

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

Audit Practice Division

---

### **Chisago County Center City, Minnesota**

Management and Compliance Report

Year Ended December 31, 2024

# Chisago County Center City, 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 and Report on Internal Control Over Compliance Required by the Uniform Guidance	3
Schedule of Findings and Questioned Costs	6
Corrective Action Plan	8
Summary Schedule of Prior Audit Findings	9



**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  
Chisago County  
Center City, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 25, 2025.

Our report includes a reference to other auditors who audited the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Chisago County's internal control over financial reporting as a basis for designing 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 a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. 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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Chisago 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 financial statements. 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**

In connection with our audit, nothing came to our attention that caused us to believe that Chisago County failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and 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/Julie Blaha

Julie Blaha  
State Auditor

/s/Chad Struss

Chad Struss, CPA  
Deputy State Auditor

September 25, 2025



**Report on Compliance for Each Major Federal Program and Report on Internal  
Control Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

Board of County Commissioners  
Chisago County  
Center City, Minnesota

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

***Qualified and Unmodified Opinions***

We have audited Chisago County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Chisago County's major federal programs for the year ended December 31, 2024. Chisago County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Qualified Opinion on COVID-19 – Coronavirus State and Local Fiscal Recovery Funds***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Chisago County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 – Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 2024.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, Chisago 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, 2024.

***Basis for Qualified and Unmodified Opinions***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Chisago County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of Chisago County's compliance with the compliance requirements referred to above.

***Matter Giving Rise to Qualified Opinion on COVID-19 – Coronavirus State and Local Fiscal Recovery Funds***

As described in the accompanying Schedule of Findings and Questioned Costs, Chisago County did not comply with requirements regarding Assistance Listing No. 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds as described in finding number 2024-001 for Suspension and Debarment.

Compliance with such requirements is necessary, in our opinion, for Chisago County to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Chisago County's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Chisago County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Chisago County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

*Government Auditing Standards* requires the auditor to perform limited procedures on Chisago County's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Chisago County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

*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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a 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 attention by 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 2024-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Chisago County's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Chisago County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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/Julie Blaha

Julie Blaha  
State Auditor

September 25, 2025

/s/Chad Struss

Chad Struss, CPA  
Deputy State Auditor

# Chisago County Center City, Minnesota

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2024

### Section 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? **None reported**

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

#### Federal Awards

Internal control over the major federal programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor’s report issued on compliance for the major federal programs: **Unmodified, except for COVID-19 Coronavirus State and Local Fiscal Recovery Funds, which is qualified.**

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

Identification of the major federal programs:

Assistance Listing	
Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
93.563	Child Support Services

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

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

### Section II – Financial Statement Findings

No matters were reported.



# Chisago County Center City, Minnesota

---

## Section III – Federal Award Findings and Questioned Costs

### 2024-001      Suspension and Debarment

**Prior Year Finding Number:** 2023-003

**Year of Finding Origination:** 2023

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Material Weakness and Modified Opinion

**Federal Agency:** U.S. Department of Treasury

**Program:** 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds

**Award Number and Year:** SLFRP2192; 2021

**Pass-Through Agency:** N/A - Direct

**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.

Federal requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Title 2 U.S. *Code of Federal Regulations* § 180.300 describes a required verification process. Prior to entering into the transaction, one of the following must be performed: (1) checking SAM.gov exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction.

**Condition:** For five of seven covered transactions selected for testing, the County did not perform the verification for suspended or debarred vendors prior to entering into the covered transactions.

**Questioned Costs:** None.

**Context:** Covered transactions totaled \$4,211,707 consisting of 37 payments to vendors. The sample size of seven payments to vendors totaled \$2,456,687.

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

**Effect:** Failure to verify vendors are not suspended, debarred, or otherwise excluded prior to entering into a covered transaction may result in the County entering into a transaction with a vendor that is not authorized to provide goods and services to the grant.

**Cause:** The County informed us there was a lack of staff available to check the covered transactions for suspension and debarment.

**Recommendation:** We recommend the County maintain documentation to demonstrate that vendors were not debarred, suspended, or otherwise excluded from conducting business with the County; this documentation should be completed prior to entering a covered transaction.

**View of Responsible Official:** Acknowledge



**Representation of Chisago County**  
**Center City, Minnesota**  
Corrective Action Plan  
For the Year Ended December 31, 2024

**Finding Number: 2024-001**

**Finding Title: Suspension and Debarment**

**Program: 21.027 COVID-19 – Coronavirus State and Fiscal Recovery Funds**

Name of Contact Person Responsible for Corrective Action:

Kristin Waddell

Corrective Action Planned:

Verifying that a new vendor has not been suspended or debarred is analyzed on a case-by-case basis depending on the Federal award. Doing this for each vendor for ARPA would significantly disrupt our A/P process with the limited number of staff we have.

Anticipated Completion Date:

Immediately



**Representation of Chisago County  
Center City, Minnesota**  
Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2024

**Finding Number: 2023-001**  
**Year of Finding Origination: 2023**  
**Finding Title: Audit Adjustment**

**Summary of Condition:** A material audit adjustment was identified that resulted in a significant change to the County's financial statements.

**Summary of Corrective Action Previously Reported:** A second review of balances, disclosures, and supporting documentation is currently done, and will continue to be, by Kristin before sending the information to the external auditors for review.

**Status:** Fully Corrected. Corrective action was taken.

**Finding Number: 2023-002**  
**Year of Finding Origination: 2023**  
**Finding Title: Activities Allowed or Unallowed and Allowable Costs/Cost Principles**  
**Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds**

**Summary of Condition:** The County did not obtain itemized documentation for five out of 22 disbursements tested. The amount of disbursements that did not have supporting documentation totaled \$818,036.

**Summary of Corrective Action Previously Reported:** Beginning in 2024 the County will collect itemized support for the expenditures incurred related to the ARPA Broadband Grant Program.

**Status:** Fully Corrected. Corrective action was taken.

**Finding Number: 2023-003**

**Year of Finding Origination: 2022**

**Finding Title: Suspension and Debarment**

**Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds**

**Summary of Condition:** For six of the eight covered transactions selected for testing, the County did not perform the verification for suspended or debarred vendors prior to entering into the covered transactions.

**Summary of Corrective Action Previously Reported:** Verifying that a new vendor has not been suspended or debarred is analyzed on a case-by-case basis depending on the Federal award. Doing this for each vendor for ARPA would significantly disrupt our A/P process with the limited number of staff we have.

Analysis was done for each new ARPA Broadband grant awarded after the finding was issued in 2022, and for new vendors with significant project costs. Of the samples tested in 2023, some were paid prior to the completion of the 2022 audit, before the County was aware of the finding and corrective action could take place.

**Status:** Not Corrected. Verifying that a new vendor has not been suspended or debarred is analyzed on a case-by-case basis depending on the Federal award. Doing this for each vendor for ARPA would significantly disrupt our A/P process with the limited number of staff we have.