

# STATE OF MINNESOTA

## Office of the State Auditor



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

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MANAGEMENT AND COMPLIANCE REPORT

**BLUE EARTH COUNTY**  
**MANKATO, 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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**BLUE EARTH COUNTY  
MANKATO, 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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**BLUE EARTH COUNTY  
MANKATO, MINNESOTA**

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REBECCA OTTO  
STATE AUDITOR

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

### Independent Auditor's Report

Board of County Commissioners  
Blue Earth County  
Mankato, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Blue Earth 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 May 16, 2018. Our report includes a reference to other auditors who audited the financial statements of the Blue Earth County 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.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and,

therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Blue Earth 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 Blue Earth 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 2017-003, 2017-004, and 2017-005. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.



## **Other Matters**

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

## **Blue Earth County's Response to Findings**

Blue Earth County's responses to the internal control, legal compliance, and management practices 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

May 16, 2018

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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REBECCA OTTO  
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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  
Blue Earth County  
Mankato, Minnesota

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

We have audited Blue Earth 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. Blue Earth County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Blue Earth County's basic financial statements include the operations of the Blue Earth County Economic Development Authority (EDA) component unit, which expended \$573,422 in federal awards during the year ended December 31, 2017, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the EDA because the EDA was audited by other auditors.

#### ***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 Blue Earth 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 Blue Earth 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.

### ***Opinion on Each Major Federal Program***

In our opinion, Blue Earth 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 major federal programs for the year ended December 31, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

Blue Earth County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. Blue Earth 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 Blue Earth 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.

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. 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.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002, that we consider to be significant deficiencies.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Blue Earth 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 May 16, 2018, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Blue Earth County Economic Development Authority, a blended component unit, which was audited by other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Blue Earth 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

May 16, 2018

**BLUE EARTH COUNTY  
MANKATO, 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? **Yes**
- Significant deficiencies identified? **None reported**

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

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal programs are:

Highway Planning and Construction Cluster	CFDA No. 20.205
Medicaid Cluster	CFDA No. 93.778

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

Blue Earth 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 Number 2016-001

#### Prior Period Adjustment

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards identify one indication of a material weakness in internal control as the restatement of previously issued financial statements to reflect the correction of a material misstatement due to error.

**Condition:** A prior period adjustment was identified that resulted in significant changes to the County's financial statements. The December 31, 2016, due from other governments in the Public Works Special Revenue Fund and the governmental activities was understated as a result of recording intergovernmental revenue in the incorrect year. The prior period adjustment to restate the County's financial statements was reviewed and approved by the appropriate County staff and is reflected in the financial statements.

**Context:** The need for prior period adjustments can raise doubts as to the reliability of the County's financial information being presented.

**Effect:** The January 1, 2017, fund balance in the Public Works Special Revenue Fund and the net position in the governmental activities were restated by \$2,455,049.

**Cause:** The County reported 2016 intergovernmental revenue incorrectly in the financial statements.

**Recommendation:** We recommend County staff review the financial statement closing procedures to ensure they have accurate and complete information necessary to fairly present the County's financial statements in accordance with generally accepted accounting principles.

**View of Responsible Official:** Concur



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

#### ITEMS ARISING THIS YEAR

Finding Number 2017-001

#### 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

**Condition:** The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. In the case files reviewed for eligibility, not all documentation was available or updated in MAXIS to support participant eligibility. The following exceptions were noted in the sample of 40 cases tested:

- For five case files, the asset information in MAXIS did not match the supporting documentation provided by the participant.
- For one case file, documentation to support the completion of a cost-effective insurance determination was not available.

In addition, there was no documentation to support the quality control reviews completed by the supervisors.

**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 State of Minnesota contracts with the County to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility), while the DHS maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

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

**Effect:** The lack of updated information in MAXIS and verification of key 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 correctly. Supervisors did not document when a casefile was reviewed for quality control.

**Recommendation:** We recommend the County implement additional review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exist and is properly input or updated in MAXIS and issues are followed up on in a timely manner. In addition, any review completed by a supervisor should be documented to support the quality control.

