STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

CHISAGO COUNTY
CENTER CITY, 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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CHISAGO COUNTY
CENTER CITY, 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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# CHISAGO COUNTY
CENTER CITY, MINNESOTA

## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <em>Government Auditing Standards</em></td>
<td>1</td>
</tr>
<tr>
<td>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</td>
<td>4</td>
</tr>
<tr>
<td>Schedule of Findings and Questioned Costs</td>
<td>7</td>
</tr>
<tr>
<td>Corrective Action Plan</td>
<td>14</td>
</tr>
<tr>
<td>Summary Schedule of Prior Audit Findings</td>
<td>18</td>
</tr>
<tr>
<td>Schedule of Expenditures of Federal Awards</td>
<td>22</td>
</tr>
<tr>
<td>Notes to the Schedule of Expenditures of Federal Awards</td>
<td>25</td>
</tr>
</tbody>
</table>
This page was left blank intentionally.
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor’s Report

Board of County Commissioners
Chisago County
Center City, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County, Minnesota, as of and for the year ended December 31, 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 15, 2017. Our report includes a reference to other auditors who audited the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority, the discretely presented component unit, 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 Chisago 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 and other items that we consider to be significant deficiencies.

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 and items 1996-003 and 2007-001 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Chisago County’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Chisago 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 2013-001 and 2016-002.
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.

**Chisago County’s Response to Findings**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County’s internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto          /s/Greg Hierlinger
REBECCA OTTO          GREG HIERLINGER, CPA
STATE AUDITOR          DEPUTY STATE AUDITOR

June 15, 2017
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor’s Report

Board of County Commissioners
Chisago County
Center City, Minnesota

Report on Compliance for Each Major Federal Program

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

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 Chisago 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 Chisago 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, Chisago County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

**Report on Internal Control Over Compliance**
Management of Chisago 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County, Minnesota, as of and for the year ended December 31, 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 15, 2017, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority, which was audited by other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chisago 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 15, 2017
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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? Yes

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:
- Material weaknesses identified? No
- Significant deficiencies identified? None reported

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 CFDA No. 20.205
- Medical Assistance Program CFDA No. 93.778

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

Chisago County qualified as a low-risk auditee? No
II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 1996-003

Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: Several of the County’s departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Chisago County; however, the County’s management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the County’s ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

Recommendation: We recommend the County’s elected officials and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

View of Responsible Official: Acknowledge
Finding Number 2007-001

Assessing and Monitoring Internal Controls

Criteria: The County’s management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition: A risk assessment of existing controls over significant functions of the accounting system used to produce financial information has not been completed.

Context: The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided.

Effect: Weaknesses in internal control could go undetected, which could affect the County’s ability to detect material misstatements in the financial statements.

Cause: The County has not had the staffing resources available to complete the risk assessment process.

Recommendation: We recommend County management implement procedures to document the significant internal controls in its accounting system. We also recommend a formal plan be developed that calls for assessing and monitoring significant internal controls on a regular basis, no less than annually. The assessment of risks should be documented and procedures implemented to address those risks found. Monitoring procedures should be documented to show the results of the review, changes required, and who performed the work.

View of Responsible Official: Acknowledge

ITEM ARISING THIS YEAR

Finding Number 2016-001

Audit 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 define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis.
**Condition:** During our audit, we identified a material adjustment that resulted in significant changes to the County’s financial statements.

**Context:** The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

**Effect:** An audit adjustment was necessary in the Road and Bridge Special Revenue Fund to increase deferred inflows - advanced allotments and decrease intergovernmental revenue by $969,000 to record an advance of highway allotments from the state. An adjustment was also necessary in the governmental activities to increase deferred inflows - advanced allotments and decrease highways and streets capital grants and contributions for this amount.

**Cause:** The County did not properly record the advance of highway allotments from the State of Minnesota.

**Recommendation:** We recommend the County review its policies and procedures to ensure that transactions are recorded in accordance with generally accepted accounting principles.

