

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

AITKIN COUNTY
AITKIN, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**AITKIN COUNTY
AITKIN, MINNESOTA**

Year Ended December 31, 2016



Management and Compliance Report

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

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**AITKIN COUNTY
AITKIN, 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
Aitkin County
Aitkin, 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 business-type activities, each major fund, and the aggregate remaining fund information of Aitkin County, Minnesota, as of and for the year ended December 31, 2016, 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 15, 2017. Our report includes a reference to other auditors who audited the financial statements of the Aitkin Airport Commission (Airport), included in the financial statements of the City of Aitkin, Minnesota, as a discrete component unit, as described in our report on the County's financial statements. The Airport, in which Aitkin County has an equity interest, is a joint venture of Aitkin County and the City of Aitkin. 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

In planning and performing our audit of the financial statements, we considered Aitkin 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.

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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other items that we consider to be significant deficiencies.

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 attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002 to be a material weakness, and items 1996-005, 2006-003, 2006-008, 2013-001, and 2016-001 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aitkin 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 as Aitkin County administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Aitkin 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 Matters

Included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

Aitkin County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 15, 2017

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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
Aitkin County
Aitkin, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Aitkin County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. Aitkin County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Aitkin County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about Aitkin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Basis for Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)

As described in the accompanying Schedule of Findings and Questioned Costs, Aitkin County did not comply with requirements regarding CFDA No. 93.778, Medical Assistance Program, as described in finding number 2011-004 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Aitkin County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended December 31, 2016.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Aitkin County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed other 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 item 2016-002. Our opinion on each major federal program is not modified with respect to this matter.

Aitkin County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. Aitkin 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 Aitkin County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each

major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-004 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002 to be a significant deficiency.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aitkin County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated September 15, 2017, which contained unmodified opinions on those

financial statements. We did not audit the financial statements of the Aitkin Airport Commission (Airport), included in the City of Aitkin's financial statements as a discrete component unit, for the year ended December 31, 2016. The Airport, in which Aitkin County has an equity interest, is a joint venture between Aitkin County and the City of Aitkin. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Aitkin County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 15, 2017

**AITKIN COUNTY
AITKIN, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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? **Yes**
- 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 major federal programs: **Unmodified for all major programs, except for the Medical Assistance Program, which is qualified.**

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

The major federal programs are:

| | |
|---|-----------------|
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | CFDA No. 10.561 |
| Medical Assistance Program | CFDA No. 93.778 |

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 1996-005

Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the basic functions of authorization, custody, and recording are not under the control of any one employee.

Condition: The County Treasurer does not segregate the duties of cash collection and receipting from the bank reconciliation process. In the County Auditor's Office, employees who receipt cash and process cash disbursements have the ability to make journal entries. Also in the County Auditor's Office, the person who processes payroll can also make pay rate and other payroll system changes. Finally, due to the limited number of office personnel within the various County offices, proper segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible.

Context: This is not unusual in operations the size of Aitkin 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 internal control point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us that, due to the available resources, it would not be able to hire additional qualified accounting staff to segregate duties in every department.

Recommendation: We recommend the County's elected officials and management be aware of the lack of segregation of duties and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

View of Responsible Official: Concur

Finding Number 2006-003

Accounting Policies and Procedures Manual

Criteria: County management is responsible for developing and monitoring its internal controls. An essential element of monitoring controls would include documenting the County's accounting policies and procedures and performing a risk assessment of existing controls over significant functions of the accounting system used to produce financial information for members of the County Board, management, and for external financial reporting. 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. Significant internal controls would cover areas such as: cash and investment activities; capital assets (capitalization process and related depreciation); major funding sources (taxes, intergovernmental revenues, charges for services, and miscellaneous items); expenditure/expense processing, including social services expenditures; and payroll.

Condition: Our inquiry of County management found that significant controls of its accounting system have not been documented, including the documentation of risk assessment and monitoring procedures.

