

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**Clay County
Moorhead, Minnesota**

Management and Compliance Report

Year Ended December 31, 2019

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 100 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 Minnesota’s local 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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Clay County Moorhead, Minnesota

Year Ended December 31, 2019



Management and Compliance Report

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

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

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JULIE BLAHA
STATE AUDITOR

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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
Clay County
Moorhead, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 16, 2020.

Internal Control Over Financial Reporting

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

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

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit 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. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Clay County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the Schedule of Findings and Questioned Costs as items 2019-003 and 2019-004. 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, insofar as they relate to accounting matters.

Clay County's Response to Findings

Clay County's responses to the internal control and legal compliance 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/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

November 16, 2020

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JULIE BLAHA
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
Clay County
Moorhead, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Clay County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2019. Clay 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 Clay 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 Clay County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)

As described in the accompanying Schedule of Findings and Questioned Costs, Clay County did not comply with requirements regarding CFDA No. 93.778, Medical Assistance Program, as described in finding number 2019-002 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Clay County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended December 31, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Clay County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Clay County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002, that we consider to be a material weakness.

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

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.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated November 16, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by the 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.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

November 16, 2020

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for major federal programs: **Unmodified, except for the Medicaid Cluster, 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:

TANF Cluster	
Temporary Assistance to Needy Families	CFDA No. 93.558
Foster Care Title IV-E	CFDA No. 93.658
Medicaid Cluster	
Medical Assistance Program	CFDA No. 93.778

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

Clay County qualified as a low-risk auditee? **No**

**CLAY COUNTY
MOORHEAD, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

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

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: 1996-004

Repeat Finding Since: 1996

Segregation of Duties

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

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

Context: This is not unusual in operations the size of Clay County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2019-002

Prior Year Finding Number: 2016-002

Repeat Finding Since: 2016

Eligibility Testing

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award Nos. 1905MN5ADM and 1905MN5MAP, 2019

Pass-Through Agency: Minnesota Department of Human Services

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Condition: The Minnesota Department of Human Services (DHS) maintains the computer systems, MAXIS and METS, which are used by Clay County to support the eligibility determination process. In the case files reviewed for eligibility, not all documentation was available to support participant eligibility in MAXIS. In other circumstances, information was not updated or input correctly into MAXIS. The following instances were noted in the sample of 25 MAXIS case files tested:

- One instance in which the documentation of citizenship in MAXIS was a naturalization card; however the case file did not contain documentation that citizenship was verified.
- Two instances in which eligibility had not been re-determined for 2019 and the written applications used to determine eligibility were not retained in the case file.
- Two instances in which MAXIS listed unearned income; however, there was no indication or verification of a bank account or Direct Express debit card for the deposits.
- One instance of life insurance listed on the application; however, there was no documentation of verification in the case file and the life insurance policy was not listed in MAXIS.
- One instance of a trust account listed in MAXIS that was documented as verified in the case file; however, the trust account was not identified as revocable or irrevocable.

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

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

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

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

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

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2019-003

Prior Year Finding Number: 2018-003

Repeat Finding Since: 2018

Electronic Funds Transfer Policy

Criteria: The County Board is required by Minn. Stat. §§ 471.381, subd. 3, and 385.071 to establish policies and procedures for investment and expenditure transactions via electronic funds transfers, that include the policy controls required by Minn. Stat. § 471.38, subd. 3a.

Condition: The County Board has established a County Investment Policy which includes a section on electronic funds transfers that references Minn. Stat. § 385.071 and authorizes the County Auditor-Treasurer to use electronic transfers for investment purchases and contractual payments to vendors; however, the policy does not include the policy controls required by Minn. Stat. § 471.38, subd. 3a.

Context: The County Auditor-Treasurer utilizes electronic funds transfers for various transactions such as paying sales tax, payroll tax, mortgage deed tax, or to transfer money to and from investments. The County Auditor-Treasurer noted that she follows the procedures provided in Minn. Stat. § 471.38, subd. 3a, but does not have them addressed in a formal policy.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Effect: The County is not in compliance with Minn. Stat. §§ 471.381, subd. 3, 385.071, and 471.38, subd. 3a.

Cause: The County has a section in its County Investment Policy that references Minn. Stat. § 385.071, which allows electronic transfers for investment purchases and contractual payments to vendors; however, the current policy does not address the policy controls provided in Minn. Stat. § 471.38, subd. 3a.