**View of Responsible Official:** Concur

Finding Number 2017-002

Procurement, Suspension, and Debarment

**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:** Federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) states that the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Non-federal entities must follow further federal guidance over verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, and 200.318(h).

**Condition:** Of four procurement transactions over \$3,500 tested for compliance with federal regulations, two instances were noted where the history of procurement was not properly documented. Additionally, there was no verification performed by the County to determine whether vendors were debarred, suspended, or whether other exclusions existed in the two purchases over \$25,000 selected for testing.

**Questioned Costs:** None

**Context:** Four of 33 procurement transactions over \$3,500 were tested for compliance with federal regulations, including 3 of the 16 purchases over \$25,000, and 1 of the 2 purchases over \$150,000.

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

**Effect:** The County is not in compliance with federal regulations.

**Cause:** The County was unable to fully implement the requirements of the policy.

**Recommendation:** We recommend the County document the history of procurement transactions, including contract selection, and full and open competition in accordance with federal regulations. We also recommend the County retain documentation to support verification that vendors are not debarred or suspended or that other exclusions apply.

**View of Responsible Official:** Concur

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### A. MINNESOTA LEGAL COMPLIANCE

###### ITEMS ARISING THIS YEAR

Finding Number 2017-003

###### Deposit Protection

**Criteria:** Counties in Minnesota are required under Minn. Stat. § 118A.03, subd. 1, to obtain collateral or a corporate surety bond to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day.

**Condition:** Beginning in November 2017 and throughout the remainder of the year, Blue Earth County held deposits with one financial institution that exceeded available federal deposit insurance which were not secured through collateral or bond.

**Context:** Deposits in excess of federal deposit insurance at December 31, 2017, were \$79,353.

**Effect:** Deposits held in excess of federal deposit insurance that are not otherwise secured are exposed to risk of loss in the event of financial institution default.

**Cause:** The County indicated there was confusion regarding the rules for FDIC coverage limits and, at the time, they believed all deposits were covered.

**Recommendation:** We recommend the County monitor deposit balances and require financial institutions to furnish collateral or a corporate surety bond to secure deposits held in excess of available federal deposit insurance in accordance with the requirements of Minn. Stat. § 118A.03, when necessary.

**View of Responsible Official:** Concur

Finding Number 2017-004

Broker Certifications

**Criteria:** Pursuant to Minn. Stat. § 118A.04, subd. 9, prior to entering into an investment transaction through a broker (broker-dealer, broker, or agent of the County), the County must obtain a written certification from the broker to handle the County's account in accordance with any investment restrictions, including the provision that all investments be made in accordance with Minnesota statutes governing the investment of public funds.

**Condition:** During the year ending December 31, 2017, investments were purchased through agents of US Bank and Wells Fargo Securities before obtaining the required written certification.

**Context:** Broker certifications are used to help ensure investment activities are in compliance with legal requirement and County policy. Based on our review, all investment activity through US Bank and Wells Fargo Securities during the year otherwise complied with applicable Minnesota statutes and the County's investment policy. Broker certifications have since been obtained for both accounts.

**Effect:** Noncompliance with Minn. Stat. § 118A.04, subd. 9.

**Cause:** The County indicated staff was not aware of the requirement to obtain certifications for these particular accounts because the types of investments purchased were limited to money market funds and commercial paper.

**Recommendation:** We recommend the County obtain broker certifications for all investment accounts in accordance with Minn. Stat. § 118A.04, subd. 9.

**View of Responsible Official:** Do not concur

Finding Number 2017-005

Publication of Board Minutes

**Criteria:** Pursuant to Minn. Stat. § 375.12, within 30 days of each meeting, the County Board must have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the County.

**Condition:** The affidavits of publication related to the publishing of a summary of the County Board minutes for 2017 were reviewed. The summaries were not published in the County's official newspaper within the 30-day requirement.

**Context:** Of the 14 published summaries reviewed, only 4 were published within the 30-day requirement.

**Effect:** Noncompliance with Minn. Stat. § 375.12.

**Cause:** The County indicated that publishing the Board minutes was not made a priority.

**Recommendation:** We recommend the County publish its summaries of the County Board minutes in compliance with Minn. Stat. § 375.12.