Context: Without formal policies and procedures, including risk assessment and monitoring procedures, the County increases its risk of fraud. Monitoring of internal controls is necessary to determine controls are in place and operating effectively.

Effect: As a result of this condition, the County's practices may not be followed as intended by management, and employees may not understand the purpose of internal controls. The lack of risk assessment and monitoring procedures increases the risk of fraud.

Cause: On May 24, 2016, the County adopted a General Operations Policy that includes provisions for accounting policies and procedures. However, it does not include risk assessment and monitoring procedures.

Recommendation: We recommend the County Auditor's Office continue to take the necessary steps in implementing procedures to document the significant internal controls in its accounting system. We also recommend that a formal plan be developed that calls for assessing and monitoring the significant internal controls on a regular basis, no less than annually. The monitoring should be documented to show the results of the review, changes required, and who performed the work.

View of Responsible Official: Concur

Finding Number 2006-008

Computer Risk Management

Criteria: The County's management is responsible for identifying and managing the risks associated with its computer system. Computer risk management suggests that a formal plan be developed to identify the risks associated with the County's information system and document the internal controls implemented to address the identified risks.

Condition: The County has internal controls in place for its computer system. However, a formal risk assessment of existing controls over significant functions of the computer system 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. Without a formal plan, computer risks could exist that are not identified on a timely basis.

Effect: Unprotected risks could result in a loss or compromise of data that could negatively influence County operations.

Cause: County management and staff are aware of the various risks associated with the County's computer systems. However, a formal plan to identify and manage those risks has not been developed.

Recommendation: We recommend County management document the significant internal controls in its computer system. We further recommend a formal plan be developed that calls for assessing and monitoring significant internal controls on a regular basis, but no less than annually. The assessment of risks should be documented and procedures implemented to address those risks found.

View of Responsible Official: Acknowledge

Finding Number 2013-001

Segregation of Duties - Health and Human Services Vendor Setup

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual has the ability to both process disbursements and set up new vendors.

Condition: During our review of the Health and Human Services disbursement process, we noted that two individuals have the ability to both process disbursements and set up new vendors.

Context: Segregation of duties between processing of disbursements and vendor setup is limited due to the limited number of office personnel within the Health and Human Services Department.

Effect: Fictitious vendors could be added to the accounting system, increasing the likelihood of the County processing improper payments.

Cause: The County informed us that it does not have the economic resources needed to hire additional qualified accounting staff in order to adequately segregate duties in every department.

Recommendation: We recommend management re-evaluate whether segregation of duties between disbursements and vendor setup is possible. Formal written procedures should be developed to monitor new vendors entered into the system and should be included in the County's accounting policies and procedures manual.

View of Responsible Official: Concur

Finding Number 2015-002

Audit Adjustments

Criteria: 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 of the financial statements on a timely basis.

Condition: During our audit, we proposed material audit adjustments that resulted in changes to Aitkin County's financial statements. The adjustments were reviewed by the appropriate staff and are reflected in the financial statements.

Context: The inability to make appropriate accrual adjustments or to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. These adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The following material audit adjustments were recorded for the year ended December 31, 2016:

Forfeited Tax Sale Special Revenue Fund

- Due to other governments and related conservation of natural resources expenditures increased by \$182,826 to record an entry for a portion of the forfeited tax sale settlement for 2016 due to local governmental units.

- Due to other funds and transfers out decreased by \$590,956 as the County had recorded both a payable and reduction of cash for the same amount related to the forfeited tax settlement for 2016.

Forest Development Special Revenue Fund

- Due from other funds and transfers in decreased by \$314,672 as the County had recorded both a receivable and addition of cash for the same amount related to the forfeited tax settlement for 2016.

Long Lake Conservation Center Enterprise Fund

- Deferred pension outflows was increased by \$28,251; the net pension liability was increased by \$44,574; deferred pension inflows was increased by \$61,872; miscellaneous operating revenue was increased by \$1,548; and employee benefits and payroll taxes operating expense was increased by \$79,743 to record additional amounts related to the fund's proportionate share of the Public Employees Retirement Association of Minnesota (PERA) pension benefits.

