

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

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### **Carlton County Carlton, Minnesota**

Management and Compliance Report

Year Ended December 31, 2022

## Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than \$40 billion in annual financial activity by local governments and approximately \$20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice:** Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.
- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information:** Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.
- **Legal/Special Investigations:** Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.
- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.
- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.
- **Tax Increment Financing (TIF):** Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

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[www.osa.state.mn.us](http://www.osa.state.mn.us)

# **Carlton County Carlton, Minnesota**

Year Ended December 31, 2022



**Office of the State Auditor**

Management and Compliance Report

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

**Carlton County  
Carlton, Minnesota**

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**Report on Schedule of Expenditures of Federal Awards**Independent Auditor's Report

Board of County Commissioners  
Carlton County  
Carlton, Minnesota

**Report on the Audit of the Schedule of Expenditures of Federal Awards*****Opinion***

We have audited the accompanying Schedule of Expenditures of Federal Awards (SEFA) of Carlton County, Minnesota, for the year ended December 31, 2022, and the related notes.

In our opinion, the accompanying SEFA presents fairly, in all material respects, the expenditures of federal awards of Carlton County for the year ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of the SEFA section of our report.

We are required to be independent of Carlton County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the SEFA***

Management is responsible for the preparation and fair presentation of the SEFA in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the SEFA that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibilities for the Audit of the SEFA***

Our objectives are to obtain reasonable assurance about whether the SEFA as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the SEFA.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the SEFA, whether due to fraud, or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the SEFA;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Carlton County's internal control. Accordingly, no such opinion is expressed; and
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the SEFA.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*/s/Julie Blaha*

Julie Blaha  
State Auditor

February 2, 2024

*/s/Chad Struss*

Chad Struss, CPA  
Deputy 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***

Independent Auditor's Report

Board of County Commissioners  
Carlton County  
Carlton, 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 Carlton County, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 2, 2024. We have issued an adverse opinion on the governmental activities' financial statements because Carlton County has not reported capital assets in the Statement of Net Position and has not reported the related depreciation in the Statement of Activities as required by accounting principles generally accepted in the United States of America. Also, capital expenditures have not been eliminated from the Statement of Activities.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Carlton County's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-003 and 2022-006 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-002, 2022-004, and 2022-005 to be significant deficiencies.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Carlton 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 financial statements. 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, we noted that Carlton County failed to comply with the provisions of the miscellaneous provisions section 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, as described in the Schedule of Findings and Questioned Costs as items 2022-009 and 2022-010. 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.

### **Other Items**

Included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

### **Carlton County's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the internal control, legal compliance, and management practices findings identified in our audit and described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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/Chad Struss

Chad Struss, CPA  
Deputy State Auditor

February 2, 2024





**Report on Compliance for Each Major Federal Program and Report on Internal  
Control Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

Board of County Commissioners  
Carlton County  
Carlton, Minnesota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Carlton County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Carlton County's major federal programs for the year ended December 31, 2022. Carlton County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Carlton County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Carlton County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Carlton County's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Carlton County's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Carlton County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Carlton County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Carlton County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of Carlton County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 Carlton County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-007 and 2022-008. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Carlton County's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Carlton County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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 a 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 attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2022-007 and 2022-008 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Carlton County's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Carlton County's response was not subjected to the other 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.

*/s/Julie Blaha*

Julie Blaha  
State Auditor

February 2, 2024

*/s/Chad Struss*

Chad Struss, CPA  
Deputy State Auditor

# Carlton County Carlton, Minnesota

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2022

### Section I – Summary of Auditor’s Results

#### Financial Statements

Type of auditor’s report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Adverse on the government-wide financial statements because Carlton County has not reported and depreciated capital assets and eliminated capital outlay expenditures in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.**

Type of auditor’s report issued on whether the Schedule of Expenditures of Federal Awards audited was prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

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

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

#### Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
11.307	Economic Development Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
93.778	Medicaid Cluster

The threshold used to distinguish between Type A and B programs was \$750,000.

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

# Carlton County Carlton, Minnesota

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## Section II – Financial Statement Findings

### 2022-001 Computer Risk Management

**Prior Year Finding Number:** 2021-001

**Repeat Finding Since:** 2006

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

**Criteria:** Risk management begins with a risk assessment of the County’s computer system to identify those risks that could negatively influence computer operations. Internal controls should be implemented to reduce the identified risks. Internal controls implemented should be documented in a well-maintained policies and procedures manual, which should be communicated to the County’s staff. Staff adherence to these policies and procedures should be monitored. Because computer systems are ever changing, the County should include in its plan periodic reassessment of risk to ensure existing internal controls are still effective.

**Condition:** The County has internal controls in place for its computer system. However, the County has not developed a formal plan to identify and manage risks associated with its computer system.

**Context:** A well-developed formal plan of risk identification can assist management and governance in identifying potential risks and develop plans to mitigate or eliminate those risks.

**Effect:** Unanticipated risks may present themselves that County management and governance could potentially be unprepared to respond to in a timely and effective manner.