**View of Responsible Official:** Concur

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 1997-008

County Ditch Fund Deficits

**Criteria:** Each individual ditch system should be maintained with a positive balance to meet its financial obligation.

**Condition:** As of December 31, 2017, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balance amounts.

**Context:** Nine of the 130 individual ditch systems had deficit fund balances as of December 31, 2017, totaling \$1,492,947, which is an increase from the \$286,425 reported in the prior year.

**Effect:** Ditch systems with deficit fund balances indicate that measures have not been taken to ensure that the ditch can meet financial obligations.

**Cause:** The County indicated that a majority of the deficits are a result of preliminary costs for projects that have not yet been bid out. Assessments will be approved after expected costs are determined. The remaining deficits are a result of insufficient ditch levies.

**Recommendation:** We recommend the County continue to monitor the balances of the ditch systems and eliminate the deficit fund balances by approving the necessary special assessments whenever practical.

**View of Responsible Official:** Concur

**V. PREVIOUSLY REPORTED ITEM RESOLVED**

2016-002 Legal Investments - Negotiable Certificates of Deposit



# BLUE EARTH COUNTY

*Effectively and Efficiently  
Delivering Essential Services*

www.blueearthcountymn.gov

## COMMISSIONERS

- District 1 Drew Campbell
- District 2 Vance Stuehrenberg
- District 3 Mark Piepho
- District 4 Will Purvis
- District 5 Kip Bruender

## Historic Courthouse

204 S. Fifth St.  
PO Box 8608  
Mankato, MN 56002

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FAX: 507-304-4344

**Extension**  
TEL: 507-304-4325  
FAX: 507-304-4059

**Finance**  
TEL: 507-304-4182  
FAX: 507-304-4077

**Physical Plant**  
TEL: 507-304-4249  
FAX: 507-304-4203

**Taxpayer Services**  
PO Box 3567  
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FAX: 507-304-4075

**Government Center**  
410 S. Fifth St.  
Mankato, MN 56001

**Human Services**  
PO Box 3526  
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FAX: 507-304-4379

**Environmental Services**  
PO Box 3566  
TEL: 507-304-4381  
FAX: 507-304-4431

**Taxpayer Services/  
License Center**  
PO Box 3524  
TEL: 507-304-4340  
FAX: 507-304-4396

**Veterans Services**  
PO Box 8608  
TEL: 507-304-4246  
FAX: 507-304-4379

**Information Technology**  
PO Box 8608  
TEL: 507-304-4204  
FAX: 507-304-4355

**Public Works**  
35 Map Dr.  
PO Box 3083  
Mankato, MN 56002  
TEL: 507-304-4025  
FAX: 507-304-4049

**Justice Center**  
401 Carver Road  
PO Box 8608  
Mankato, MN 56002

**Sheriff's Office**  
PO Box 228  
TEL: 507-304-4800  
FAX: 507-304-4818

**County Attorney**  
PO Box 3129  
TEL: 507-304-4600  
FAX: 507-304-4620

**Probation**  
PO Box 3543  
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FAX: 507-304-4710

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## REPRESENTATION OF BLUE EARTH COUNTY MANKATO, MINNESOTA

### CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2017

**Finding Number: 1997-008**  
**Finding Title: County Ditch Fund Deficits**

Name of Contact Person Responsible for Corrective Action:

Lisa Malinski, Blue Earth County Finance Director

Corrective Action Planned:

Blue Earth County analyzes the individual ditch accounts monthly and, annually in December, landowners' assessments are determined. The County continues to be more aggressive to accumulate a surplus balance to provide for repair and maintenance costs of the ditch systems.

Anticipated Completion Date:

Continuous

**Finding Number: 2016-001**  
**Finding Title: Prior Period Adjustment**

Name of Contact Person Responsible for Corrective Action:

Lisa Malinski, Blue Earth County Finance Director

Corrective Action Planned:

The Blue Earth County Finance Department will implement a stronger level of year-end review to determine and insure that the financial statements are accurate, complete, and fairly presented in accordance with generally accepted accounting principles.