Cause: The amount that was determined to be owed to the local governmental units based on the forfeited tax settlement in 2016 should have been recorded as a payable in the Forfeited Tax Sale Special Revenue Fund at December 31, 2016. Since the cash related to the forfeited tax settlement for 2016 had already been allocated in the various County funds, it was not necessary to record any receivables or payables due to County funds at December 31, 2016, related to the forfeited tax settlement. The items involving interfund transfers in the Forfeited Tax Sale and Forest Development Special Revenue Funds were made in error. In the Long Lake Conservation Center Enterprise Fund, the allocation percentage was rounded to the nearest percentage point instead of allocating it out to four decimal places similar to those calculations presented by the PERA.

Recommendation: We recommend County staff review financial statement closing procedures, trial balances, and journal entries in detail to ensure that all significant adjustments considered necessary to fairly present the County's financial statements in accordance with generally accepted accounting principles have been made appropriately.

View of Responsible Official: Concur

ITEM ARISING THIS YEAR

Finding Number 2016-001

Pension Plan Enrollment

Criteria: All full-time and certain part-time employees of Aitkin County are covered by defined pension benefit plans administered by the Public Employees Retirement Association (PERA). PERA administers the General Employees Retirement Plan, the Public Employees Police and Fire Plan, and the Public Employees Correctional Plan, which are cost-sharing, multiple employer retirement plans. When hiring an employee, the County is responsible to enroll the employee in the proper retirement plan correlating to the employee's job title and categorization set forth by PERA.

Condition: During our testing of the accuracy of enrollment information provided to PERA, we noted that two of the nine new employees tested were not enrolled in the proper plan. A third employee, an election judge, was enrolled in a retirement plan but was not eligible for enrollment.

Context: Information provided to PERA during the County employee's enrollment process was incorrect; however, the County's payroll system was accurate and the correct pension contributions were withheld from the County employees' payroll checks.

Effect: PERA was provided incorrect information regarding County employees' enrollment in the retirement plans.

Cause: County personnel entering enrollment information in PERA's system did not ensure that the County employee was enrolled in the proper retirement plan or was eligible for enrollment.

Recommendation: We recommend County management review internal controls currently in place and design and implement procedures to improve controls over the processing of enrolling County employees into the pension plans administered by PERA.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2011-004

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 05-1605MN5ADM, 2016

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 award.

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 exceptions were detected in our sample of 40 cases tested:

- Twenty-one case files had asset information in the MAXIS system that did not match the supporting documentation provided by the client.
- The combined application form (CAF) for one case file was purportedly signed by the client's authorized representative; however, there was no documentation to support that the individual signing the CAF was in fact the client's authorized representative.
- One case file had participant's asset verification that was not verified to an outside source.
- One case file had participant's income entered into MAXIS that could not be recalculated based on the information provided in their file.

We also noted there is no documented process to perform periodic supervisory reviews of the Medical Assistance Program case files.

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

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

The State of Minnesota contracts with the County's Health and Human Services Department 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: Inadequate documentation or the improper input of information into MAXIS increases the risk that participants will receive benefits when they are not eligible. The lack of a documented supervisory review process increases the probability that staff errors will go undetected.

Cause: County program personnel entering case information into MAXIS did not ensure all required information was input into MAXIS correctly or that all required information was obtained and/or retained. The County does not have a formal process to perform periodic reviews of case files.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly obtained and input into MAXIS. Consideration should be given to provide additional training to program personnel. We further recommend the County implement a formal process to review case files. Documentation of those reviews, including the results and any corrective actions taken, should be maintained.