**Cause:** The County has not taken steps to implement a formal plan to identify potential risks that could negatively affect internal controls operating over County computer operations.

**Recommendation:** We recommend the County Board develop a plan to ensure that internal controls are in place to reduce the risk associated with the County’s computer systems.

**View of Responsible Official:** Acknowledge

### 2022-002 Segregation of Duties

**Prior Year Finding Number:** 2021-002

**Repeat Finding Since:** 1996

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

**Criteria:** Management is responsible for establishing and maintaining internal control. This responsibility includes internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization’s accounting system.

**Condition:** Several of Carlton County’s departments that collect fees lack proper segregation of the accounting functions necessary to ensure adequate internal accounting control. Generally, one staff person is responsible for billing, collecting, depositing, and recording receipts, as well as reconciling the bank accounts.

## Carlton County Carlton, Minnesota

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**Context:** The small size and available staffing within some departments of Carlton County limits the internal control that management can design and implement into the organization.

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

**Cause:** This condition is not unusual for an organization the size of Carlton County where, because of staffing limitations, it is impractical to achieve a desirable level of segregation of duties. Management has identified departments where inadequate segregation of duties issues exists. Management has determined that, given limited resources, it is not feasible to achieve the desired level of segregation of duties in these departments.

**Recommendation:** Management should be continually aware that segregation of duties is not adequate from an internal control point of view. We recommend the County Board of Commissioners be aware that limited staffing causes inherent risks in safeguarding the County's assets and the proper reporting of its financial activity. We recommend the Board of Commissioners continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

**View of Responsible Official:** Acknowledge

**2022-003**      **Capital Assets**

**Prior Year Finding Number:** 2021-003

**Repeat Finding Since:** 1996

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Material Weakness

**Criteria:** GASB Statement 34 requires governments to include capital assets on the Statement of Net Position and to report depreciation expense for those assets on the Statement of Activities. In addition, capital outlay expenditures in a governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balance are eliminated in the Statement of Activities. Current generally accepted accounting principles also require capital assets to be valued at historical cost or, if historical cost data are not available, estimated cost.

**Condition:** The County does not maintain capital asset records which show cost or estimated historical cost, and has not properly reported capital assets in its government-wide financial statements.

**Context:** To comply with GASB Statement 34, the County must establish accounting policies for capital assets, including capitalization thresholds, useful lives, and the designation of specific general ledger accounting codes to record the purchases and construction costs of capital assets. Capital assets, as defined by GASB Statement 34, include: land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible and intangible assets used in operations and that have initial useful lives extending beyond a reporting period. The County must establish a capital asset accounting system capable of providing the information needed to comply with the reporting requirements of GASB Statement 34. Information needed for reporting includes capital assets by major asset category, capital outlay expenditures by department and major expenditure function, and depreciation expense by department and major expenditure function.

During 2022, Carlton County implemented GASB Statement 87, which established criteria for accounting and financial reporting for leases, including right-to-use assets and related amortization expense associated with its leases.

# Carlton County

## Carlton, Minnesota

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**Effect:** Because Carlton County has not complied with the requirements of GASB Statement 34, an adverse opinion will continue to be issued on the government-wide financial statements.

**Cause:** Carlton County has not developed a comprehensive capital asset policy, nor undertaken a study to properly value its capital assets in accordance with generally accepted accounting principles.

**Recommendation:** In order to improve control over capital assets, eliminate the adverse opinion in relation to capital assets, and comply with the requirements of GASB Statement 34, a record-keeping system should be established for capital assets. The County Board should take steps to establish formal policies and procedures for implementing and maintaining a capital asset system. Below is an outline for developing and maintaining a capital asset inventory system.

- Adopt a capitalization policy that sets a minimum dollar value for an asset to be accounted for on the capital asset system. Determine the useful lives for various classes of assets to be used for depreciation purposes and the general ledger account codes to be used to record capital asset transactions.
- Identify the information that will need to be captured by a capital asset accounting system and establish a system that will provide the information needed to comply with the reporting requirements of GASB Statement 34.
- Inventory all capital assets, including infrastructure assets, owned by the County, and assign responsibility for each asset to a particular department head or official.
- Assign actual or estimated historical cost to each item. Enter the information into the capital asset system.
- Maintain the capital asset accounting system on a current basis. Procedures will need to be established on how disposals of capital assets will be identified by department heads and how the information will be transmitted to the person responsible for maintaining the capital asset system.
- Periodically verify departmental inventory by physical inspection.

**View of Responsible Official:** Concur

**2022-004**      **Accounting Policies and Procedures Manual**

**Prior Year Finding Number:** 2021-005

**Repeat Finding Since:** 2006

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

**Criteria:** All governments should document their accounting policies and procedures. Although other methods might suffice, this documentation is traditionally in the form of an accounting policies and procedures manual. This manual should document the accounting policies and procedures that make up the County's internal control system.