**View of Responsible Official:** Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2013-001

Driver Awareness Class

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

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

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

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

**Condition:** Chisago County has established a Driver Awareness Class option in lieu of issuance or court filing of a state uniform traffic ticket. Sheriff’s Deputies have the discretion to offer traffic violators the option of attending the Driver Awareness Class in lieu of a citation. The course is two hours long and costs $75, which is payable to the Chisago County Sheriff.

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

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

In January 2014, a judge in the Minnesota Third Judicial District issued a permanent injunction against a similar driver diversion program operated by another Minnesota county. The judge, like the Minnesota Attorney General, concluded that the driver diversion program was not authorized under Minnesota law. The involved county has discontinued its program and has not appealed the decision.
Effect: The County’s Driver Awareness Class is unauthorized and in violation of Minn. Stat. § 169.022.

Cause: After talking with the County Attorney, the County Sheriff decided to continue the program until the state legislature rules on the issue in the next session.

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

View of Responsible Official: Acknowledge

ITEM ARISING THIS YEAR

Finding Number 2016-002

Sale of Property

Criteria: A county selling personal property with an estimated value of $15,000 or more is required by Minn. Stat. § 373.01, subd. 1(c), to advertise for bids or proposals in the county’s official newspaper, on the county’s website, or in a recognized industry trade journal. At the same time it posts on its website or publishes in a trade journal, the county must publish in the official newspaper, either as part of the minutes of a regular meeting of the county board or in a separate notice, a summary of all requests for bids or proposals that the county advertises on its website or in a trade journal. After publication, bids or proposals may be solicited and accepted by an electronic selling process.

Condition: The sale of a truck with an estimated value in excess of $15,000 was sold using an electronic selling process; however, the advertisement for bids was not published in the County’s official newspaper.

Context: The advertisement of the sale of personal property by the County is required to ensure that any member of the public has the opportunity to bid on the property being sold. Failing to advertise for bids may eliminate potential bidders because they were unaware of the sale.

Effect: The County’s sale of the truck violated Minn. Stat. § 373.01, subd. 1(c).

Cause: County department staff were unaware of the requirement to advertise for bids when personal property sold was estimated to be greater than $15,000.
Recommendation: We recommend the County comply with Minn. Stat. § 373.01, subd. 1(c), by advertising for bids when personal property has an estimated value in excess of $15,000.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEM RESOLVED

2012-001 Eligibility (CFDA No. 93.778)
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Finding Number: 1996-003
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Hon. Dennis Freed  
Chisago County Auditor-Treasurer  
313 N. Main St. Suite 270  
Center City, MN 55012  
O: 651-213-8500  
F: 651-213-8510  
Dennis.Freed@chisagocounty.us

Corrective Action Planned:

The County is aware of this concern and continues to work with organizational units which collect fees to address specific considerations, within limited staffing and resources constraints.

Anticipated Completion Date:

Ongoing

Finding Number: 2007-001
Finding Title: Assessing and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Hon. Dennis Freed  
Chisago County Auditor-Treasurer  
313 N. Main St. Suite 270  
Center City, MN 55012  
O: 651-213-8500  
F: 651-213-8510  
Dennis.Freed@chisagocounty.us
Corrective Action Planned:

The County is aware of the recommendation to implement procedures, conduct, and document an annual risk assessment of existing controls over significant functions of the accounting system used to produce financial information. Currently undertaken when feasible, as time and resources allow, the County agrees, in large part, with the Auditor’s determination of cause as “the County has not had the staffing resources available to [fully] complete the risk assessment process” [descriptor added].

Anticipated Completion Date:

Ongoing

Finding Number: 2016-001
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Hon. Dennis Freed
Chisago County Auditor-Treasurer
313 N. Main St. Suite 270
Center City, MN 55012
O: 651-213-8500
F: 651-213-8510
Dennis.Freed@chisagocounty.us

Corrective Action Planned:

The County will review its policies and procedures to ensure that transactions are recorded in accordance with generally accepted accounting principles.

