

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

WRIGHT COUNTY
BUFFALO, 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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**WRIGHT COUNTY
BUFFALO, 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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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
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	4
Schedule of Findings and Questioned Costs	8
Corrective Action Plan	17
Summary Schedule of Prior Audit Findings	20
Schedule of Expenditures of Federal Awards	25
Notes to the Schedule of Expenditures of Federal Awards	28

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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
Wright County
Buffalo, 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 Wright 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 5, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wright 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 a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wright 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 no tax increment financing districts are administered by the County.


In connection with our audit, nothing came to our attention that caused us to believe that Wright County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as items 2014-007, 2015-003, and 2015-006. 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.

Wright County's Response to Findings

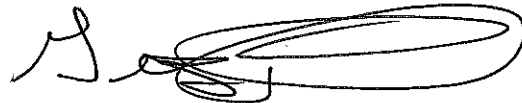
Wright County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion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



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 5, 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
Wright County
Buffalo, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Wright 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. Wright 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 Wright 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 Wright 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, Wright County did not comply with requirements regarding CFDA No. 93.778 Medical Assistance Program as described in finding number 2014-005 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, Wright 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 Each of the Other Major Federal Programs

In our opinion, Wright County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs 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 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

Wright County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. Wright 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 Wright 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 2014-005 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, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a significant deficiency.

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

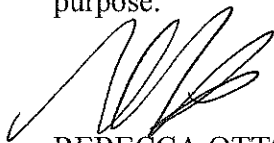
Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright 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 5, 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 Wright 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.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 5, 2017

**WRIGHT COUNTY
BUFFALO, 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 programs are:

Highway Planning and Construction	CFDA No. 20.205
Foster Care - Title IV-E	CFDA No. 93.658
Medical Assistance Program	CFDA No. 93.778

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

Wright 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 ITEM NOT RESOLVED

Finding 2014-001

Segregation of Duties - Departments

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.

Condition: The County Health and Human Services Department does not segregate the duties of cash collection from receipting and recording and delivery of deposits to the Auditor/Treasurer's Office.

Context: This is not unusual in operations the size of Wright 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 they recognized the segregation of duties issues noted and have staff available to segregate the accounting functions and that new procedures have since been implemented.

Recommendation: We recommend the County's elected officials and management be aware of the lack of segregation 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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2014-005

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 maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to monitor compliance with grant requirements for eligibility, not all documentation was available to support participant eligibility. In other circumstances, information was either input incorrectly or not properly updated in MAXIS. The following instances were noted in our sample of 40 cases tested:

- Thirteen case files did not have sufficient verification of assets or income and/or were incorrectly entered into MAXIS.
- Twelve case files lacked documentation of availability of other health insurance requirements.
- One case file had a late application.
- Three case files were missing the 2016 annual renewal.
- Two case files had a representative or power of attorney sign the application on behalf of the applicant, but there was no documentation in the case file that provided proof they were the legal representative or power of attorney.

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 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 Department of Human Services maintains the computer system, MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

Effect: The improper input or updating of information into MAXIS and lack of verification or follow-up of eligibility-determining factors increases the risk that a program participant will receive benefits when they are not eligible.

Cause: Program personnel entering case information into MAXIS did not ensure all required information was input or updated in MAXIS correctly or that all required information was obtained and/or retained.

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 or updated in MAXIS and issues are followed up on in a timely manner. In addition, consideration should be given to providing further training to program personnel.

View of Responsible Official: Acknowledged

ITEM ARISING THIS YEAR

Finding 2016-001

Cash Management and Reporting

Program: U.S. Department of Health and Human Services’ Foster Care - Title IV-E (CFDA No. 93.658), Award No. 1601MNFOST, 2016, and Award No. 1501MNFOST, 2015; and 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 the Minnesota Department of Human Services’ (DHS) 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 submitted by Court Services are not reviewed by someone independent of the preparer. The Annual Spending Report, which is prepared and submitted by the County, is reviewed by someone independent of the reviewer, however, there is no evidence of the review maintained. In addition, errors were identified in our review of the Public Health and Court Services LCTS Cost Schedules (DHS-3220) and the Annual Spending Report submitted to DHS as follows:

- expenditures reported on the third quarter LCTS Court Services report were understated by \$2,954;
- the second quarter LCTS Public Health report included expenditures that were reported twice, totaling \$1,021; and
- the Annual Spending Report prepared by Human Services underreported \$1,000 of expenditures due to an entry error related to the Elk River School District spending.

