

LAFAYETTE COUNTY

Darlington, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2016

LAFAYETTE COUNTY

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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 AUDITORS' REPORT

To the County Board of Supervisors
Lafayette County
Darlington, Wisconsin

We have audited, in accordance with the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lafayette County, Wisconsin as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Lafayette County's basic financial statements, and have issued our report thereon dated September 20, 2017. Our report includes a reference to other auditors who audited the financial statements of the Memorial Healthcare Foundation, Inc., the discretely presented component unit, and the Memorial Hospital of Lafayette County, a major enterprise fund, as described in our report on Lafayette 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 Lafayette County's internal control over financial reporting (internal control) 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 Lafayette County's internal control. Accordingly, we do not express an opinion on the effectiveness of Lafayette County's internal control.

A deficiency in internal control 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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be material weaknesses.

To the County Board of Supervisors
Lafayette County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lafayette 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*.

Lafayette County's Response to Findings

Lafayette County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lafayette 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Veitchau Krause, LLP

Madison, Wisconsin
September 20, 2017

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND THE
STATE SINGLE AUDIT GUIDELINES

INDEPENDENT AUDITORS' REPORT

To the County Board of Supervisors
Lafayette County
Darlington, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited Lafayette County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of Lafayette County's major federal and major state programs for the year ended December 31, 2016. Lafayette County's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Lafayette County's major federal and major state 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; 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); and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance and the *State Single Audit Guidelines* 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 or a major state program occurred. An audit includes examining, on a test basis, evidence about Lafayette County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the County Board of Supervisors
Lafayette County

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

Opinion on Each Major Federal and Major State Program

In our opinion, Lafayette 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 and major state 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 or the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2016-003. Our opinion on each major federal and major state program is not modified with respect to this matter.

Lafayette County's Response to Finding

Lafayette County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Lafayette 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 Lafayette 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 Lafayette County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state 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 and major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, 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 Lafayette 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 or state 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 or state 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 or state 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.

To the County Board of Supervisors
Lafayette County

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 certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003, that we consider to be a significant deficiency.

Lafayette County's Response to Finding

Lafayette County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Lafayette 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.

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 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the *State Single Audit Guidelines*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lafayette County, Wisconsin as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Lafayette County's basic financial statements. We issued our report thereon dated September 20, 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 the basic financial statements. Our report includes a reference to other auditors who audited the financial statements of the Memorial Healthcare Foundation, Inc. and the Memorial Hospital of Lafayette County, as described in our report on Lafayette County's financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the *State Single Audit Guidelines* and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
September 27, 2017

LAFAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2016

Grantor Agency / Program Title	Federal CFDA Number	Pass- Through Agency	Pass- Through Agency ID	Expenditures
FEDERAL PROGRAMS				
U.S. Department of Agriculture				
SNAP Cluster				
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	10.561	DHS	284, 298	\$ 23,620
Total SNAP Cluster				<u>23,620</u>
Total U.S. Department of Agriculture				<u>23,620</u>
U.S. Department of Education				
Special Education-Grants for Infants and Families	84.181	DHS	056-610	<u>13,047</u>
Total U.S Department of Education				<u>13,047</u>
U. S. Department of Health and Human Services				
Title III, Part D - Preventive Health	93.043	GWAAR	560510	233
Aging Cluster				
Special Programs for the Aging, Title III, Part B	93.044	GWAAR	560340	<u>15,293</u>
Total Aging Cluster				<u>15,293</u>
National Family Caregiver Support, Title III, Part E	93.052	GWAAR	560520	2,096
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)				
Aligned Cooperative Agreements	93.074	DHS	056-610	42,992
Immunization Cooperative Agreements	93.268	DHS	056-610	6,840
State Health Insurance Assistance Program	93.324	GWAAR	N/A	2,619
Promoting Safe and Stable Families	93.556	DCF	CORE 2016	33,310
TANF Cluster				
Temporary Assistance for Needy Families	93.558	DHS	056-610	40,610
Temporary Assistance for Needy Families	93.558	DCF	CORE 2016	<u>54,836</u>
Total TANF Cluster				<u>95,446</u>
Child Support Enforcement	93.563	DCF	CORE 2016	131,325
Low Income Home Energy Assistance Block Grant	93.568	DOA	N/A	14,452

LAFAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2016

Grantor Agency / Program Title	Federal CFDA Number	Pass- Through Agency	Pass- Through Agency ID	Expenditures
FEDERAL PROGRAMS (cont.)				
U. S. Department of Health and Human Services (cont.)				
CCDF Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	DCF	CORE 2016	\$ 11,298
Total CCDF Cluster				<u>11,298</u>
Foster Care - Title IV-E	93.658	DCF	CORE 2016	118,482
ARRA-Adoption Assistance	93.659	DCF	CORE 2016	7,795
Social Services Block Grant	93.667	DHS	056-610	76,579
Chafee Foster Care Independence Program	93.674	DCF	CORE 2016	5,074
Children's Health Insurance Program	93.767	DHS	056-610	3,092
Medicaid Cluster				
Medical Assistance Program	93.778	DHS	056-610	33,534
Medical Assistance Program - I&A EBS/OCI Replacement	93.778	GWAAR	N/A	15,740
Medical Assistance Program - WIMCR	93.778	DHS	056-610	829
Medical Assistance Program - CLTS	93.778	DHS	056-610	29,707
Total Medicaid Cluster				<u>79,810</u>
Block Grants for Community Mental Health Services	93.958	DHS	056-610	28,271
Block Grants for Prevention and Treatment of Substance Abuse	93.959	DHS	056-610	23,015
Maternal and Child Health Services Block Grant	93.994	DHS	056-610	9,014
Total U.S. Department of Health and Human Services				<u>707,036</u>
U. S. Department of Homeland Security				
Emergency Management Performance Grant	97.042	DMA	2016	28,668
Total U.S. Department of Homeland Security				<u>28,668</u>
TOTAL FEDERAL PROGRAMS				\$ <u>772,371</u>

LAFAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2016

Grantor Agency / Program Title	State ID Number	Pass-Through Agency	Pass-Through Agency/Grant Identifying Number	Expenditures
STATE PROGRAMS				
Wisconsin Department of Agriculture, Trade and Consumer Protection				
County Staff and Support	115.15	N/A	2016	\$ 95,585
Land and Water Resource Management	115.40	N/A	2016	<u>97,578</u>
Total Wisconsin Department of Agriculture, Trade, and Consumer Protection				<u>193,163</u>
Wisconsin Department of Natural Resources				
All Terrain Vehicle Enforcement	370.551	N/A	2016	<u>12,865</u>
Total Wisconsin Department of Natural Resources				<u>12,865</u>
Wisconsin Department of Transportation				
Elderly and Handicapped County Aids	395.101	N/A	2016	<u>68,844</u>
Total Wisconsin Department of Transportation				<u>68,844</u>
Wisconsin Department of Health Services				
Cons Contracts PHHS	435.159220	N/A	15922	678
Cons Contracts MCH	435.159320	N/A	15932	479
IMAA State Share	435.283	N/A	283	51,908
IMAA Federal Share	435.284	N/A	284	328
IMAA State Share ACA	435.297	N/A	297	8,237
IMAA Federal Share ACA	435.298	N/A	298	51
Adult Protective Services	435.312	N/A	312	17,522
Children's COP	435.377	N/A	377	6,578
Alzheimer's Family Support	435.381	N/A	381	2,178
Coordinated Services County	435.515	N/A	515	36,559
Community Mental Health	435.516	N/A	516	15,103
Birth to Three Initiative	435.550	N/A	550	12,556
Basic County Allocation	435.561	N/A	561	462,953
Base County Allocation - State Match	435.681	N/A	681	60,207
CLTS Other GPR	435.871	N/A	871	16,523
CLTS Autism GPR	435.874	N/A	874	4,653
I&A EBS Ben Spec GPR	435.560024	GWAAR	560024	14,840
Other EBS Ben Spec	435.560025	GWAAR	560025	7,375
EBS OCI Replacement	435.560327	GWAAR	560327	2,306
Senior Community Svs Prog	435.560330	GWAAR	560330	(2,724)
Elder Abuse Service	435.560490	GWAAR	560490	<u>9,900</u>
Total Wisconsin Department of Health Services				<u>728,210</u>

LAFAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2016

Grantor Agency / Program Title	State ID Number	Pass-Through Agency	Pass-Through Agency/Grant Identifying Number	Expenditures
STATE PROGRAMS (cont.)				
Wisconsin Department of Children and Families				
Food Stamp Agency Collections Incentive	437.965	N/A	965	\$ 5,418
MA Agency Incentive	437.980	N/A	980	2,411
JJ Community Intervention Program	437.3410	N/A	341	1,500
JJ Youth Aids	437.3413	N/A	3413	73,548
Basic County Allocation	437.3561	N/A	3561	155,997
Basic County Allocation Overmatch	437.3681	N/A	3681	12,457
CW WSACWIS Annual Op Maint Fee	437.3935	N/A	3935	(2,276)
CS MSL Incentive Even FFY	437.7332	N/A	7332	8,374
CS State GPR Funding/PR Funding Allocation	437.7502	N/A	7502	17,164
CS Medical Support GPR Earned Federal Match	437.7606	N/A	7606	<u>1,073</u>
Total Wisconsin Department of Children and Families				<u>275,666</u>
Wisconsin Department of Justice				
Regional Training Facilities	455.503	N/A	2016	<u>15,991</u>
Total Wisconsin Department of Justice				<u>15,991</u>
Wisconsin Department of Military Affairs				
Emergency Planning Grant	465.337	N/A	2016	8,233
Emergency Government Response Equipment	465.367	N/A	2016	<u>7,924</u>
Total Wisconsin Department of Military Affairs				<u>16,157</u>
Wisconsin Department of Veteran Affairs				
County Veterans Service	485.001	N/A	2016	<u>12,080</u>
Total Wisconsin Department of Veteran Affairs				<u>12,080</u>
Wisconsin Department of Administration				
Land Information Board Grants	505.166	N/A	2016	99,936
Public Benefits Grant	505.371	N/A	2016	<u>12,445</u>
Total Wisconsin Department of Administration				<u>112,381</u>
TOTAL STATE PROGRAMS				<u>\$ 1,435,357</u>

LAFAYETTE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “schedule”) includes the federal and state award activity of Lafayette County under programs of the federal and state 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) and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of Lafayette County, it is not intended to and does not present the financial position, changes in net position or cash flows of Lafayette County.

The reporting entity for Lafayette County is based upon criteria established by the Governmental Accounting Standards Board. Lafayette County is the primary government according to GASB criteria, while the Memorial Healthcare Foundation, Inc. (Foundation) is a component unit. The Memorial Hospital of Lafayette County (Hospital) is a major enterprise fund of Lafayette County. Federal and state awards received directly by the Foundation and the Hospital are not included in this report since the Foundation and the Hospital have been audited by other auditors for their grants and those amounts are reported in a separate report. The Foundation and the Hospital were not required to be audited in accordance with the Uniform Guidance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

NOTE 3 – CARS/CORE REPORT DATES

The Schedule of Expenditures of Federal and State Awards includes adjustments through the Community Aids Reporting System (CARS) reports dated June 30, 2017 and CORE reports for December 2016. Federal/State funding splits for awards passed through the Wisconsin Department of Health Services (DHS) are based on splits provided by DHS on March 24, 2017.

