

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**

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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
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

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
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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**CHISAGO COUNTY
CENTER CITY, 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? **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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**REPRESENTATION OF CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

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

**REPRESENTATION OF CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN004W1003	\$ 173,042
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN10152514	<u>358,772</u>
Total U.S. Department of Agriculture			<u>\$ 531,814</u>
U.S. Department of Justice			
Direct			
State Criminal Alien Assistance Program	16.606		\$ 354
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	P0760VOCAFFY15	<u>40,876</u>
Total U.S. Department of Justice			<u>\$ 41,230</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	1314230	\$ 2,362,730
Passed Through Isanti County, Minnesota Formula Grants for Rural Areas	20.509	1003386	45,637
Passed Through Minnesota Department of Public Safety Highway Safety Cluster			
State and Community Highway Safety	20.600	A-CMPTR16-2016	9,125
National Priority Safety Programs (Total Highway Safety Cluster \$73,873)	20.616	A-CMPTR16-2016	64,748
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-CMPTR16-2016	<u>25,922</u>
Total U.S. Department of Transportation			<u>\$ 2,508,162</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Education			
Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	12-7000-000097	\$ 2,416
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-160MNFPS	\$ 9,144
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$379,527)	93.558	1601MNTANF	334,133
Child Support Enforcement	93.563	1604MNCEST	746,672
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCA H55169357	338 14,003
Child Care and Development Block Grant	93.575	G-1502MNFPG	21,364
Community-Based Child Abuse Prevention Grant	93.590	G-1601MNCWSS	1,427
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1601MNFOS	326,518
Foster Care - Title IV-E	93.658	16-01MNSOSR	260,231
Social Services Block Grant	93.667	G-1601MNCA01	848
Child Abuse and Neglect - State Grants	93.669	G-1601MNCILP	4,021
Chafee Foster Care Independence Program	93.674	05-1605MN5ADM	1,293,283
Medical Assistance Program	93.778		
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	65461	86,266
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	H12H619D	2,309
Universal Newborn Hearing Screening	93.251	H61MC00035	1,200
Immunization Cooperative Agreements (Total Immunization Cooperative Agreements 93.268 \$13,106)	93.268	Not provided	2,400
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	H61MC00035	75
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$379,527)	93.558	1601MNTANF	45,394
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28107	45,835

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed Through Stearns County, Minnesota			
Immunization Cooperative Agreements (Total Immunization Cooperative Agreements 93.268 \$13,106)	93.268	Not provided	10,706
Total U.S. Department of Health and Human Services			\$ 3,206,167
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	R29G4CGSFY15	\$ 8,375
Passed Through Minnesota Department of Public Safety			
Hazard Mitigation Grant	97.039	A-HMGP-DR4131	12,619
Emergency Management Performance Grants	97.042	A-EMPG-2016	21,964
Homeland Security Grant Program	97.067	P072014UASI	1,320
Total U.S. Department of Homeland Security			\$ 44,278
Total Federal Awards			\$ 6,334,067

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

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**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

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 6,219,597
Grants received more than 60 days after year-end, unavailable in 2016	
Special Education - Grants for Infants and Families (CFDA #84.181)	483
Universal Newborn Hearing Screening (CFDA #93.251)	800
Temporary Assistance for Needy Families (CFDA #93.558)	112,005
Child Care and Development Block Grant (CFDA #93.575)	1,182
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 6,334,067