Anticipated Completion Date:

December 31st, 2017
Finding Number: 2013-001
Finding Title: Driver Awareness Class

Name of Contact Person Responsible for Corrective Action:

Hon. Rick Duncan
Chisago County Sheriff
313 N. Main St. Suite 100
Center City, MN 55012
O: 651-213-6300
F: 651-213-6330
Rick.Duncan@chisagocounty.us

Corrective Action Planned:

The County is aware of this concern but respectfully disagrees with the analysis of the Office of the State Auditor with regard to the Chisago County Sheriff’s Office’s Driving Awareness Program.

The Auditor has opined that Minnesota Statute §169.022 prohibits a local law enforcement agency from affording drivers the opportunity to attend a Driver Awareness Program as an alternative to facing a conviction for identified non-serious traffic offenses. However, Minnesota’s traffic code is not prescriptive and does not mandate the manner in which law enforcement carries out its enforcement of the traffic code. The discretion of law enforcement as to how enforcement efforts are carried out is central to the law enforcement function and is well-recognized by Minnesota courts. The Chisago County Sheriff’s Office’s Driver Awareness Program is based upon this principal of enforcement discretion.

The State Auditor’s Findings and Recommendations also reference a January 2014 Order by Judge James A. Fabian of the Third Judicial District regarding a civil suit brought by citizens in Wabasha County objecting to a Wabasha County program (Beverly Snow et. al. vs. Wabasha County et. al.; Court File 79-CV-14-223). While the Court enjoined the Wabasha County program from continuing, that court did not decide any issues related to the Chisago County program and lacks jurisdiction to impact Chisago County.

To date, no suit has been brought in Chisago County objecting to the Chisago County Sheriff’s Office’s Driver Awareness Program. Any order issued in Wabasha District Court is limited to the facts litigated there in that county and has no legal implications for Chisago County’s Driver Awareness Program.
In summary, Chisago County intends to fully comply with any law or ruling which specifically prohibits the Chisago County’s Sheriff’s Office’s Driver Awareness Program. Until such, Chisago County intends to continue to provide a positive educational opportunity for drivers to improve public safety.

**Anticipated Completion Date:**

Ongoing

**Finding Number:** 2016-002  
**Finding Title:** Sale of Property

**Name of Contact Person Responsible for Corrective Action:**

Mr. Bruce A. Messelt  
Chisago County Administrator  
313 N. Main St. Suite 170  
Center City, MN 55012  
O: 651-213-8830  
F: 651-213-8876  
Bruce.Messelt@chisagocounty.us

**Corrective Action Planned:**

The County will change review and amend its policies and procedures so that the County is in full compliance with Minn. Stat. § 373.01, subd. 1(c), by advertising for bids when personal property has an estimated value in excess of $15,000.

**Anticipated Completion Date:**

December 31st, 2017
Finding Number: 1996-003
Finding Title: Segregation of Duties

Summary of Condition: Several of the County’s departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Summary of Corrective Action Previously Reported: The County is aware of this concern and continues to work with organizational units which collect fees to address specific considerations, within limited staffing and resources constraints.

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: 2007-001
Finding Title: Assessing and Monitoring Internal Controls

Summary of Condition: A risk assessment of existing controls over significant functions of the accounting system used to produce financial information has not been completed.

Summary of Corrective Action Previously Reported: The County is aware of the recommendation to implement procedures, conduct, and document an annual risk assessment of existing controls over significant functions of the accounting system used to produce financial information. Currently undertaken when feasible, as time and resources allow, the County agrees, in large part, with the Auditor’s determination of cause as “the County has not had the staffing resources available to [fully] complete the risk assessment process.

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: 2012-001
Finding Title: Eligibility
Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. During the review of the Medical Assistance Program, the following exceptions were noted in 6 of the 40 case files selected for testing:

- For three case files, health insurance information was not updated correctly in MAXIS or a cost effective determination was not completed.
- For one case file, the file did not have documentation that the income verification was completed.
- For one case file, there was no documentation of citizen verification.
- For one case file, the file did not have documentation that eligibility due to a disability was verified.
- For one case file, sufficient asset verification was not obtained.

