

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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MANAGEMENT AND COMPLIANCE REPORT

**ISANTI COUNTY**  
**CAMBRIDGE, 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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**ISANTI COUNTY  
CAMBRIDGE, 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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**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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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***

### Independent Auditor's Report

Board of County Commissioners  
Isanti County  
Cambridge, 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 Isanti 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 June 14, 2017.

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

In planning and performing our audit of the financial statements, we considered Isanti County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2005-001 and 2007-001, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Isanti 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 Isanti 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.



## **Isanti County's Response to Findings**

Isanti County's responses to the internal control 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

June 14, 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  
Isanti County  
Cambridge, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited Isanti 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. Isanti 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 Isanti 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 Isanti 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, Isanti County did not comply with requirements regarding CFDA No. 93.778, Medical Assistance Program, as described in finding number 2015-001 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, Isanti 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 Programs***

In our opinion, Isanti 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 an other instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

Isanti County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. Isanti 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 Isanti 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 2015-001 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 2015-002 to be a significant deficiency.

Isanti County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Isanti 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, each major fund, and the aggregate remaining fund information of Isanti 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 June 14, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Isanti

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

June 14, 2017

**ISANTI COUNTY  
CAMBRIDGE, 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? **No**
- Significant deficiencies identified? **Yes**

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

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Child Support Enforcement	CFDA No. 93.563
Medical Assistance Program	CFDA No. 93.778

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

Isanti County qualified as a low-risk auditee? **Yes**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2005-001

Segregation of Duties

**Criteria:** 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.

**Condition:** Several County departments that collect fees lack proper segregation of duties, including Highway, Sheriff, Public Health, and Transit. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts; and preparing reports.

**Context:** Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Isanti County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

**Effect:** Inadequate segregation of duties could adversely affect the 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 limited 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 of the accounting functions 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:** Acknowledged



Finding Number 2007-001

Monitoring Internal Controls/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. Written policies and procedures should exist to ensure the County's practices are followed as intended by management. 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; major funding sources (taxes, intergovernmental revenues, charges for services, and miscellaneous items); expenditure processing, including new vendor set-up; and payroll.

**Condition:** Our inquiry of County management found that significant internal controls of its accounting system have not been documented. The County lacks written policies and procedures, including 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:** Several years ago, the County began the process of developing formal policies and procedures, including monitoring and risk assessment procedures. Due to limited time and resources, the County has been unable to complete this project.

**Recommendation:** We recommend County management continue its efforts to document the significant internal controls in its accounting system. We further 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:** Acknowledged

### III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2015-001

#### 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 award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

**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. While overall program supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, none are performed specifically for Medical Assistance Program case files. When performing our case file review for eligibility, we noted that not all documentation was available to support participant eligibility. In other circumstances, information was input into MAXIS incorrectly. The following instances were noted in our sample of 40 cases tested:

- Twelve case files had documented assets, such as income or bank account balances that did not support the information entered into MAXIS.
- Three case files had a representative or power of attorney sign the application on behalf of the applicant; however, there was no documentation in the case file that provided proof they were the legal representative or power of attorney.
- Two case files did not have an INSA panel in MAXIS completed, which documents if anyone is covered by other health insurance. Both of these case files should have had a completed INSA panel, as both recipients were receiving payments for cost-effective insurance.
- One case file had income that could not be appropriately determined based on the pay stubs that were provided.

**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 Family 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:** The improper input of information into MAXIS and lack of follow-up of issues increases the risk that a program participant will receive benefits when they are not eligible. The lack of case file reviews specific to the Medical Assistance Program increases the risk that clients will receive benefits when they are not eligible.

**Cause:** Program personnel entering case information into MAXIS did not ensure all required information was input correctly.

**Recommendation:** We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input into MAXIS and issues are followed up in a timely manner. In addition, consideration should be given to performing supervisory case reviews specific to the Medical Assistance Program.

