

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

ISANTI COUNTY
CAMBRIDGE, MINNESOTA

YEAR ENDED DECEMBER 31, 2017

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, 2017



Management and Compliance Report

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

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**ISANTI COUNTY
CAMBRIDGE, 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	14
Summary Schedule of Prior Audit Findings	17
Schedule of Expenditures of Federal Awards	20
Notes to the Schedule of Expenditures of Federal Awards	24

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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, 2017, 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, 2018.

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, 2018

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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, 2017. 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 Medicaid Cluster (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, Medicaid Cluster, 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 Medicaid Cluster (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 Medicaid Cluster for the year ended December 31, 2017.

Unmodified Opinion on the Other Major Federal Program

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, 2017.

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 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

Isanti County's response 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 2017-001 to be a significant deficiency.

Isanti County's response 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, 2017, 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, 2018, 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, 2018

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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? **None reported**

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
Medicaid Cluster

CFDA No. 93.563
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? **No**

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, 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: Significant internal controls of the County's 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 ITEM NOT RESOLVED

Finding Number 2015-001

Eligibility

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

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. In the case files reviewed for eligibility, it was 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 the sample of 40 cases tested:

- Nine case files had documented assets, such as income or bank account balances, that did not support the information entered into MAXIS.
- Five case files had incorrect, incomplete, or missing information on the INSA panel in MAXIS, which documents if anyone is covered by other health insurance.
- One case file had income that could not be appropriately determined based on the support that was 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

ITEM ARISING THIS YEAR

Finding Number 2017-001

Uniform Guidance Written Procurement Policies and Procedures

Program: U.S. Department of Health and Human Services’ Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform with applicable federal law and the standards identified in this regulation. The Uniform Guidance provides for a grace period for implementation of the new procurement standards provided that election is documented with the choice to use previous procurement standards.

Condition: The County's written procurement policies did not have the required components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations* §§ 200.320 and 200.318. The County did not enact the extension of the waiver offered by the Uniform Guidance for implementation of the new procurement standards.

Questioned Costs: Not applicable.

Context: This issue was discovered during the audit of the Medicaid Cluster; however, it impacts federal programs entity-wide. Written policies and procedures that reflect the specific components of federal regulations improve controls to ensure compliance with federal award requirements. The County approved and implemented procurement policies and procedures on December 21, 2016, which include many of the Uniform Guidance components.

Effect: Noncompliance with federal program requirements. Additionally, written policies and procedures that reference the Uniform Guidance procurement requirements, but do not include all the requirements, could increase the risk of noncompliance with other federal program requirements.

Cause: County staff believed that it was sufficient to reference the Uniform Guidance procurement requirements instead of listing the requirements in the policy.

Recommendation: We recommend the County implement and adhere to written procurement policies and procedures addressing the specific components of the Uniform Guidance requirements.

View of Responsible Official: Acknowledged

IV. PREVIOUSLY REPORTED ITEM RESOLVED

2015-002 Reporting (CFDA No. 93.778)



ISANTI COUNTY AUDITOR-TREASURER

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REPRESENTATION OF ISANTI COUNTY CAMBRIDGE, MINNESOTA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2017

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 2018 with the recommendations presented by the end of first quarter 2019.

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 as part of its long-term financial planning process.

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 2018. The plan to test and monitor internal controls will be completed by the end of 2018 and implemented in the first quarter of 2019.

Finding Number: 2015-001

Finding Title: Eligibility

Program: U.S. Department of Health and Human Services' Medicaid Cluster (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 on March 6, 2018.
2. The Income Maintenance Supervisor also met with each worker independently to review the errors and ensure understanding of policy and requirements.
3. Written oral reprimands were given to the Eligibility Workers who continued to make the same case errors as noted in the previous audit. In addition, detailed goals were created 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: 2017-001

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Chad Struss, County Auditor-Treasurer

Corrective Action Planned:

The County will revise its procurement policy to specifically list the Uniform Guidance procurement requirements instead of only referencing them.

Anticipated Completion Date:

The revision of the procurement policy will be adopted during the third quarter of 2018.

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REPRESENTATION OF ISANTI COUNTY CAMBRIDGE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2017

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; and preparing reports.

Summary of Corrective Action Previously Reported: 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.

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 County's 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 adopt additional accounting policies and procedures, and will develop a formal plan to test and monitor internal controls on an annual basis.

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' Medicaid Cluster (CFDA No. 93.778)

Summary of Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. 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 case file reviews for eligibility, auditors 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: The errors from this review were thoroughly discussed at an all-unit meeting in April 2017. The Income Maintenance Supervisor also met with each worker independently to review the errors and ensure understanding of policy and requirements. The eligibility workers that specifically created and were responsible for the errors were given detailed goals on their annual performance reviews. The Income Maintenance Unit is conducting up to ten Medical Assistance case reviews on a quarterly basis.

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' Medicaid Cluster (CFDA No. 93.778)

Summary of Condition: The quarterly Local Collaborative Time Study (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 Isanti County Integrated Collaborative are not reviewed by the County.