Summary of Corrective Action Previously Reported: Chisago County’s Health and Human Services Department is aware of the issue raised regarding Title 2 U.S. Code of Federal Regulations § 200.303 and the establishment and maintenance of internal control over the federal award that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award, specifically as it relates to U.S. Department of Health and Human Services’ Medical Assistance Program (CFDA No. 93.778). With the assistance of the Minnesota Department of Human Services, Chisago County has previously developed written procedures for monitoring of and compliance with OMB Circular A-133 § .300(b), conducted employee training, and implemented formal case reviews and supervisory protocols. Based upon the findings identified in 2013 (FY 2012 Audit), Chisago County has undertaken the following additional specific corrective action(s):

- On a monthly basis, sampled 40 cases (20 per department location) Based on sample results, identified individual or group needs and conducted additional training, utilizing structured guidance and/or individualized mentoring
- Solicited and documented as part of its written procedures additional policy clarifications, where needed, from the State Department of Human Services
- Reviewed monthly sampling results with the Department’s Income Maintenance Quality Assurance Team
Based upon continued progress made during 2014-15 and documented in the 2015 Audit, the County will continue with the above Corrective Action Plan, as stated, but with specific emphasis on the following areas of concern denoted within the eligibility determination function for the Medical Assistance Program:

- Timely review and update of written procedures and protocols to ensure full compliance with Title 2 U.S. Code of Federal Regulations § 200.303
- Proper documentation and updating for income, health insurance, disability and citizenship verification
- Proper entering and updating of case information into MAXIS

**Status:** Corrected. The Chisago County Department of Health and Human Services has taken the recent audit of Medical Assistance cases very seriously. Training agenda items were added to the monthly unit meeting pertaining to health care policy, data entry and verification requirement for these files since the last state audit. The case review process continues with all findings reviewed with staff of the unit with special emphasis on individual staff training. The work of an eligibility worker is very complex. The ever-changing state of Minnesota policies, procedures and system modernization issues affect the performance of this measure. The steps taken by management of this body of work has improved the performance of the staff and unit of work.

Todd McMurray Income Maintenance Supervisor
Ami Helmbrecht Income Maintenance Supervisor

Was corrective action taken significantly different than the action previously reported?
Yes ______ No ___ X___

**Finding Number:** 2013-001  
**Finding Title:** Driver Awareness Class

**Summary of Condition:** Chisago County has established a Driver Awareness Class option in lieu of issuance or court filing of a state uniform traffic ticket. Sheriff’s Deputies have the discretion to offer traffic violators the option of attending the Driver Awareness Class in lieu of a citation. The course is two hours long and costs $75, which is payable to the Chisago County Sheriff.

**Summary of Corrective Action Previously Reported:** The County is aware of this concern but respectfully disagrees with the analysis of the Office of the State Auditor with regard to the Chisago County Sheriff’s Office’s Driving Awareness Program. The auditor has opined that Minnesota Statute § 169.022 prohibits a local law enforcement agency from affording drivers the opportunity to attend a Driver Awareness Program as an alternative to facing a conviction for identified non-serious traffic offenses. However, Minnesota’s traffic code is not prescriptive and does not mandate the manner in which law enforcement carries out its enforcement of the traffic
code. The discretion of law enforcement as to how enforcement efforts are carried out is central to the law enforcement function and is well-recognized by Minnesota courts. The Chisago County Sheriff’s Office’s Driver Awareness Program is based upon this principal of enforcement discretion.

The State Auditor’s Findings and Recommendations also reference a January 2014 Order by Judge James A. Fabian of the Third Judicial District regarding a civil suit brought by citizens in Wabasha County objecting to a Wabasha County program (Beverly Snow et. al. vs. Wabasha County et. al.; Court File 79-CV-14-223). While the Court enjoined the Wabasha County program from continuing, that court did not decide any issues related to the Chisago County program and lacks jurisdiction to impact Chisago County.

