

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

HORIZON PUBLIC HEALTH
ALEXANDRIA, 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.

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.

**HORIZON PUBLIC HEALTH
ALEXANDRIA, MINNESOTA**

Year Ended December 31, 2015



Management and Compliance Report

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

This page was left blank intentionally.

**HORIZON PUBLIC HEALTH
ALEXANDRIA, MINNESOTA**

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Findings and Questioned Costs	1
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>	9
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	12
Schedule of Expenditures of Federal Awards	16
Notes to the Schedule of Expenditures of Federal Awards	18

This page was left blank intentionally.

**HORIZON PUBLIC HEALTH
ALEXANDRIA, 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 federal programs: **Unmodified**

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

The major federal programs are:

Special Supplemental Nutrition Program for Women,
Infants, and Children
Medical Assistance Program

CFDA No. 10.557
CFDA No. 93.778

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

Horizon Public Health qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

ITEMS ARISING THIS YEAR

Finding 2015-001

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: Horizon Public Health (Horizon) has one person who is responsible for billing, collecting, recording, and depositing receipts.

Context: Due to the limited number of personnel within Horizon, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Horizon; however, Horizon'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 Horizon'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: Horizon has informed us that it does not have the economic resources needed to hire additional qualified accounting staff in order to adequately segregate duties.

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

Client's Response:

The Horizon Public Health Board and Horizon Public Health Management will continue to be aware of the inherent risks limited staffing creates relative to safeguarding the agency's assets and the reporting of financial activity. Horizon Management will segregate accounting functions whenever possible and will closely supervise those areas where proper segregation of duties cannot be achieved.

Finding 2015-002

Accounting Policies and Procedures

Criteria: Management is responsible for establishing and implementing internal controls over the accounting cycles and the system used for financial reporting.

Condition: Horizon does not have Board-approved written policies and procedures covering receipt and deposit of funds, approval and payment of bills, payroll activities, and annual financial reporting.

Context: Written policies and procedures over significant financial operations provides consistency over time and guidance to new officials and staff.

Effect: Horizon's practices may not be followed as intended by management, employees may not understand the purpose of internal controls, and circumstances may have changed within the organization's structure that require changes to the controls.

Cause: Horizon has documented some processes but has not formally documented an accounting policies and procedures manual and presented them to the Board for approval.

Recommendation: We recommend Horizon continue to formalize the documentation of its policies and procedures related to receipt and deposit of funds, approval and payment of bills, payroll activities, and annual financial reporting for inclusion in its comprehensive manual.

Client's Response:

Horizon will document, and present to the Horizon Board for approval, an accounting policies and procedures manual covering receipt and deposit of funds, approval and payment of bills, payroll activities, and annual financial reporting, by January 1, 2017.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding 2015-003

Cash Management

Program: U.S. Department of Agriculture's Special Supplemental Nutrition Program for Women, Infants, and Children, (CFDA No. 10.557), Award No. 16162MN004W1003, 2015

Pass-Through Agency: Minnesota Department of Health

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. In addition, Horizon Public Health was required to comply with the provisions of Part 3.C. Cash Management, of the 2015 OMB *Compliance Supplement*.

Condition: During our testing of controls and compliance over cash management, we noted that one of the three monthly reports tested had payroll expenditures totaling \$12,388 that were incurred but were not paid before the reports requesting reimbursement were submitted.

Questioned Costs: None.

Context: The November 2015 report was submitted on December 3, 2015. The payroll expenditures included in the report were based on November hours worked, but were not paid until December 2015.

Effect: Noncompliance with federal cash management requirements for a reimbursement grant program. Failure or lack of internal control designed to ensure compliance with federal cash management procedures.

Cause: Based on inquiry with staff, the reports are generally not submitted before all pay periods of the month are paid. However, the November 2015 report was submitted earlier than usual.

