

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT FOR

SCOTT COUNTY
SHAKOPEE, MINNESOTA

YEAR ENDED DECEMBER 31, 2011

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 160 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 730 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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**SCOTT COUNTY
SHAKOPEE, MINNESOTA**

Year Ended December 31, 2011



Management and Compliance Report

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

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**SCOTT COUNTY
SHAKOPEE, MINNESOTA**

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**SCOTT COUNTY
SHAKOPEE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA #20.205
Highway Planning and Construction - ARRA	CFDA #20.205
Temporary Assistance for Needy Families Cluster	
Temporary Assistance for Needy Families (TANF)	CFDA #93.558
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) - ARRA	CFDA #93.714
Medical Assistance Program	CFDA #93.778

The threshold for distinguishing between Types A and B programs was \$613,018.

Scott County qualified as low-risk auditee? **Yes**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

Documenting and Monitoring Internal Control (07-2)

The County had not fully implemented documentation, risk assessment, and monitoring of its internal controls.

Resolution

The County is sufficiently documenting, performing risk assessments, and monitoring its internal controls.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

Business Continuity Plan - Disaster Recovery Plan (97-5)

The County had not fully tested its business continuity plan and disaster recovery plan.

Resolution

The County has sufficiently tested and detailed its procedures should a disaster occur.



REBECCA OTTO
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*

Board of County Commissioners
Scott County

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 Scott County as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 27, 2012. Our report includes a reference to other auditors. We conducted our audit 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. Other auditors audited the financial statements of the Scott County Community Development Agency, as described in our report on Scott County's financial statements. This report does not include the results of the other auditor's 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

Management of Scott County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Scott County's internal control over financial reporting as a basis for designing our auditing procedures 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott County's financial statements are free of 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except tax increment financing, because Scott County does not use tax increment financing.

The results of our tests indicate that for the items tested, Scott County complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Scott County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 27, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Scott County

Compliance

We have audited Scott County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. Scott County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Scott County's basic financial statements include the operations of the Scott County Community Development Agency (CDA) component unit, which expended \$4,329,414 in federal awards during the year ended December 31, 2011, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Scott County CDA because it was audited by other auditors.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Scott 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Scott 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, 2011.

Internal Control Over Compliance

Management of Scott County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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 Scott County as of and for the year ended December 31, 2011, and have issued our report thereon dated June 27, 2012. Our report was modified to include a reference to other auditors. Our audit was performed for the purpose of forming opinions on Scott County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 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. The SEFA 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 financial statements or to the 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 taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 27, 2012

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**SCOTT COUNTY
SHAKOPEE, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 6,289
National School Lunch Program	10.555	11,697
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>436,761</u>
Total U.S. Department of Agriculture		<u>\$ 454,747</u>
U.S. Department of Housing and Urban Development		
Direct		
Shelter Plus Care	14.238	<u>\$ 128,166</u>
U.S. Department of Justice		
Direct		
State Criminal Alien Assistance Program	16.606	\$ 49,756
Public Safety Partnership and Community Policing Grants	16.710	5,600
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government - ARRA	16.804	<u>17,636</u>
Total U.S. Department of Justice		<u>\$ 72,992</u>
U.S. Department of Labor		
Passed Through Minnesota Department of Employment and Economic Development		
Senior Community Service Employment Program	17.235	\$ 113,465
Passed Through HIRED		
Workforce Investment Act (WIA) Cluster		
WIA - National Emergency Grants	17.277	3,742
Passed Through Dakota-Scott Service Delivery Area #14		
Workforce Investment Act (WIA) Cluster		
WIA - Adult Program	17.258	150,833
WIA - Youth Activities	17.259	241,249
WIA - Dislocated Workers	17.260	55,595
WIA - National Emergency Grants	17.277	64,015
WIA - Dislocated Worker Formula Grants	17.278	<u>289,420</u>
Total U.S. Department of Labor		<u>\$ 918,319</u>

**SCOTT COUNTY
SHAKOPEE, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

(Continued)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	\$ 6,564,192
Highway Planning and Construction - ARRA	20.205	5,843,928
Passed Through Minnesota Department of Public Safety		
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>5,683</u>
Total U.S. Department of Transportation		<u>\$ 12,413,803</u>
U.S. Environmental Protection Agency		
Passed Through Minnesota Pollution Control Agency		
Nonpoint Source Implementation Grants	66.460	<u>\$ 81,704</u>
U.S. Department of Health and Human Services		
Passed Through National Association of County and City Health Officials		
Medical Reserve Corps Small Grant Program	93.008	\$ 5,000
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	193,310
Universal Newborn Hearing Screening	93.251	2,425
Immunization Grants	93.268	14,254
Temporary Assistance for Needy Families (TANF)	93.558	76,567
Maternal and Child Health Services Block Grant to the States	93.994	66,358
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	184,583
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families (TANF)	93.558	562,288
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program - ARRA	93.714	28,990
Child Support Enforcement	93.563	1,774,995
Child Care and Development Fund Cluster		
Child Care and Development Block Grant	93.575	45,750
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	54,628
Stephanie Tubbs Jones Child Welfare Services Program	93.645	35,016
Foster Care Title IV-E	93.658	266,579
Social Services Block Grant	93.667	402,643
Chafee Foster Care Independence Program	93.674	9,209
Children's Health Insurance Program	93.767	271
Medical Assistance Program	93.778	2,347,206
Block Grants for Community Mental Health Services	93.958	<u>10,635</u>
Total U.S. Department of Health and Human Services		<u>\$ 6,080,707</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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**SCOTT COUNTY
SHAKOPEE, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

(Continued)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Direct		
Cooperating Technical Partners	97.045	\$ 6,614
Passed Through Minnesota Department of Public Safety		
Boating Safety Financial Assistance	97.012	24,207
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	142,716
Emergency Management Performance Grants	97.042	61,130
Homeland Security Grant Program	97.067	<u>48,835</u>
Total U.S. Department of Homeland Security		\$ <u>283,502</u>
Total Federal Awards		\$ <u><u>20,433,940</u></u>

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**SCOTT COUNTY
SHAKOPEE MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Scott County. Scott County's financial statements include the operations of the Scott County Community Development Agency (CDA) component unit, which expended \$4,329,414 in federal awards during the year ended December 31, 2011, which are not included in the Schedule of Expenditures of Federal Awards. The CDA has its own single audit. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Scott County under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Scott County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Scott 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 cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Child Nutrition Cluster	\$ 17,986
Workforce Investment Act Cluster	804,854
Highway Planning and Construction Cluster	12,408,120
Temporary Assistance for Needy Families Cluster	667,845
Child Care and Development Cluster	100,378

**SCOTT COUNTY
SHAKOPEE, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 20,720,651
Grants received more than 60 days after year-end, deferred in 2011	
Emergency Management Performance Grants	61,130
Deferred in 2010, recognized as revenue in 2011	
Immunization Grants	(1,768)
Highway Planning and Construction	(17,672)
Highway Planning and Construction - ARRA	(293,719)
Temporary Assistance for Needy Families (TANF)	(3,993)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	(18,674)
Foster Care Title IV-E	(4,893)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	(7,122)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 20,433,940</u>

6. Subrecipients

During 2011, the County did not pass any federal money to subrecipients.

7. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.