To date, no suit has been brought in Chisago County objecting to the Chisago County Sheriff’s Office’s Driver Awareness Program. Any order issued in Wabasha District Court is limited to the facts litigated there in that county and has no legal implications for Chisago County’s Driver Awareness Program.

In summary, Chisago County intends to fully comply with any law or ruling which specifically prohibits the Chisago County’s Sheriff’s Office’s Driver Awareness Program. Until such, Chisago County intends to continue to provide a positive educational opportunity for drivers to improve public safety.

**Status:** The County is aware of this concern but respectfully disagrees with the analysis of the Office of the State Auditor with regard to the Chisago County Sheriff’s Office’s Driving Awareness Program.
<table>
<thead>
<tr>
<th>Federal Grantor</th>
<th>Pass-Through Agency</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Grant Numbers</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Agriculture</td>
<td>Passed Through Minnesota Department of Health</td>
<td>10.557</td>
<td>16162MN004W1003</td>
<td>$173,042</td>
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<tr>
<td></td>
<td>Special Supplemental Nutrition Program for Women, Infants, and Children</td>
<td>10.561</td>
<td>16162MN10152514</td>
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<td>Total U.S. Department of Agriculture</td>
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<td>$531,814</td>
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<td>U.S. Department of Justice</td>
<td>Direct</td>
<td>16.606</td>
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<td>$354</td>
</tr>
<tr>
<td></td>
<td>State Criminal Alien Assistance Program</td>
<td>16.575</td>
<td>P0760VOCAFFY15</td>
<td>40,876</td>
</tr>
<tr>
<td></td>
<td>Passed Through Minnesota Department of Public Safety</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Crime Victim Assistance</td>
<td>16.575</td>
<td>P0760VOCAFFY15</td>
<td>40,876</td>
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<td>Total U.S. Department of Justice</td>
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<td>$41,230</td>
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<tr>
<td>U.S. Department of Transportation</td>
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<td>$2,362,730</td>
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<tr>
<td></td>
<td>Highway Planning and Construction</td>
<td>20.509</td>
<td>1003386</td>
<td>45,637</td>
</tr>
<tr>
<td></td>
<td>Passed Through Isanti County, Minnesota</td>
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</tr>
<tr>
<td></td>
<td>Formula Grants for Rural Areas</td>
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<td>1003386</td>
<td>45,637</td>
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<tr>
<td></td>
<td>Passed Through Minnesota Department of Public Safety</td>
<td>20.600</td>
<td>A-CMPTR16-2016</td>
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<tr>
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<td>Highway Safety Cluster</td>
<td>20.616</td>
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<td>Minimum Penalties for Repeat Offenders for Driving While Intoxicated</td>
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<td>Total U.S. Department of Transportation</td>
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<td>$2,508,162</td>
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</table>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.
### CHISAGO COUNTY
CENTER CITY, MINNESOTA

