

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

CLAY COUNTY
MOORHEAD, MINNESOTA

YEAR ENDED DECEMBER 31, 2017

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Year Ended December 31, 2017



Management and Compliance Report

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

This page was left blank intentionally.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	4
Schedule of Findings and Questioned Costs	8
Corrective Action Plan	13
Summary Schedule of Prior Audit Findings	15
Schedule of Expenditures of Federal Awards	17
Notes to the Schedule of Expenditures of Federal Awards	20

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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
Clay County
Moorhead, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 20, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 1996-004, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay 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 Clay County administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Clay County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Clay County's Response to Finding

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 20, 2018

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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
Clay County
Moorhead, Minnesota

Report on Compliance for the Major Federal Program

We have audited Clay 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 the County's major federal program for the year ended December 31, 2017. Clay County's major federal program is 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 Clay County's major federal program 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 Clay 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Basis for Qualified Opinion on Medicaid Cluster (CFDA No. 93.778)

As described in the accompanying Schedule of Findings and Questioned Costs, Clay County did not comply with requirements regarding CFDA No. 93.778 Medicaid Cluster as described in finding number 2016-002 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medicaid Cluster (CFDA No. 93.778)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Clay County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed an other instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of Clay 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 to be a significant deficiency.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated September 20, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay 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

September 20, 2018

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for the major federal program: **Qualified**

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

The major federal program is:

Medicaid Cluster

CFDA No. 93.778

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

Clay County qualified as a low-risk auditee? **Yes**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 1996-004

Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record-keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Due to the limited number of personnel within several Clay County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: This is not unusual in operations the size of Clay 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 internal control point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us that collecting fees for services at a department level provides a convenience for their customers. Fee services are provided in several locations, so having customers paying at a single point of collection, such as the Treasurer's Office, would be very inconvenient. The staffing available in several of these smaller offices limits the potential for complete segregation of duties.

Recommendation: We recommend Clay County's officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2016-002

Eligibility Testing

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

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

Condition: The state maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all assets were verified or entered into MAXIS to support participant eligibility. The following exceptions were noted in 13 of 40 case files tested:

- Twelve instances in which bank accounts were not input correctly into MAXIS, or accounts were not verified.
- One instance of a vehicle not input into MAXIS.
- Three instances of burial accounts not verified and/or not input into MAXIS.
- One instance of a mortgage obligation documented in the case file but no home listed in the case file or MAXIS.
- One instance of a life insurance policy not verified and not input into MAXIS.
- One instance in which Social Security income was not correctly entered into MAXIS.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

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

The State of Minnesota contracts with the Social Services Department to perform the “intake function” (meeting with the social services client to determine income and categorical eligibility), while the state maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to participants.

Effect: The lack of documented verification of information input into MAXIS increases the risk that a program participant will receive benefits when they are not eligible.

Cause: County program personnel responsible for entering case information into MAXIS did not ensure all required information was verified or updated properly.

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

View of Responsible Official: Acknowledged

ITEM ARISING THIS YEAR

Finding Number 2017-001

Procurement, Suspension, and Debarment

Program: U.S. Department of Health and Human Services’ Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Non-Federal entities must follow federal guidance over verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, and 200.318(h).

Condition: For the four procurement transactions tested that were over the \$25,000 threshold, there was no verification performed by the County to determine whether vendors were debarred, suspended, or otherwise excluded.

Questioned Costs: None.

Context: Four of 32 procurement transactions over \$25,000 were tested for compliance with federal regulations to determine whether vendors were debarred, suspended, or otherwise excluded.

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

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

Cause: The County was not clear on how this requirement was to be performed in order to comply with the Uniform Guidance.

Recommendation: We recommend the County verify vendors are not debarred or suspended or that other exclusions apply. For all federally-funded procurement transactions over \$25,000, the County should document that it verified the vendor was not debarred or suspended or that other exclusions apply through the Minnesota Department of Administration's Suspended/Debarred Vendor Report and the Federal System for Award Management (SAM) site.

View of Responsible Official: Concur

IV. PREVIOUSLY REPORTED ITEM RESOLVED

2016-001 Publishing Itemized Claims

This page was left blank intentionally.

