

# STATE OF MINNESOTA

## Office of the State Auditor



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

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MANAGEMENT AND COMPLIANCE REPORT

**ST. LOUIS COUNTY**  
**DULUTH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2016

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits of local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

**Tax Increment Financing** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

**Year Ended December 31, 2016**



**Management and Compliance Report**

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

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**ST. LOUIS COUNTY  
DULUTH, 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	13
Summary Schedule of Prior Audit Findings	15
Schedule of Expenditures of Federal Awards	17
Notes to the Schedule of Expenditures of Federal Awards	20

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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  
St. Louis County  
Duluth, 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, business-type activities, each major fund, and the aggregate remaining fund information of St. Louis County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 5, 2017.

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

In planning and performing our audit of the financial statements, we considered St. Louis 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. 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether St. Louis 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 St. Louis 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.

### **Other Matter**

Also included in the Schedule of Findings and Questioned Costs is an unresolved other matter described as item 2014-001.



## **St. Louis County's Response to Findings**

St. Louis County's response to the other matter identified in our audit is described in the Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 5, 2017

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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  
St. Louis County  
Duluth, Minnesota

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

We have audited St. Louis County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. St. Louis 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 St. Louis 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 St. Louis 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, St. Louis 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, 2016.

#### ***Other Matter***

The results our of auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

St. Louis County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. St. Louis County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### **Report on Internal Control Over Compliance**

Management of St. Louis 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 a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, that we consider to be a significant deficiency.

St. Louis County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. St. Louis County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### **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 St. Louis County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated June 5, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Louis 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 5, 2017

**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

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

The major federal programs are:

Highway Planning and Construction	CFDA No. 20.205
Foster Care - Title IV-E	CFDA No. 93.658

The threshold for distinguishing between Types A and B programs was \$1,009,591.

Saint Louis County qualified as a low-risk auditee? **Yes**

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

None.

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

ITEM ARISING THIS YEAR

Finding Number 2016-001

Local Collaborative Time Study Reporting

**Program:** U.S. Department of Health and Human Services' Foster Care (Title IV-E) (CFDA No. 93.658), Award No. 1601MNFOST, 2016

**Pass-Through Agency:** Minnesota Department of Human Services (DHS)

**Criteria:** Requirements for the Local Collaborative Time Study (LCTS) Cost Schedules are laid out in DHS Bulletin #16-32-04 - *Local Collaborative Time Study (LCTS) Fiscal Operations*. The bulletin states that LCTS fiscal site contacts are required to verify that the information on the LCTS Fiscal and Cost Schedule is accurate and that it complies with all guidelines set forth in the LCTS Cost Schedule instructions. It also states that the County's LCTS Fiscal Reporting and Payment Agent is required to review all cost schedules from participating agencies on or before the 20th calendar day following the end of each quarter.

**Condition:** A sample size of seven reports were selected for testing based on a population that included both annual reports as well a quarterly LCTS Cost Schedule reports prepared by St. Louis County and participating agencies.

- During our review of the LCTS 2016 Annual Report, it was determined that the County reported the LCTS revenues received in 2016 instead of the 2015 amount as directed per the report's instructions resulting in the revenue being understated by \$33,198;
- On two quarterly reports prepared by St. Louis County Public Health Department, errors were noted in both reports related to individual staff incorrectly included or excluded resulting in the County reporting a cumulative total of \$62,956 in salary costs for individuals who are not participants in LCTS. In addition, the County understated revenue offsets by a cumulative total of \$12,521 for the two quarters;



- On two quarterly reports prepared by a participating agency, both reports included two individuals who were not participants in LCTS. Errors were also noted related to the allocation of labor costs for administrative, supervisory, and clerical support and allocated expenses on both reports. The result was that expenditures were overstated by a cumulative total of \$58,845; and
- On two quarterly reports prepared by a participating agency, both reports did not include revenues received by the agency to reimburse benefit costs as revenue offsets on the cost schedules. The result was that revenue offsets were understated by a cumulative total of \$33,062. In addition, for one of these quarters, an administrative employee had their salary costs determined incorrectly, which resulted in expenditures being overstated by \$13,785.

**Questioned Costs:** The Minnesota Department of Human Services determines federal reimbursement based on a time study, the rate of which is not readily determinable, and therefore, actual questioned costs could not be determined.

**Context:** St. Louis County Public Health and Human Services acts as the LCTS Fiscal Reporting and Payment Agent for the local collaborative in St. Louis County. This includes the reporting of activities related to St. Louis County Public Health Department.

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

**Effect:** Reporting incorrect amounts to the Minnesota Department of Human Services could result in St. Louis County being reimbursed the incorrect amount of federal awards.