View of Responsible Official: Concur

ITEM ARISING THIS YEAR

Finding Number 2016-002

Reporting - Local Collaborative Time Study Reports

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 05-1605MN5ADM, 2016

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Requirements for the Local Collaborative Time Study (LCTS) Cost Schedules are laid out in DHS Bulletin No. 16-32-04, *Local Collaborative Time Study (LCTS) Fiscal Operations*. The bulletin states that LCTS fiscal site contacts are required to verify that the information on the LCTS Fiscal and Cost Schedule is accurate and complies with all guidelines set forth in the LCTS Fiscal and Cost Schedule instructions. It also states that the County's LCTS Fiscal Reporting and Payment Agent is required to review all cost schedules from participating agencies on or before the 20th calendar day following the end of each quarter.

Condition: The quarterly LCTS reports submitted by the Public Health Department are not reviewed by someone independent of the preparer. The quarterly LCTS reports submitted to Public Health by Collaborative members are reviewed by someone at Public Health; however, there is no evidence of the review maintained on file. The Annual Spending Report, which is prepared and submitted by the County, was not reviewed. Finally, errors were identified in our review of the Public Health LCTS Cost Schedules (DHS-3220) and the Annual Spending Report submitted to DHS, as follows:

- The County recorded the revenue received (offset) for all of its 2016 quarterly reports on the accrual basis rather than the cash basis.
- When comparing the 2016 Annual Spending Report to the 2015 Annual Spending Report for variance analysis purposes, we noted that the 2015 Annual Spending Report was completed in error as it reported the LCTS revenues received in 2015 instead of 2014, as directed per the report's instructions, resulting in revenue being overstated by \$22,152.

Questioned Costs: The Minnesota DHS determines federal reimbursement based on a time study, the rate of which is not readily determinable. Therefore, questioned costs could not be determined.

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

The DHS-3220 reports are submitted on a quarterly basis by the County's Public Health Department to the Minnesota DHS for reimbursement of LCTS money, which is reimbursed to the County with federal Medical Assistance funds. The Aitkin County Health and Human Services Department acts as the LCTS Fiscal Reporting and Payment Agent for the local collaborative in Aitkin County and is responsible for preparing and submitting the Annual Spending Report.

Effect: Errors on the LCTS reports can result in the County receiving either more or less federal funding than can be justified based on actual underlying activity. Lack of a review and approval process increases the risk that reports will not be submitted as required or will not be correct.

Cause: There are no policies and procedures in place for the County to conduct reviews of the quarterly reports.

Recommendation: We recommend the County and Collaborative members implement policies and procedures to ensure that the LCTS annual and quarterly reports required to be submitted are reviewed for accuracy and completeness by an individual independent of the preparer. Evidence of the reviews should be maintained on file.

View of Responsible Official: Concur

IV. OTHER FINDINGS AND RECOMMENDATIONS

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 1999-003

Individual Ditch System Equity Balance Deficits

Criteria: Assets should exceed liabilities in order for the County to meet its obligations and maintain a positive fund balance. Under Minn. Stat. § 103E.655, drainage project costs must be paid from the drainage system account. Minn. Stat. § 103E.735, subd. 1, permits the accumulation of a surplus balance for the repair costs of a ditch system not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is greater.

Condition: As of December 31, 2016, the County had individual ditch systems where liabilities and deferred inflows exceeded assets, resulting in individual deficit fund balance accounts.

Context: Seven of the 13 active ditch systems had deficit fund balances as of December 31, 2016, totaling \$12,017. This represents an increase in the deficit of \$65 as reported in the prior year.

Effect: Allowing a ditch system to maintain a deficit fund balance, in effect, constitutes an interest-free loan from other individual ditch systems, and may be inconsistent with Minn. Stat. § 103E.655.

Cause: Ditch expenditures were necessary, and the ditch levies were not sufficient to cover all costs.

Recommendation: We recommend the County eliminate the ditch fund deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair costs of a ditch system.