COUNTY AUDITOR

LORI J. JOHNSON

Office Telephone: (218) 299-5006

Fax: (218) 299-5195



**REPRESENTATION OF CLAY COUNTY
MOORHEAD, MINNESOTA**

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

Finding Number: 1996-004

Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Lori Johnson, County Auditor-Treasurer

Corrective Action Planned:

Clay County is aware of the lack of segregation of duties in some of the smaller departments and has implemented oversight procedures to ensure that internal control policies and procedures are being implemented by staff.

Anticipated Completion Date:

N/A

Finding Number: 2016-002

Finding Title: Eligibility Testing

Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Persons Responsible for Corrective Action:

Rhonda Porter, Social Services Director

Larry Young, Income Maintenance Supervisor

Corrective Action Planned:

We have reviewed the deficiencies found in the recent MA testing. The deficiencies will be reviewed with staff and strategies discussed as to assure that all required verifications and documentation is complete for each application. We will continue to strive for internal case reviews and provide training to staff as needed.

Anticipated Completion Date:

On-Going

Finding Number: 2017-001

Finding Title: Procurement, Suspension, and Debarment

Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Persons Responsible for Corrective Action:

Rhonda Porter, Social Services
Lori Johnson, County Auditor-Treasurer

Corrective Action Planned:

The County Social Service agency has implemented a Compliance Reporting Policy, effective 4/3/17, to assure contracted entities are not excluded health care providers via state and federal data lists. For contracted providers, the check will be done at initial contract agreement and monthly thereafter. Additional checks may be completed if deemed necessary. Verifications of checks completed will be maintained in personnel or contract files.

The County will also implement a procedure to check the Sam.gov database for vendor debarment/suspension before setting up a new vendor.

The County will also implement a procedure to check the Sam.gov database for vendor debarment/suspension and comparing it to vendors paid from federally-funded grants on an annual basis.

Anticipated Completion Date:

On-Going

COUNTY AUDITOR

LORI J. JOHNSON

Office Telephone: (218) 299-5006

Fax: (218) 299-5195



**REPRESENTATION OF CLAY COUNTY
MOORHEAD, MINNESOTA**

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

Finding Number: 1996-004

Finding Title: Segregation of Duties

Summary of Condition: Due to the limited number of personnel within several Clay County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices 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: Clay County is aware of the lack of segregation of duties in some of the smaller departments and has implemented oversight procedures to ensure that internal control policies and procedures are being implemented by staff.

Status: Not Corrected. Collecting fees at Clay County offices serves as a convenience for the public. It is not cost effective to hire additional staff, which limits the potential of complete segregation of duties.

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

Yes _____ No X

Finding Number: 2016-001

Finding Title: Publishing Itemized Claims

Summary of Condition: Clay County does not publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000 as provided by Minn. Stat. § 375.12.

Summary of Corrective Action Previously Reported: Clay County will begin publishing County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2016-002

Finding Title: Eligibility Testing

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: The state maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all assets or income were verified or entered into MAXIS to support participant eligibility.

Summary of Corrective Action Previously Reported: We requested case file numbers for the cases that had the identified deficiencies. This allowed us to review the details of each case, look for any circumstances that may have contributed to the deficiency and to identify training needs for specific staff. One case review per quarter will be done for all Health Care Eligibility Workers. Should deficiencies be identified, all Health Care workers will be informed, and training will be provided.

Status: Not Corrected. We have reviewed the deficiencies found in the recent MA testing. The deficiencies will be reviewed with staff and strategies discussed as to assure that all required verifications and documentation is complete for each application. We will continue to strive for internal case reviews and provide training to staff as needed.

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

Yes _____ No X

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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

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 Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	Not Provided	\$ 27,680
National School Lunch Program	10.555	Not Provided	48,569
Passed Through Partnership4Health Community Health Board			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	282,452
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	476,274
Total U.S. Department of Agriculture			\$ 834,975
U.S. Department of Justice			
Direct			
Edward Byrne Memorial Formula Grant Program (Total Edward Byrne Memorial Formula Grant Program 16.579 \$70,264)	16.579		\$ 34,264
Bulletproof Vest Partnership Program	16.607		1,492
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	A-CVSP-2017-CLAYAO-00043	52,269
Passed Through City of Moorhead, Minnesota			
Edward Byrne Memorial Formula Grant Program (Total Edward Byrne Memorial Formula Grant Program 16.579 \$70,264)	16.579	A-VCET-2015-MOORHDPD-00027	36,000
Total U.S. Department of Justice			\$ 124,025
U.S. Department of Transportation			
Passed Through City of Moorhead, Minnesota			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC17-2017-MOORHDPD-00057	\$ 4,278
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC17-2017-MOORHDPD-00057	1,841
Highway Safety Cluster National Priority Safety Programs	20.616	A-ENFRC17-2017-MOORHDPD-00057	4,263
Total U.S. Department of Transportation			\$ 10,382
U.S. Department of Education			
Passed Through Partnership4Health Community Health Board			
Special Education - Grants for Infants and Families	84.181	87630	\$ 1,933

