

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

GOODHUE COUNTY
RED WING, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Year Ended December 31, 2016



Management and Compliance Report

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

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**GOODHUE COUNTY
RED WING, MINNESOTA**

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of County Commissioners
Goodhue County
Red Wing, 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, each major fund, and the aggregate remaining fund information of Goodhue County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 7, 2017. Our report includes a reference to other auditors who audited the financial statements of the South Country Health Alliance joint venture as described in our report on Goodhue 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. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Goodhue 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 2008-003 and 2016-001, that we consider to be significant deficiencies.

Compliance and Other Matters

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

In connection with our audit, nothing came to our attention that caused us to believe that Goodhue 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.

Goodhue County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 7, 2017

/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
Goodhue County
Red Wing, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Goodhue County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. Goodhue 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 Goodhue 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 Goodhue 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.

Basis for Qualified Opinion on Port Security Grant Program (CFDA No. 97.056)

As described in the accompanying Schedule of Findings and Questioned Costs, Goodhue County did not comply with requirements regarding CFDA No. 97.056 Port Security Grant Program as described in finding numbers 2016-002 and 2016-003 for Procurement, Suspension, and Debarment. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Port Security Grant Program (CFDA No. 97.056)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Goodhue 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 Port Security Grant Program for the year ended December 31, 2016.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Goodhue County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2016.

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 2016-004. Our opinion on the major federal program is not modified with respect to this matter.

Goodhue County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. Goodhue 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 Goodhue 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.

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 material weaknesses 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002 and 2016-003 to be material weaknesses.

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 2016-004 to be a significant deficiency.

Goodhue County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Goodhue 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, each major fund, and the aggregate remaining fund information of Goodhue County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated September 7, 2017, 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 Goodhue 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

September 7, 2017

**GOODHUE COUNTY
RED WING, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs are:

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

Type of auditor's report issued on compliance for major federal programs: **Unmodified for all major programs, except for Port Security Grant Program, which is qualified.**

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

The major federal programs are:

Child Support Enforcement	CFDA No. 93.563
Port Security Grant Program	CFDA No. 97.056

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

Goodhue 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 2008-003

Segregation of Duties - County Departments

Criteria: Internal controls should be designed to provide for an adequate segregation of duties so no one individual handles a transaction from inception to completion.

Condition: Several of the County's departments that collect fees lack proper segregation of duties. Specifically, we noted this issue in our review of receipting procedures in the Recorder's Office and Land Use Office.

Context: Due to the limited number of office personnel within the County, segregation of the accounting function necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Goodhue County; however, the County's management should constantly be aware of this condition and realize 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 indicated it is not cost-effective to hire additional qualified accounting staff in each small fee office in order to segregate duties.

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

View of Responsible Official: Acknowledge

ITEM ARISING THIS YEAR

Finding Number 2016-001

PERA Internal Controls

Criteria: Internal controls should be designed to provide for an adequate segregation of duties so no one individual handles a transaction from inception to completion.

Condition: During our review of controls over Public Employees Retirement Association (PERA) pension census information, we noted that new members added to the PERA ERIS system are not being reviewed by someone other than the individual who is entering the information.

Context: Pension information is added by County staff into the PERA ERIS system, which is a statewide pension retirement system for public employees.

Effect: Information on new members could be incorrect and affect the actuarial assumptions used to calculate the net pension liability and other related accounts.

Cause: The County indicated procedures were implemented to review the new employee information entered into the PERA system, but not by an individual separate from the individual who enters the information on the ERIS system.

Recommendation: We recommend the County review internal control procedures over entering PERA census information to include review by someone other than the individual who is entering the information.

View of Responsible Official: Acknowledge

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding Number 2016-002

Uniform Guidance Written Procurement Policies and Procedures

Direct Federal Program: U.S. Department of Homeland Security's Port Security Grant Program (CFDA No. 97.056), 2015

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this regulation.

