
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	3
Schedule of Findings and Questioned Costs	6
Corrective Action Plan	11
Summary Schedule of Prior Audit Findings	14

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's 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*

Board of County Commissioners
Clay County
Moorhead, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County, Minnesota, as of and for the year ended December 31, 2025, 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 21, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clay County's internal control over financial reporting as a basis for designing 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 a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by 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. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and

Main: (651) 296-2551 • Fax: (651) 296-4755 • TTY: (800) 627-3529 • State.Auditor@osa.state.mn.us • www.osa.state.mn.us
An equal opportunity employer

grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

In connection with our audit, nothing came to our attention that caused us to believe that Clay County failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

Clay County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Clay County's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and 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/Julie Blaha

Julie Blaha
State Auditor

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

September 21, 2026

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of County Commissioners
Clay County
Moorhead, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Clay County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Clay County's major federal programs for the year ended December 31, 2025. Clay County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Clay County complied, in all material respects, with the 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, 2025.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Clay County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Clay County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Clay County's federal programs.

Main: (651) 296-2551 • Fax: (651) 296-4755 • TTY: (800) 627-3529 • State.Auditor@osa.state.mn.us • www.osa.state.mn.us
An equal opportunity employer

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Clay County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Clay County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 2025-002 and 2025-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Clay County's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Clay County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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 a 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 attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2025-002 and 2025-003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Clay County's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Clay County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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/Julie Blaha

Julie Blaha
State Auditor

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

September 21, 2026

Clay County
Moorhead, Minnesota

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

Section 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 the major federal programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

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

Identification of the major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
93.558	Temporary Assistance for Needy Families
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $1,000,000.

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

Section II – Financial Statement Findings

2025-001 **Segregation of Duties**
Prior Year Finding Number: 2024-001
Year of Finding Origination: 1996
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets,

proper segregation of the record-keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

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 control is not possible. This is not unusual in operations the size of Clay 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 ability of the County's employees, in the normal course of performing their assigned functions, to detect misstatements in a timely period.

Cause: The County informed us that collecting fees for services at individual departments provides convenience for their customers. Paying at a single point of collection, such as the Treasurer's Office, for services provided in several locations would be inconvenient. The staffing available in several of these smaller offices limits the potential for complete segregation of duties.

Recommendation: We recommend the County Board of Commissioners and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that staff implement the internal control policies and procedures to the extent possible.

View of Responsible Official: Concur

Section III – Federal Award Findings and Questioned Costs

2025-002 **Eligibility – METS**
Prior Year Finding Number: 2024-002
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services
Program: 93.778 Grants to States for Medicaid
Award Number and Year: 2505MN5ADM; 2025

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, document, 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.

Title 42 U.S. *Code of Federal Regulations* §§ 435.911 and 435.945 require the state Medicaid agency to determine and verify eligibility of enrollees in Medicaid. The Minnesota Department of Human Services provides the

Minnesota Health Care Programs Eligibility Policy Manual. The manual contains the Minnesota Department of Human Services eligibility policies for the Minnesota Health Care Programs, including the eligibility requirements of Grants to States for Medicaid. Specific eligibility requirements are included for recipients' social security number documentation, citizenship verification, and income limits. Minnesota Statutes, Section 256B.05, requires county agencies to administer Grants to States for Medicaid.

Condition: The Minnesota Department of Human Services maintains the computer system, METS, which is used by Clay County to support the eligibility determination process. In the recipient files reviewed for eligibility, not all documentation to support recipient eligibility was available or input correctly. The following exceptions were noted in the sample of 40 recipient files tested:

- One recipient's case file lacked social security number documentation.
- Two recipients' case files lacked citizenship documentation.
- One recipient's case file did not document the recipient's income correctly.

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

Context: The State of Minnesota and Clay County split the eligibility determination process. Generally, Clay County resolves eligibility issues when prompted by the system, while the State performs the initial review of the recipient files, including determining the information in METS is verified. Recipients receive benefits from the State.

The population consisted of 16,604 active METS recipients enrolled in the Grants to States for Medicaid in 2025; the sample size was 40 recipient files. The sample size was based on guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits.*

Effect: The improper input or updating of information in METS and lack of verification of key eligibility determining factors increase the risk that program recipients will receive benefits when they are not eligible.

Cause: Program personnel responsible for resolving eligibility issues in METS did not ensure all required information was input or updated correctly or verified.

Recommendation: We recommend Clay County implement additional procedures to provide reasonable assurance that all necessary documentation needed to resolve eligibility issues exists and program personnel properly input, update, or verify the documentation in METS. In addition, Clay County should consider providing further training to program personnel.

View of Responsible Official: Concur

2025-003 **Eligibility – MAXIS**
Prior Year Finding Number: 2024-003
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services
Program: 93.778 Grants to States for Medicaid
Award Number and Year: 2505MN5ADM; 2025

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, document, 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.