Summary of Corrective Action Previously Reported: 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. The Fiscal Supervisor will also request and review supporting documentation the LCTS partners use as the basis for quarterly cost report submissions to the State of Minnesota, approve the quarterly report submissions, and retain the supporting documentation on file.

Status: Fully Corrected. Corrective action was taken.

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, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	\$ 158,916
Passed Through Minnesota Department of Human Services SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	243,758
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN127Q7503	4,845
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$248,633)	10.561	172MN101S2520	30
Total U.S. Department of Agriculture			\$ 407,549
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2017-ISANTIAO-00003	\$ 36,012
Crime Victim Assistance (Total Crime Victim Assistance 16.575 \$49,890)	16.575	A-CVS-2018-ISANTIAO-00003	13,878
Violence Against Women Formula Grants (Total Violence Against Women Formula Grants 16.588 \$14,691)	16.588	A-SMART-2017- ISANTIAO-00005	13,000
Passed Through Minnesota Coalition Against Sexual Assault Violence Against Women Formula Grants (Total Violence Against Women Formula Grants 16.588 \$14,691)	16.588	Not provided	1,691
Total U.S. Department of Justice			\$ 64,581
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	3017220	\$ 33,768
Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$137,070)	20.205	3017221	103,302
Formula Grants for Rural Areas	20.509	MN-2017-001-00	429,800

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Transportation (Continued)			
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$3,781)	20.600	A-SAFE18-2018-ISANTIPH-012	1,907
Passed Through City of Isanti, Minnesota Highway Safety Cluster State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$3,781)	20.600	Not provided	1,874
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	Not provided	6,211
Highway Safety Cluster National Priority Safety Programs	20.616	Not provided	<u>2,469</u>
Total U.S. Department of Transportation			<u>\$ 579,331</u>
U.S. Department of Education			
Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	75384	<u>\$ 2,416</u>
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	12-700-00110	\$ 47,721
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	12-700-00110	150
TANF Cluster Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$444,053)	93.558	12-700-00110	68,046
Maternal and Child Health Services Block Grant to the States	93.994	104581	50,001
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-1601MNFPS	27,296
TANF Cluster Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$444,053)	93.558	1601MNTANF	376,007
Child Support Enforcement	93.563	1704MNCSES	953,327
Refugee and Entrant Assistance - State-Administered Programs CCDF Cluster	93.566	1701MNRMA	555
Child Care and Development Block Grant	93.575	G1701MNCCDF	21,314
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRG	2,678

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	8,740
Foster Care Title IV-E	93.658	1701MNFOST	226,537
Social Services Block Grant	93.667	G-1701MNSOSR	200,574
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	7,248
Children's Health Insurance Program Medicaid Cluster	93.767	05-1705MN0301	303
Medical Assistance Program	93.778	05-1705MN5ADM	1,121,614
Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,140,126)	93.778	05-1705MN5MAP	18,512
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not provided	600
Passed Through Stearns County, Minnesota			
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - Financed in Part by the Prevention and Public Health Fund (PPHF) (Total Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - Financed in Part by the Prevention and Public Health Fund (PPHF) 93.733 \$2,172)	93.733	105155	1,822
Passed Through Chisago County, Minnesota			
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - Financed in Part by the Prevention and Public Health Fund (PPHF) (Total Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - Financed in Part by the Prevention and Public Health Fund (PPHF) 93.733 \$2,172)	93.733	Not provided	350
Total U.S. Department of Health and Human Services			\$ 3,133,395
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	140551	\$ 15,100
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	A-EMPG-2017-ISANTICO-031	24,108
Homeland Security Grant Program	97.067	A-UASI-2015-ISANTICO-0007	13,170

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety (Continued)			
Homeland Security Grant Program	97.067	A-UASI-2016-ISANTICO-0007	15,780
Homeland Security Grant Program	97.067	A-SHSP-2016-ISANTICO-0011	3,000
(Total Homeland Security Grant Program 97.067 \$31,950)			71,158
Total U.S. Department of Homeland Security			\$ 71,158
Total Federal Awards			\$ 4,258,430

Isanti County did not pass any federal awards through to subrecipients during the year ended December 31, 2017.

Totals by Cluster	
Total expenditures for SNAP Cluster	\$ 248,633
Total expenditures for Highway Planning and Construction Cluster	137,070
Total expenditures for Highway Safety Cluster	6,250
Total expenditures for TANF Cluster	444,053
Total expenditures for CCDF Cluster	21,314
Total expenditures for Medicaid Cluster	1,140,126

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017. 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**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 3,973,408
Grants received more than 60 days after year-end, unavailable in 2017	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	30
Formula Grants for Rural Areas	221,602
Promoting Safe and Stable Families	2,117
Temporary Assistance for Needy Families (TANF)	119,398
Child Support Enforcement	35,100
Community-Based Child Abuse and Prevention Grants	348
Stephanie Tubbs Jones Child Welfare Services Program	1,436
Chafee Foster Care Independence Program	4,441
Homeland Security Grant Program	4,821
Unavailable in 2016, recognized as revenue in 2017	
Early Hearing Detection and Intervention Information System (EDHI-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)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 4,258,430</u>