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 the Public Health and Court Services Departments to the Minnesota Department of Human Services for reimbursement of LCTS money, which is reimbursed to the County with Federal Medical Assistance and Foster Care - Title IV-E funds. The Wright County Health and Human Services Department acts as the LCTS Fiscal Reporting and Payment Agent for the local collaborative in Wright 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: Court Services is not conducting reviews of the quarterly reports, and the reviews that are being conducted of the Public Health and Annual Spending Reports were not sufficient to identify errors.

Recommendation: We recommend that 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 and evidence of the review retained.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2014-007

Individual Ditch System Deficits

Criteria: Drainage system costs are required by Minn. Stat. § 103E.655 to be paid from the ditch system account for which the costs are being incurred. If money is not available in the drainage system account on which the warrant is drawn, this statute allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay expenditures. Such loans must be paid back with interest.

Additionally, individual ditch systems should be maintained with a positive fund balance to display solvency. As provided by Minn. Stat. § 103E.735, subd. 1, a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is larger.

Condition: The County has individual ditch systems with deficit cash balances and deficit fund balances at December 31, 2016.

Context: At December 31, 2016, 33 ditch systems had negative cash balances totaling \$160,801, and 33 ditch systems had deficit fund balances totaling \$144,345.

Effect: The County is not in compliance with Minnesota statutes by having ditch systems with negative cash balances. Ditch systems with negative fund balances indicate that measures have not been taken to ensure that an individual ditch system can meet financial obligations.

Cause: Expenditures have been made for ditch systems with insufficient cash to cover the expenditures. Additional work is scheduled on the ditch systems, and the County prefers to proceed with levying special assessments once a more accurate estimate on the work to be performed can be made.

Recommendation: We recommend the County eliminate the cash deficits by borrowing from eligible funds with surplus cash balances under Minn. Stat. § 103E.655. Individual fund balance deficits should be eliminated by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus cash balance to provide for the repair and maintenance of the ditch systems.

View of Responsible Official: Acknowledged

Finding 2015-003

Collateral Assignments

Criteria: Minn. Stat. § 118A.03 states that, “[a]ny collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.” Finally, to be enforceable under federal law (12 U.S.C. § 1823(e)), this written assignment must be approved by the depository’s board of directors or loan committee and must be an official record of the depository.

Condition: One of the County’s depositories has not provided written assignment for the collateral pledged to secure the County deposits.

Context: To secure deposits in excess of the available federal deposit insurance, the depository has pledged securities from their investment portfolio as collateral. Absent from the pledging documents, however, is a written assignment of the collateral to the County.

Effect: Without an approved written assignment of the pledged collateral, the County does not have a perfected security interest in the pledged collateral. Deposits held in excess of federal deposit insurance are at risk of loss should a depository fail.

Cause: The County has indicated that they could not locate the pledge agreements because they date back to original agreements that have been substituted over time without a new agreement put in place during the substitution.

Recommendation: We recommend the County require that its depositories provide written assignments for all collateral pledged. The assignments should include the statutory language required by Minn. Stat. § 118A.03, subd. 4, and should be approved by each bank’s board of directors or loan committee, with the County receiving documentation of that approval.

View of Responsible Official: Acknowledged

Finding 2015-006

Driver Awareness Classes

Criteria: As stated in Minn. Stat. § 169.022:

The provisions of [Minn. Stat., ch. 169] shall be applicable and uniform throughout this state and in all political subdivisions and municipalities therein, and no local authority shall enact or enforce any rule or regulation in conflict with the provisions of this chapter unless expressly authorized herein. Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalty provided for in this chapter for the same offense.

In *State v. Hoben*, 89 N.W.2d 813 (1959), the Minnesota Supreme Court recognized in this language a legislative intent “that the application of its provisions should be uniform throughout the state both as to penalties and procedures.” The Supreme Court concluded: “It would be a strange anomaly for the legislature to define a crime, specify punishment therefore, provide that its application shall be uniform throughout the state, and then permit a municipality to prosecute that crime as a civil offense.”