View of Responsible Official: Acknowledge

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2006-005 Annual Adopted Budget and Budget Policy

2015-001 Prior Period Adjustment

2006-011 Long Lake Conservation Center Enterprise Fund Deficit Cash Balance

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**REPRESENTATION OF AITKIN COUNTY
AITKIN, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 1996-005

Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Kirk Peysar, County Auditor, and all fee departments

Corrective Action Planned:

We will continue to review and strengthen processes and procedures to support accounting functions and segregation of duties. However, the County lacks the financial resources to fully implement a seamless process.

Anticipated Completion Date:

On-going

Finding Number: 2006-003

Finding Title: Accounting Policies and Procedures Manual

Name of Contact Person Responsible for Corrective Action:

Kirk Peysar, County Auditor

Corrective Action Planned:

Such a process would require additional staffing from current levels. Procedures have been implemented and transactions are reviewed to try to address the risks and monitor both revenues and expenditures as they are completed.

Anticipated Completion Date:

On-going

Finding Number: 2006-008
Finding Title: Computer Risk Management

Name of Contact Person Responsible for Corrective Action:

Steve Bennett, IT Director

Corrective Action Planned:

In the event of a disaster affecting computer systems, the County would utilize other County partners to insure the continuance of County operations. The County has policies in place setting forth the use of County computer systems. County staff will work to specifically identify these partners and which systems they may be called upon to provide support.

Anticipated Completion Date:

On-going

Finding Number: 2013-001
Finding Title: Segregation of Duties - Health and Human Services Vendor Setup

Name of Contact Person Responsible for Corrective Action:

Health and Human Services Fiscal Supervisor (position currently vacant)

Corrective Action Planned:

This department is minimally staffed, making segregation of this function difficult. Payment transactions are reviewed by staff in the County Auditor's department and County Treasurer's department prior to issuance.

Anticipated Completion Date:

On-going

Finding Number: 2015-002
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Kirk Peysar, County Auditor, and accounting staff in all departments

Corrective Action Planned:

County staff will review adjusting entries to insure that they have been made correctly and in accordance with generally accepted accounting principles.

Anticipated Completion Date:

On-going

Finding Number: 2016-001

Finding Title: Pension Plan Enrollment

Name of Contact Person Responsible for Corrective Action:

Kirk Peysar, County Auditor

Corrective Action Planned:

Training for staff on setting up new employees to insure the proper coding for PERA eligibility.

Anticipated Completion Date:

Immediate

Finding Number: 2011-004

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Jessi Goble, Income Maintenance Supervisor

Corrective Action Planned:

Working with new workers in these areas we are re-verifying all supporting documentation on file to ensure our Life Insurance Funded Burial Agreements have this documentation on file.

We no longer accept internet bank verifications unless they have the individual's name, account number, financial institution name, date, and account balance.

I am working in collaboration with St. Louis County to determine if a Script can be created to check the cases in a review month for current dates on all countable assets. This process would flag anything not verified in the last year in a case review type process.

When I have the availability of time, I would like to start conducting case reviews on all case types to ensure better cases and case documentation.

Anticipated Completion Date:

On-going

Finding Number: 2016-002

Finding Title: Reporting - Local Collaborative Time Study Reports

Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Health and Human Services Fiscal Supervisor (position currently vacant)

Corrective Action Planned:

Establish procedures for the review, and documentation of review, of quarterly and annual Local Collaborative Time Study reports submitted by the Collaborative partners.

Anticipated Completion Date:

On-going

Finding Number: 1999-003

Finding Title: Individual Ditch System Equity Balance Deficits

Name of Contact Person Responsible for Corrective Action:

Kirk Peysar, County Auditor

Corrective Action Planned:

While the recommended solution to resolve the deficits in various drainage systems is to levy assessments to provide funding to cover the costs of maintaining those systems, the majority of these systems are comprised of public lands and do not have a payment source sufficient to fund the costs. Currently any shortfalls are covered by transferring funds from other sources to cover the deficits.