**Condition:** Carlton County does not have a current and comprehensive accounting policies and procedures manual.

## Carlton County Carlton, Minnesota

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**Context:** An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies. It can also help to prevent deterioration of key elements in the County's internal control system and can help to avoid circumvention of County policies.

The County drafted a comprehensive accounting policies and procedures manual in 2023, which is still being reviewed by staff.

**Effect:** In lieu of formal written accounting policies and procedures, informal practices and procedures can become unwritten standards that can have unintended consequences. Without a concisely written, comprehensive policies and procedures manual clearly identifying County policies and procedures required to be followed, potential misunderstandings or abusive practices may occur.

**Cause:** Carlton County has not formalized its accounting policies and procedures in a comprehensive manual.

**Recommendation:** We recommend the County Auditor/Treasurer establish an accounting policies and procedures manual. The accounting policies and procedures manual should be prepared by the appropriate levels of management and be approved by the County Board to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform which procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support for controls.

**View of Responsible Official:** Acknowledge

### 2022-005 Journal Entries

**Prior Year Finding Number:** 2021-006

**Repeat Finding Since:** 2006

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

**Criteria:** Carlton County limits access to the journal entry function on the Integrated Financial System (IFS) to select County employees. The ability to make journal entries on the IFS general ledger is a powerful function. It allows those employees with access to the journal entry function to make changes to the general ledger system. To prevent abuse of this function, it should be limited to those employees who have a logical need for this access. A procedure for review and approval of the journal entries made should also be in place.

**Condition:** Appropriate County management does not review or approve journal entries made by staff.

**Context:** Carlton County seldom uses journal entries for making adjustments to the financial records. Adjustments are posted to the general ledger as negative receipts and disbursements where corrections are required. Journal entries are generally used only in unusual circumstances and in financial closing procedures.

**Effect:** Lack of a review and approval process for journal entries exposes the County to potential for errors or fraudulent activities to occur and remain undetected.

**Cause:** The County has not developed procedures for review and approval of journal entries.



# Carlton County

## Carlton, Minnesota

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**Recommendation:** We recommend the County Auditor/Treasurer annually review the access to the journal entry function to determine whether it remains appropriate. We also recommend a procedure be established to require review and approval of journal entries by someone other than the person making the journal entries. This person should obtain an understanding of the journal entry and its purpose before approval. The approval could be documented by signature on a journal entry form or a printed copy of the journal entry made. Supporting documentation or sufficient explanation should be attached to or included on the journal entry to explain why the journal entry is being made and who is making the journal entry. Journal entries should be filed in a manner that allows for their review should questions arise. A report should be generated from the IFS that lists all journal entries made. The person charged with review and approval of journal entries should periodically review this report to ensure no journal entries have been made that were not submitted for review and approval.

**View of Responsible Official:** Acknowledge

**2022-006      Audit Adjustments**

**Prior Year Finding Number:** N/A

**Repeat Finding Since:** N/A

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Material Weakness

**Criteria:** 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 of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

**Condition:** A material audit adjustment was identified that resulted in a significant change to the County's financial statements.

**Context:** The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustment was found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

**Effect:** The Human Services Special Revenue Fund required an adjustment to increase due from other governments and intergovernmental revenue by \$1,034,786 for reimbursement of grant expenditures received after year-end for the fourth quarter of 2022. The audit adjustment was reviewed and approved by the appropriate County staff and is reflected in the financial statements.

**Cause:** This activity was overlooked when financial statement information was prepared.

**Recommendation:** We recommend County staff implement additional procedures over financial reporting to ensure the information is complete and accurate so the County's financial statements are fairly presented in accordance with accounting principles generally accepted in the United States of America.

**View of Responsible Official:** Concur

# Carlton County Carlton, Minnesota

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## Section III – Federal Award Findings and Questioned Costs

### 2022-007 Reporting

**Prior Year Finding Number:** N/A

**Repeat Finding Since:** N/A

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Significant Deficiency and Other Matter

**Federal Agency:** U.S. Department of Commerce

**Program:** 11.307 Economic Adjustment Assistance

**Award Number and Year:** 06-79-06176; URI 223578, 2020

**Pass-Through Agency:** Direct

**Criteria:** Per the Standard Terms and Conditions for Construction Projects, Title II of the Public Works and Economic Development Act of 1965, the recipient shall submit a “Federal Financial Report” (Form SF-425) on a semi-annual basis for the periods ending March 31 and September 30 no later than 30 calendar days following the end of each period. Additionally, the recipient shall submit Quarterly Project Progress Reports no later than 30 calendar days following the end of each quarterly period.

**Condition:** The County did not submit the Form SF-425 for the period ending March 31, 2022, by April 30, 2022. Additionally, the County did not submit the June 30, 2022, Project Progress Report by July 31, 2022.

**Questioned Costs:** None.

**Context:** The County submitted the Form SF-425 on May 26, 2022, for the period ending March 31, 2022, and submitted the Project Progress Report for the period ending June 30, 2022, on August 10, 2022. Subsequent reports tested during the year were submitted in a timely manner.