Title 42 U.S. *Code of Federal Regulations* §§ 435.911 and 435.945 require the state Medicaid agency to determine and verify eligibility of enrollees in Medicaid. The Minnesota Department of Human Services provides the Minnesota Health Care Programs Eligibility Policy Manual. The manual contains the Minnesota Department of Human Services eligibility policies for the Minnesota Health Care Programs, including the eligibility requirements of Grants to States for Medicaid. The manual includes specific eligibility requirements for recipients' social security number verification and asset verification. Minnesota Statutes, Section 256B.05, requires county agencies to administer Grants to States for Medicaid.

Condition: The Minnesota Department of Human Services maintains the computer systems, MAXIS, which is used by Clay County to support the eligibility determination process. In the recipient files reviewed for eligibility, not all documentation to support recipient eligibility was available, updated, or input correctly into MAXIS. The following exceptions were noted in the sample of 40 MAXIS recipient files tested:

- One recipient's case file lacked social security number documentation.
- Four recipients' case files did not document the recipient's assets correctly.

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

Context: The State of Minnesota and the County split the eligibility determination process. Pursuant to Minnesota statutes, Clay County performs the "intake function" needed for this program, while the State maintains the MAXIS systems, which supports the eligibility determination process. Recipients receive benefit payments from the State.

The population consisted of 3,294 eligible recipients enrolled in the Grants to States for Medicaid in 2025; the sample size was 40 recipient files. The sample size was based on guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits.*

Effect: The improper input or updating of information in MAXIS and lack of verification of key eligibility determining factors increase the risk that program recipients will receive benefits when they are not eligible.

Cause: Program personnel entering recipient data into MAXIS did not obtain and update the information in the system.

Recommendation: We recommend Clay County implement additional procedures to provide reasonable assurance that all documentation needed to support eligibility determinations exists, the program personnel properly input or update the documentation in MAXIS, and the program personnel follow up on issues in a timely manner. In addition, Clay County should consider providing further training to program personnel.

View of Responsible Official: Concur

COUNTY AUDITOR
LORI J. JOHNSON
Office Telephone: (218) 299-5006
Fax: (218) 299-5195

Representation of Clay County
Moorhead, Minnesota

Corrective Action Plan
For the Year Ended December 31, 2025

Finding Number: 2025-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Lori Johnson, County Auditor-Treasurer

Corrective Action Planned:

Clay County is aware of the lack of segregation of duties in some of the smaller departments and has implemented oversight procedures to ensure that internal control policies and procedures are being implemented by staff.

Anticipated Completion Date:

December 2026

Finding Number: 2025-002
Finding Title: Eligibility - METS
Program: 93.778 Grants to States for Medicaid

Name of Contact Person Responsible for Corrective Action:

Quinn Jaeger, Social Services Director
Mikala Wodarek, Social Services Supervisor

Corrective Action Planned:

Clay County Social Services will continue utilizing internal case reviews to monitor the accuracy and completeness of METS eligibility documentation. Reviews will be completed for eligibility workers and discussed directly with each worker. Identified errors will be corrected, and individualized coaching or additional training will be provided as appropriate. Review results will also be monitored for recurring patterns that may require broader team guidance or training.

The department will provide continued instruction focused on the areas identified in the 2025 audit, including Social Security number documentation, citizenship verification, and accurate income documentation. Clay County has also begun using an internal AI-assisted policy research tool to help eligibility staff more quickly locate and reference applicable state and federal policy provisions when

Clay County Courthouse
807 11th Street North
P.O. Box 280
Moorhead, Minnesota 56561-0280

An Equal Opportunity Employer
Printed on recycled paper

Visit us at
www.co.clay.mn.us

questions arise. This tool is intended to support efficient policy research only. It does not make eligibility determinations or replace staff judgment, required verification, supervisory consultation, or employee responsibility for accurately applying program policy.

These measures will strengthen the existing review process while recognizing the size and complexity of Clay County's METS workload. During 2025, Clay County administered 16,604 active METS recipients. The audit identified four exceptions in its sample of 40 recipient files. Clay County takes each exception seriously and will continue refining its training, policy-reference, case-review, and coaching practices to reduce future errors.

Anticipated Completion Date:

AI-assisted research tool has been implemented immediately and is currently in use now. All healthcare eligibility staff will have cases randomly reviewed prior to December 31, 2026, with all policy support, monitoring, and corrective coaching continuing after each staff's review but also occurring before December 31, 2026.

Finding Number: 2025-003
Finding Title: Eligibility - MAXIS
Program: 93.778 Grants to States for Medicaid

Name of Contact Person Responsible for Corrective Action:

Quinn Jaeger, Social Services Director
Karen Amundson, Social Services Supervisor

Corrective Action Planned:

Clay County Social Services will provide targeted training addressing the areas identified in the 2025 audit, with particular emphasis on Social Security number documentation and the accurate verification, documentation, and entry of asset information in MAXIS. Policy updates and related documentation expectations will continue to be reviewed during monthly staff meetings.