**Cause:** There was no review process for the cost schedules prepared for the St. Louis County Public Health Department or participating agencies.

**Recommendation:** We recommend that the County implement procedures to ensure that the LCTS Fiscal and Cost Schedules containing LCTS related costs are reviewed for accuracy and completeness by an individual with sufficient knowledge and experience prior to submission for both the St. Louis County Public Health Department as well as the participating agencies.

**View of Responsible Official:** Disagree, the guidance from DHS should be clarified. It doesn't require the partners to send the County their reports, however it makes the County responsible for monitoring them. We are now requesting the documentation from all partners, but it should be required.

#### IV. OTHER MATTER

##### PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2014-001

##### Eligibility Testing

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 05-1605MN5ADM, 2016

**Pass-Through Agency:** Minnesota Department of Human Services

**Criteria:** Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

**Condition:** The state maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all assets were verified or entered into MAXIS to support participant eligibility. The following instances were noted in our sample of 15 cases tested:

- two instances were identified where the County did not obtain verification of the recipient's bank account balance or balance held by a representative payee; and
- in one instance, the bank account balance entered in MAXIS did not agree with the bank statement obtained as part of the asset verification process.

**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 Public Health and Human Services Department to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility), while the state maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to participants.

**Effect:** The lack of documented verification of information input into MAXIS increases the risk that clients will receive benefits when they are not eligible. It was subsequently determined that the errors detected would not have had an effect on eligibility.

**Cause:** Due to retirements in the County's Public Health and Human Services Department, positions have been filled by newer, less experienced staff. Financial workers responsible for entering case information into MAXIS did not ensure all required information was verified or updated properly.

**Recommendation:** We recommend that the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is obtained and properly updated in MAXIS. In addition, consideration should be given to providing additional training to program personnel.

**View of Responsible Official:** Acknowledged

**V. PREVIOUSLY REPORTED ITEM RESOLVED**

1996-010 Departmental Internal Accounting Controls

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**REPRESENTATION OF SAINT LOUIS COUNTY  
DULUTH, MINNESOTA**

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

**Finding Number: 2016-001**

**Finding Title: Local Collaborative Time Study Reporting**

**Program: Foster Care - Title IV-E (CFDA No. 93.658)**

Name of Contact Person Responsible for Corrective Action:

Ben Manley

Corrective Action Planned:

1. St Louis County Collaborative Fiscal Agent Accountant will review supporting documentation prepared by Participating Agencies to assess accuracy/reasonableness of Collaborative Cost Schedules. Such review will include
  - a. Reasonableness/Accuracy of Cost Calculations
  - b. Federal Revenue Offsets appropriately listed
  - c. LCTS Participants properly included
  
2. St Louis County Collaborative Fiscal Agent Accountant will prepare the St Louis County Public Health and Human Service Cost Schedule supporting documentation. The Cost schedule supporting documentation will be reviewed by the Accountant's supervisor prior to completion of the on-line cost schedule

Anticipated Completion Date:

Both of the items above were implemented in the first quarter of 2017 and will be reviewed and modified through the year.

**Finding Number: 2014-001**

**Finding Title: Eligibility Testing**

**Program: Medical Assistance Program (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Debbie Waldriff

Corrective Action Planned:

The review process has been modified so that cases with the following criteria will be randomly selected during the audit month. The criteria which was developed using a Blue Zone Script includes cases that had a renewal during the audit month, cases that the financial worker had to manually override the information in MAXIS, and/or the asset panels were not updated in the audit month. The supervisors will complete the audit ensuring that the coding of count codes, coding of the STAT/RE VW panel, and requested verifications are currently on file. If the audits over the next 2 months demonstrate that there is a continued lack of accurateness, a peer audit process will be designed and implemented. This will increase the number of audits and persons who audit with the intention of lowering the error rate.

Anticipated Completion Date:

6/1/2017

**REPRESENTATION OF SAINT LOUIS COUNTY  
DULUTH, MINNESOTA**

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

**Finding Number: 1996-010**

**Finding Title: Departmental Internal Accounting Controls**

**Summary of Condition:** Due to the limited number of office personnel within various County departments, proper segregation of accounting functions necessary to ensure adequate internal accounting control is not always feasible. Without this proper segregation, there is an increased opportunity for errors or fraudulent activity to occur and remain undetected.

**Summary of Corrective Action Previously Reported:** The County Auditor's office notifies department heads of this condition, and reminds them to review their internal controls and to segregate duties to the extent possible. The County's Internal Auditor has also met with Department Heads to review internal controls with them, and implemented improvements where needed.