Recommendation: We recommend Horizon comply with the compliance requirements for cash management as listed in the OMB *Compliance Supplement* and pay all expenditures prior to requesting federal reimbursement from the Minnesota Department of Health.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Sandra Tubbs
Horizon Public Health Administrator
809 Elm Street, Suite 1200
Alexandria, Minnesota 56308
(320) 763-6018
sandyt@horizonph.org

Corrective Action Planned:

Horizon will pay all grant expenditures prior to requesting federal reimbursement for the expenditures. Horizon Grant Management staff will utilize the Horizon Public Health Pay Periods and Pay Days Calendar to determine invoice submission dates that will assure payroll expense compliance with the federal cash management procedure of paying all expenditures prior to requesting federal reimbursement.

Anticipated Completion Date:

Corrective action plan will be implemented for all invoices submitted for services provided August 1, 2016, and later.

Finding 2015-004

Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Approval Over Disbursements

Program: U.S. Department of Agriculture's Special Supplemental Nutrition Program for Women, Infants, and Children, (CFDA No. 10.557), Award No. 16162MN004W1003, 2015

Pass-Through Agency: Minnesota Department of Health

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: Of the 40 disbursements selected for control testing, we noted three timesheets that did not contain documentation of approval by the supervisor.

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

Questioned Costs: None.

Context: Each supervisor electronically signs the employee timesheets and maintains them in their electronic folder. Three timesheets were missing for employees selected, and approval could not be verified.

Effect: A lack of proper internal control over the disbursement process increases the risk of fraudulent disbursement or unallowable activities or costs being charged to the program.

Cause: Based on inquiry with management, this was due to oversight by a supervisor.

Recommendation: We recommend Horizon continue to follow its internal control procedures for maintaining supporting documentation, ensure that all disbursements are approved, and that approval is documented in a consistent manner.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Sandra Tubbs
Horizon Public Health Administrator
809 Elm Street, Suite 1200
Alexandria, Minnesota 56308
(320) 763-6018
sandyt@horizonph.org*

Corrective Action Planned:

Horizon will maintain supporting documentation demonstrating disbursements have been approved and documented in a consistent manner. Supervisors will be directed to review and approve staff time sheets via indicating on the document the date reviewed and signing the document. Supervisors will save employee timesheets in the electronic staff folder designated. Payroll staff will utilize a quarterly reminder to check each staff's folder to assure that they have the appropriate number of time sheets (one for each week of the quarter) saved in their file. As part of the Supervisor's annual performance evaluation, the management staff performing the evaluation will do a random check of ten timesheets reviewed by the Supervisor to assess the compliance of the Supervisor relative to reviewing, dating, and signing timesheets for staff they supervise.

Anticipated Completion Date:

Implementation September 1, 2016, and ongoing.

Finding 2015-005

Reporting

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

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

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.

The OMB Circular also states that reports are to be complete and accurate as well as prepared in accordance with the required accounting basis. Reports are submitted to the Minnesota Department of Human Services. The information is prepared using Horizon's Integrated Financial System (IFS).

Condition: During our review of the 2015 third and fourth quarter Local Collaborative Time Study Cost Schedule (DHS 3220) reports submitted to the Minnesota DHS, we noted that the September 25, 2015, payroll was reported in both quarters. The total payroll costs incorrectly reported in the fourth quarter DHS 3220 report, which covers multiple federal programs, was \$181,327.

Questioned Costs: The Minnesota Department of Human Services determines part of Horizon's federal reimbursement for multiple programs based upon its random moment time study performed and, therefore, actual questioned costs could not be determined. An estimated \$15,884 relates to the Medical Assistance Program.

Context: The DHS 3220 report is submitted on a quarterly basis by Horizon to the Minnesota DHS for reimbursement of Local Collaborative Time Study money, which is reimbursed to Horizon with federal Medical Assistance funds.

Effect: Reporting incorrect expenditures to the Minnesota DHS results in Horizon being reimbursed the incorrect amount of federal funding.

Cause: The payroll report used to prepare the 2015 fourth quarter DHS 3220 report incorrectly included the September 25, 2015, pay date, which was also included in the third quarter DHS 3220 report.

Recommendation: We recommend that only those expenditures paid in the current quarter be included on the DHS 3220 report submitted to the Minnesota Department of Human Services.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Sandra Tubbs
Horizon Public Health Administrator
809 Elm Street, Suite 1200
Alexandria, Minnesota 56308
(320) 763-6018
sandyt@horizonph.org*

Corrective Action Planned:

Horizon Grant Management staff will review expenditures to assure only expenditures paid in the current quarter are included on the DHS 3220 report submitted to DHS. A revised quarterly report for the quarter affected will be submitted to DHS.