Anticipated Completion Date:

Ongoing

**Finding Number: 2017-001**  
**Finding Title: Eligibility**  
**Program: Medicaid Cluster (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

DeAnn Boney, Blue Earth County Financial Assistance Supervisor

Corrective Action Planned:

The Blue Earth County Financial Assistance Unit will implement additional review to provide reasonable assurance that all necessary documentation to support eligibility determinations exist and is properly input or updated in MAXIS. We will ensure issues are followed up on in a timely manner. Reviews done by a supervisor will be documented to support the quality control.

Anticipated Completion Date:

Continuous

**Finding Number: 2017-002**  
**Finding Title: Procurement, Suspension, and Debarment**  
**Program: Medicaid Cluster (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

The contact person depends on the expenditure, and who is making the expenditure.

Corrective Action Planned:

The County has implemented a procedure to check the Sam.gov database for vendor debarment/suspension before awarding any contract above the threshold dollar amount affecting units of our Human Services Department that receive federally-funded grants. This process will be documented by making a screen print of the sam.gov website display and filing it with the contract.

Anticipated Completion Date:

Continuous



**Finding Number: 2017-003**  
**Finding Title: Deposit Protection**

Name of Contact Person Responsible for Corrective Action:

Lisa Malinski, Blue Earth County Finance Director

Corrective Action Planned:

This has been corrected.

Anticipated Completion Date:

Ongoing

**Finding Number: 2017-004**  
**Finding Title: Broker Certifications**

Name of Contact Person Responsible for Corrective Action:

Lisa Malinski, Blue Earth County Finance Director

Corrective Action Planned:

This has been corrected.

Anticipated Completion Date:

Ongoing

**Finding Number: 2017-005**  
**Finding Title: Publication of Board Minutes**

Name of Contact Person Responsible for Corrective Action:

Jessie Anderson, Blue Earth County Administrative Assistant

Corrective Action Planned:

Amy Holst, Administrative and Communications Specialist, will be publishing the Synopsis of the Board Minutes from January 2018 into the future.

Anticipated Completion Date:

Ongoing

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# BLUE EARTH COUNTY

*Effectively and Efficiently  
Delivering Essential Services*

www.blueearthcountymn.gov

## COMMISSIONERS

- District 1 Drew Campbell
- District 2 Vance Stuehrenberg
- District 3 Mark Piepho
- District 4 Will Purvis
- District 5 Kip Bruender

