

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

OLMSTED COUNTY
ROCHESTER, 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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**OLMSTED COUNTY
ROCHESTER, 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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**OLMSTED COUNTY
ROCHESTER, 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
Olmsted County
Rochester, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Olmsted 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 June 7, 2017. Our report includes a reference to other auditors who audited the financial statements of the Olmsted County HRA Enterprise Fund, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material

weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Olmsted 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.

In connection with our audit, nothing came to our attention that caused us to believe that Olmsted County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

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

June 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
Olmsted County
Rochester, Minnesota

Report on Compliance for the Major Federal Program

We have audited Olmsted 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 the County's major federal program for the year ended December 31, 2016. Olmsted County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Olmsted County's basic financial statements include the operations of the Olmsted County Housing and Redevelopment Authority (HRA), which expended \$4,318,556 in federal awards during the year ended December 31, 2016, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Olmsted County HRA Enterprise Fund because other auditors were engaged to perform a single audit in accordance with the Uniform Guidance.

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 Olmsted County's major federal program 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 Olmsted 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

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

As described in the accompanying Schedule of Findings and Questioned Costs, Olmsted County did not comply with requirements regarding CFDA No. 93.778, Medical Assistance Program, as described in finding number 2016-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the Basics for Qualified Opinion paragraph, Olmsted County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended December 31, 2016.

Olmsted County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Olmsted 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 Olmsted 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness.

Olmsted County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Olmsted 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, the business-type activities, each major fund, and the aggregate remaining fund information of Olmsted 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 June 7, 2017, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Olmsted County HRA Enterprise Fund, which was audited by other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Olmsted 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

June 7, 2017

**OLMSTED COUNTY
ROCHESTER, MINNESOTA**

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major federal programs: **Qualified for Medical Assistance Program**

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

The major federal program is:

Medical Assistance Program

CFDA No. 93.778

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

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

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding Number 2016-001

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award #05-1605MN5ADM, 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 award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, the following exceptions were detected in our sample of 40 cases tested:

- For 1 case file, the full application was not maintained in the file. There was no documentation that would allow the financial worker to verify the participant's eligibility information.
- For 2 case files, the citizenship status noted in the MAXIS system could not be verified.
- For 2 case files, the participant's application indicated that there was other health insurance; however, the information was not listed in MAXIS.

- For 6 case files, the participant’s income information entered in the MAXIS system did not match the supporting documentation provided or was not being verified with other agencies in the state.
- For 11 case files, the asset information in MAXIS did not match the supporting documentation provided by the client.

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

Context: The State of Minnesota contracts with the County Health and Human Services Department to perform the “intake function” (meeting with the social services client to determine income and categorical eligibility), while the Minnesota Department of Human Services maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

The sample size was based on guidance from chapter 21 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Missing information, or the improper input of information into MAXIS, increases the risk that participants will receive benefits when they are not eligible.

Cause: County program personnel entering case information into MAXIS did not ensure all required information was verified as required.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly obtained and input into MAXIS. Consideration should be given to providing additional training to program personnel.

View of Responsible Official: Olmsted County acknowledges the finding and concludes that the exceptions noted in this finding had no impact on the determination of a client’s eligibility for medical assistance.

IV. PREVIOUSLY REPORTED ITEM RESOLVED

2015-001 Segregation of Duties - Disbursements

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**REPRESENTATION OF OLMSTED COUNTY
ROCHESTER, MINNESOTA**

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

Finding Number: 2016-001

Finding Title: Eligibility

Medical Assistance Program (CFDA 93.778)

Name of Contact Person Responsible for Corrective Action:

Armin Budimlic

Corrective Action Planned:

Additional training is planned in June 2017 for all MAXIS staff to avoid these types of errors in the future. Once this training has been completed, new procedures, including a new review tool, will be put in place to help ensure that eligibility determinations are properly obtained and entered into MAXIS. Staff will be expected to audit some of their own cases, and managers will perform internal audits as well.

Anticipated Completion Date:

June 2017

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**REPRESENTATION OF OLMSTED COUNTY
ROCHESTER, MINNESOTA**

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

Finding Number: 2015-001

Finding Title: Segregation of Duties - Disbursements

Summary of Condition: The County established procedures to have turnaround reports compared to the original invoices prior to the disbursement of funds. This procedure is to be performed by an employee independent of input of disbursements into the accounting system. Three of the 40 turnaround reports tested were not reviewed.

Summary of Corrective Action Previously Reported: The use of COR360 has become Olmsted County's standard method for payment and workflow approval of invoices. Exceptions to this standard (invoices that cannot be processed using COR360) are paid with a GAX document. GAX documents are now processed through workflow within our CGI accounting system, a process that automatically captures the review and approval of GAX documents similar to the COR360 process. This change has eliminated the need for the turnaround report that was formerly reviewed manually by departmental staff. An exception is for processing Social Service Information System (SSIS) and Cost Effective Health Insurance (CEHI) disbursements, for which a turnaround report approval is still used, but this finding was not for those payment types.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