Anticipated Completion Date:

On-going

**REPRESENTATION OF AITKIN COUNTY
AITKIN, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 1996-005

Finding Title: Segregation of Duties

Summary of Condition: The County Treasurer does not segregate the duties of cash collection and receipting from the bank reconciliation process. In the County Auditor's Office, employees who receipt cash and process cash disbursements have the ability to make journal entries. Also in the County Auditor's Office, the person who processes payroll can also make pay rate and other payroll system changes. Finally, due to the limited number of office personnel within the various County offices, proper segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible.

Summary of Corrective Action Previously Reported: County management is aware of the situation, however the County lacks the resources to staff departments to levels needed to provide complete segregation of all functions. County management will review internal controls and transactions. Receipting procedures have been modified to allow for greater control and review. Processes have been implemented to provide for additional review of transactions.

Status: Not Corrected. County management is aware of the situation and is willing to assume the responsibility.

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

Finding Number: 2006-003

Finding Title: Accounting Policies and Procedures Manual

Summary of Condition: Inquiries of County management found that significant internal controls of its accounting system have not been documented. The County does not have a current and comprehensive accounting policies and procedures manual, including risk assessment and monitoring procedures.

Summary of Corrective Action Previously Reported: On May 24, 2016, the Board of County Commissioners adopted a General Operations Policy. The policy includes provisions for accounting and procedures.

Status: Partially Corrected. The County did not include risk assessment and monitoring procedures in its General Operations Policy adopted on May 24, 2016.

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

Finding Number: 2006-005

Finding Title: Annual Adopted Budget and Budget Policy

Summary of Condition: The County Board has not developed and adopted a formal budget policy for management's administration of the County budget. The Board of County Commissioners adopts a summarized budget at the fund level on an annual basis.

Summary of Corrective Action Previously Reported: On May 24, 2016, the Board of County Commissioners adopted a General Operations Policy. The policy includes provisions for budget preparation.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2006-008

Finding Title: Computer Risk Management

Summary of Condition: The County has internal controls in place for its computer system. However, a formal risk assessment of existing controls over significant functions of the computer system has not been completed.

Summary of Corrective Action Previously Reported: On May 24, 2016, the Board of County Commissioners adopted a General Operations Policy. The policy includes provisions for computer risk management.

Status: Not Corrected. The IT Department is aware of the risks associated with management of the department and the delivery of IT services to County departments; however, the IT Department has been short-staffed for a long period of time and unable to commit the time resources to the policy.

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

Finding Number: 2013-001

Finding Title: Segregation of Duties - Health and Human Services Vendor Setup

Summary of Condition: During review of the Health and Human Services disbursement process the auditors noted that two individuals had the ability to both process disbursements and set up new vendors.

Summary of Corrective Action Previously Reported: The County will review procedures for the establishment of new vendors. Procedures will include segregation, if possible, or review of new vendors by another staff member.

Status: Not Corrected. The accounting department in Health and Human Services is operated by a small number of staff. Vendor setup is reviewed by the supervisor when possible. However, knowing that payments must be made timely, it isn't always possible in every situation. Additionally, payments are reviewed by the County Treasurer's office before mailing.

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

Yes _____ No X

Finding Number: 2015-001

Finding Title: Prior Period Adjustment

Summary of Condition: During the previous year's audit, the auditors identified a prior period adjustment that resulted in a significant change to the County's financial statements. An investment in joint venture of \$1,312,336 was recorded to reflect the County's interest in the Aitkin Municipal Airport Commission as of December 31, 2014. The prior period adjustment to restate the County's financial statements was reviewed and approved by the appropriate County staff and was reflected in the financial statements.

Summary of Corrective Action Previously Reported: The County's financial statements were required to be restated for the inclusion of the Aitkin Municipal Airport. Aitkin County is a two-thirds interest majority partner in the joint venture with the City of Aitkin. The County's investment in joint venture is properly reflected in the financial statements after the prior period adjustment was recorded.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2015-002
Finding Title: Audit Adjustments

Summary of Condition: During the previous year's audit, material audit adjustments were proposed by the auditors that resulted in changes to the County's financial statements. The adjustments were reviewed and approved by the appropriate County staff and were reflected in the financial statements.

