

# STATE OF MINNESOTA

## Office of the State Auditor



**Julie Blaha**  
**State Auditor**

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MANAGEMENT AND COMPLIANCE REPORT

**MARTIN COUNTY**  
**FAIRMONT, 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 Minnesota’s local 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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**MARTIN COUNTY  
FAIRMONT, 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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**MARTIN COUNTY  
FAIRMONT, MINNESOTA**

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JULIE BLAHA  
STATE AUDITOR

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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  
Martin County  
Fairmont, 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, each major fund, and the aggregate remaining fund information of Martin 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 December 10, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Martin 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Martin 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 Martin 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.

## **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

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 10, 2019

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**MARTIN COUNTY  
FAIRMONT, MINNESOTA**

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

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

None.

**II. PREVIOUSLY REPORTED ITEMS RESOLVED**

2017-001 Audit Adjustment  
2017-002 Credit Card – Itemized Receipts  
2017-003 Insufficient Collateral  
2017-004 Contract Compliance

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**REPRESENTATION OF MARTIN COUNTY  
FAIRMONT, MINNESOTA**

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

**Finding Number: 2017-001**  
**Finding Title: Audit Adjustment**

**Summary of Condition:** A material audit adjustment was identified that resulted in significant changes to the County’s financial statements. This adjustment was reviewed and approved by the appropriate County staff and is properly reflected in the financial statements.

**Summary of Corrective Action Previously Reported:** We will complete a more thorough check of the contracts payable and match them up with the contracts approved at the Board meetings to ensure the appropriate amount is reported on the financial statements.

**Status:** Fully Corrected. Corrective action was taken.  
Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2017-002**  
**Finding Title: Credit Card – Itemized Receipts**

**Summary of Condition:** Three of the ten credit card claims tested were missing itemized receipts showing the detail for the meals included on each of the claims.

**Summary of Corrective Action Previously Reported:** An email will be sent out to all employees giving an example of what a detailed receipt is versus a summary receipt, along with notice that the County will no longer be paying or reimbursing individuals for meals that are not turned in with the proper detailed receipt. If individuals charge meals on the card that don’t have the proper detailed receipt turned in with the credit card payment, the individual has to pay back the funds if they can’t get a detailed receipt, and the County card will no longer be able to be used to purchase meals.

**Status:** Fully Corrected. Corrective action was taken.  
Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2017-003**  
**Finding Title: Insufficient Collateral**

**Summary of Condition:** At December 31, 2017, Martin County had deposits at Profinium Bank that were not adequately covered by collateral.

**Summary of Corrective Action Previously Reported:** This issue had been resolved since the finding. The County has in place a software that tracks all investments from all brokers. This investment was purchased before this software was put in place in between two different brokers.

**Status:** Fully Corrected. Corrective action was taken.  
Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2017-004**  
**Finding Title: Contract Compliance**

**Summary of Condition:** The County had a vendor do repairs and replace parts on an elevator for which it paid \$128,817. The County did not request sealed bids for this work, and a signed contract with the vendor was not obtained.

**Summary of Corrective Action Previously Reported:** Contract guidelines and statutes relating to contracts payable will be reviewed with all departments to ensure that the proper procedures are followed when entering into contracts.

**Status:** Fully Corrected. Corrective action was taken.  
Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X