The lead eligibility worker will continue conducting random internal reviews of MAXIS cases. Review results will be discussed directly with each worker so identified errors can be corrected, expectations clarified, and individualized coaching or additional training provided. Results will also be monitored for recurring error patterns that may require broader training, procedural changes, or performance follow-up.

Because the department experienced staff turnover during the audit period, training and quality control will remain ongoing. New employees will receive focused instruction on MAXIS documentation and data-entry requirements, while established staff will continue to receive refresher training and case-specific coaching. Supervisory and lead-worker review will be used to reinforce consistent expectations across the team.

Clay County has also begun using AI-assisted policy guidance to help staff more quickly locate and reference relevant state and federal eligibility requirements. This resource supports policy research and staff learning but does not make eligibility determinations or replace required verification, supervisory consultation, human judgment, or employee accountability.

In addition, Clay County is partnering with the State of Minnesota to pilot the MnBenefits-to-MAXIS application process. The pilot is intended to streamline the transfer of application information into MAXIS and reduce duplicate manual data entry. Reducing unnecessary keystrokes should decrease opportunities for human data-entry errors and allow eligibility workers to focus more attention on verifying information and accurately applying program requirements. Clay County will evaluate the pilot's impact and incorporate effective practices into its internal workflow as the state rollout progresses.

Anticipated Completion Date:

The enhanced training, case-review, and policy-support procedures will be fully implemented by December 31, 2026. Case reviews, staff training, monitoring, coaching, and participation in the state's MnBenefits-to-MAXIS are already underway and will continue to be utilized.

COUNTY AUDITOR
LORI J. JOHNSON
Office Telephone: (218) 299-5006
Fax: (218) 299-5195

Representation of Clay County
Moorhead, Minnesota

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2025

Finding Number: 2024-001
Year of Finding Origination: 1996
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: Clay County is aware of the lack of segregation of duties in some of the smaller departments and has implemented oversight procedures to ensure that internal control policies and procedures are being implemented by staff.

Status: Not Corrected. Clay County is aware of the lack of segregation of duties in some of the smaller departments and has implemented oversight procedures to ensure that internal control policies and procedures are being implemented by staff.

Finding Number: 2024-002
Year of Finding Origination: 2023
Finding Title: Eligibility – METS
Program: 93.778 Grants to States for Medicaid

Summary of Condition: The Minnesota Department of Human Services maintains the computer system, METS, which is used by Clay County to support the eligibility determination process. In the case files reviewed for eligibility, not all documentation to support participant eligibility was available or input correctly. The following exceptions were noted in a sample of 40 case files:

- One case file lacked citizenship documentation.
- One case file did not document the participant's income correctly.

Summary of Corrective Action Previously Reported: Clay County Social Services acknowledges the audit finding that in 2 of the 40 METS Medical Assistance eligibility case files reviewed, required documentation was either missing or not properly recorded. To address this, all eligibility workers will receive refresher training on documentation standards, with a focus on citizenship and income verification requirements. The lead worker for this program will conduct random case reviews monthly, in addition to 3 case reviews for each worker around their annual performance evaluation. These case reviews will be reviewed with the worker thoroughly, coaching provided if necessary, and any errors

Clay County Courthouse
807 11th Street North
P.O. Box 280
Moorhead, Minnesota 56561-0280

An Equal Opportunity Employer
Printed on recycled paper

Visit us at
www.co.clay.mn.us

found will be corrected. The supervisor will retain these case reviews and analyze them for patterns and provide team training and guidance as appropriate. For staff with repeated errors, performance management will be enacted in the form of verbal coaching, performance improvement plans, etc. In addition, annual training on eligibility documentation, specifically around citizenship status, will be added to the Division's training plan. Progress will be tracked through internal audits and summarized for leadership review. These actions are intended to ensure all required documentation is properly obtained, verified, and recorded in METS, thereby strengthening internal controls, reducing the risk of ineligible individuals receiving benefits, and improving future audit compliance.

Status: Partially Corrected. Clay County implemented the corrective actions previously reported and continues to strengthen its internal quality-assurance and staff-development practices. The lead eligibility worker conducts random spot checks of case files, in addition to case reviews completed for individual workers. Results are reviewed individually with the worker so identified errors can be corrected, expectations reinforced, and individualized-specific coaching or additional training provided when necessary. Review results are also monitored for recurring patterns that may require broader supervisory responses.

Policy updates and changes in state or federal guidance are reviewed with eligibility staff during monthly staff meetings. These discussions allow staff to ask questions, work through policy changes together, and develop a consistent understanding of how the guidance should be applied.