The Minnesota Attorney General’s Office stated, “[i]n the specific case of traffic offenses, the legislature has plainly preempted the field of enforcement.” December 1, 2003, letter to State Representative Steve Smith (citing Minn. Stat. § 169.022, *Hoben*, and other provisions of Minn. Stat., ch. 169). It noted the strong legislative assertion of state preemption in the area of traffic regulation and concluded that local governments were precluded from creating their own enforcement systems.

Condition: The Wright County Attorney has established a Driver Awareness Class option in lieu of issuance or court filing of a state uniform traffic ticket. The Wright County Attorney and the Wright County Sheriff have collaborated to establish general criteria setting out the traffic offenses and persons eligible and, at the discretion of the Sheriff’s Deputies, may offer first-time adult traffic violators the option of attending the Drive Wright driver awareness class in lieu of a citation. At the discretion of the Wright County Attorney’s Office, it may directly offer first-time juvenile traffic violators the option of attending the Teen Drive Wright class. The courses are two hours long and cost \$75. Fees for the classes are remitted to the Wright County Attorney’s Office. Most of the fees collected are distributed to two non-profit organizations which teach the classes and handle registration. Remaining fees are used for safe driving-related literature and activities.

Context: In the December 1, 2003, letter to State Representative Steve Smith, the Minnesota Attorney General specifically addressed the issue of a driver improvement course or clinic in lieu of a ticket or other penalty. After reviewing the state law, the Attorney General concluded: “All such programs, however, require that a *trial court* make the determination as to whether attendance at such a [driver’s] clinic is appropriate. We are aware of no express authority for local officials to create a *pretrial* diversion program.” (Emphasis is that of the Attorney General.)

The Minnesota Supreme Court has stated, “[a]s a creature of the state deriving its sovereignty from the state, the county should play a leadership role in carrying out legislative policy.” *Kasich v. Clearwater County*, 289 N.W. 2d 148, 152 (Minn. 1980), quoting *County of Freeborn v. Bryson*, 243 N.W. 2d 316, 321 (Minn. 1976).

In January 2014, a judge in the Minnesota Third Judicial District issued a permanent injunction against a similar driver diversion program operated by another Minnesota county. The judge, like the Minnesota Attorney General, concluded that the driver diversion program was not authorized under Minnesota law. The involved county has discontinued its program and has not appealed the decision.

Effect: The County’s Drive Wright and Teen Drive Wright driver awareness classes are unauthorized and in violation of Minn. Stat. § 169.022.

Cause: The County Attorney believes operating the driver awareness programs are of benefit to the community as a whole.

Recommendation: We recommend the County comply with Minn. Stat. ch. 169 by not offering a driver awareness class in lieu of issuance or court filing of a state uniform traffic ticket.

View of Responsible Official: Disagree

V. PREVIOUSLY REPORTED ITEMS RESOLVED

- 2014-002 Audit Adjustments
- 2014-004 Capital Assets
- 2015-001 Segregation of Duties - Payroll
- 2015-002 Segregation of Duties - Vendor Setup
- 2015-004 Contract Compliance
- 2015-005 Publication of Summary Budget

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**REPRESENTATION OF WRIGHT COUNTY
BUFFALO, MINNESOTA**

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

Finding Number: 2014-001

Finding Title: Segregation of Duties - Departments

Name of Contact Person Responsible for Corrective Action:

Christine Partlow, Business Manager

Corrective Action Planned:

We will continue to review processes and strengthen procedures where we can. In January 2016, we implemented the requirement that the person creating the Excel document would sign and date the Excel document. We also believe that the implementation of the WebAR system in January 2017 eliminates the segregation of duties issue.

Anticipated Completion Date:

January 2017 and ongoing review.

Finding Number: 2014-005

Finding Title: Eligibility

Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Kim Johnson, Financial Services Manager

Corrective Action Planned:

We will continue to provide additional staff training. We evaluated the errors and noticed many of the errors were in the Long Term Care (LTC) area. We have reallocated a staff person to the LTC team to reduce the caseload size. We have assigned a worker to work closely with healthcare staff.

Anticipated Completion Date:

December 2017 and ongoing.

