

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

BENTON COUNTY
FOLEY, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**BENTON COUNTY
FOLEY, MINNESOTA**

Year Ended December 31, 2016



Management and Compliance Report

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

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**BENTON COUNTY
FOLEY, MINNESOTA**

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

Independent Auditor's Report

Board of County Commissioners
Benton County
Foley, 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 Benton County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Benton 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.

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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and an item that we consider to be a significant deficiency.

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 attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2006-002 and 2016-001 to be material weaknesses and item 1996-004 to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Benton County has no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Benton County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as items 2016-002 and 2016-003. 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.

Other Matters

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.

Benton County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 7, 2017

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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
Benton County
Foley, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Benton County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. Benton 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 Benton 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 Benton County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Benton 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 major federal programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

Benton County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Benton 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.

Report on Internal Control Over Compliance

Management of Benton 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 not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001, that we consider to be a significant deficiency.

Benton County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Benton 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.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated September 7, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 7, 2017

**BENTON COUNTY
FOLEY, MINNESOTA**

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

The major programs are:

Highway Planning and Construction	CFDA No. 20.205
Temporary Assistance for Needy Families	CFDA No. 93.558

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

Benton County qualified as a low-risk auditee? **Yes**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 1996-004

Departmental Internal Accounting - Segregation of Duties

Criteria: A good system of internal control provides for adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: Several of the County's departments lack proper segregation of duties. Offices that do not have sufficient segregation of duties include Development (Planning and Zoning), Recorder's Office, and Human Services. Improper segregation of duties may exist at other departments as well. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts.

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Benton 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 accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us that due to the available resources, it would not be able to hire additional qualified accounting staff to segregate duties in every department.

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

View of Responsible Official: Concur

Finding Number 2006-002

Audit Adjustments

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: During our audit, we identified material adjustments that resulted in significant changes to the County's financial statements. The adjustments were reviewed and approved by the appropriate staff and are reflected in the financial statements.

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

Effect: The following audit adjustments were necessary to be recorded because they significantly affected the financial statements:

Governmental Activities

- Increased construction in progress and decreased highway and streets expenditures by \$6,190,025 to properly record capital asset additions.

Road and Bridge Special Revenue Fund

- Increased due from other governments and federal intergovernmental revenue (CFDA No. 20.205) by \$771,246 to record a receivable for work performed in 2016 for project SP 005-603-029, and
- Increased due from other governments and deferred inflows of resources - unavailable revenue by \$438,849 to record the entire balance invoiced to the City of Sauk Rapids for work performed in 2016.

Aggregate Remaining Fund Information

- Decreased miscellaneous revenue and increased deferred inflows of resources - unavailable revenue by \$380,253 in the Economic Development Special Revenue Fund to defer revenue related to the issuance of loans in 2016.

Cause: The County has limited staff and experience in preparing financial statements which, in turn, does not allow proper review of the financial statements prepared by its independent contractor.

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

View of Responsible Official: Concur

ITEM ARISING THIS YEAR

Finding Number 2016-001

Prior Period Adjustment

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. One indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of a material misstatement due to error.

Condition: During our audit of the Road and Bridge Special Revenue Fund and the Capital Projects Fund, we identified the need to restate beginning fund balances to correct contracts payable that was recorded in the incorrect fund in the prior year.

Context: The need for prior period adjustments can raise doubts as to the reliability of Benton County's financial information being presented. Historically, there has not been contracts payable in the Capital Projects Fund.

Effect: The January 1, 2016, fund balances of the Road and Bridge Special Revenue Fund and the Capital Projects Fund were restated by \$581,041 to properly record contracts payable in the Capital Projects Fund instead of the Road and Bridge Special Revenue Fund. Also, an audit adjustment was necessary in the current year to reverse contracts payable and adjust highways and streets expenditures to the correct fund.

Cause: The County has limited staff and experience in preparing financial statements which, in turn, does not allow proper review of the financial statements prepared by its independent contractor.

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2015-001

Subrecipient Monitoring

Program: U.S. Department of Health and Human Services' Temporary Assistance for Needy Families (CFDA No. 93.558), Award #1601MFTANF, 2016

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. Also, the County must comply with the requirements for pass-through entities as identified in Title 2 U.S. *Code of Federal Regulations* § 200.331, such as clearly identifying the award to the subrecipient; evaluating the subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the award; monitoring the activities of the subrecipient; and verifying the subrecipient is audited, if required.

