

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, 2015

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 700 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, 2015



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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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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

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

The major programs are:

| | |
|----------------------------|-----------------|
| Child Support Enforcement | CFDA No. 93.563 |
| 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 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.

Client's Response:

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.

Finding 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.

Client's Response:

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."

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (2014-001)

During our previous audit, we identified material adjustments to the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, the County Capital Projects Fund, and the Governmental Activities that resulted in significant changes to the County's financial statements.

Resolution

No material adjustments were identified during the 2015 audit.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2012-001

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 05-1605MN5ADM, 2015

Pass-Through Agency: Minnesota Department of Human Services

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

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

The sample size was based on guidance from Chapter 21 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

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

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

Effect: The lack of proper documentation and follow-up of issues and not updating MAXIS increases the risk that clients will receive benefits when they are not eligible.

Cause: Program personnel entering case information into MAXIS did not ensure all required information was obtained, maintained in the case files, and updated in MAXIS.

Recommendation: We recommend the County continue periodic supervisory case file reviews. In addition, consideration should be given to providing additional training to program personnel.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Bruce A. Messelt
Chisago County Administrator
313 North Main St., Room 174
Center City, Minnesota 55012-9663*

Corrective Action Planned:

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*

Anticipated Completion Date:

December 31, 2016

PREVIOUSLY REPORTED ITEM RESOLVED

Eligibility (CFDA No. 93.558) (2012-001)

During the previous audit of the Temporary Assistance for Needy Families program, we noted three instances where required documentation was not on file or was not properly updated in MAXIS.

Resolution

During our current year eligibility testing of the Temporary Assistance for Needy Families program, documentation of key eligibility-determining factors was present in the case file.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 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.

Client's Response:

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.

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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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 19, 2016. 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies 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 certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-003 and 2007-001, that we consider 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 item 2013-001. 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 have been included in the Schedule of Findings and Questioned Costs. 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

August 19, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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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, 2015. 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2012-001. Our opinion on each major federal program is not modified with respect to this matter.

Chisago County's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questions Costs as a Correction Action Plan. Chisago County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-001, that we consider to be a significant deficiency.

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

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

We have audited the financial statements of the governmental activities, the 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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated August 19, 2016, 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

August 19, 2016

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

| 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 | 12-700-00093 | \$ 162,724 |
| Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 16162MN127Q7503 | <u>386,917</u> |
| Total U.S. Department of Agriculture | | | <u>\$ 549,641</u> |
| U.S. Department of Justice | | | |
| Direct State Criminal Alien Assistance Program | 16.606 | | <u>\$ 1,130</u> |
| U.S. Department of Transportation | | | |
| Passed Through Minnesota Department of Transportation Highway Planning and Construction | 20.205 | 1314230 | \$ 11,224 |
| Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$230,874) | 20.205 | 1315145 | 219,650 |
| Passed Through Isanti County, Minnesota Formula Grants for Rural Areas | 20.509 | Not Provided | 257,456 |
| Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety | 20.600 | Not Provided | 5,722 |
| National Priority Safety Programs (Total Highway Safety Cluster \$22,631) | 20.616 | Not Provided | 16,909 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | Not Provided | <u>17,171</u> |
| Total U.S. Department of Transportation | | | <u>\$ 528,132</u> |
| U.S. Department of Education | | | |
| Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families | 84.181 | Not Provided | <u>\$ 2,772</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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 Central Minnesota Council on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | 315-14-003D-010 | \$ 1,680 |
| Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families | 93.556 | G-160MNFPS | 8,958 |
| Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$370,674) | 93.558 | 1601MNTANF | 325,468 |
| Child Support Enforcement | 93.563 | 1604MNCEST | 670,155 |
| Refugee and Entrant Assistance - State-Administered Programs | 93.566 | 1601MNRCA | 513 |
| Child Care and Development Block Grant | 93.575 | G-1601MNCCDF | 17,775 |
| Community-Based Child Abuse Prevention Grant | 93.590 | G-1502MNFPRG | 43,728 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | G-1601MNCWSS | 5,905 |
| Foster Care - Title IV-E | 93.658 | 1601MNFOST | 174,821 |
| Social Services Block Grant | 93.667 | 16-01MNSOSR | 251,443 |
| Child Abuse and Neglect - State Grants | 93.669 | G-1601MNCA01 | 2,966 |
| Chafee Foster Care Independence Program | 93.674 | G-1601MNCILP | 1,891 |
| Children's Health Insurance Program | 93.767 | 1605MN5021 | 187 |
| Medical Assistance Program | 93.778 | 05-1605MN5ADM | 1,160,400 |
| Passed Through Minnesota Department of Health Public Health Emergency Preparedness | 93.069 | 65461 | 41,464 |
| Universal Newborn Hearing Screening | 93.251 | H61MC00035 | 2,625 |
| Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$370,674) | 93.558 | 1601MNTANF | 45,206 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | B04MC28107 | 38,775 |
| Total U.S. Department of Health and Human Services | | | \$ 2,793,960 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

| Federal Grantor Pass-Through Agency Program or Cluster Title | Federal CFDA Number | Pass-Through Grant Numbers | Expenditures |
|---|------------------------------------|---|----------------------------|
| U.S. Department of Homeland Security | | | |
| Passed Through Minnesota Department of Natural Resources | | | |
| Boating Safety Financial Assistance | 97.012 | 3315FAS150127 | \$ 25,375 |
| Passed Through Minnesota Department of Public Safety | | | |
| Hazard Mitigation Grant | 97.039 | Not Provided | 3,207 |
| Emergency Management Performance Grants | 97.042 | Not Provided | 28,455 |
| Homeland Security Grant Program | 97.067 | Not Provided | <u>27,934</u> |
| Total U.S. Department of Homeland Security | | | <u>\$ 84,971</u> |
| Total Federal Awards | | | <u>\$ 3,960,606</u> |

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2015.

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015. 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, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Chisago County has elected not to 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 | \$ | 3,963,406 |
| Unavailable revenue in 2014, recognized as revenue in 2015 | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561) | | (1,031) |
| Temporary Assistance for Needy Families (CFDA #93.558) | | (900) |
| Child Care and Development Block Grant (CFDA #93.575) | | (869) |
| | | (869) |
| Expenditures Per Schedule of Expenditures of Federal Awards | \$ | 3,960,606 |