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

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

Yes \_\_\_\_\_ No   X  

**Finding Number: 2014-001**

**Finding Title: Eligibility Testing**

**Program: U.S. Department of Health and Human Services' Medical Assistance Program  
(CFDA No. 93.778) Award #1505MN5ADM, 2015**

**Summary of Condition:** The County is required to establish and maintain effective internal control over federal awards that provides reasonable assurance the federal awards are being managed in compliance with federal statutes, regulations, and the terms and conditions of the individual awards. Prior year testing by the external auditors identified four instances where not all participant assets were verified or properly entered into the system to support participant eligibility.

**Summary of Corrective Action Previously Reported:** The financial assistance supervisors have started reviewing a sample of four health care cases each, from a random selection of case files every month. In addition, the Public Health and Human Services Department of the County held additional training for all financial workers, stressing verifications, correct entry, and case review.

**Status:** Partially Corrected. The planned corrective actions have been implemented. However, in these reviews, additional errors in documentation were identified. The County will continue to work with the financial assistance supervisors and financial workers to eliminate these.

In addition, the review process has been modified so that cases with the following criteria will be randomly selected during the audit month. The criteria which was developed using a Blue Zone Script includes cases that had a renewal during the audit month, cases that the financial worker had to manually override the information in MAXIS, and/or the asset panels were not updated in the audit month. The supervisors will complete the audit ensuring that the coding of count codes, coding of the STAT/REVV panel, and requested verifications are currently on file. If the audits over the next 2 months demonstrate that there is a continued lack of accurateness, a peer audit process will be designed and implemented. This will increase the number of audits and persons who audit with the intention of lowering the error rate.

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

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



**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

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

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Direct				
Cooperative Forestry Assistance	10.664		\$ 2,400	\$ -
Passed through Carlton, Cook, Lake, and St. Louis Community Health Board				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00054	560,623	-
Passed through Minnesota Department of Human Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			
Supplemental Nutritional Assistance Program Administrative Cost Reimbursements	10.561	16162MN101S2514	1,914,991	-
Supplemental Nutritional Assistance Program Employment and Training	10.561	16162MN127Q7503	180,644	-
(Total State Administrative Matching Grants for Supplemental Nutrition Assistance Program 10.561 \$2,095,635)				
Passed through Minnesota Department of Management & Budget Schools and Roads - Grants to States	10.665	P.L. 113-40	245,487	-
<b>Total U.S. Department of Agriculture</b>			<b>\$ 2,904,145</b>	<b>\$ -</b>
<b>U.S. Department of Commerce</b>				
Passed through Minnesota Department of Natural Resources				
Coastal Zone Management Administration Awards	11.419			
Phase II and III	11.419	14-306-10	\$ 7,029	\$ -
Phase IV	11.419	15-306-07	13,862	-
(Total Coastal Zone Management Administration Awards 11.419 \$20,891)				
<b>Total U.S. Department of Commerce</b>			<b>\$ 20,891</b>	<b>\$ -</b>
<b>U.S. Department of Housing and Urban Development</b>				
Direct				
Community Development Block Grants/Entitlement Grants	14.218		\$ 2,168,655	\$ 1,857,443
Emergency Solutions Grant Program	14.231		209,957	197,317
Shelter Plus Care	14.238		51,047	-
Home Investment Partnerships Program	14.239		463,723	449,933
Continuum of Care Program	14.267		31,127	-
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ 2,924,509</b>	<b>\$ 2,504,693</b>

**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

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

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of the Interior</b>				
Direct				
Payments in Lieu of Taxes	15.226		\$ 285,591	\$ -
<b>U.S. Department of Justice</b>				
Direct				
Supervised Visitation, Safe Havens for Children	16.527		\$ 89,305	\$ -
<b>U.S. Department of Transportation</b>				
Passed through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	99969	\$ 7,693,730	\$ -
Passed through City of Duluth				
Highway Safety Cluster				
State and Community Highway Safety	20.600			
October 1, 2014 - September 30, 2015	20.600	A-ENFRC15-2015-DULUTHPD-0004	573	-
October 1, 2015 - September 30, 2016	20.600	A-ENFRC16-2016-DULUTHPD-00063	3,811	-
(Total State and Community Highway Safety 20.600 \$4,384)				
National Priority Safety Programs	20.616	A-ENFRC16-2016-DULUTHPD-0063	818	-
(Total Highway Safety Cluster \$5,202)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608			
October 1, 2015 - September 30, 2016		A-ENFRC16-2016-DULUTHPD-00063	30,376	-
<b>Total U.S. Department of Transportation</b>			<b>\$ 7,729,308</b>	<b>\$ -</b>
<b>U.S. Department of Education</b>				
Passed through Carlton, Cook, Lake, and St. Louis Community Health Board				
Special Education - Grants for Infants and Families	84.181	12-700-0061	\$ 1,933	\$ -
<b>U.S. Department of Health and Human Services</b>				
Passed through Carlton, Cook, Lake, and St. Louis Community Health Board				
Public Health Emergency Preparedness	93.069	6NU90TP000529-05-03	\$ 87,602	\$ -
Universal Newborn Hearing Screening	93.251	12-700-00061	3,800	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	12-700-00061	750	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	12-700-00061	224,827	-
Temporary Assistance for Needy Families	93.558	2015G996115	397,732	-
(Total Temporary Assistance for Needy Families 93.558 \$3,856,218)				
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke (PPHF)	93.757	1U58DP005452-01	60,630	-
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	269,448	-

