

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

MANAGEMENT AND COMPLIANCE REPORT FOR

SCOTT COUNTY
SHAKOPEE, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2005

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

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

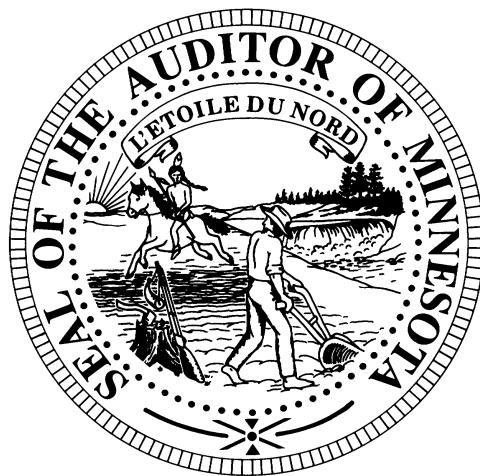
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**SCOTT COUNTY
SHAKOPEE, MINNESOTA**

For the Year Ended December 31, 2005



Management and Compliance Report

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

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**SCOTT COUNTY
SHAKOPEE, MINNESOTA**

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**SCOTT COUNTY
SHAKOPEE, MINNESOTA**

Schedule 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of Scott County.
- B. No matters involving internal control over financial reporting were reported in the "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."
- C. No instances of noncompliance material to the financial statements of Scott County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Scott County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Temporary Assistance for Needy Families	CFDA #93.558
Social Services Block Grant Title XX	CFDA #93.667
Cooperating Technical Partners	CFDA #97.045
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Scott County was determined to be a low-risk auditee.

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Publishing Board Minutes, Financial Statements, and Claims Paid (04-1)

The County has not been publishing their financial statements and vendor lists as required by statute.

Resolution

The County will be publishing their 2005 financial statements and vendor list.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

97-5 Business Continuity Plan

The County does not have a formal business continuity plan if a disaster or major computer breakdown were to occur. A business continuity plan would give greater assurance that the County is prepared for either situation. The County has established a Business Continuity Planning Committee which has been assessing risks and prioritizing the computer applications that are most critical. Then they will be developing a business continuity plan.

We recommend the County continue in its efforts to develop and implement a business continuity plan.

Client's Response:

A coordinated effort via a Business Continuity-Business Recovery Planning Committee has been formed to address this issue. The following activities are planned as part of this process:

Development of a Framework for Business Continuity Plan for Scott County:

- *Completing a Risk Assessment, evaluating:*
 - *What are the risks (and to some extent their probability) inherent to the organization as a whole or to individual groups?*
 - *What is the probable impact of these risks?*
 - *What resources would be needed to continue service during an incident?*
 - *What time and resources would be needed to recover from an incident?*

- *Completing a GAP Analysis, evaluating where and identifying what needs to be done:*
 - *What, if any, proactive steps to avoid the risk(s) has the County taken, and what might be recommended?*
 - *What preparations have divisions/departments made to continue their operations during an incident (disruption), and what remains to be done?*
 - *What is the availability of the resources necessary to operate during and then recover from an incident (disruption)?*

Make a determination based on the risk assessment and GAP Analysis of the continuation and recovery alternatives across all of our functional areas.

Develop and implement a continuation and recovery plan based on the alternatives identified by the risk assessment and GAP analysis; and last, to validate the plan that was developed and implemented.

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PATRICIA ANDERSON
STATE AUDITOR

**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***

Board of County Commissioners
Scott County

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 Scott County as of and for the year ended December 31, 2005, and have issued our report thereon dated May 10, 2006. We did not audit the financial statements of the Scott County Housing and Redevelopment Authority, a discretely presented component unit of Scott County. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scott County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott County's financial statements are free of 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Scott County complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the County Board, management, and federal awarding agencies and pass-through agencies and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: May 10, 2006



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PATRICIA ANDERSON
STATE AUDITOR

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners
Scott County

Compliance

We have audited the compliance of Scott County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Scott County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Scott County's financial statements include the operations of the Scott County Housing and Redevelopment Authority (HRA) which expended \$2,570,178 in federal awards during the year ended December 31, 2005, that are not included in the Schedule of Expenditures of Federal Awards. Our audit described below did not include the Scott County HRA because other auditors performed a single audit in accordance with OMB Circular A-133.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Scott 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Scott County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Scott County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

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 Scott County as of and for the year ended December 31, 2005, and have issued our report thereon dated May 10, 2006. We did not audit the financial statements of the Scott County HRA, a discretely presented component unit. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Scott County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County Board, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: May 10, 2006

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**SCOTT COUNTY
SHAKOPEE, MINNESOTA**

Schedule 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development			
Direct			
Shelter Plus Care Grant	14.238	\$ 82,231	\$ -
Community Development Block Grant/Brownsfield Economic Development	14.246	11,952	11,952
Total U.S. Department of Housing and Urban Development		\$ 94,183	\$ 11,952
U.S. Department of Justice			
Direct			
COPS FAST	16.710	\$ 4,966	\$ -
U.S. Department of Labor			
Passed Through Minnesota Department of Economic Security SCSEP	17.235	\$ 52,940	\$ -
Passed Through Dakota-Scott Service Delivery Area #14 Workforce Investment Act - Adult	17.258	32,448	-
Workforce Investment Act - Youth	17.259	53,332	-
Workforce Investment Act - Dislocated Worker	17.260	34,385	-
Passed Through Hennepin-Scott-Carver Service Delivery Area #9 Workforce Investment Act - Adult	17.258	15,872	-
Workforce Investment Act - Youth	17.259	5,834	-
Workforce Investment Act - Dislocated Worker	17.260	160,882	-
Total U.S. Department of Labor		\$ 355,693	\$ -
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 1,576,031	\$ -
Formula Grants for Other than Urbanized Areas	20.509	98,664	-
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	75,618	75,618
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	6,000	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	30,488	-
Total U.S. Department of Transportation		\$ 1,786,801	\$ 75,618

**SCOTT COUNTY
SHAKOPEE, MINNESOTA**

***Schedule 2
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services Disease Control	93.283	\$ 143,489	\$ -
Promoting Safe and Stable Families	93.556	179,832	-
Temporary Assistance for Needy Families	93.558	383,262	-
Child Care Mandatory and Matching Funds	93.596	73,181	-
Child Welfare Services - State Grants	93.645	563	-
Foster Care Title IV-E	93.658	83,325	-
Social Services Block Grant Title XX	93.667	407,951	-
Chafee Foster Care Independent Living	93.674	7,049	-
Passed Through Minnesota Department of Health Immunization Grants	93.268	9,800	-
Block Grants for Community Mental Health Services	93.958	16,970	-
Maternal and Child Health Services Block Grant	93.994	71,998	-
Total U.S. Department of Health and Human Services		\$ 1,377,420	\$ -
U.S. Department of Homeland Security			
Direct Cooperating Technical Partners	97.045	\$ 257,998	\$ -
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	38,584	-
Homeland Security Grant Program	97.067	33,830	-
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	10,000	-
Total U.S. Department of Homeland Security		\$ 340,412	\$ -
Total Cash Awards		\$ 3,959,475	\$ 87,570

**SCOTT COUNTY
SHAKOPEE, MINNESOTA**

***Schedule 2
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Scott County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues as reported in the financial statements do not equal expenditures because of timing differences.
3. Pass-through grant numbers were not assigned by the pass-through agencies.