Anticipated Completion Date:

September 1, 2016, and ongoing.



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

Horizon Public Health Board
Horizon Public Health
Alexandria, 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 and the General Fund of Horizon Public Health (Horizon) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Horizon's basic financial statements, and have issued our report thereon dated September 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Horizon Public Health'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 Horizon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Horizon'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 Horizon'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 2015-001 and 2015-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Horizon Public Health'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 Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of Horizon's financial statements: contracting and bidding, deposits and investments, conflicts of interest, 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 contracting and bidding and tax increment financing because Horizon did no contracting in 2015 and does not use tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Horizon Public Health failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. 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 Horizon's noncompliance with the above referenced provisions.

Horizon Public Health's Response to Findings

Horizon Public Health's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. Horizon'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 Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of Horizon'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 Horizon'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 2, 2016

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

Horizon Public Health Board
Horizon Public Health
Alexandria, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Horizon Public Health's (Horizon) 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 Horizon's major federal programs for the year ended December 31, 2015. Horizon Public Health'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 Horizon Public Health'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 Horizon Public Health'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 Horizon's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Horizon Public Health 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 instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003 and 2015-005. Our opinion on each major federal program is not modified with respect to these matters.

Horizon Public Health's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Horizon Public Health'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 Horizon Public Health 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 Horizon'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 Horizon'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 certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003, 2015-004, and 2015-005, that we consider to be significant deficiencies.

Horizon Public Health's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Horizon Public Health'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 and the General Fund of Horizon Public Health as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Horizon's basic financial statements. We have issued our report thereon dated September 2, 2016, 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 Horizon Public Health'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 2, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

**HORIZON PUBLIC HEALTH
ALEXANDRIA, 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	Federal/ 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	\$ <u>344,971</u>
U.S. Department of Transportation			
Passed through Minnesota Department of Public Safety State and Community Highway Safety	20.600	A-SAFE15-2015- STGHCHBRD-00035	\$ 9,458
Passed through Pope County State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$38,457)	20.600	Not provided	28,999
Total U.S. Department of Transportation			\$ <u>38,457</u>
U.S. Department of Education			
Passed through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	H181A150029	\$ 12,461
Passed through Minnesota Department of Education Race to the Top - Early Learning Challenge	84.412	94083	<u>4,000</u>
Total U.S. Department of Education			\$ <u>16,461</u>
U.S. Department of Health and Human Services			
Direct			
Drug-Free Communities Support Program Grants	93.276	7H79SP021333-01	\$ 76,648
Passed through Clay County Medical Reserve Corps Small Grant Program	93.008	Not provided	425
Passed through Minnesota Department of Health Public Health Emergency Preparedness Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.069	U90TP000529	122,464
Maternal and Child Health Federal Consolidated Programs	93.074	U90TP000529	697
Immunization Cooperative Agreements	93.110	H18MC00026	22,500
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.268	H23IP000737	3,450
Temporary Assistance for Needy Families	93.314	UR3DD000842	75
Maternal and Child Health Services Block Grant to the States	93.558	93129	138,758
	93.994	B04MC28107	97,377

**HORIZON PUBLIC HEALTH
ALEXANDRIA, 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	Federal/ Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed through Minnesota Department of Human Services Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	GRK%39808	78,440
Medical Assistance Program	93.778	1505MN5ADM	339,303
Block Grants for Prevention and Treatment of Substance Abuse	93.959	APK%78626	600
Total U.S. Department of Health and Human Services			\$ 880,737
Total Federal Awards			\$ 1,280,626

Horizon Public Health did not pass any federal awards through to subrecipients during the year ended December 31, 2015.

**HORIZON PUBLIC HEALTH
ALEXANDRIA, 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 Horizon Public Health. Horizon'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 Horizon Public Health 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 Horizon Public Health, it is not intended to and does not present the financial position, changes in net position, or cash flows of Horizon Public Health.

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. Horizon Public Health has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.