Finding Number: 2016-001

Finding Title: Cash Management and Reporting

**Medical Assistance Program (CFDA No. 93.778) and Foster Care - Title IV-E
(CFDA No. 93.658)**

Name of Contact Person Responsible for Corrective Action:

Christine Partlow, Business Manager

Corrective Action Planned:

All partners for the LCTS will be required to have their quarterly cost schedule reports reviewed by someone other than the preparer. They will be required to submit a copy of their submitted DHS 3220 with a signature of the preparer and the reviewer and this will be maintained by the HHS Fiscal, Technology and Support Office Technician II.

All of the partners will be required to use a standard form for submitting their program expenses. The Annual Report and supporting program expenditure documents will be reviewed by the HHS Business Manager of Fiscal Officer prior to submission.

Anticipated Completion Date:

December 2017.

Finding Number: 2014-007

Finding Title: Individual Ditch System Deficits

Name of Contact Person Responsible for Corrective Action:

Robert Hiivala, Auditor/Treasurer

Corrective Action Planned:

We will continue working to improve the process of establishing assessments on ditch systems with deficits. The County plans to transfer or loan funds to the individual ditch systems to eliminate negative cash balances.

Anticipated Completion Date:

Ongoing.

Finding Number: 2015-003

Finding Title: Collateral Assignments

Name of Contact Person Responsible for Corrective Action:

Robert Hiivala, Auditor/Treasurer

Corrective Action Planned:

Work with the depository to obtain written assignment for all collateral pledged to secure the County deposits and improve process to ensure the assignment is on record for all depositories on an ongoing basis.

Anticipated Completion Date:

May 2017.

Finding Number: 2015-006

Finding Title: Driver Awareness Classes

Name of Contact Person Responsible for Corrective Action:

Tom Kelly, County Attorney

Corrective Action Planned:

None. Wright County respectfully disagrees with the State Auditor's Opinion regarding the Drive Wright Diversion Program.

Anticipated Completion Date:

None.

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**REPRESENTATION OF WRIGHT COUNTY
BUFFALO, MINNESOTA**

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

Finding Number: 2014-001

Finding Title: Segregation of Duties - Departments

Summary of Condition: Due to the small number of office staff within the County's departments, segregation of the accounting functions necessary to ensure internal accounting control is limited.

Summary of Corrective Action Previously Reported: The County's management is aware of the potential risks associated with not having sufficient staff to segregate all duties and continues to review processes and strengthen oversight and procedures when possible.

Status: Partially Corrected. Segregation of duties continues to be a known issue within the departments due to limited staffing. We will continue to review processes and strengthen procedures where we can. We also believe that the implementation of the WebAR system eliminates the segregation of duties issue. Review of bank reconciliations and inventory counts is being documented. Processes continue to be regularly reviewed for opportunities to strengthen internal control.

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

Yes _____ No X

Finding Number: 2014-002

Finding Title: Audit Adjustments

Summary of Condition: Audit adjustments were proposed that resulted in significant changes to the County's financial statements. The adjustments were reviewed and approved by the appropriate staff and were reflected in the financial statements.

Summary of Corrective Action Previously Reported: Continue preparation and review of all supporting documents for the audit.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2014-004
Finding Title: Capital Assets

Summary of Condition: Assets were being depreciated in a manner not consistent with the County's capital asset policy.

Summary of Corrective Action Previously Reported: Assets and depreciable lives will be corrected to be consistent with the policy.

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

Finding Number: 2015-001
Finding Title: Segregation of Duties - Payroll

Summary of Condition: Payroll staff maintains the payroll system and the same staff also processes payroll payments.

Summary of Corrective Action Previously Reported: The County implemented a procedure where edit reports are reviewed by Human Resources staff.

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: Segregation of Duties - Vendor Setup

Summary of Condition: Several employees had the ability to both set up a vendor and process disbursements.

Summary of Corrective Action Previously Reported: The Auditor/Treasurer's Office will be adding a management level staff person to allow for segregation of this function. Staff who process payments were precluded from also setting-up vendors.

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

Finding Number: 2014-005
Finding Title: Eligibility
Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: Not all documentation was available to support participant eligibility or data was input into the MAXIS system incorrectly.