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

**Effect:** The County did not meet the reporting requirements for the program which could affect future funding.

**Cause:** This was a new program to the County, and staff were not fully aware of the reporting deadlines.

**Recommendation:** We recommend County staff establish procedures to ensure the reports for this program are submitted in a timely manner to meet reporting requirements.

**View of Responsible Official:** Concur

### 2022-008 LCTS Reporting

**Prior Year Finding Number:** N/A

**Repeat Finding Since:** N/A

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Significant Deficiency and Other Matter

**Federal Agency:** U.S. Department of Health and Human Services

# Carlton County

## Carlton, Minnesota

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**Program:** 93.778 Medical Assistance Program

**Award Number and Year:** 2205MN5ADM, 2022

**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. For County federal awards received from the Minnesota Department of Human Services (DHS), internal control should be established and maintained to provide assurance that program reports submitted to DHS are accurate and completed in accordance with DHS reporting instructions. DHS Bulletin No. 16-32-04 requires the Local Collaborative Time Study (LCTS) Fiscal Reporting and Payment Agent to review DHS-3220 quarterly reports prior to their submission.

**Condition:** In our sample of eight DHS-3220 reports tested, none had any indication of a review being completed by someone other than the preparer of the report.

**Questioned Costs:** None.

**Context:** The expenditures reported on the DHS-3220 reports are used to determine federal reimbursements for the Medical Assistance Program and Foster Care – Title IV-E federal programs related to the local collaborative time study.

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

**Effect:** If reviews are not performed, there is an increased possibility that an error will occur and not be detected, resulting in the County receiving the incorrect amount of federal reimbursements.

**Cause:** The employee acting as the County's Fiscal Reporting and Payment Agent was not aware of the need for a review to be performed of the reports that the employee prepares. Also, the County informed us that reviews over the DHS-3220 reports completed by the collaborative partners were being performed, but these reviews were not being documented.

**Recommendation:** We recommend a review by someone other than the preparer be conducted for all DHS-3220 quarterly reports prepared by the County and its collaborative partners prior to submission to the Minnesota Department of Human Services. Documentation of these reviews should be retained by the County.

**View of Responsible Official:** Concur

### Section IV – Other Findings and Recommendations

2022-009      Publishing Claims Over \$2,000

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Minnesota Legal Compliance

## Carlton County Carlton, Minnesota

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**Criteria:** Pursuant to Minn. Stat. § 375.12, County Board minutes must be published within 30 days of the meeting and include an individualized, itemized list of County Board-approved payments over \$2,000. For claims \$2,000 or less, the total number of claims and total amount must be stated. The County can publish summaries of the minutes, meeting the requirement of Minn. Stat. § 331A.01. However, the County must still publish claims as required by Minn. Stat. § 375.12.

**Condition:** During our audit, a sample of three publications of County Board minutes from 2022 was reviewed and no publication of claims paid over \$2,000 were noted.

**Context:** County Board minutes indicate that the prior month's claims were approved but do not detail amounts by vendor. The County publishes claims approved in total by fund on its website.

**Effect:** Noncompliance with Minn. Stat. § 375.12.

**Cause:** The County informed us that the publications of claims paid over \$2,000 was missed due to transitions of duties to newer staff during 2022.

**Recommendation:** We recommend the County comply with the above-noted statute and publish an itemized list of County Board-approved payments over \$2,000, with the total number of claims and total amount for payments under \$2,000.

**View of Responsible Official:** Acknowledge

### **2022-010**      **Publication of Board Minutes**

**Prior Year Finding Number:** 2021-007

**Repeat Finding Since:** 2020

**Type of Finding:** Minnesota Legal Compliance

**Criteria:** Minnesota Statute § 375.12 requires the County to publish all Board meeting minutes in the official newspaper of the County as designated by the County Board. These publications should be done within 30 days of the meeting.

**Condition:** In our sample of 26 publications of County Board minutes from 2022, five were not published in the County's official newspaper within the 30-day requirement.

**Context:** County Board meetings are held twice a month, with two weeks in between meetings. Meeting minutes are approved by the County Board at subsequent meetings.

**Effect:** Noncompliance with Minn. Stat. § 375.12.

**Cause:** The County informed us that the newspaper has a publishing deadline that does not always coincide with the date the Board approves the minutes of the past meeting.

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

**View of Responsible Official:** Acknowledge

# Carlton County Carlton, Minnesota

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**2022-011**      **Disaster Recovery Plan**

**Prior Year Finding Number:** 2021-008

**Repeat Finding Since:** 1996

**Type of Finding:** Management Practice

**Criteria:** To effectively deal with a disaster affecting computer operations, the County should have a complete, current, and detailed disaster recovery plan in effect. Formalized procedures should be documented in the plan for the restoration of critical systems, retention and restoration of data, and identification of key personnel.

**Condition:** The County has a disaster recovery plan in the event of a disaster involving its computer system. Since the plan was written, new computer systems and software have been implemented that make the disaster recovery plan outdated.