Recommendation: We recommend the County Board establish written policies and procedures for electronic funds transfers as required by Minn. Stat. §§ 471.381, subd. 3, 385.071, and 471.38, subd. 3a.

View of Responsible Official: Concur

Finding Number: 2019-004

Prior Year Finding Number: 2018-004

Repeat Finding Since: 2018

Publication of Board Minutes

Criteria: Pursuant to Minn. Stat. § 375.12, within 30 days of each meeting, the County Board must have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the County.

Condition: Auditors reviewed the affidavits of publication related to the publishing of a summary of County Board minutes for 2019 and found that not all of the summaries were published in the County's official newspaper within the 30-day requirement.

Context: Of the 8 published summaries reviewed for October through December 2019, two of the December summaries were not published.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: We were informed that in December there was no meeting the second Tuesday of the month as normal. The changed schedule may have affected the County's publications.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Recommendation: We recommend the County publish its summaries of the County Board minutes in compliance with Minn. Stat. § 375.12.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2018-001 Prior Period Adjustment

2018-002 Department of Human Services DHS-2556 Reporting (CFDA No. 93.778)

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REPRESENTATION OF CLAY COUNTY
MOORHEAD, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:
Lori Johnson, County Auditor-Treasurer

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

Anticipated Completion Date:
December 2021

Finding Number: 2019-002
Finding Title: Eligibility Testing
Program: Medical Assistance Program (CFDA # 93.778)

Name of Contact Person Responsible for Corrective Action:
Rhonda Porter, Director
Larry Young, Financial Services Supervisor
Eligibility Workers

Corrective Action Planned:

1. All of the audit findings and case errors will be reviewed with the Eligibility Workers and strategies will be developed with the Supervisor and Eligibility Workers to eliminate errors from occurring in the future.
2. Monthly case reviews will be done and any errors will be addressed with all Eligibility Workers for correction and training purposes.
3. Workload demands will continue to be assessed as to whether additional staff resources are needed to address processing errors.

Anticipated Completion Date:

December 2021

Finding Number: 2019-003

Finding Title: Electronic Funds Transfer Policy

Name of Contact Person Responsible for Corrective Action:

Lori Johnson, County Auditor-Treasurer

Corrective Action Planned:

County will update current policy to include the policy controls required by Minn. Stat. 471.38, subd. 3a.

Anticipated Completion Date:

EFT Policy was approved by the board 10/27/20.

Finding Number: 2019-004

Finding Title: Publication of Board Minutes

Name of Contact Person Responsible for Corrective Action:

Steve Larson, County Administrator

Corrective Action Planned:

Will monitor the publishing of the summary of County Board minutes, so that they are in compliance with Minn. Stat. 375.12, so they are published within the 30-day requirement.

Anticipated Completion Date:

11/16/2020



**REPRESENTATION OF CLAY COUNTY
MOORHEAD, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Finding Number: 1996-004
Finding Title: Segregation of Duties**

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

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

Status: Not Corrected. Clay County is aware of the lack of segregation of duties in some of the smaller departments where it is not feasible to have multiple employees handling financial duties.

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

Yes _____ No

**Finding Number: 2018-001
Finding Title: Prior Period Adjustment**

Summary of Condition: In preparing their 2018 financial report, Clay County financial staff identified a prior period adjustment that was material to the Jail/Law Enforcement Construction Capital Projects Fund.

Summary of Corrective Action Previously Reported: County Auditor-Treasurer will review trial balances and variances for reasonableness.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No

Finding Number: 2016-002

Finding Title: Eligibility Testing

Program: Medical Assistance Program (CFDA No. 93.778)

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

Summary of Corrective Action Previously Reported:

1. All of the audit findings and case errors will be reviewed with the Eligibility Workers and strategies will be developed with the Supervisor and Eligibility Workers to eliminate errors from occurring in the future.
2. Quarterly case reviews will continue to be done and any errors will be addressed with all Eligibility Workers for correction and training purposes.
3. Workload demands will be assessed as to whether additional staff resources are needed to address processing errors.

Status: Not Corrected. Clay County Social Services continues to strive for quarterly case reviews for each worker on a MAXIS health care case to identify any eligibility determination discrepancies. When errors are found, information is brought to all the staff for training purposes. We continue to send all new staff to legacy health care training. This is an area we will continue to work on and evaluate whether there are other corrective actions we can implement in this area.

