

STATE OF MINNESOTA

Office of the State Auditor



Julie Blaha
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

CHISAGO COUNTY
CENTER CITY, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

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 100 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 600 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, 2018



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, 2018, 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 21, 2019. 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. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2007-001, that we consider to be a significant deficiency.

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.

Other Matter

Also included in the Schedule of Findings and Questioned Costs is an unresolved other matter described as item 2017-001.

Chisago County's Response to Findings

Chisago County's responses to the internal control finding and to the other matter identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

June 21, 2019

/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 the 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 the County's major federal program for the year ended December 31, 2018. Chisago County's major federal program is 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 the County's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Highway Planning and Construction (CFDA No. 20.205)

As described in the accompanying Schedule of Findings and Questioned Costs, Chisago County did not comply with requirements regarding CFDA No. 20.205, Highway Planning and Construction, as described in finding number 2018-001 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Highway Planning and Construction (CFDA No. 20.205)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Highway Planning and Construction for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed an other instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002. Our opinion on the major federal program is not modified with respect to this matter.

Chisago County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness, and deficiency 2017-002 that we consider to be a significant deficiency.

Chisago County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The 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.

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.

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, 2018, 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 21, 2019, 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 the 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.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

June 21, 2019

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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? **Yes**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for the major federal program: **Qualified**

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

The major federal program is:

Highway Planning and Construction Cluster
Highway Planning and Construction

CFDA No. 20.205

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2017-002

Uniform Guidance Written Procurement Policies and Procedures

Programs: U.S. Department of Transportation's Highway Planning and Construction (CFDA No. 20.205), Award No. 1314230, 2018; and U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

Pass-Through Agencies: Minnesota Department of Transportation (CFDA No. 20.205) and Minnesota Department of Human Services (CFDA No. 93.778)

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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

ITEM ARISING THIS YEAR

Finding Number 2018-001

Subrecipient Monitoring

Program: U.S. Department of Transportation's Highway Planning and Construction (CFDA No. 20.205), Award No. 1314230, 2018

Pass-Through Agency: Minnesota Department of Transportation

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. In addition, Chisago County was required to comply with the provisions for Subrecipient Monitoring in Part 3 of the 2018 U.S. Office of Management and Budget (OMB) *Compliance Supplement*, including monitoring the activities to provide reasonable assurance that the subrecipient administers the federal award in compliance with federal requirements.

Condition: The County did not maintain documentation that the subaward was identified to the subrecipient and did not perform any subrecipient monitoring procedures.

Questioned Costs: None.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Context: The County passed \$465,010 to the City of Lindstrom for a Safe Routes to School project.

Effect: The County is not meeting federal requirements pertaining to subrecipient monitoring. Also, without performing monitoring procedures, the County cannot be assured that its subrecipient is in compliance with federal regulations over the federal award.

Cause: County staff believed they were the fiscal agent for the project and believed the recipient agency was responsible for compliance with the federal award.

Recommendation: We recommend the County develop subrecipient monitoring procedures in compliance with Title 2 U.S. *Code of Federal Regulations* §§ 200.303 and 200.331.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

OTHER MATTER

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2017-001

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

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. Two instances were noted in the sample of 15 cases tested where asset information was not obtained and updated in MAXIS.

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

Context: The State of Minnesota contracts with the County 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 Medical Assistance Program 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

V. PREVIOUSLY REPORTED ITEMS RESOLVED

1996-003 Segregation of Duties
2017-003 Reporting



Chisago County

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REPRESENTATION OF CHISAGO COUNTY CENTER CITY, MINNESOTA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2018

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 North Main Street, Suite 270
Center City, Minnesota 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:

An assessment tool is currently in development. Completion is anticipated in the third quarter of 2019.

Finding Number: 2017-002

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Program: Highway Planning and Construction (CFDA No. 20.205) and Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Mr. Bruce Messelt
County Administrator
Chisago County Government Center
313 North Main Street, Room 174
Center City, Minnesota 55012
P: 651-213-8879
F: 651-213-8876
Bruce.Messelt@chisagocounty.us

Corrective Action Planned:

Departments will review the written procurement policies and procedures and ensure that Health and Human Services and Highway Department staff revise such for compliance with CFDA Nos. 93.778 and 20.205, respectively.

Anticipated Completion Date:

The policies and procedures have been drafted and are currently being reviewed by the County Attorney's Office. Completion is anticipated in the third quarter of 2019.

Finding Number: 2018-001

Finding Title: Subrecipient Monitoring

Program: Highway Planning and Construction (CFDA No. 20.205)

Name of Contact Person Responsible for Corrective Action:

Mr. Joe Triplett
Chisago County Engineer
Chisago County Highway Department
31325 Oasis Avenue
Center City, Minnesota 55012
P: 651-213-8708
F: 651-213-8772
Joe.Triplett@chisagocounty.us

Corrective Action Planned:

The Department will review the written procurement policies and procedures and ensure that Highway Department staff revise such for compliance with CFDA No. 20.205. Staff will ensure that when subawards are approved all required documentation and subrecipient monitoring is undertaken.

Anticipated Completion Date:

Completion is anticipated in the third quarter of 2019.

Finding Number: 2017-001

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Ms. Monica Long
Health and Human Services Director
Chisago County Health and Human Services
313 North Main Street, Suite 270
Center City, Minnesota 55012
O: 651-213-5664
F: 651-213-5685
Monica.Long@chisagocounty.us

Corrective Action Planned:

With continued guidance from the Minnesota 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 perform quality assurance reviews.
- Based on internal sampled results, identify individual needs and provide time in unit meeting settings and individual supervision for clarifying the importance of data entry through individualized monitoring.
- Provide additional policy clarifications where needed from the Minnesota Department 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 that future compliance can be maintained.