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

<table>
<thead>
<tr>
<th>Federal Grantor</th>
<th>Program or Cluster Title</th>
<th>Federal CFDA Grant Number</th>
<th>Pass-Through Grant Numbers</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Education</td>
<td>Passed Through Minnesota Department of Health</td>
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<tr>
<td></td>
<td>Special Education - Grants for Infants and Families</td>
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<tr>
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<td>Passed Through Minnesota Department of Human Services</td>
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<td>Promoting Safe and Stable Families</td>
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<td>Temporary Assistance for Needy Families</td>
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<td>1601MNTANF</td>
<td>334,133</td>
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<tr>
<td></td>
<td>(Total Temporary Assistance for Needy Families 93.558 $379,527)</td>
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<tr>
<td></td>
<td>Child Support Enforcement</td>
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<td>Refugee and Entrant Assistance - State-Administered Programs</td>
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<td>Child Care and Development Block Grant</td>
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<td>Community-Based Child Abuse Prevention Grant</td>
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<td>Stephanie Tubbs Jones Child Welfare Services Program</td>
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<td>Foster Care - Title IV-E</td>
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<td>Child Abuse and Neglect - State Grants</td>
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<td>Chafee Foster Care Independence Program</td>
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<td>Medical Assistance Program</td>
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<td>Passed Through Minnesota Department of Health</td>
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<td>Public Health Emergency Preparedness</td>
<td>93.069</td>
<td>65461</td>
<td>86,266</td>
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<td>Hospital Preparedness Program (HPP) and Public Health</td>
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<td></td>
<td>Emergency Preparedness (PHEP) Aligned</td>
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<td>Cooperative Agreements</td>
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<tr>
<td></td>
<td>Universal Newborn Hearing Screening</td>
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<td>Immunization Cooperative Agreements</td>
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<td>(Total Immunization Cooperative Agreements 93.268 $13,106)</td>
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<td>Early Hearing Detection and Intervention Information</td>
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<td>System (EHDI-IS) Surveillance Program</td>
<td>93.314</td>
<td>H61MC00035</td>
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<td>Temporary Assistance for Needy Families</td>
<td>93.558</td>
<td>1601MNTANF</td>
<td>45,394</td>
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<td>(Total Temporary Assistance for Needy Families 93.558 $379,527)</td>
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<td></td>
<td>Maternal and Child Health Services Block Grant to the States</td>
<td>93.994</td>
<td>B04MC28107</td>
<td>45,835</td>
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</tbody>
</table>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
### FOR THE YEAR ENDED DECEMBER 31, 2016

(Continued)

<table>
<thead>
<tr>
<th>Federal Grantor Pass-Through Agency</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Grant Numbers</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Health and Human Services (Continued)</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Passed Through Stearns County, Minnesota</td>
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<tr>
<td>Immunization Cooperative Agreements</td>
<td>93.268</td>
<td>Not provided</td>
<td>10,706</td>
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<tr>
<td>(Total Immunization Cooperative Agreements 93.268 $13,106)</td>
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<td></td>
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<tr>
<td><strong>Total U.S. Department of Health and Human Services</strong></td>
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<td></td>
<td>$ 3,206,167</td>
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<tr>
<td><strong>U.S. Department of Homeland Security</strong></td>
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</tr>
<tr>
<td>Passed Through Minnesota Department of Natural Resources</td>
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<tr>
<td>Boating Safety Financial Assistance</td>
<td>97.012</td>
<td>R29G4CGSFY15</td>
<td>$ 8,375</td>
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<tr>
<td>Passed Through Minnesota Department of Public Safety</td>
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<tr>
<td>Hazard Mitigation Grant</td>
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<tr>
<td>Emergency Management Performance Grants</td>
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<td>Homeland Security Grant Program</td>
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<tr>
<td><strong>Total U.S. Department of Homeland Security</strong></td>
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<td></td>
<td>$ 44,278</td>
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<tr>
<td><strong>Total Federal Awards</strong></td>
<td></td>
<td></td>
<td>$ 6,334,067</td>
</tr>
</tbody>
</table>

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2016.

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Chisago County. The County’s reporting entity is defined in Note 1.A. to the financial statements.

2. Basis of Presentation

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

4. Reconciliation to Schedule of Intergovernmental Revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal grant revenue per Schedule of Intergovernmental Revenue</td>
<td>$ 6,219,597</td>
</tr>
<tr>
<td>Grants received more than 60 days after year-end, unavailable in 2016</td>
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</tr>
<tr>
<td>Special Education - Grants for Infants and Families (CFDA #84.181)</td>
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</tr>
<tr>
<td>Universal Newborn Hearing Screening (CFDA #93.251)</td>
<td>800</td>
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<tr>
<td>Temporary Assistance for Needy Families (CFDA #93.558)</td>
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</tr>
<tr>
<td>Child Care and Development Block Grant (CFDA #93.575)</td>
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</tr>
<tr>
<td>Expenditures Per Schedule of Expenditures of Federal Awards</td>
<td>$ 6,334,067</td>
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</tbody>
</table>

Page 25