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

Yes _____ No x

Finding Number: 2017-001

Finding Title: Procurement, Suspension, and Debarment

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: Of five procurement transactions over \$3,000 tested, including two that were over \$25,000 and one over \$100,000, the following items were noted:

- Two small purchases, tested did not have written documentation to support the rationale for the method of procurement, basis of contractor selection, and documentation of full and open competition.
- All three covered transactions did not have verification of whether vendors were debarred, suspended, or otherwise excluded.

Summary of Corrective Action Previously Reported: Clay County Social Services will follow federal regulations, Clay County Procurement Policy for contractor selection and documentation of full and open competition as well as checking vendors to assure they are not debarred, suspended or otherwise excluded.

Status: Partially Corrected. Procedures are in place to check vendors against those debarred, suspended or otherwise excluded on www.sams.gov, but documentation of vendor selection process is still in process.

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

Finding Number: 2018-002

Finding Title: Department of Human Services DHS-2556 Reporting

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: Expenditures for volunteer drivers were incorrectly reported as Services and Charges rather than Contracted Services for Clients (Public Aid Assistance) on the Social Services DHS-2556 quarterly reports that were submitted for 2018.

Summary of Corrective Action Previously Reported: All volunteer driver reimbursements will be included in Contracted Services for Clients and will be posted to the proper COFARS object code.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2018-003

Finding Title: Electronic Funds Transfer Policy

Summary of Condition: The County Board has established a County Investment Policy which includes a section on electronic funds transfers that references Minn. Stat. § 385.071 and authorizes the County Auditor-Treasurer to use electronic transfers for investment purchases and contractual payments to vendors; however, the policy does not include the policy controls required by Minn. Stat. § 471.38, subd. 3a.

Summary of Corrective Action Previously Reported: County will update current policy to include the policy controls required by Minn. Stat. 471.38, subd. 3a.

Status: Partially Corrected. An EFT policy was drafted, but not approved by the board.

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

Finding Number: 2018-004

Finding Title: Publication of Board Minutes

Summary of Condition: Not all of the summaries of County Board minutes were published in the County's official newspaper within the 30-day requirement.

Summary of Corrective Action Previously Reported: Will monitor the publishing of the summary of County Board minutes, so that they are in compliance with Minn. Stat. 375.12, so they are published within the 30-day requirement.

Status: Not Corrected. Will continue to monitor the publishing of the summary of County Board minutes, so that they are in compliance with Minn. Stat. 375.12, so they are published within the 30-day requirement.

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

Yes _____ No x

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	Not Provided	\$ 31,367
National School Lunch Program	10.555	Not Provided	58,999
Passed Through Partnership4Health Community Health Board			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children			
	10.557	32573	293,426
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
	10.561	192MN101S2514	517,659
Passed Through Minnesota Department of Education			
Child Nutrition Discretionary Grants Limited Availability			
	10.579	201818N1810342	<u>11,561</u>
Total U.S. Department of Agriculture			<u>\$ 913,012</u>
U.S. Department of Justice			
Direct			
Edward Byrne Memorial Justice Assistance Grant Program			
(Total Edward Byrne Memorial Justice Assistance Grant Program 16.579 \$61,243)			
	16.579		\$ 25,243
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance			
	16.575	A-CVS-2018-CLAYAO- 00124	57,087
Crime Victim Assistance			
	16.575	A-CVS-2020-CLAYAO- 157	16,521
(Total Crime Victim Assistance 16.575 \$73,608)			
Passed Through City of Moorhead, Minnesota			
Edward Byrne Memorial Justice Assistance Grant Program			
	16.579	A-VCET-2019- MOORHDPD-00018	<u>36,000</u>
(Total Edward Byrne Memorial Justice Assistance Grant Program 16.579 \$61,243)			
Total U.S. Department of Justice			<u>\$ 134,851</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	1030014	\$ 333,350