- Proper entering and updating case information into MAXIS.

Anticipated Completion Date:

Ongoing

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Chisago County Government Center

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REPRESENTATION OF CHISAGO COUNTY CENTER CITY, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2018

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, 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.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

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".

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

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

Yes _____ No X

Finding Number: 2017-001

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of 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.

Summary of Corrective Action Previously Reported: 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 perform 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

Status: Partially Corrected. Please see corrective action plan for explanation.

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

Yes _____ No X

Finding Number: 2017-002

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of 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.

Summary of Corrective Action Previously Reported: The 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.

Status: Partially Corrected. The Department began the review of the written procurement policies and procedures and to ensure that Health and Human Services staff revise such for compliance with CFDA No. 93.778. A draft document was completed in February of 2019. At that time, a decision was made to modify the draft Health and Human Services procurement and procedures policy to be used Countywide. The goal for implementation is late summer 2019.

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

Yes _____ No X

Finding Number: 2017-003

Finding Title: Reporting

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of 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.

Summary of Corrective Action Previously Reported: LCTS partners will submit signed reports with supporting documentation to Chisago County.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	182MN00W1003	\$ 184,342	\$ -
Passed through Minnesota Department of Human Services SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514	380,980	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN127Q7503	5,349	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$386,483)	10.561	182MN101S2520	154	-
Passed through Minnesota Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	182MN992Y8604	<u>377</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>\$ 571,202</u>	<u>\$ -</u>
U.S. Department of Interior				
Direct Payments in Lieu of Taxes	15.226		<u>\$ 3,712</u>	<u>\$ -</u>
U.S. Department of Justice				
Passed through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2018 Chisago	<u>\$ 60,799</u>	<u>\$ -</u>
U.S. Department of Transportation				
Passed through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	1314230	\$ 3,760,845	\$ 465,010
Passed through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC18-2018	2,422	-
National Priority Safety Programs	20.616	A-ENFRC18-2018	14,404	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC18-2018	<u>16,040</u>	<u>-</u>
Total U.S. Department of Transportation			<u>\$ 3,793,711</u>	<u>\$ 465,010</u>
U.S. Department of Education				
Passed through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	H181A150029	<u>\$ 2,098</u>	<u>\$ -</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1701MNFPS	\$ 7,461	\$ -
TANF Cluster				
Temporary Assistance for Needy Families	93.558	1801MNTANF	304,549	-
(Total Temporary Assistance for Needy Families 93.558 \$349,943)				
Child Support Enforcement	93.563	1804MNCEST	430,541	-
Child Support Enforcement	93.563	1804MNCSES	310,105	-
(Total Child Support Enforcement 93.563 \$740,646)				
CCDF Cluster				
Child Care and Development Block Grant	93.575	G1801MNCCDF	19,339	-
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFPRG	3,915	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	5,375	-
Foster Care – Title IV-E	93.658	1801MNFOST	409,286	-
Social Services Block Grant	93.667	G-1801MNSOSR	238,110	-
Child Abuse and Neglect State Grants	93.669	G-1801MNNCAN	3,394	-
Chafee Foster Care Independence Program	93.674	G-1801MNCILP	6,507	-
Children's Health Insurance Program	93.767	1805MN5R21	405	-
Medicaid Cluster				
Medical Assistance Program	93.778	1805MN5ADM	1,538,027	-
Medical Assistance Program	93.778	1805MN5MAP	17,650	-
(Total Medical Assistance Program 93.778 \$1,555,677)				
Passed through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	NU90TP921911-01-04	58,809	-
Universal Newborn Hearing Screening	93.251	H61MC00035-16-02	150	-
TANF Cluster				
Temporary Assistance for Needy Families	93.558	2017G996115	45,394	-
(Total Temporary Assistance for Needy Families 93.558 \$349,943)				
Maternal and Child Health Services Block Grant to the States	93.994	B04MC30621	39,261	-
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	6,226	-
Total U.S. Department of Health and Human Services			\$ 3,444,504	\$ -

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	R29G40CGFFY17	\$ 26,731	\$ -
Passed through Minnesota Department of Public Safety Hazard Mitigation Grant	97.039	F-HMGP-DR4131	5,380	-
Emergency Management Performance Grants	97.042	A-EMPG-2017	59,960	-
Homeland Security Grant Program	97.067	A-UASI-2017	<u>53,157</u>	<u>-</u>
Total U.S. Department of Homeland Security			\$ 145,228	\$ -
Total Federal Awards			\$ 8,021,254	\$ 465,010
Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 386,483	
Total expenditures for Highway Planning and Construction Cluster			3,760,845	
Total expenditures for Highway Safety Cluster			16,826	
Total expenditures for TANF Cluster			349,943	
Total expenditures for CCDF Cluster			19,339	
Total expenditures for Medicaid Cluster			1,555,677	

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2018. 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 ten 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	\$	8,216,954
Grants received more than 60 days after year-end, unavailable in 2018		
Promoting Safe and Stable Families (CFDA No. 93.556)		1,914
Temporary Assistance for Needy Families (CFDA No. 93.558)		77,488
Chafee Foster Care Independence Program (CFDA No. 93.674)		3,652
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)		1,936
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)		1,487
Emergency Management Performance Grants (CFDA No. 97.042)		30,074

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue (Continued)

Unavailable in 2017, recognized as revenue in 2018	
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)	(139,289)
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)	<u>(2,117)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 8,021,254</u>