**Context:** With the increased importance of, and reliance on, data processing in the day-to-day operations of the County, an outdated or incomplete disaster recovery plan could delay the County's return to normal operations after a disaster.

**Effect:** Relying on an outdated disaster recovery plan exposes the County to potential risk to its critical IT systems and data.

**Cause:** The plan has not been updated since 1993.

**Recommendation:** We recommend the head of the County Data Processing Department update the disaster recovery plan to reflect new systems, software, and changes in personnel and operations that have occurred over the years since the plan was last updated.

**View of Responsible Official:** Acknowledge



# Carlton County Auditor/Treasurer

**Kevin DeVriendt**  
*Auditor/Treasurer*

**Kelly Lampel**  
*Chief Deputy Auditor/Treasurer*

**Auditor**  
P.O. Box 130  
Carlton, MN 55718  
Phone 218-384-9127

**Treasurer**  
P.O. Box 160  
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Phone 218-384-9125

## Representation of Carlton County Carlton, Minnesota

Corrective Action Plan  
For the Year Ended December 31, 2022

**Finding Number: 2022-001**

**Finding Title: Computer Risk Management**

Name of Contact Person Responsible for Corrective Action:

Peter Gould – IT Director in conjunction with Kevin DeVriendt Auditor-Treasurer.

Corrective Action Planned:

The County Board, in conjunction with IT staff, will work to develop a plan to ensure internal controls are in place so as to reduce the risk associated with the County computer systems. A 'draft' of the plan is being prepared for review and approval by the Carlton County Policy Committee; the plan has not yet been formally accepted by the County Board.

Anticipated Completion Date:

December 31, 2023

**Finding Number: 2022-002**

**Finding Title: Segregation of Duties**

Name of Contact Person Responsible for Corrective Action:

Kevin DeVriendt – County Auditor-Treasurer.

Corrective Action Planned:

The Carlton County Board of Commissioners is aware of the existing conditions with regard to the segregation of duties. To date, County management has implemented additional control procedures including adding monitors in specific departments, and having Auditor-Treasurer personnel perform periodic spontaneous cash counts. The Board and management do and will continue to review the duties and responsibilities of County Staff and to make appropriate changes where necessary and feasible.

Anticipated Completion Date:

December 31, 2023, and ongoing.

**Finding Number: 2022-003**  
**Finding Title: Capital Assets**

Name of Contact Person Responsible for Corrective Action:

Kevin DeVriendt – County Auditor-Treasurer.

Corrective Action Planned:

The County is working toward implementing a record-keeping system to track and report capital assets in accordance with GASB Statement No. 34. A capital asset policy is in the process of being drafted and approved. The County has done limited research to assist in the determination of their capital asset valuation and, if necessary, will contract with a vendor to assist in the recording of the County's capital assets and their valuations.

Anticipated Completion Date:

December 31, 2023.

**Finding Number: 2022-004**  
**Finding Title: Accounting Policies and Procedures Manual**

Name of Contact Person Responsible for Corrective Action:

Kevin DeVriendt – County Auditor-Treasurer.

Corrective Action Planned:

A manual has been prepared that includes previously passed policies approved by the board with accounting procedures.

Anticipated Completion Date:

December 31, 2023.

**Finding Number: 2022-005**  
**Finding Title: Journal Entries**

Name of Contact Person Responsible for Corrective Action:

Kevin DeVriendt – County Auditor-Treasurer.

Corrective Action Planned:

The County Auditor-Treasurer staff will review the access to journal entry functions so as to determine the need for access by selected employees. It is further the intent of the Auditor/Treasurer's Office to establish review and approval procedures for all journal entries. To date, a formal review and approval process policy has not been formally established and approved. The plan is to have the Fiscal Supervisor and the Fiscal Officer to review each other's Journal Entries.

Anticipated Completion Date:

December 31, 2023.

**Finding Number: 2022-006**  
**Finding Title: Audit Adjustments**

Name of Contact Person Responsible for Corrective Action:

Ann Ozan – Fiscal Supervisor II.

Corrective Action Planned:

Fiscal Supervisor will review receipts and receivables during the ninety days at the beginning of the new year and review again when preparing audit work papers to capture all receivables.

Anticipated Completion Date:

December 31, 2023.

**Finding Number: 2022-007**  
**Finding Title: Reporting**  
**Program: 11.307 Economic Adjustment Assistance**

Name of Contact Person Responsible for Corrective Action:

JinYeene Neumann – County Engineer and Carla McCullough – Highway Department Office Administrator.

Corrective Action Planned:

Review program and grant requirements to meet any reporting deadlines. Subsequent required reports were submitted in a timely manner for the remainder of 2022.

Anticipated Completion Date:

September 30, 2022.

**Finding Number: 2022-008**  
**Finding Title: LCTS Reporting**  
**Program: 93.778 Medical Assistance Program**

Name of Contact Person Responsible for Corrective Action:

Ann Ozan – Fiscal Supervisor II.