Condition: The County did not complete a risk assessment over its subrecipient; did not include federal information in its subrecipient agreement (such as CFDA number, federal compliance requirements, etc.); and does not have written procedures for monitoring subrecipients.

Questioned Costs: None.

Context: The County completed an on-site visit in October 2016, and related controls were determined effective. In December 2016, the County developed a pre-award assessment form.

Effect: The County is not meeting federal regulations pertaining to subrecipient monitoring.

Cause: Prior to 2015, the County considered its subrecipient to be a contractor, where subrecipient monitoring requirements would not apply. Prior to 2016, the County has not had experience monitoring subrecipients. The 2016 subrecipient agreement had already been created and signed prior to the audit of this program.

Recommendation: We recommend the County document a risk assessment and monitoring procedures, as well as include federal information in its contracts with subrecipients in agreement with Title 2 U.S. *Code of Federal Regulations* § 200.331.

View of Responsible Official: Concur

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEMS ARISING THIS YEAR

Finding Number 2016-002

Insufficient Collateral

Criteria: Government entities are required by Minn. Stat. § 118A.03, subds. 1 and 3, to obtain collateral or a corporate surety bond to secure deposits to the extent funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

Condition: The County's deposits at Falcon Bank were undercollateralized by \$305,990 at December 31, 2016. Also, in reviewing the client's calculations of collateral coverage, the auditor noted that book values for collateral and deposit balances were used instead of market or bank balances and, in some instances, the incorrect FDIC amount was used.

Context: Per the County's calculations, Falcon Bank was undercollateralized in December, November, October, and September. The auditor tested December and October, and December did not have sufficient collateral.

Effect: When there is insufficient collateral with a bank, the Board may not receive all deposits in the event of bank default.

Cause: Oversight with the election season.

Recommendation: We recommend the County implement procedures to ensure the County is adequately covered by collateral when deposit balances increase. Also, we recommend the County modify its collateral review procedures to ensure the correct balances are used for collateral, deposits, and FDIC.

View of Responsible Official: Concur

Finding Number 2016-003

Individual Ditch System Cash Deficits

Criteria: Minn. Stat. §103E.655 requires that drainage system costs be paid from the ditch system account for which the costs are being incurred. If money is not available in the drainage system account on which the warrant is drawn, this statute allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay expenditures. Such loans must be paid back with interest.

Condition: The County had ditch systems with individual deficit cash balances at December 31, 2016.

Context: As of December 31, 2016, two County ditches had deficit cash balances totaling \$28,195.

Effect: The County is not in compliance with Minnesota statutes by having ditch systems with negative cash balances at year-end.

Cause: The County indicated that repairs on the ditch systems are made during the year, and assessments to cover the costs were not approved before year-end.

Recommendation: We recommend the County eliminate the cash deficits by borrowing from eligible funds with surplus cash balances under Minn. Stat. § 103E.655.

View of Responsible Official: Concur

B. MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

Finding Number 2016-004

County Ditch Deficit Fund Balances

Criteria: Each individual ditch system should be maintained with a positive balance to meet its financial obligations.

Condition: As of December 31, 2016, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balance amounts.

Context: Three of the five individual ditch systems had deficit fund balances as of December 31, 2016, totaling \$36,226.

Effect: Ditch systems with deficit fund balances indicate that measures have not been taken to ensure that the ditch can meet financial obligations.

Cause: The County indicated that repairs on the ditch systems are made during the year, and assessments to cover the costs were not approved before year-end.

Recommendation: We recommend that the County continue to monitor the balances of the ditch systems and eliminate the fund deficit balances by approving the necessary special assessments whenever practical.

View of Responsible Official: Concur

**REPRESENTATION OF BENTON COUNTY
FOLEY, MINNESOTA**

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

Finding Number: 1996-004

Finding Title: Departmental Internal Accounting - Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Various

Corrective Action Planned:

Benton County will review the assignment of duties within the Departments noted and will determine if new internal controls can be implemented and duties further segregated to reduce the risks of financial losses. Opportunities to segregate functions may not be possible with limited staff, nor may it be affordable to increase staffing for this purpose. The County must weigh the benefits of reduced risks against the cost of new staff.

Anticipated Completion Date:

Ongoing

Finding Number: 2006-002

Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Jackie Traut, Accounting Supervisor

Corrective Action Planned:

Benton County reviews the financial statements compiled by its independent contractor. Limited staffing and lack of experience preparing accrual-based financial statements require the County to utilize outside assistance for this compilation. The County will continue to review the compilation and will strive to detect and correct material misstatements, with the goal of reducing audit adjustments.