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**OLMSTED COUNTY
ROCHESTER, 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	\$ 889,914	\$ -
Passed through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	1,018,297	-
Passed through Minnesota Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	16162MN992Y8604	<u>1,851</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>\$ 1,910,062</u>	<u>\$ -</u>
U.S. Department of Commerce				
Passed Through Southeast Minnesota Regional Emergency Communications Board State and Local Implementation Grant Program	11.549	F-SLIGP-2013- SEECB-1510	<u>\$ 4,060</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development				
Direct Continuum of Care Program	14.267		<u>\$ 115,022</u>	<u>\$ 115,022</u>
U.S. Department of Justice				
Direct State Criminal Alien Assistance Program	16.606		<u>\$ 42,304</u>	<u>\$ -</u>
U.S. Department of Transportation				
Passed through Minnesota Department of Transportation Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	MN-2016-001-00	\$ 475,279	\$ -
Passed through Minnesota Department of Natural Resources Recreational Trails Program	20.219	TRAL021	75,000	-
Passed through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	F-ENFTC16-2016- OLMSTESD-1781	21,630	-
National Priority Safety Programs	20.616	F-ENFTC16-2016- OLMSTESD-1781	61,537	-
(Total expenditures for Highway Safety Cluster \$83,167)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFTC16-2016- OLMSTESD-1781	<u>125,158</u>	<u>-</u>
Total U.S. Department of Transportation			<u>\$ 758,604</u>	<u>\$ -</u>

**OLMSTED COUNTY
ROCHESTER, 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	H18A150029	\$ 1,933	\$ -
U.S. Department of Health and Human Services				
Direct				
Food and Drug Administration Research	93.103		\$ 68,022	\$ -
Family Connection Grants	93.605		155,064	-
Passed through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	T-U90TP000529	92,620	-
Universal Newborn Hearing Screening	93.251	H61MC00035-16-02	2,275	-
Immunization Cooperative Agreements	93.268	H23IP000737	13,150	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	UR3DD000842	450	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$1,771,635)	93.558	2015G996115	151,440	-
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	141,143	-
Passed through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1601MNFPS	115,379	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$1,771,635)	93.558	1601MNTANF	1,620,195	-
Child Support Enforcement	93.563	1604MNCEST	2,620,737	-
Child Support Enforcement (Total Child Support Enforcement 93.563 \$2,879,913)	93.563	1604MNCSES	259,176	-
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRMA	946	-
Child Care and Development Block Grant	93.575	G1601MNCDF	220,086	220,086
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPG	72,785	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	17,274	-
Foster Care - Title IV-E	93.658	1601MNFOS	1,363,832	-
Social Services Block Grant	93.667	16-01MNSOSR	669,464	-
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	12,316	-
Medical Assistance Program	93.778	05-1605MN5ADM	6,174,735	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$6,213,430)	93.778	05-165MN5MAP	38,695	-

**OLMSTED COUNTY
ROCHESTER, 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 Health and Human Services (Continued)				
Passed through Mayo Clinic				
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	1G1CMS331168	70,417	-
Aging Research	93.866	R01AG034676	29,495	-
Total U.S. Department of Health and Human Services			\$ 13,909,696	\$ 220,086
U.S. Department of Homeland Security				
Passed through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	OLMSTED FBG-100616	\$ 2,517	\$ -
Passed through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	F-EMPG-2016- OLMSTECO-1648	66,065	-
Passed through Southeast Minnesota Regional Emergency Communications Board Homeland Security Grant Program	97.067	F-DECN-SHSP-2014- SE-ECB-1217	2,129	-
Total U.S. Department of Homeland Security			\$ 70,711	\$ -
Total Federal Awards			\$ 16,812,392	\$ 335,108

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**OLMSTED COUNTY
ROCHESTER, 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 Olmsted County. Olmsted County's financial statements include the operations of the Olmsted County Housing and Redevelopment Authority (HRA), a blended component unit of Olmsted County, which expended \$4,318,556 in federal awards during the year ended December 31, 2016. The HRA's federal awards are not included in the Schedule of Expenditures of Federal Awards, which had a separate single audit. 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 Olmsted 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 Olmsted County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Olmsted County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Olmsted County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**OLMSTED COUNTY
ROCHESTER, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 22,499,759
Grants received more than 45 days after year-end, unavailable revenue in 2016	
Special Supplemental Nutrition Program for Women, Infants, and Children	39,546
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	194,290
Highway Planning and Construction	67,979
Special Education - Grants for Infants and Families	483
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	150
Temporary Assistance for Needy Families	470,285
Child Support Enforcement	275,410
Child Care and Development Block Grant	18,340
Foster Care Title IV-E	4,697
Chafee Foster Care Independence Program	10,158
Medical Assistance Program	74,550
Local Collaborative Time Study (LCTS) - Earned by Olmsted County Children's Collaborative, an agency fund of the County. These grant dollars are required in Olmsted County's Schedule of Expenditures of Federal Awards, but are not Olmsted County's revenue and are, therefore, excluded from the County's Schedule of Intergovernmental Revenue	
Foster Care Title IV-E	108,245
Medical Assistance Program	352,348
Unavailable in 2015, recognized as revenue in 2016	
Special Supplemental Nutrition Program for Women, Infants, and Children	(25,459)
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	(226,427)
Highway Planning and Construction	(464,987)
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	(96,926)
Promoting Safe and Stable Families	(37,526)
Temporary Assistance for Needy Families	(400,018)
Child Support Enforcement	(405,909)
Refugee and Entrant Assistance - State-Administered Programs	(1,623)
Community-Based Child Abuse Prevention Grants	(12,140)
Stephanie Tubbs Jones Child Welfare Services Program	(6,530)
Foster Care Title IV-E	(210,888)
Chafee Foster Care Independence Program	(4,711)
Medical Assistance Program	(1,085,987)
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	(5,371)
Nonpoint Source Implementation Grants	(790)
The Olmsted County HRA Enterprise Fund is not included in Olmsted County's Schedule of Expenditures of Federal Awards. That information is included in the separately issued financial statements of the HRA.	(4,318,556)
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Expenditures Per Schedule of Expenditures of Federal Awards	\$ 16,812,392