Condition: The County has written procurement policies; however, these policies were not updated to include the required components in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318.

Questioned Costs: Not applicable.

Context: This issue was discovered during the audit of the major federal program; however, it impacts federal programs entity-wide. Written policies that reflect the specific components of federal regulations improve controls to help ensure compliance with federal award requirements.

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

Effect: Written policies and procedures that are not updated to reflect the Uniform Guidance procurement requirements could increase the risk of noncompliance with federal program requirements.

Cause: County staff were aware of the changes required by the Uniform Guidance; however, they understood a different implementation date.

Recommendation: We recommend the County include the specific components of the Uniform Guidance requirements in written procurement policies and procedures.

View of Responsible Official: Acknowledge

Finding Number 2016-003

Suspension and Debarment

Direct Federal Program: U.S. Department of Homeland Security's Port Security Grant Program (CFDA No. 97.056), 2015

Criteria: Federal requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in Title 2 U.S. *Code of Federal Regulations* § 180.220.

Condition: The County entered into a contract with a vendor for a project that was federally funded. During our testing, we noted no verification procedures were performed to determine that the vendor was not suspended or debarred at the time the contract was awarded.

Questioned Costs: None.

Context: The contractor hired by the County to work on the federally funded project may have been suspended or debarred, yet payments were made to the contractor.

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

Effect: Noncompliance with federal regulations.

Cause: County staff were not aware of the need to verify if a vendor has been suspended or debarred.

Recommendation: We recommend the County implement procedures for verifying contractors are not suspended or debarred prior to awarding federal funding. Evidence of the verification should be maintained.

View of Responsible Official: Acknowledge

Finding Number 2016-004

Reporting

Direct Federal Program: U.S. Department of Homeland Security's Port Security Grant Program (CFDA No. 97.056), 2015

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, the Department of Homeland Security, *Notice of Funding Opportunity*, Fiscal Year 2016 Port Security Grant Program states Federal Financial Reports must submit quarterly reports no later than 30 days following the end of each quarter throughout the period of performance. The reporting requirements apply to partial calendar quarters, as well as for periods where no grant award activity occurs. Performance Progress Reports must be submitted on a biannual basis no later than 30 days following June 30 and December 31.

Condition: The County submitted three of the four quarterly Federal Financial Reports and both biannual Performance Progress Reports after the required deadline dates. The County did not have review and approval of the quarterly Department of Homeland Security Federal Financial Report by someone other than the preparer.

Questioned Costs: Not applicable.

Context: Reporting deadlines were specified in the Department of Homeland Security, *Notice of Funding Opportunity*, Fiscal Year 2016 Port Security Grant Program.

Effect: The lack of review and approval of the reports increases the potential risk that errors or omissions may occur and not be detected prior to submission of the reports to the Department of Homeland Security. Also, the County is not complying with the Department of Homeland Security reporting requirement deadlines.

Cause: County staff indicated they were not aware the reports should be reviewed/approved and were not aware reports needed to be submitted when there was no financial activity during the quarter.

Recommendation: We recommend the County establish and implement policies and procedures to provide reasonable assurance that information reported to the Department of Homeland Security is subject to review by someone other than the preparer prior to its submission, documentation is maintained, and reports are submitted timely.

View of Responsible Official: Acknowledge

IV. PREVIOUSLY REPORTED ITEMS RESOLVED

2013-001 Segregation of Duties - Payroll Maintenance
2014-001 Segregation of Duties - Payroll Entry
2014-002 Audit Reclassification

**REPRESENTATION OF GOODHUE COUNTY
RED WING, MINNESOTA**

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

Finding Number: 2008-003

Finding Title: Segregation of Duties - County Departments

Name of Contact Person Responsible for Corrective Action:

Lisa Hanni, Carolyn Holmsten

Corrective Action Planned:

Goodhue County continues to look for ways to improve upon the internal controls already in place in fee offices as well as those offices with limited personnel.