Anticipated Completion Date:

Ongoing

Finding Number: 2016-001

Finding Title: Prior Period Adjustment

Name of Contact Person Responsible for Corrective Action:

Jackie Traut, Accounting Supervisor

Corrective Action Planned:

Benton County reviews financial statements compiled by its independent contractor and the adjustments suggested by the Minnesota State Auditor. The County will continue to review the compilation and suggested adjustments and try to detect any material misstatements or prior period adjustments.

Anticipated Completion Date:

Ongoing

Finding Number: 2015-001

Finding Title: Subrecipient Monitoring

Program: Temporary Assistance for Needy Families (CFDA No. 93.558)

Name of Contact Person Responsible for Corrective Action:

Peggy Koscielniak

Corrective Action Planned:

The County has written monitoring procedures. Contracts issued in 2017 and beyond include federal information in its subrecipient agreement. Risk assessment forms will be completed prior to awarding any contracts with federal funds.

Anticipated Completion Date:

October 2017

Finding Number: 2016-002
Finding Title: Insufficient Collateral

Name of Contact Person Responsible for Corrective Action:

Nadean Inman, Interim Auditor-Treasurer

Corrective Action Planned:

Work with the depository to obtain sufficient collateral coverage for all collateral pledged to secure the County deposits and improve process to ensure the assignment is on record for all depositories on an ongoing basis.

Anticipated Completion Date:

January 2017

Finding Number: 2016-003
Finding Title: Individual Ditch System Cash Deficits

Name of Contact Person Responsible for Corrective Action:

Jackie Traut, Accounting Supervisor

Corrective Action Planned:

Benton County is currently incurring costs related to individual ditch systems within the County. Once the project is complete and all expenses have been paid, the County plans to loan funds to the individual ditch systems to eliminate the negative cash balances.

Anticipated Completion Date:

December 2018

Finding Number: 2016-004
Finding Title: County Ditch Deficit Fund Balances

Name of Contact Person Responsible for Corrective Action:

Jackie Traut, Accounting Supervisor

Corrective Action Planned:

Benton County is currently incurring costs related to individual ditch systems within the County. Once the project is complete and all expenses have been paid, the County plans to loan funds to the individual ditch systems to eliminate the negative fund balances.

Anticipated Completion Date:

December 2018

**REPRESENTATION OF BENTON COUNTY
FOLEY, MINNESOTA**

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

Finding Number: 1996-004

Finding Title: Departmental Internal Accounting - Segregation of Duties

Summary of Condition: Several of the County's departments lack proper segregation of duties. Offices that do not have sufficient segregation of duties included Development (Planning and Zoning), Recorder's Office, and Human Services.

Summary of Corrective Action Previously Reported: Benton County will review the assignment of duties within the Departments noted and will determine if new internal controls can be implemented and duties further segregated to reduce the risks of financial losses.

Status: Not Corrected. Benton County will continue to review the assignment of duties within the Departments noted and will determine if new internal controls can be implemented and duties further segregated to reduce the risks of financial losses. Opportunities to segregate functions may not be possible with limited staff, nor may it be affordable to increase staffing for this purpose. The County must weigh the benefits of reduced risks against the cost of new staff.

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

Finding Number: 2006-002

Finding Title: Audit Adjustments

Summary of Condition: Audit adjustments were proposed that resulted in significant changes to the County's financial statements. The adjustments were reviewed and approved by the appropriate staff and were reflected in the financial statements.

Summary of Corrective Action Previously Reported: Benton County reviews the financial statements compiled by its independent contractor. Limited staffing and a lack of experience preparing accrual-based financial statements require the County to utilize outside assistance for this compilation. The County will continue to review the compilation and will strive to detect and correct material misstatements, with the goal of reducing audit adjustments.

Status: Not Corrected. Benton County reviews the financial statements compiled by its independent contractor. Limited staffing and a lack of experience preparing accrual-based financial statements require the County to utilize outside assistance for this compilation. The County will continue to review the compilation and will strive to detect and correct material misstatements, with the goal of reducing audit adjustments.

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

Finding Number: 2015-001

Finding Title: Subrecipient Monitoring

Program: Temporary Assistance for Needy Families (CFDA No. 93.558)

Summary of Condition: The County did not perform any monitoring procedures over its subrecipient in 2015.