Corrective Action Planned:

Document the review of the public health, corrections, and school district quarterly reports. Review is being done when the state report is prepared, but not currently documented.

Anticipated Completion Date:

December 31, 2023.



**Finding Number: 2022-009**

**Finding Title: Publishing Claims Over \$2,000**

Name of Contact Person Responsible for Corrective Action:

Kevin DeVriendt – County Auditor-Treasurer.

Corrective Action Planned:

Publish claims over \$2,000 within the 30 days starting with the January 2024 claims exclusive of the public aid assistance and foster care payments issued by Carlton County Public Health and Human Services.

Anticipated Completion Date:

February 29, 2024.

**Finding Number: 2022-010**

**Finding Title: Publishing of Board Minutes**

Name of Contact Person Responsible for Corrective Action:

Kevin DeVriendt – County Auditor-Treasurer.

Corrective Action Planned:

The County Auditor-Treasurer staff will adjust their procedures to help streamline the process of getting the board minutes prepared, approved, and submitted to the newspaper to be published within the timelines set under Minnesota Statutes. The timing of the weekly newspaper publication deadlines and the two-week gap between meetings in some months will always create some publications being longer than 30 days. The draft minutes are posted on the County website within approximately two weeks of the meeting to inform the public.

Anticipated Completion Date:

December 31, 2023, and ongoing.

**Finding Number: 2022-011**

**Finding Title: Disaster Recovery Plan**

Name of Contact Person Responsible for Corrective Action:

Peter Gould – IT Director.

Corrective Action Planned:

The County Board, in conjunction with IT staff, will update the plan to ensure that adequate safety measures are in place in the event of a disaster involving the County's computer systems and software. To date, the County has taken steps to share a 'hosted' computer at an offsite location; the underlying disaster recovery plan has not been updated. A plan is being compiled to address the audit finding.

Anticipated Completion Date:

December 31, 2023.



# Carlton County Auditor/Treasurer

**Kevin DeVriendt**  
*Auditor/Treasurer*  
**Kelly Lampel**  
*Chief Deputy Auditor/Treasurer*

**Auditor**  
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**Treasurer**  
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## Representation of Carlton County Carlton, Minnesota

Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2022

**Finding Number: 2021-001**  
**Year of Finding Origination: 2006**  
**Finding Title: Computer Risk Management**

**Summary of Condition:** The County has internal controls in place for its computer system. However, the County has not developed a formal plan to identify and manage risks associated with its computer system.

**Summary of Corrective Action Previously Reported:** The County Board, in conjunction with IT staff, will work to develop a plan to ensure internal controls are in place so as to reduce the risk associated with the County computer systems. A 'draft' of the plan is being prepared for review and approval by the Carlton County Policy Committee; the plan has not yet been formally accepted by the County Board.

**Status:** Not Corrected. The County Board, in conjunction with IT staff, are continuing work on the development of a plan to address this issue.

Corrective action taken was not significantly different than the action previously reported.

**Finding Number: 2021-002**  
**Year of Finding Origination: 1996**  
**Finding Title: Segregation of Duties**

**Summary of Condition:** Several of Carlton County's departments that collect fees lack proper segregation of the accounting functions necessary to ensure adequate internal accounting control. Generally, one staff person is responsible for billing, collecting, depositing, and recording receipts, as well as reconciling the bank accounts.

**Summary of Corrective Action Previously Reported:** The Carlton County Board of Commissioners is aware of the existing conditions with regard to the segregation of duties. To date, County management has implemented additional control procedures including adding monitors in specific departments, and having Auditor-Treasurer personnel perform periodic spontaneous cash counts. The Board and management do and will continue to review the duties and responsibilities of County Staff and to make appropriate changes where necessary and feasible.

**Status:** Partially Corrected. Management has implemented compensating controls and additional oversight in some areas, and continues to monitor all areas. The Board and management do and will

continue to review the duties and responsibilities of County staff and make appropriate changes where necessary and feasible.

Corrective action taken was not significantly different than the action previously reported.

**Finding Number: 2021-003**

**Year of Finding Origination: 1996**

**Finding Title: Capital Assets**

**Summary of Condition:** The County does not maintain capital asset records which show cost or estimated historical cost, and has not properly reported capital assets in its government-wide financial statements.

**Summary of Corrective Action Previously Reported:** The County is working toward implementing a record-keeping system to track and report capital assets in accordance with GASB Statement No. 34. A capital asset policy is in the process of being drafted and approved. The County has done limited research to assist in the determination of their capital asset valuation and, if necessary, will contract with a vendor to assist in the recording of the County's capital assets and their valuations.

**Status:** Not Corrected. Capital asset records are still not completed and reported. The County continues to accumulate information and formulate a process for a capital asset management system to record and maintain accurate records of the County's capital assets.

Corrective action taken was not significantly different than the action previously reported.

**Finding Number: 2021-004**

**Year of Finding Origination: 1996**

**Finding Title: Jail Canteen**

**Summary of Condition:** The activity of the canteen fund is not fully accounted for on the general ledger of Carlton County. Profits are turned over to the County, but the remainder of the activity is not accounted for in the County's general ledger.