Anticipated Completion Date:

It is still not cost-effective to hire additional qualified accounting staff in each small fee office in order to segregate duties. We continue to look for ways to improve internal controls in those offices with limited personnel.

Finding Number: 2016-001

Finding Title: PERA Internal Controls

Name of Contact Person Responsible for Corrective Action:

Melissa Cushing

Corrective Action Planned:

The county hired an additional employee in Human Resources. Part of this employee's duties will be to check all enrollments by new hires.

Anticipated Completion Date:

Summer 2017

Finding Number: 2016-002

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Program: Port Security Grant Program (CFDA No. 97.056)

Name of Contact Person Responsible for Corrective Action:

Carolyn Holmsten

Corrective Action Planned:

The County is in the process of writing the required procurement policy to be used when purchasing items or contracts with Federal Funds.

Anticipated Completion Date:

Before December 31, 2017

Finding Number: 2016-003

Finding Title: Suspension and Debarment

Program: Port Security Grant Program (CFDA No. 97.056)

Name of Contact Person Responsible for Corrective Action:

Scott McNurlin

Corrective Action Planned:

Staff have been informed of the need to check for debarment or suspension. In addition the County's new procurement policy to be used when purchasing items or contracts with Federal Funds includes a requirement to review of the debarment or suspension list available on the website.

Anticipated Completion Date:

August 18, 2017 for informing staff; December 31, 2017 for completed policy

Finding Number: 2016-004

Finding Title: Reporting

Program: Port Security Grant Program (CFDA No. 97.056)

Name of Contact Person Responsible for Corrective Action:

Scott McNurlin

Corrective Action Planned:

Staff were informed that even if there is no financial activity occurring with the grant, a quarterly report is still required.

Anticipated Completion Date:

August 18, 2017 for informing staff; December 31, 2017 for implementation of internal review process

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**REPRESENTATION OF GOODHUE COUNTY
RED WING, MINNESOTA**

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

Finding Number: 2008-003

Finding Title: Segregation of Duties - County Departments

Summary of Condition: Several of the County's departments that collect fees lack proper segregation of duties. Specifically, we noted this issue in our review of receipting procedures in the Recorder's Office and Land Use Office.

Summary of Corrective Action Previously Reported: Goodhue County continues to look for ways to improve upon the internal controls already in place in fee offices as well as those offices with limited personnel.

Status: Not Corrected. It is still not cost-effective to hire additional qualified accounting staff in each small fee office in order to segregate duties. The County continues to look for ways to improve internal controls in those offices with limited personnel.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2013-001

Finding Title: Segregation of Duties - Payroll Maintenance

Summary of Condition: Personnel responsible for entering maintenance changes into the ADP payroll accounting system are also responsible for processing payroll payments to employees. Procedures were established to have personnel independent of the payroll payment process review the Personnel Change Report of all maintenance changes to the payroll accounting system after each payroll is processed. Documentation of the review did not include who conducted the review or the date of the review.

Summary of Corrective Action Previously Reported: The County has trained additional staff on this review, and this individual will be performing the review regularly and will be documenting appropriately.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2014-001

Finding Title: Segregation of Duties - Payroll Entry

Summary of Condition: Procedures were established to have personnel independent of the payroll input process review hours entered into the payroll system to ensure the accuracy of the data input prior to payroll being processed. A complete review was not done on the eight payroll periods tested. In five of the eight payrolls tested, a review was completed for part of the hours entered into the payroll system. Two individuals enter hours into the system, and entries for one of the two individuals were being reviewed to ensure accuracy and completeness. Also, from the 25 timesheets tested, we found one timesheet was not reviewed and approved by the employee's supervisor.

Summary of Corrective Action Previously Reported: The County continues to implement an electronic timesheet program in 2016 which will change the way timesheets are reviewed by supervisors and department heads.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2014-002

Finding Title: Audit Reclassification

Summary of Condition: During the audit, reclassification journal entries were necessary which resulted in significant changes to the County's financial statements. These reclassifications were reviewed and approved by the appropriate staff and are reflected in the financial statements.