**View of Responsible Official:** Acknowledged

Finding Number 2015-002

#### Reporting

**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 explained in the Minnesota DHS’s Information 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 that it complies with all guidelines set forth in the LCTS 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 prepared and submitted by the Isanti County Probation Department and the Annual Spending and Collaborative Reports prepared and submitted by the Isanti County Family Services Department are not reviewed by someone independent of the preparer. In addition, the quarterly reports submitted by the other participating members of the Collaborative are not reviewed by the County.

**Questioned Costs:** The Minnesota Department of Human Services determines federal reimbursement based on a time study, the rate of which is not readily determinable, and therefore, actual 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 each member of the LCTS to the Minnesota Department of Human Services for reimbursement of LCTS money, which is reimbursed to the County with federal Medical Assistance Program funds. The Isanti County Family Services Department acts as the LCTS fiscal reporting and payment agent for the local collaborative in Isanti County and is responsible for preparing and submitting the Annual Spending and Collaborative Reports.

**Effect:** Lack of a review and approval process increases the risk that reports will not be submitted as required or will not be correct.

**Cause:** The County does not have procedures in place to ensure that reports are reviewed, approved, and submitted as required.

**Recommendation:** We recommend the County and Collaborative members implement 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 review should be retained.

**View of Responsible Official:** Acknowledged

**REPRESENTATION OF ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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

**Finding Number: 2005-001**

**Finding Title: Segregation of Duties**

Name of Contact Person Responsible for Corrective Action:

Chad Struss, County Auditor-Treasurer

Corrective Action Planned:

The County will conduct a formal review of the internal control system surrounding the accounting functions in the listed departments. Once the review has been completed, the Auditor-Treasurer will make recommendations on appropriate oversight procedures to each of the departments.

Anticipated Completion Date:

The review of the internal control systems will be completed by the end of 2017.

**Finding Number: 2007-001**

**Finding Title: Monitoring Internal Controls/Accounting Policies and Procedures Manual**

Name of Contact Person Responsible for Corrective Action:

Chad Struss, County Auditor-Treasurer

Corrective Action Planned:

1. The County will adopt additional accounting policies and procedures.
2. The County will develop a formal plan to test and monitor internal controls on an annual basis.

Anticipated Completion Date:

The additional accounting policies and procedures will be adopted by the end of 2017. The plan to test and monitor internal controls will be completed by the end of 2017 and implemented in the first quarter of 2018.

**Finding Number: 2015-001**

**Finding Title: Eligibility**

**Program: U.S. Department of Health and Human Services' Medical Assistance Program  
(CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Penny Messer, Family Services Director, and Karrie Kolb, Income Maintenance Supervisor

Corrective Action Planned:

1. The errors from this review were thoroughly discussed at an all unit meeting in April 2017.
2. The Income Maintenance Supervisor also met with each worker independently to review the errors and ensure understanding of policy and requirements.
3. The eligibility workers that specifically created and were responsible for the errors were given detailed goals on their annual performance reviews.
4. The Income Maintenance Unit is conducting up to ten Medical Assistance case reviews on a quarterly basis.

Anticipated Completion Date:

These actions have been implemented and the case reviews will be completed ongoing.

**Finding Number: 2015-002**

**Finding Title: Reporting**

**Program: U.S. Department of Health and Human Services' Medical Assistance Program  
(CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Mark Jensen, Fiscal Supervisor

Corrective Action Planned:

1. The Fiscal Supervisor will physically present the Annual Spending Report along with supporting documentation to the LCTS Coordinator for review and approval. The Fiscal Supervisor will retain evidence of that approval and any supporting documentation on file.

2. The Fiscal Supervisor will request and review supporting documentation the LCTS partners use as the basis for quarterly cost report submissions to the State of Minnesota. The Fiscal Supervisor will approve the quarterly report submissions and retain the supporting documentation on file.

Anticipated Completion Date:

This action will be implemented beginning with the costs reports for the second quarter of 2017.

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**REPRESENTATION OF ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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

**Finding Number: 2005-001**

**Finding Title: Segregation of Duties**

**Summary of Condition:** Several County departments that collect fees lack proper segregation of duties, including Highway, Sheriff, Public Health, and Transit. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts; preparing reports; and reconciling bank accounts.