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Transportation (Continued)			
Passed Through City of Moorhead, Minnesota			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC19-2019- MOORHDPD-00026	3,222
National Priority Safety Programs	20.616	A-ENFRC19-2019- MOORHDPD-00026	4,002
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC19-2019- MOORHDPD-00026	<u>2,316</u>
Total U.S. Department of Transportation			\$ <u>342,890</u>
U.S. Department of Treasury			
Direct			
Joint Law Enforcement Operation Task Force Project	21.XXX		\$ <u>3,826</u>
U.S. Department of Education			
Passed Through Partnership4Health Community Health Board			
Special Education – Grants for Infants and Families	84.181	8763	\$ 648
Special Education – Grants for Infants and Families	84.181	B04MC32551	<u>1,012</u>
(Total Special Education – Grants for Infants and Families 84.181 \$1,660)			
Total U.S. Department of Education			\$ <u>1,660</u>
U.S. Department of Health and Human Services			
Passed Through National Association of County and City Health Officials			
Medical Reserve Corps Small Grant Program	93.008	MRCSG101005-04-00	\$ 125
Passed Through Partnership4Health Community Health Board			
Public Health Emergency Preparedness	93.069	127897	102,704
Food and Drug Administration Research	93.103	G-T-1710-05923	119
Early Hearing Detection and Intervention	93.251	H61MC00035	450
Immunization Cooperative Agreements	93.268	147088	2,200
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	6NUR3DD000842-05-01	450
State Physical Activity and Nutrition (SPAN)	93.439	NU58DP006500	2,232
TANF Cluster			
Temporary Assistance for Needy Families	93.558	127394	45,226
Temporary Assistance for Needy Families	93.558	1801MNTANF	44,860
(Total Temporary Assistance for Needy Families 93.558 \$982,232)			
Maternal and Child Health Services Block Grant to the States	93.994	86860	57,341
Maternal and Child Health Services Block Grant to the States	93.994	167316	15,000
(Total Maternal and Child Health Services Block Grant to the States 93.994 \$72,341)			

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 (Continued)			
Passed Through Polk-Norman-Mahnomen Community Health Board Maternal, Infant and Early Childhood Home Visiting Grant	93.870	12-700-00106	76,893
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families TANF Cluster	93.556	G-1801MNFPS	11,476
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$982,232)	93.558	1901MNTANF	892,146
Child Support Enforcement	93.563	1901MNCSES	199,403
Child Support Enforcement (Total Child Support Enforcement 93.563 \$1,173,524)	93.563	1901MNCES	974,121
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	1901MNRCA	519
Community-Based Child Abuse Prevention Grants CCDF Cluster	93.590	G-1801MNBCAP	5,903
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1901MNCCDF	20,687
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	8,663
Foster Care Title IV-E	93.658	1801MNFOS	93,175
Foster Care Title IV-E (Total Foster Care Title IV-E 93.658 \$893,097)	93.658	1901MNFOS	799,922
Social Services Block Grant	93.667	G-1901MNSOSR	381,767
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1901MNCILP	12,500
Children's Health Insurance Program Medicaid Cluster	93.767	1905MN5021	420
Medical Assistance Program	93.778	1905MN5ADM	2,130,922
Medical Assistance Program (Total Medical Assistance Program 93.778 \$2,152,445)	93.778	1905MN5MAP	21,523
Opioid STR	93.788	130490	31,897
Total U.S. Department of Health and Human Services			\$ 5,932,644
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	Not provided	\$ 104,159
Passed Through Headwaters Regional Development Commission Homeland Security Grant Program	97.067	A-DECN-SHSP-2018- NWECEB-005	502
Total U.S. Department of Homeland Security			\$ 104,661
Total Federal Awards			\$ 7,433,544

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
Clay County did not pass any federal awards through to subrecipients during the year ended December 31, 2019.			
Totals by Cluster			
Total expenditures for Child Nutrition Cluster			\$ 90,366
Total expenditures for SNAP Cluster			517,659
Total expenditures for Highway Planning and Construction Cluster			333,350
Total expenditures for Highway Safety Cluster			7,224
Total expenditures for TANF Cluster			982,232
Total expenditures for CCDF Cluster			20,687
Total expenditures for Medicaid Cluster			2,152,445

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Clay County under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Clay County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Clay County.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement

2. De Minimis Cost Rate

Clay County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 7,791,358
Grants received more than 60 days after year-end, deferred in 2019	
Highway Planning and Construction (CFDA No. 20.205)	16,723
Promoting Safe and Stable Families (CFDA No. 93.556)	175
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	525
Foster Care Title IV-E (CFDA No. 93.658)	215,473
John H. Chafee Foster Care Program for Successful Transition to Adulthood (CFDA No. 93.674)	8,329
Deferred in 2018, recognized as revenue in 2019	
Highway Planning and Construction (CFDA No. 20.205)	(334,117)
Promoting Safe and Stable Families (CFDA No. 93.556)	(13,210)
Temporary Assistance for Needy Families (CFDA No. 93.558)	(238,249)
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)	(1,460)
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	(8,878)
John H. Chafee Foster Care Program for Successful Transition to Adulthood (CFDA No. 93.674)	(3,125)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 7,433,544</u>