Summary of Corrective Action Previously Reported: Wright County staff will conduct case reviews, provide additional training, and provide checklists to assist in ensuring data is collected and input properly.

Status: Not Corrected. We will continue to provide additional staff training. We evaluated the errors and noticed many of the errors were in the Long Term Care (LTC) area. We have reallocated a staff person to the LTC team to reduce the caseload size. We have assigned a worker to work closely with healthcare staff.

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

Finding Number: 2014-007
Finding Title: Individual Ditch System Deficits

Summary of Condition: The County has individual ditch systems with deficit cash balances and deficit fund balances at December 31, 2015.

Summary of Corrective Action Previously Reported: Wright County recognizes the need and continues to improve on the assessment of ditch systems with deficits.

Status: Not Corrected. The County continues to assess benefited property owners as the improvements are made rather than in advance of the improvements. Processes are continuing to be reviewed by Staff and County Board members. The County plans to transfer or loan funds to the individual systems to eliminate negative cash balances.

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

Finding Number: 2015-003
Finding Title: Collateral Assignments

Summary of Condition: Two of the County's depositories have not provided written assignment for the collateral pledged to secure the County deposits. In addition, four of the County's depositories have not provided evidence that the depository's board of directors or loan committee has approved the written assignments in place.

Summary of Corrective Action Previously Reported: The County is reviewing all safekeeping records to ensure the perfection of collateral.

Status: Partially Corrected. Safekeeping records were reviewed and documentation of the depositories' board approval of assignments in place was obtained. Due to a misunderstanding, all written assignments were not obtained. Processes to review collateral assignments are being reviewed and improved to ensure assignment is on record for all depositories and documentation of the depositories' board of directors or loan committee is also being received and maintained by the County.

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

Yes _____ No X

Finding Number: 2015-004

Finding Title: Contract Compliance

Summary of Condition: The County was unable to provide the signed responsible bidder certificate form for 3 of 13 construction contracts tested.

Summary of Corrective Action Previously Reported: The County will obtain the responsible bidder certification form on all construction contracts over \$50,000.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2015-005

Finding Title: Publication of Summary Budget

Summary of Condition: The County's 2015 budget was not published in the County's official newspaper or qualified newspaper of general circulation.

Summary of Corrective Action Previously Reported: Wright County acknowledged the requirement and obtained the recommended format from the Office of the State Auditor to ensure the budget is published in full.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2015-006

Finding Title: Driver Awareness Classes

Summary of Condition: The Wright County Attorney has established a Driver Awareness Class option in lieu of issuance or court filing of a state uniform traffic ticket. The Wright County Attorney and the Wright County Sheriff have collaborated to establish general criteria setting out the traffic offenses and persons eligible and, at the discretion of the Sheriff's Deputies, may offer first-time adult traffic violators the option of attending the Drive Wright driver awareness class in lieu of a citation. At the discretion of the Wright County Attorney's Office, it may directly offer first-time juvenile traffic violators the option of attending the Teen Drive Wright class. The courses are two hours long and cost \$75. Fees for the classes are remitted to the Wright County Attorney's Office. Most of the fees collected are distributed to two non-profit organizations which teach the classes and handle registration. Remaining fees are used for safe driving-related literature and activities.

Summary of Corrective Action Previously Reported: Wright County respectfully disagrees with the State Auditor's Opinion regarding the Drive Wright Diversion Program. Therefore, no action will be taken.

Status: Not Corrected. The Wright County Attorney is of the opinion that the Drive Wright Program does not pre-empt enforcement of MN Statute Chapter 169 and will continue to utilize the program.

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

Yes _____ No X

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**WRIGHT COUNTY
BUFFALO, 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	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	16162MN101S2514	\$ 545,723	\$ -
U.S. Department of the Interior				
Direct National Wildlife Refuge Fund	15.659	N/A	\$ 10,508	\$ -
U.S. Department of Justice				
Direct State Criminal Alien Assistance Program	16.606	N/A	\$ 4,863	\$ -
U.S. Department of Transportation				
Passed through Minnesota Department of Transportation Highway Planning and Construction	20.205	99986	\$ 765,040	\$ -
Passed through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC16-2016- WRIGHTSD-00039	6,596	421
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$6,860)	20.600	18X90204020MN16	264	-
National Priority Safety Programs	20.616	A-ENFRC16-2016- WRIGHTSD-00039	4,488	964
National Priority Safety Programs (Total National Priority Safety Programs 20.616 \$7,166) (Total Highway Safety Cluster \$14,026)	20.616	18X920405BMN15	2,678	148
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC16-2016- WRIGHTSD-00039	10,753	373
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$17,627)	20.608	18X9205464MN16	6,874	321
Total U.S. Department of Transportation			\$ 796,693	\$ 2,227
U.S. Department of Education				
Passed through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	12-700-00103	\$ 1,933	\$ -