Summary of Corrective Action Previously Reported: The County continues to look for ways to improve this process. We are incorporating more staff into the preparation process to allow for more review time over the financial statements.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN004W1003	\$ 181,174
Passed through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	<u>377,657</u>
Total U.S. Department of Agriculture			<u>\$ 558,831</u>
U.S. Department of Interior			
Direct Payments in Lieu of Taxes	15.226		<u>\$ 9,540</u>
U.S. Department of Justice			
Direct State Criminal Alien Assistance Program	16.606		\$ 4,560
Bulletproof Vest Partnership Program	16.607		<u>3,359</u>
Total U.S. Department of Justice			<u>\$ 7,919</u>
U.S. Department of Transportation			
Passed through Minnesota Department of Transportation Highway Planning and Construction	20.205	957271604	\$ 73,609
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	A-ENFRC16-2016- GOODHUSD-00031	20,437
National Priority Safety Programs	20.616	A-ENFRC16-2016- GOODHUSD-00031	3,414
(Total expenditures for Highway Safety Cluster \$23,851)			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC16-2016- GOODHUSD-00031	<u>4,361</u>
Total U.S. Department of Transportation			<u>\$ 101,821</u>
U.S. Department of Education			
Passed through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	H181A110029	<u>\$ 2,416</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	U90TP000418	\$ 31,925
Universal Newborn Hearing Screening	93.251	H61MC00035-16-02	400
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$301,162)	93.558	1601MNTANF	45,267
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	44,234
Passed through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	1601MNFPS	8,285
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$301,162)	93.558	1601MNTANF	255,895
Child Support Enforcement	93.563	1604MNCEST	66,624
Child Support Enforcement (Total Child Support Enforcement 93.563 \$1,033,448)	93.563	1604MNCSES	966,824
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCA	384
Child Care and Development Block Grant	93.575	G1601MNCCDF	16,888
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRG	12,984
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	5,734
Foster Care - Title IV-E	93.658	1601MNFOS	274,259
Social Services Block Grant	93.667	16-01MNSOSR	202,466
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	5,853
Children's Health Insurance Program	93.767	1605MN5021	672
Medical Assistance Program	93.778	05-1605MN5ADM	1,366,267
Total U.S. Department of Health and Human Services			\$ 3,304,961
U.S. Department of Homeland Security			
Direct			
Port Security Grant Program	97.056		\$ 256,250
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	3315FAS150127	15,171
Passed through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4290DRMNP0000001	5,876
Hazard Mitigation Grant	97.039	A-HMPG-DE4182- GOODHUECO-003	11,782
Emergency Management Performance Grants	97.042	A-EMPG-2016- GOODHUECO-027	32,090
Total U.S. Department of Homeland Security			\$ 321,169
Total Federal Awards			\$ 4,306,657

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

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Goodhue 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 Goodhue County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Goodhue County, it is not intended to and does not present the financial position or changes in net position of Goodhue 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. Goodhue County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 4,313,423
Grants deferred in 2015 and recognized in 2016	
Bulletproof Vest Partnership Program (CFDA No. 16.607)	(512)
Child Support Enforcement (CFDA No. 93.563)	(30,000)
Medical Assistance Program (CFDA No. 93.778)	(11,618)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	(20,571)
Grants deferred in 2016	
Special Education - Grants for Infants and Families (CFDA No. 84.181)	483
Promoting Safe and Stable Families (CFDA No. 93.556)	2,702
Temporary Assistance for Needy Families (CFDA No. 93.558)	34,871
Child Care and Development Block Grant (CFDA No. 93.575)	1,782
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	1,781
Chafee Foster Care Independence Program (CFDA No. 93.674)	2,622
Emergency Management Performance Grants (CFDA No. 97.042)	5,818
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	<u>5,876</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 4,306,657</u>