Summary of Corrective Action Previously Reported: County staff will review adjusting entries to insure that they have been made correctly and in accordance with generally accepted accounting principles.

Status: Not Corrected. The County will review the process by which audit adjustments are made. The intent being to provide a review of the adjustments as they are made and after the adjustment is completed to insure accuracy and compliance.

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

Finding Number: 1999-003
Finding Title: Individual Ditch System Equity Balance Deficits

Summary of Condition: At December 31, 2015, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance accounts.

Summary of Corrective Action Previously Reported: The Board of County Commissioners has authorized transfers from the County Development Fund to cover the deficits. In addition, the County has discussed seeking legislation as substantial portions of the County's ditch systems are located in the ConCon area, which is managed by the Minnesota Department of Natural Resources. There is no payment source for those assessments.

Status: Not Corrected. The County is looking into seeking a legislation change.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2006-011
Finding Title: Long Lake Conservation Center Enterprise Fund Deficit Cash Balance

Summary of Condition: At December 31, 2015, the Long Lake Conservation Center (LLCC) Enterprise Fund had a cash deficit of \$626,105, resulting in the need for an interfund loan of that amount from the General Fund.

Summary of Corrective Action Previously Reported: The Board of County Commissioners is aware of the cash deficit in the operating fund for Long Lake and receives quarterly reports on the status of LLCC finances. The Board of County Commissioners has taken actions in prior years to reduce operating expenses in an effort to reduce the accumulating deficits.

Status: Fully Corrected. Corrective action was taken.

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

Yes No

During 2016, the County permanently transferred \$663,127 from the General Fund to the Long Lake Conservation Center Enterprise Fund. As of December 31, 2016, the Long Lake Conservation Center Enterprise Fund had a positive cash balance.

Finding Number: 2011-004

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. During testing of a sample of 15 case files, the auditors noted three instances where asset or income documentation did not adequately support all participant eligibility requirements and/or match the information in the MAXIS system. It was also noted that there was no documented process to perform periodic supervisory reviews of case files.

Summary of Corrective Action Previously Reported: Perform case reviews and review procedures for identifying and verifying assets and income of clients. Update MAXIS with current information to reflect the client's situation at the time of review.

Status: Not Corrected. The County continues to address these issues with employees on both an individual and group basis. The County conducts random case reviews to identify recurring problems but does not have a formal process to perform periodic reviews of case files. Please see the Corrective Action Plan for further information.

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

Yes No

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**AITKIN COUNTY
AITKIN, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

| Federal Grantor Pass-Through Agency Program or Cluster Title | Federal CFDA Number | Contract Number/ Pass-Through Grant Number | Expenditures |
|---|------------------------------------|---|--------------------------|
| U.S. Department of Agriculture | | | |
| Passed through Minnesota Department of Education Special Milk Program for Children | 10.556 | 1000003368 | \$ 3,739 |
| Passed through Aitkin-Itasca-Koochiching Community Health Services Board Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 32573 | 97,171 |
| Passed through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 16162MN101S2514 | <u>159,566</u> |
| Total U.S. Department of Agriculture | | | <u>\$ 260,476</u> |
| U.S. Department of Justice | | | |
| Direct Bulletproof Vest Partnership Program | 16.607 | | \$ 4,449 |
| Passed through Minnesota Department of Public Safety Crime Victim Assistance | 16.575 | F-CVS-2016-AITKINAO | <u>32,484</u> |
| Total U.S. Department of Justice | | | <u>\$ 36,933</u> |
| U.S. Department of Transportation | | | |
| Passed through Minnesota Department of Public Safety State and Community Highway Safety | 20.600 | Not provided | <u>\$ 12,972</u> |
| U.S. Department of Health and Human Services | | | |
| Passed through Aitkin-Itasca-Koochiching Community Health Services Board Public Health Emergency Preparedness | 93.069 | 65449 | \$ 31,120 |
| Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families CFDA 93.558 \$203,810) | 93.558 | 12-700-00053 | 35,103 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 12-700-00053 | 18,750 |
| Passed through Minnesota Department of Human Services Promoting Safe and Stable Families | 93.556 | G-1601MNFPS | 4,627 |
| Temporary Assistance for Needy Families | 93.558 | 1601MNTANF | 38,712 |
| Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families CFDA 93.558 \$203,810) | 93.558 | 1601MFTANF | 129,995 |