**Summary of Corrective Action Previously Reported:** The County Auditor-Treasurer staff, in conjunction with County Sheriff-Jail Division staff, are working to resolve this issue. For 2021, the net revenues and expenditures were recorded in the general ledger. New software was implemented in February 2022. The Auditor/Treasurer's Office is reconciling the bank statement each month now and will be able to record revenues and expenditures separately into our general ledger for 2022. Ongoing into 2023, the account is reconciled monthly and posted in accounting system quarterly.

**Status:** Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

**Finding Number: 2021-005**

**Year of Finding Origination: 2006**

**Finding Title: Accounting Policies and Procedures Manual**

**Summary of Condition:** Carlton County does not have a current and comprehensive accounting policies and procedures manual.

**Summary of Corrective Action Previously Reported:** A 'draft' of the manual has been prepared and is currently being reviewed by the Carlton County Policy Committee.

**Status:** Partially Corrected. A manual has been prepared in 2023 which includes existing policies already approved by policy committee.

Corrective action taken was not significantly different than the action previously reported.

**Finding Number: 2021-006**  
**Year of Finding Origination: 2006**  
**Finding Title: Journal Entries**

**Summary of Condition:** Appropriate County management does not review or approve journal entries made by staff.

**Summary of Corrective Action Previously Reported:** The County Auditor-Treasurer staff will review the access to journal entry functions so as to determine the need for access by selected employees. It is further the intent of the Auditor/Treasurer's Office to establish review and approval procedures for all journal entries. To date, a formal review and approval process policy has not been formally established and approved.

**Status:** Not Corrected. Continue to review and formulate a formal review process.

Corrective action taken was not significantly different than the action previously reported.

**Finding Number: 2021-007**  
**Year of Finding Origination: 2020**  
**Finding Title: Publication of Board Minutes**

**Summary of Condition:** We reviewed the affidavits of publication related to the publishing of a summary of County Board minutes for 2021 and found of the 25 published summaries reviewed, six were not published in the County's official newspaper within the 30-day requirement.

**Summary of Corrective Action Previously Reported:** The County Auditor-Treasurer staff will adjust their procedures to help streamline the process of getting the board minutes prepared, approved, and submitted to the newspaper to be published within the timelines set under Minnesota Statutes. The timing of the weekly newspaper publication deadlines and the two-week gap between meetings in some months will always create some publications being longer than 30 days. The draft minutes are posted on the County website within approximately two weeks of the meeting to inform the public.

**Status:** Partially Corrected. The timing of the board meetings, approval of previous minutes, and challenges of publishing in two weekly newspapers with early submission deadlines makes it unattainable to fully meet the publishing requirement. The timing on how the calendar falls in relation to board meetings and publishing dates creates the issue. We post online within a few days of approval to fill the gap for the publishing lag time. Majority of the dates are in compliance.

Corrective action taken was not significantly different than the action previously reported.

**Finding Number: 2021-008**  
**Year of Finding Origination: 1996**  
**Finding Title: Disaster Recovery Plan**

**Summary of Condition:** The County has a disaster recovery plan in the event of a disaster involving its computer system. Since the plan was written, new computer systems and software have been implemented that make the disaster recovery plan outdated.

**Summary of Corrective Action Previously Reported:** The County Board, in conjunction with IT staff, will update the plan to ensure that adequate safety measures are in place in the event of a disaster involving the County's computer systems and software. To date, the County has taken steps to share a 'hosted' computer at an offsite location; the underlying disaster recovery plan has not been updated.

**Status:** Partially Corrected. The IT Director developed, updated, and revised the disaster recovery plan and procedures in spring of 2023, so this should be fully corrected for 2023.

Corrective action taken was not significantly different than the action previously reported.

**Carlton County  
Carlton, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
<b>U.S. Department of Agriculture</b>			
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	222MN004W1003	\$ 143,889
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	222MN101S2514	<u>635,814</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ 779,703</u></b>
<b>U.S. Department of Commerce</b>			
Direct Economic Development Cluster Economic Adjustment Assistance	11.307		<b><u>\$ 1,224,725</u></b>
<b>U.S. Department of Justice</b>			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2022-CARLTNAO-044	\$ 55,758
Passed Through Minnesota Department of Health Children of Incarcerated Parents	16.831	189479	<u>37,650</u>
<b>Total U.S. Department of Justice</b>			<b><u>\$ 93,408</u></b>
<b>U.S. Department of Transportation</b>			
Direct Airport Improvement Program	20.106		\$ 471,927
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	1030009	267,439
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	0052-20-2D	14,250
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	F-OFFICR23-2023-CARLTNSD-5921	1,724
National Priority Safety Programs	20.616	F-OFFICR23-2023-CARLTNSD-5921	<u>3,930</u>
<b>Total U.S. Department of Transportation</b>			<b><u>\$ 759,270</u></b>
<b>U.S. Department of the Treasury</b>			
Direct COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		<b><u>\$ 2,413,218</u></b>