**Summary of Corrective Action Previously Reported:** Isanti County management is aware of this situation and will continue to periodically review its internal control procedures and modify its procedures as necessary to address any issues related to the lack of segregation of duties.

**Status:** Not Corrected. The County's limited staff in many departments prevents complete segregation of duties. The County periodically reviews its internal control processes and implements compensating controls as needed to address the lack of segregation of duties. Please see corrective action plan for further information.

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

**Finding Number: 2007-001**

**Finding Title: Monitoring Internal Controls/Accounting Policies and Procedures Manual**

**Summary of Condition:** Internal controls of the accounting system have not been documented. The County lacks written policies and procedures, including risk assessment and monitoring procedures.

**Summary of Corrective Action Previously Reported:** The County will continue to work towards development of a formal plan to document and evaluate the effectiveness of the County's internal controls. As part of this process, the County plans to adopt additional policies and procedures.

**Status:** Partially Corrected. The County has limited staff available to fully document its internal controls. However, the County has adopted additional policies and procedures since the prior audit finding, including a purchasing and disbursements policy and a purchasing and fuel card policy. Please see corrective action plan for further information.

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

Yes \_\_\_\_\_ No  X

**Finding Number: 2015-001**

**Finding Title: Eligibility**

**Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778)**

**Summary of Condition:** The state maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While overall program supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, none are performed specifically for Medical Assistance case files. When performing case file reviews for eligibility, it was noted that not all documentation was available to support participant eligibility. In other circumstances, information was input into MAXIS incorrectly.

**Summary of Corrective Action Previously Reported:** Since the majority of the errors were attributed to one staff member, the employee's supervisor met with the employee to review the errors and provide further instruction. The unit supervisor reviewed the identified errors at a whole unit meeting. The County will develop a process for case reviews and conduct random case review audits on a quarterly basis to ensure program accuracy and compliance.

**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. Please see corrective action plan for further information.

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

Yes \_\_\_\_\_ No  X

**Finding Number: 2015-002**

**Finding Title: Reporting**

**Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778)**

**Summary of Condition:** During review of the second quarter Local Collaborative Time Study Cost Schedule (DHS 3220) submitted to the Minnesota Department of Human Services (DHS), the auditors were unable to reconcile expenditures reported to the County's supporting documentation, including the accounting software. In addition, none of the quarterly DHS 3220 reports were reviewed by someone independent of the preparer.

**Summary of Corrective Action Previously Reported:** The County will maintain supporting documentation, including calculator tapes, printouts from the accounting software, and postage and mileage claims, to support the reported expenditures. The Public Health Director will review grant reports prior to submission to the DHS.

**Status:** Partially Corrected. In 2016, the County's expenditures reported to the DHS reconciled to supporting documentation. However, grant reports were not always reviewed by someone independent of the preparer. In some cases, reviews were completed by an independent staff member, but the review was not adequately documented. Please see corrective action plan for further information.