## Historic Courthouse

204 S. Fifth St.  
PO Box 8608  
Mankato, MN 56002

**Administration**  
TEL: 507-304-4284  
FAX: 507-304-4344

**Extension**  
TEL: 507-304-4325  
FAX: 507-304-4059

**Finance**  
TEL: 507-304-4182  
FAX: 507-304-4077

**Physical Plant**  
TEL: 507-304-4249  
FAX: 507-304-4203

**Taxpayer Services**  
PO Box 3567  
TEL: 507-304-4251  
FAX: 507-304-4075

## Government Center

410 S. Fifth St.  
Mankato, MN 56001

**Human Services**  
PO Box 3526  
TEL: 507-304-4319  
FAX: 507-304-4379

**Environmental Services**  
PO Box 3566  
TEL: 507-304-4381  
FAX: 507-304-4431

**Taxpayer Services/  
License Center**  
PO Box 3524  
TEL: 507-304-4340  
FAX: 507-304-4396

**Veterans Services**  
PO Box 8608  
TEL: 507-304-4246  
FAX: 507-304-4379

**Information Technology**  
PO Box 8608  
TEL: 507-304-4204  
FAX: 507-304-4355

## Public Works

35 Map Dr.  
PO Box 3083  
Mankato, MN 56002  
TEL: 507-304-4025  
FAX: 507-304-4049

## Justice Center

401 Carver Road  
PO Box 8608  
Mankato, MN 56002

**Sheriff's Office**  
PO Box 228  
TEL: 507-304-4800  
FAX: 507-304-4818

**County Attorney**  
PO Box 3129  
TEL: 507-304-4600  
FAX: 507-304-4620

**Probation**  
PO Box 3543  
TEL: 507-304-4750  
FAX: 507-304-4710

**Library**  
100 E. Main St.  
Mankato, MN 56001  
TEL: 507-304-4001  
FAX: 507-304-4009

TDD: 507-304-4399

## REPRESENTATION OF BLUE EARTH COUNTY MANKATO, MINNESOTA

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

**Finding Number: 1997-008**

**Finding Title: County Ditch Fund Deficits**

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

**Summary of Corrective Action Previously Reported:** Blue Earth County analyzes the individual ditch accounts monthly and, annually in December, landowner's assessments are determined. The County continues to be more aggressive to accumulate a surplus balance to provide for repair and maintenance costs of the ditch systems.

**Status:** Not Corrected. Please see Corrective Action Plan for explanation.  
Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2016-001**

**Finding Title: Prior Period Adjustment**

**Summary of Condition:** A prior period adjustment resulted in significant changes to the County's financial statements. The adjustment was reviewed and approved by County staff.

**Summary of Corrective Action Previously Reported:** Blue Earth County has established internal controls necessary to ensure the County's annual financial statements are reported in accordance with generally accepted accounting principles.

**Status:** Not Corrected. Please see Corrective Action Plan for explanation.  
Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2016-002**

**Finding Title: Legal Investments - Negotiable Certificates of Deposit**

**Summary of Condition:** The County had invested in two negotiable certificates of deposit (CDs) issued by the same bank. The FDIC insurance was limited to \$250,000, resulting in an uninsured balance of \$248,000.

**Summary of Corrective Action Previously Reported:** One of the CDs has been sold and a worksheet has been set up to monitor these investments more closely.

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

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

Yes \_\_\_\_\_ No   X

**BLUE EARTH COUNTY  
MANKATO, MINNESOTA**

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

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00059	\$ 267,248	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	523,271	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN127Q7503	45,239	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$568,699)	10.561	172MN101S2520	189	-
Passed Through Minnesota Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	12-700-00059	<u>600</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ 836,547</u></b>	<b><u>\$ -</u></b>
<b>U.S. Department of Commerce</b>				
Passed Through Minnesota Department of Public Safety State and Local Implementation Grant Program	11.549	F-SLIGP-2017-SCECB-2152	<b><u>\$ 3,100</u></b>	<b><u>\$ 2,106</u></b>
<b>U.S. Department of Housing and Urban Development</b>				
Direct				
Continuum of Care Program	14.267	N/A	<b><u>\$ 115,458</u></b>	<b><u>\$ -</u></b>
<b>U.S. Department of Justice</b>				
Direct				
Bulletproof Vest Partnership Program	16.607	N/A	\$ 5,699	\$ -
Passed Through City of Mankato, Minnesota Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0556	<u>5,812</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>			<b><u>\$ 11,511</u></b>	<b><u>\$ -</u></b>
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	00007	\$ 1,886,288	\$ -
Passed Through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC17-2017-BLUEEASO-101	35,776	29,129
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$39,063)	20.600	A-ENFRC18-2018-BLUEEASO-062	3,287	2,757
National Priority Safety Programs	20.616	A-ENFRC17-2017-BLUEEASO-101	23,961	18,504
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC17-2017-BLUEEASO-101	57,033	45,888
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$92,660)	20.608	A-ENFRC18-2018-BLUEEASO-062	35,627	29,043
<b>Total U.S. Department of Transportation</b>			<b><u>\$ 2,041,972</u></b>	<b><u>\$ 125,321</u></b>