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	MRCSG101005-04-00	\$ 1,849
Passed Through Partnership4Health Community Health Board			
Public Health Emergency Preparedness	93.069	90858	1,508
Public Health Emergency Preparedness (Total Public Health Emergency Preparedness 93.069 \$99,381)	93.069	127897	97,873
Immunization Cooperative Agreements	93.268	58583	2,400
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	Not Provided	115
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	6 NUR3DD000842-05-01	1,350
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	58583	4,150
TANF Cluster			
Temporary Assistance for Needy Families	93.558	95995	53,266
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$893,855)	93.558	127394	44,860
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health Financed in Part by Prevention and Public Health Funding (PPHF)	93.757	1 U58DP005452-01	451,763
Maternal and Child Health Services Block Grant to the States	93.994	86860	71,987
Passed Through Polk-Norman-Mahnomen Community Health Board			
Maternal, Infant, and Early Childhood Home Visiting Cluster			
Maternal, Infant and Early Childhood Home Visiting	93.870	12-700-00106	23,304
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPS	14,397
TANF Cluster			
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$893,855)	93.558	1601MNTANF	795,729
Child Support Enforcement	93.563	1704MNCSES	1,080,835
Refugee and Entrant Assistance - State Administered Programs	93.566	1701MNRCA	1,049
CCDF Cluster			
Child Care and Development Block Grant	93.575	G1701MNCDF	27,244
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPG	7,748
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	10,998
Foster Care - Title IV-E	93.658	1701MNFOS	1,124,074
Social Services Block Grant	93.667	G-1701MNSOSR	410,512
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	12,500

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
Children's Health Insurance Program Medicaid Cluster	93.767	05-1705MN0301	514
Medical Assistance Program	93.778	05-1705MN5ADM	1,906,635
Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,924,915)	93.778	05-1705MN5MAP	18,280
Opioid STR	93.788	130490	15,160
Block Grants for Community Mental Health Services	93.958	SM010027-16	<u>3,173</u>
Total U.S. Department of Health and Human Services			<u>\$ 6,183,273</u>
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2016-CLAYCO	\$ 6,801
Emergency Management Performance Grants (Total Emergency Management Performance Grants 97.042 \$41,174)	97.042	F-EMPG-2017-CLAYCO	<u>34,373</u>
Total U.S. Department of Homeland Security			<u>\$ 41,174</u>
Total Federal Awards			<u>\$ 7,195,762</u>

Clay County did not pass any federal awards through to subrecipients during the year ended December 31, 2017.

Totals by Cluster	
Total expenditures for Child Nutrition Cluster	\$ 76,249
Total expenditures for SNAP Cluster	476,274
Total expenditures for Highway Safety Cluster	8,541
Total expenditures for TANF Cluster	893,855
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster	23,304
Total expenditures for CCDF Cluster	27,244
Total expenditures for Medicaid Cluster	1,924,915

This page was left blank intentionally.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Clay County under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Clay County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Clay 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. Clay County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	7,144,869
Grants received more than 60 days after year-end, deferred in 2017		
Promoting Safe and Stable Families		2,060
Temporary Assistance for Needy Families		241,551
Community-Based Child Abuse Prevention Grants		1,937
Stephanie Tubbs Jones Child Welfare Services Program		1,585
Child Support Enforcement		39,300
Chafee Foster Care Independence Program		3,125
Deferred in 2016, recognized as revenue in 2017		
Highway Planning and Construction		(10,548)
Promoting Safe and Stable Families		(2,307)
Temporary Assistance for Needy Families		(217,508)
Child Care and Development Block Grant		(2,308)
Community-Based Child Abuse Prevention Grants		(1,589)
Stephanie Tubbs Jones Child Welfare Services Program		(238)
Chafee Foster Care Independence Program		(4,167)
		<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	\$	<u>7,195,762</u>