**WRIGHT COUNTY
BUFFALO, 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	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed through Minnesota Department of Health Public Health Emergency Preparedness	93.069	6 NU90TP000529-05-03	\$ 108,095	\$ -
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	6 NU90TP000529-05-03	6,328	-
Universal Newborn Hearing Screening	93.251	12-700-00103	4,350	-
Immunization Cooperative Agreements	93.268	5H23IP000737	3,400	-
Temporary Assistance for Needy Families	93.558	2015G996115	54,411	-
(Total Temporary Assistance for Needy Families 93.558 \$672,292)				
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349 B04MC30621	58,693	-
Passed through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1601MNFPS	22,038	-
Temporary Assistance for Needy Families	93.558	1601MNTANF	552,911	279,551
Temporary Assistance for Needy Families	93.558	1502MNTANF	64,970	32,849
(Total Temporary Assistance for Needy Families 93.558 \$672,292)				
Child Support Enforcement	93.563	1604MNCES	1,222,537	-
Child Support Enforcement	93.563	1604MNCSES	392,223	-
(Total Child Support Enforcement 93.563 \$1,614,760)				
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRMA	503	-
Child Care and Development Block Grant	93.575	G1601MNCDF	33,463	-
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPG	16,192	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1501MNCWSS	12,753	-
Foster Care - Title IV-E	93.658	1601MNFOS	780,832	-
Foster Care - Title IV-E	93.658	1501MNFOS	7,449	-
(Total Foster Care - Title IV-E 93.658 \$788,281)				
Social Services Block Grant	93.667	G-1601MNSOSR	524,070	-
Chafee Foster Care Independence Program	93.674	6-1601MNCILP	5,635	-
Medical Assistance Program	93.778	05-1605MN5ADM	2,519,029	-
Medical Assistance Program	93.778	05-1605MN5MAP	36,640	-
(Total Medical Assistance Program 93.778 \$2,565,641)				
Passed through Stearns County, Minnesota				
Medical Assistance Program	93.778	Not Provided	9,972	-
(Total Medical Assistance Program 93.778 \$2,565,641)				
Total U.S. Department of Health and Human Services			\$ 6,436,494	\$ 312,400

**WRIGHT COUNTY
BUFFALO, 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	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	R29G4CGSFY15	\$ 8,875	\$ -
Passed through Minnesota Department of Public Safety				
Hazard Mitigation Grant	97.039	A-HMGP-DR4113- WRIGHTCO-0005	8,388	-
Emergency Management Performance Grants	97.042	A-EMPG-2016- WRIGHTCO-091	47,186	-
Total U.S. Department of Homeland Security			\$ 64,449	\$ -
Total Federal Awards			\$ 7,860,663	\$ 314,627

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**WRIGHT COUNTY
BUFFALO, 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 Wright 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 Wright 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 Wright County, it is not intended to and does not present the financial position or changes in net position of Wright County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Wright County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 7,840,740
Grants received more than 60 days after year-end, unavailable in 2016	
Highway Planning and Construction	4,356
State and Community Highway Safety	264
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	6,874
National Priority Safety Programs	2,678
Universal Newborn Hearing Screening	600
Promoting Safe and Stable Families	2,295
Temporary Assistance for Needy Families	55,581
Community-Based Child Abuse Prevention Grants	6,449
Stephanie Tubbs Jones Child Welfare Services Program	2,267
Chafee Foster Care Independence Program	3,626
Emergency Management Performance Grants	12,933
Grants unavailable in 2015, recognized as revenue in 2016	
Child Support Enforcement	<u>(78,000)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 7,860,663</u>