**BLUE EARTH COUNTY  
MANKATO, 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	Passed Through to Subrecipients
<b>U.S. Department of Education</b>				
Passed Through Minnesota Department of Education Special Education Cluster (IDEA) Special Education Grants to States	84.027	Not Provided	\$ 2,000	\$ -
Passed Through Minnesota Department of Employment and Economic Development Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	Not Provided	198	-
<b>Total U.S. Department of Education</b>			<b>\$ 2,198</b>	<b>\$ -</b>
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	12-700-00059	\$ 80,503	\$ -
Disabilities Prevention	93.184	12-700-00059	34,726	-
Universal Newborn Hearing Screening	93.251	12-700-00059	300	-
Immunization Cooperative Agreements	93.268	12-700-00059	10,774	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	12-700-00059	225	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	12-700-00059	37,001	-
TANF Cluster Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$700,591)	93.558	12-700-00059	76,835	-
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by the Prevention and Public Health Fund (PPHF)	93.733	12-700-00059	5,979	-
Medicaid Cluster Medical Assistance Program (Total Medical Assistance Program 93.778 \$2,196,524)	93.778	05-1705MN5ADM	5,980	-
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00059	59,767	-
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families TANF Cluster Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$700,591)	93.556	G-1601MNFPPS	30,894	-
Child Support Enforcement	93.563	1704MNCSES	1,015,373	-
Refugee and Entrant Assistance - State Administered Programs CCDF Cluster Child Care and Development Block Grant	93.566	1701MNRCA	1,251	-
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRG	13,832	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	10,010	-
Foster Care - Title IV-E	93.658	1701MNFOST	315,489	-
Social Services Block Grant	93.667	G-1701MNSOSR	355,947	-
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	2,583	-
Children's Health Insurance Program	93.767	05-1705MN0301	693	-
Medicaid Cluster Medical Assistance Program (Total Medical Assistance Program 93.778 \$2,196,524)	93.778	05-1705MN5ADM	2,190,544	-
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 4,909,456</b>	<b>\$ -</b>

**BLUE EARTH COUNTY  
MANKATO, MINNESOTA**

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

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	123073	\$ 4,500	\$ -
Boating Safety Financial Assistance	97.012	117547	3,833	-
(Total Boating Safety Financial Assistance 97.012 \$8,333)				
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR4290/P0720	7,665	-
Emergency Management Performance Grants	97.042	A-EMPG-2016-BLUEACO-108	20,000	20,000
Emergency Management Performance Grants	97.042	A-EMPG-2017-BLUEACO-007	37,957	-
(Total Emergency Management Performance Grants 97.042 \$57,957)				
Homeland Security Grant Program	97.067	A-DECN-SHSP-2016-SCECB-005	<u>24,168</u>	<u>22,677</u>
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 98,123</b>	<b>\$ 42,677</b>
<b>Total Federal Awards</b>			<b>\$ 8,018,365</b>	<b>\$ 170,104</b>
<b>Totals by Cluster</b>				
Total expenditures for SNAP Cluster			\$ 568,699	
Total expenditures for Highway Planning and Construction Cluster			1,886,288	
Total expenditures for Highway Safety Cluster			63,024	
Total expenditures for Special Education Cluster (IDEA)			2,000	
Total expenditures for TANF Cluster			700,591	
Total expenditures for CCDF Cluster			36,994	
Total expenditures for Medicaid Cluster			2,196,524	

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**BLUE EARTH COUNTY  
MANKATO, MINNESOTA**

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

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Blue Earth County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include \$573,422 in federal awards expended by the Blue Earth County Economic Development Authority component unit, which was audited by other auditors.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Blue Earth 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 Blue Earth County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Blue Earth 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. Blue Earth County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**BLUE EARTH COUNTY  
MANKATO, MINNESOTA**

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4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 7,708,087
Grants received more than 60 days after year-end, unavailable in 2017	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	124,078
Bulletproof Vest Partnership Program	2,036
Highway Planning and Construction	220,841
Promoting Safe and Stable Families	1,375
Temporary Assistance for Needy Families	174,563
Child Support Enforcement	144,776
Unavailable in 2016, recognized as revenue in 2017	
State and Community Highway Safety	(2,232)
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	(24,697)
National Priority Safety Programs	(15,882)
Universal Newborn Hearing Screening	(700)
Promoting Safe and Stable Families	(254)
Temporary Assistance for Needy Families	(98,517)
Child Care and Development Block Grant	(2,593)
Community-Based Child Abuse Prevention Grants	(5,076)
Stephanie Tubbs Jones Child Welfare Services Program	(761)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	<u>(206,679)</u>
 Expenditures Per Schedule of Expenditures of Federal Awards	 <u>\$ 8,018,365</u>