**AITKIN COUNTY
AITKIN, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

| Federal Grantor Pass-Through Agency Program or Cluster Title | Federal CFDA Number | Contract Number/ Pass-Through Grant Number | Expenditures |
|---|------------------------------------|---|---------------------|
| U.S. Department of Health and Human Services | | | |
| Passed through Minnesota Department of Human Services (Continued) | | | |
| Child Support Enforcement | 93.563 | 1604MNCSES | 29,756 |
| Child Support Enforcement | 93.563 | 1604MNCEST | 358,089 |
| (Total Child Support Enforcement CFDA 93.563 \$387,845) | | | |
| Refugee and Entrant Assistance - State-Administered Programs | 93.566 | 1601MNRCSMA | 160 |
| Child Care and Development Block Grant | 93.575 | G1601MNCCDF | 5,701 |
| Community-Based Child Abuse Prevention Grants | 93.590 | G-1502MNFPRG | 491 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | G-1601MNCWSS | 2,531 |
| Foster Care - Title IV-E | 93.658 | 1601MNFOST | 57,705 |
| Social Services Block Grant | 93.667 | 16-01MNSOSR | 114,820 |
| Chafee Foster Care Independence Program | 93.674 | G-1601MNCILP | 1,934 |
| Medical Assistance Program | 93.778 | 05-1605MN5ADM | 732,432 |
| Medical Assistance Program | 93.778 | 05-1605MN5MAP | 8,543 |
| (Total Medical Assistance Program CFDA 93.778 \$740,975) | | | |
| Total U.S. Department of Health and Human Services | | | \$ 1,570,469 |
| U.S. Department of Homeland Security | | | |
| Passed through Minnesota Department of Natural Resources | | | |
| Boating Safety Financial Assistance | 97.012 | Not provided | \$ 6,375 |
| Passed through Minnesota Department of Public Safety | | | |
| Emergency Management Performance Grants | 97.042 | Not provided | 19,755 |
| Total U.S. Department of Homeland Security | | | \$ 26,130 |
| Total Federal Awards | | | \$ 1,906,980 |

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2016.

**AITKIN COUNTY
AITKIN, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Aitkin County. 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 Aitkin County under programs of the federal government for the year ended December 31, 2016. 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 Aitkin County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Aitkin County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of Aitkin County. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the full accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Aitkin County has elected not to use the ten percent de minimus indirect cost rate allowed under the Uniform Guidance.

**AITKIN COUNTY
AITKIN, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

| | |
|---|---------------------|
| Federal grant revenue per Schedule of Intergovernmental Revenue | \$ 1,817,292 |
| Grants received more than 60 days after year-end, unavailable in 2016 | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 54,497 |
| Public Health Emergency Preparedness | 9,510 |
| Temporary Assistance for Needy Families | 33,702 |
| Promoting Safe and Stable Families | 448 |
| Child Care and Development Block Grant | 231 |
| Community-Based Child Abuse Prevention Grants | 246 |
| Stephanie Tubbs Jones Child Welfare Services Program | 312 |
| Chafee Foster Care Independence Program | 942 |
| Grants unavailable in 2015, recognized as revenue in 2016 | |
| Child Support Enforcement | <u>(10,200)</u> |
| Expenditures Per Schedule of Expenditures of Federal Awards | <u>\$ 1,906,980</u> |