**Carlton County  
Carlton, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022  
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
<b>U.S. Department of Education</b>			
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board			
Special Education – Grants for Infants and Families	84.181	B04MC32551	\$ 1,702
Passed Through Minnesota Department of Employment and Economic Development			
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	Not Provided	<u>10,845</u>
<b>Total U.S. Department of Education</b>			<b><u>\$ 12,547</u></b>
<b>U.S. Department of Elections Assistance Commission</b>			
Passed Through Office of the Minnesota Secretary of State			
COVID-19 – 2018 HAVA Election Security Grants	90.404	G53HAVA2020	<b><u>\$ 32,346</u></b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board			
Public Health Emergency Preparedness	93.069	NU90TP922026	\$ 34,877
Early Hearing Detection and Intervention Information System	93.251	H6100035	1,500
COVID-19 – Immunization Cooperative Agreements	93.268	NH23IP922628	67,572
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	33,462
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP922188	22,970
Temporary Assistance for Needy Families	93.558	NGA 1801MNTANF	34,026
(Total Temporary Assistance for Needy Families 93.558 \$416,764)			
Medicaid Cluster			
Medical Assistance Program	93.778	2205MN5ADM	44,237
(Total Medical Assistance Program 93.778 \$1,930,838)			
Maternal, Infant, and Early Childhood Home Visiting Grant	93.870	X1043589	93,281
Maternal and Child Health Services Block Grant to the States	93.994	B04MC32551	32,151
Passed Through Minnesota Department of Human Services			
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	H79SM080155	36,230
Promoting Safe and Stable Families	93.556	2101MNFPS	23,528
Temporary Assistance for Needy Families	93.558	2201MNTANF	382,738
(Total Temporary Assistance for Needy Families 93.558 \$416,764)			
Child Support Enforcement	93.563	2201MNCES	94,046
Child Support Enforcement	93.563	2201MNCSES	933,125
(Total Child Support Enforcement 93.563 \$1,027,171)			
Refugee and Entrant Assistance – State Administered Programs	93.566	2201MNRCA	1,090
CCDF Cluster			
Child Care and Development Block Grant	93.575	2201MNCDF	11,333
Community-Based Child Abuse Prevention Grants	93.590	2102MNBCAP	17,661
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2101MNCWSS	8,978
Foster Care – Title IV-E	93.658	2201MNFOS	326,384
Adoption Assistance	93.659	2201MNADPT	6,029

**Carlton County  
Carlton, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022  
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Human Services (Continued)			
Social Services Block Grant	93.667	2201MNSOSR	275,339
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	11,427
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2201MNCILP	1,059
Children's Health Insurance Program Medicaid Cluster	93.767	2205MN5021	3,328
Medical Assistance Program	93.778	2205MN5MAP	11,346
Medical Assistance Program	93.778	2205MN5ADM	1,875,255
(Total Medical Assistance Program 93.778 \$1,930,838)			
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 4,382,972</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	3319FAS190127	\$ 9,382
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2021-CARLTNCO	23,361
Homeland Security Grant Program	97.067	F-OPSG-2019-CARLTNCO	67,225
Homeland Security Grant Program	97.067	F-OPSG-2020-CARLTNCO	15,126
Homeland Security Grant Program	97.067	F-SHSP-2020-HSEM2CC	40,880
Homeland Security Grant Program	97.067	F-SHSP-2021-HSEM2CC	114,000
(Total Homeland Security Grant Program 97.067 \$237,231)			
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 269,974</b>
<b>Total Federal Awards</b>			<b>\$ 9,968,163</b>

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2022.

**Totals by Cluster**

Total expenditures for SNAP Cluster	\$ 635,814
Total expenditures for Economic Development Cluster	1,224,725
Total expenditures for Highway Planning and Construction Cluster	281,689
Total expenditures for Highway Safety Cluster	5,654
Total expenditures for CCDF Cluster	11,333
Total expenditures for Medicaid Cluster	1,930,838



# Carlton County Carlton, Minnesota

## Notes to the Schedule of Expenditures of Federal Awards As of and for the Year Ended December 31, 2022

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### Note 1 – Summary of Significant Accounting Policies

#### Reporting Entity

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

#### Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Carlton County under programs of the federal government for the year ended December 31, 2022. 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 Carlton County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Carlton 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.

### Note 2 – De Minimis Cost Rate

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

### Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

#### Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 10,994,179
Grants received more than 60 days after year-end, considered unavailable revenue in 2022	
Economic Adjustment Assistance (AL No. 11.307)	119,700
Airport Improvement Program (AL No. 20.106)	195,361
Highway Planning and Construction (AL No. 20.205)	16,882
Unavailable revenue in 2021, recognized as revenue in 2022	
Airport Improvement Program (AL No. 20.106)	(264,292)
Highway Planning and Construction (AL No. 20.205)	(23,124)
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (AL No. 21.027)	<u>(1,070,543)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 9,968,163</u>