Clay County has also begun using AI-assisted tools to support staff development and policy research. The tools help staff more quickly locate and reference relevant portions of the eligibility policy manuals. AI is also used to create quizzes and situation-based exercises that allow staff to practice applying policy requirements to realistic eligibility scenarios. These tools supplement formal training and supervisory consultation; they do not make eligibility determinations or replace required verification, human judgment, or worker accountability. Official state and federal policy remains the controlling guidance.

Despite these efforts, the 2025 audit identified four documentation or data-entry exceptions within the sample of 40 METS recipient files. Clay County recognizes that continued improvement is necessary. These results should also be considered within the size and complexity of the program. Clay County administered 16,604 active METS recipients during 2025, with each eligibility determination involving numerous data points, verifications, system entries, and policy requirements. This context does not diminish the importance of the exceptions, but it illustrates the substantial volume and complexity of the work being performed.

Clay County will continue random case spot checks by the lead worker, individualized case review and coaching, monthly training on policy updates, AI-assisted policy research and scenario-based learning, and broader team training based on identified error patterns. These measures are intended to identify discrepancies earlier, strengthen staff knowledge, and improve the consistent application and documentation of eligibility policy.

Finding Number: 2024-003
Year of Finding Origination: 2023
Finding Title: Eligibility - MAXIS
Program: 93.778 Grants to States for Medicaid

Summary of Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by Clay County to support the eligibility determination process. In the case files

reviewed for eligibility, not all documentation to support participant eligibility was available, updated, or input correctly into MAXIS. The following exceptions were noted in the sample of 40 case files tested:

- One applicant's application was processed 107 days after receipt.
- Six participants' citizenship verification method did not match the documentation in the file.
- One case file did not document the participant's income correctly.
- Three case files did not document the participants' assets correctly.

Summary of Corrective Action Previously Reported: As part of the recent audit of MAXIS Medical Assistance eligibility determinations, Clay County Social Services recognizes that errors were found in several case files. In response, eligibility workers will receive targeted training on timely and accurate case entry in MAXIS, with particular emphasis on the verification and documentation of citizenship, income, and assets in accordance with DHS policy. The lead worker for this program will conduct random case reviews monthly, in addition to 3 case reviews for each worker around their annual performance evaluation. These case reviews will be reviewed with the worker thoroughly, coaching provided if necessary, and any errors found will be corrected. The supervisor will retain these case reviews and analyze them for patterns and provide team training and guidance as appropriate. For staff with repeated errors, performance management will be enacted in the form of verbal coaching, performance improvement plans, etc. Th Health Care Team supervisor will strengthen internal procedures to reinforce documentation and timeliness standards, review results from case reviews on a regular basis, and initiate corrective performance measures when patterns of errors are observed. In addition, annual training on eligibility documentation will also be incorporated into the department's training plan.

Status: Partially Corrected. Clay County implemented the corrective actions previously reported, including targeted staff training, internal case reviews, individualized feedback, and corrective follow-up when errors are identified. Random case reviews continue to be completed, and the results are reviewed directly with each worker. This provides an opportunity to correct case-specific issues, reinforce documentation and data-entry expectations, and identify broader patterns that may require additional team training or supervisory guidance.

Clay County has experienced staff turnover during the review period. As a result, training and quality control remains continuous rather than being treated as a one-time corrective action. New and existing staff require ongoing instruction, coaching, and review as they develop and maintain proficiency in the complex MAXIS eligibility system. Repeated concerns or patterns identified through case reviews are addressed through additional coaching, focused training, and performance management when appropriate.

The department has also begun using AI-assisted policy guidance to help staff more quickly locate and reference relevant state and federal eligibility requirements. This resource supports policy research and staff learning but does not make eligibility determinations or replace required verification, supervisory consultation, human judgment, or worker accountability. Official state and federal policy remains the controlling guidance.

In addition, Clay County is partnering with the State of Minnesota to pilot the MnBenefits-to-MAXIS application process. The pilot is intended to streamline the transfer of application information into MAXIS and reduce the amount of manual data entry required of eligibility workers. Reducing duplicate

entry and unnecessary keystrokes should also reduce the opportunity for human data-entry errors while allowing staff to devote more attention to verifying information and accurately applying eligibility policy.

The 2025 audit identified five documentation or data-entry exceptions within the sample of 40 MAXIS recipient files: one file lacked Social Security number documentation, and four files did not document assets correctly. Clay County takes these exceptions seriously and recognizes that the recurrence of findings means additional improvement is necessary. The County will continue random internal case reviews, direct review and coaching with individual workers, ongoing training for new and existing staff, AI-assisted policy research, and participation in the MnBenefits-to-MAXIS pilot. Together, these measures are intended to strengthen documentation, reduce manual-entry risks, identify errors earlier, and improve the consistent application of eligibility requirements.