Summary of Corrective Action Previously Reported: Benton County has subrecipient monitoring procedures in place to meet Title 2 *U.S. Code of Federal Regulations* § 200.331 requirements. Benton County will be evaluating all new contractors to determine if they are considered a contractor or a subrecipient.

Status: Partially Corrected. All required information is included with 2017 contracts. Written procedures will be in place by September 30, 2017.

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

**BENTON COUNTY
FOLEY, MINNESOTA**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants and Children	10.557	16162MN004W1003	\$ 253,902	\$ -
Passed through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	<u>291,138</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>\$ 545,040</u>	<u>\$ -</u>
U.S. Department of Justice				
Direct Bulletproof Vest Partnership Program	16.607		<u>\$ 3,300</u>	<u>\$ -</u>
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	00005	\$ 66,408	\$ -
Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$2,657,032)	20.205	1000300	2,590,624	-
Passed Through Minnesota Department of Public Safety Highway Safety Cluster National Priority Safety Programs (Total National Priority Safety Programs 20.616 \$12,476)	20.616	F-CMPTR16-2016- BENTONSD-1765	9,529	-
Passed Through City of St. Cloud Highway Safety Cluster State and Community Highway Safety	20.600	F-ENFRC16-2016- STCLOUDPD-052	4,125	-
National Priority Safety Programs	20.616	F-ENFRC16-2016- STCLOUDPD-052	1,301	-
National Priority Safety Programs (Total National Priority Safety Programs 20.616 \$12,476) (Total expenditures for Highway Safety Cluster \$16,601)	20.616	F-ENFRC17-2017- STCLOUDPD-052	1,646	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC16-2016- STCLOUDPD-052	3,157	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$6,228)	20.608	F-ENFRC17-2017- STCLOUDPD-052	3,071	-
Total U.S. Department of Transportation			<u>\$ 2,679,861</u>	<u>\$ -</u>

**BENTON COUNTY
FOLEY, MINNESOTA**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Education				
Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	12-700-00103	\$ 1,933	\$ -
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	NU90TP000529-05-03	\$ 34,770	\$ -
Universal Newborn Hearing Screening	93.251	61MC00035	875	-
Immunization Cooperative Agreements	93.268	NH231P000737	300	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$556,392)	93.558	1601MFTANF	43,822	-
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	40,842	-
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-1601MNFPS	8,140	-
Temporary Assistance for Needy Families	93.558	1601MFTANF	438,232	390,219
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$556,392)	93.558	1601MNTANF	74,338	-
Child Support Enforcement	93.563	1604MNCSES	43,900	-
Child Support Enforcement (Total Child Support Enforcement 93.563 \$866,376)	93.563	1604MNCES	822,476	-
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCA	273	-
Child Care and Development Block Grant	93.575	G1601MNCCDF	27,733	-
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRG	6,259	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	4,780	-
Foster Care - Title IV-E	93.658	1601MNFOS	283,188	-
Social Services Block Grant	93.667	16-01MNSOSR	249,823	-
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	2,462	-
Medical Assistance Program	93.778	05-1605MN5ADM	1,125,351	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,135,592)	93.778	05-1605MN5MAP	10,241	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	T1010027-15	640	-
Total U.S. Department of Health and Human Services			\$ 3,218,445	\$ 390,219
U.S. Department of Homeland Security				
Passed through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	F-EMPG-2016- BENTONCO	\$ 24,187	\$ -
Total Federal Awards			\$ 6,472,766	\$ 390,219

**BENTON COUNTY
FOLEY, MINNESOTA**

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

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Benton County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Benton County, it is not intended to and does not present the financial position or changes in net position of Benton County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Benton County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**BENTON COUNTY
FOLEY, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 6,748,756
Grants received more than 60 days after year-end, unavailable in 2016	
Special Education - Grants for Infants and Families	483
Promoting Safe and Stable Families	873
Temporary Assistance for Needy Families	142,072
Child Care and Development Block Grant	1,925
Community-Based Child Abuse Prevention Grants	2,937
Stephanie Tubbs Jones Child Welfare Services Program	920
Chafee Foster Care Independence Program	1,432
Grants received more than 60 days after year-end, unavailable in 2015	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	(62,189)
Temporary Assistance for Needy Families	(40,021)
Child Support Enforcement	(117,357)
Refugee and Entrant Assistance - State-Administered Programs	(430)
Foster Care - Title IV-E	(5,419)
Medical Assistance Program	<u>(201,216)</u>
 Expenditures Per Schedule of Federal Awards	 <u>\$ 6,472,766</u>