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

Yes \_\_\_\_\_ No  X

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**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	\$ 149,992	\$ -
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	242,714	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN127Q7504	16,086	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$258,938)	10.561	16162MN101S2520	138	-
<b>Total U.S. Department of Agriculture</b>			<b>\$ 408,930</b>	<b>\$ -</b>
<b>U.S. Department of Justice</b>				
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2016-ISANTIAO-00025	\$ 21,272	\$ -
Crime Victim Assistance (Total Crime Victim Assistance 16.575 \$39,022)	16.575	A-CVS-2017-ISANTIAO-00003	17,750	-
Violence Against Women Formula Grants (Total Violence Against Women Formula Grants 16.588 \$12,071)	16.588	A-SMART-2016-ISANTIAO-00004	10,000	-
Passed Through Minnesota Coalition Against Sexual Assault Violence Against Women Formula Grants (Total Violence Against Women Formula Grants 16.588 \$12,071)	16.588	Not provided	2,071	-
<b>Total U.S. Department of Justice</b>			<b>\$ 51,093</b>	<b>\$ -</b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	00030	\$ 2,211,801	\$ -
Formula Grants for Rural Areas	20.509	1003386	226,064	113,032
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
National Priority Safety Programs (Total National Priority Safety Programs 20.616 \$20,478)	20.616	A-CMPTR16-2016- ISANTISO-00106	13,703	-
Passed Through City of Isanti, Minnesota				
Highway Safety Cluster				
State and Community Highway Safety	20.600	Not provided	2,492	-
National Priority Safety Programs (Total National Priority Safety Programs 20.616 \$20,478) (Total Highway Safety Cluster \$22,970)	20.616	Not provided	6,775	-
<b>Total U.S. Department of Transportation</b>			<b>\$ 2,460,835</b>	<b>\$ 113,032</b>
<b>U.S. Department of Education</b>				
Passed Through Minnesota Department of Health				
Special Education - Grants for Infants and Families	84.181	75384	<b>\$ 1,933</b>	<b>\$ -</b>
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness (Total Public Health Emergency Preparedness 93.069 \$70,263)	93.069	12-700-00110	\$ 44,875	\$ -
Immunization Cooperative Agreements Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.268	12-700-00110	400	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$415,228)	93.314	12-700-00110	450	-
	93.558	12-700-00110	60,307	-

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Health (Continued)				
Maternal and Child Health Services Block Grant to the States (Total Maternal and Child Health Services Block Grant to the States 93.994 \$37,213)	93.994	104581	35,321	-
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1601MNFPS	7,794	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$415,228)	93.558	1601MNTANF	354,921	-
Child Support Enforcement	93.563	1604MNCEST	966,212	-
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCA	225	-
Child Care and Development Block Grant	93.575	G1601MNCCDF	20,531	-
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRG	5,765	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	4,556	-
Foster Care Title IV-E	93.658	1601MNFOST	267,552	-
Social Services Block Grant	93.667	1601MNSOSR	191,012	-
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	3,964	-
Medical Assistance Program	93.778	05-1605MN5ADM	1,037,121	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,058,167)	93.778	05-1605MN5MAP	21,046	-
Passed Through Mille Lacs County, Minnesota				
Public Health Emergency Preparedness (Total Public Health Emergency Preparedness 93.069 \$70,263)	93.069	Not provided	25,388	-
Maternal and Child Health Services Block Grant to the States (Total Maternal and Child Health Services Block Grant to the States 93.994 \$37,213)	93.994	Not provided	1,892	-
Passed Through National Association of County and City Health Officials				
Medical Reserve Corps Small Grant Program	93.008	MRC 16 - 0977	15,000	-
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 3,064,332</b>	<b>\$ -</b>

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

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	A-EMPG-2015- ISANTICO-00031	\$ 187	\$ -
Emergency Management Performance Grants	97.042	A-EMPG-2015- ISANTICO-00094	6,500	-
Emergency Management Performance Grants (Total Emergency Management Performance Grants 97.042 \$30,933)	97.042	A-EMPG-2016- ISANTICO-032	24,246	-
Homeland Security Grant Program	97.067	A-UASI-2014- ISANTICO-00008	10,162	-
Homeland Security Grant Program	97.067	A-UASI-2015- ISANTICO-0007	41,829	-
Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$56,991)	97.067	A-UASI-2015- ISANTICO-0012	5,000	-
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 87,924</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 6,075,047</b>	<b>\$ 113,032</b>



**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Isanti 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 Isanti 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 Isanti County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Isanti 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, 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. Isanti County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 6,109,917
Grants received more than 60 days after year-end, unavailable in 2016	
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	300
Promoting Safe and Stable Families	829
Temporary Assistance for Needy Families (TANF)	90,449
Community-Based Child Abuse and Prevention Grants	2,656
Stephanie Tubbs Jones Child Welfare Services Program	857
Chafee Foster Care Independence Program	2,247
Homeland Security Grant Program	6,933
Unavailable in 2015, recognized as revenue in 2016	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	(225)
Formula Grants for Rural Areas	(91,273)
Child Support Enforcement	(35,400)
Homeland Security Grant Program	(12,243)
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Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 6,075,047</u>