**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

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

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Health and Human Services (Continued)</b>				
Passed through Minnesota Department of Human Services				
Projects for Assistance in Transition from Homelessness				
(PATH)	93.150	SM016024-15	59,549	-
Promoting Safe and Stable Families	93.556	G-1601MNFPS	87,037	-
Temporary Assistance for Needy Families	93.558			
Minnesota Family Investment Program	93.558	1601MFTANF	2,967,630	-
Program Administrative Cost Reimbursements (Total Temporary Assistance for Needy Families 93.558 \$3,856,218)	93.558	1601MNTANF	490,856	-
Child Support Enforcement	93.563			
Title IV-D County-Wide Indirect Aid - Income Maintenance	93.563	1604MNCSES	95,744	-
Title IV-D Child Support Administration Aid and Federal Incentives (Total Child Support Enforcement 93.563 \$3,455,991)	93.563	1604MNCES	3,360,247	-
Child Care and Development Block Grant	93.575	G1601MNCDF	78,831	-
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPG	120,850	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	5,456	-
Foster Care - Title IV-E	93.658	1601MNFOS	2,579,446	-
Social Services Block Grant	93.667	16-01MNSOSR	1,610,753	-
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	42,311	-
Medical Assistance Program	93.778			
Medical Assistance		05-1605MN5ADM	6,716,047	-
Federal Incentives Payments (Total Medical Assistance 93.778 \$6,808,701)		05-1605MN5MAP	92,654	-
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 19,352,200</b>	<b>\$ -</b>
<b>U.S. Department of Homeland Security</b>				
Direct				
Port Security Grant Program	97.056		\$ 141,380	\$ -
Passed through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance				
Boat and Water Safety (1-12)	97.012	108896	22,625	-
Boat and Water Safety Sub Grant (Total Boating Safety Financial Assistance 97.012 \$47,475)	97.012	101358	24,850	-
Passed through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
	97.036	137-99137-01	201	-
Emergency Management Performance Grants	97.042	A-EMPG-206-STLOUISCO-0076	72,621	-
Homeland Security Grant Program	97.067	A-OSGP-2015-STLOUISCO-0007	83,463	-
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 345,140</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 33,653,022</b>	<b>\$ 2,504,693</b>

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**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

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

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by St. Louis 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 St. Louis County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of St. Louis County, it is not intended to and does not present the financial position, changes in net position, or cash flows of St. Louis 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. St. Louis County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**ST. LOUIS COUNTY  
DULUTH, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

	Federal CFDA Number	Amount
Federal grant revenue per Schedule of Intergovernmental Revenue		\$ 35,347,991
Unavailable revenue in 2016 - grants received more than 60 days after year-end		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12,299
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	34,441
Community Development Block Grants/Entitlement Grants	14.218	86
Shelter Plus Care	14.238	16,870
Highway Planning and Construction	20.205	205,816
Public Health Emergency Preparedness	93.069	743
Projects for Assistance in Transition from Homelessness (PATH)	93.150	29,774
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	483
Promoting Safe and Stable Families	93.556	8,231
Temporary Assistance for Needy Families	93.558	2,480
Chafee Foster Care Independence Program	93.674	18,542
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke (PHHF)	93.757	1,365
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1,670,183
Emergency Management Performance Grants	97.042	22,276
Homeland Security Grant Program	97.067	24,442
Unavailable in 2015, recognized as revenue in 2016		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	(45,723)
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	(16,724)
Schools and Roads- Grants to States	10.665	(1,502,850)
Highway Planning and Construction	20.205	(466,938)
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	(1,107)
Temporary Assistance for Needy Families	93.558	(22,344)
Child Support Enforcement	93.563	(127,500)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(1,670,183)
Homeland Security Grant Program	97.067	(1,126)
Federal program income		
Community Development Block Grants/Entitlement Grants	14.218	6,003
Home Investments Partnerships Program	14.239	105,492
		\$ 33,653,022
Total Expenditures per Schedule of Expenditures of Federal Awards		\$ 33,653,022