LAFAYETTE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2016

NOTE 4 – PASS-THROUGH AGENCIES

Lafayette County received federal awards from the following pass-through agencies:

DHS – Wisconsin Department of Health Services
DCF – Wisconsin Department of Children and Families
DOA – Wisconsin Department of Administration
DMA – Wisconsin Department of Military Affairs
GWAAR – Greater Wisconsin Agency on Aging Resources

NOTE 5 – INDIRECT COST RATE

Lafayette County has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

LAFAYETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: *unmodified*

Internal control over financial reporting:

- > Material weakness(es) identified? X yes no
- > Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

FEDERAL AND STATE AWARDS

Internal control over major programs:

- | | Federal Programs | State Programs |
|--|-----------------------------------|-----------------------------------|
| > Material weakness(es) identified? | <u> </u> yes <u> X </u> no | <u> </u> yes <u> X </u> no |
| > Significant deficiencies identified that are not considered to be material weakness(es)? | <u> </u> yes <u> X </u> no | <u> X </u> yes <u> </u> no |

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

	Federal	State
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) or the <i>State Single Audit Guidelines</i> ?	<u> </u> yes <u> X </u> no	<u> X </u> yes <u> </u> no

	Federal Programs	State Programs
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no	<u> </u> yes <u> X </u> no

	Federal	State
Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 750,000 </u>	<u> \$ 250,000 </u>

LAFAYETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

FEDERAL AND STATE AWARDS (cont.)

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.658	Foster Care Title IV-E

Identification of major state programs:

<u>State Number</u>	<u>Name of State Program</u>
435.561/681 and 437.3561/3681	Basic County Allocation
437.7502	CS State GPR/PR Funding Allocation

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FINDING 2016-001: INTERNAL CONTROL OVER FINANCIAL REPORTING

REPEAT OF PRIOR YEAR FINDING 2015-001

Criteria: Auditing standards require us to report a material weakness for Lafayette County if material journal entries are detected as part of the financial audit, the auditor prepares the annual financial statements and footnotes, or the auditor prepares the schedule of expenditures of federal and state awards (SEFSA).

Condition: Material journal entries were discovered during the course of the audit and we, as your auditors, prepared the annual financial statements. In addition, the auditors prepared the schedule of expenditures of federal and state awards and the data collection form.

Cause: The county does not have the resources required to identify and correct all misstatements in the financial records or to prepare the annual financial statements or the schedule of expenditures of federal and state awards in conformity with generally accepted accounting principles (GAAP).

Effect: A financial statement prepared in accordance with GAAP is not available until the conclusion of the audit. In addition, the schedule of expenditures of federal and state awards is not available to the county until it is completed by the auditors.

Recommendation: We recommend that the county put in place procedures to continue to reduce the number of material audit journal entries as well as determine if resources would be available to prepare a complete set of financial statements without material changes.

LAFAYETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2016-001: INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)

Management Response: Lafayette County has an individual qualified to prepare the financial statements and SEFSA. However, due to the technical limitations of Lafayette County's current enterprise software system, it is not equipped to publish comprehensive financial statements. Also, due to staff limitations Lafayette County does not have the employee hours available to prepare the financial statements. Therefore out of convenience the County requests the assistance of the auditors to prepare the financial statements. The draft auditor-prepared financial statements, disclosures and schedules are reviewed and approved by the Lafayette County Finance Director before being issued.

During the 2016 audit, there were numerous entries made and accounting work that needed to be done. This was due to turnover in key roles in the finance department. We are optimistic that there will be significantly less material audit adjustments for the 2017 audit.

FINDING 2016-002: INTERNAL CONTROL ENVIRONMENT

REPEAT OF PRIOR YEAR FINDING 2015-002

Criteria: Auditing standards require auditors to communicate circumstances that were evaluated to be significant deficiencies or material weaknesses in the county's internal control environment.

Condition: During the financial audit, audit procedures and inquiries were performed to evaluate the effectiveness of controls over various transaction cycles. As a result of these procedures, the following areas were identified where your controls over transactions could be improved:

CONTROLS OVER HUMAN SERVICES RELATED ACTIVITY

- > Customer billings should be checked for accuracy by someone other than the preparer.
- > Persons processing accounts payable and those with access to the system should be separate from those ordering or receiving goods or services.

CONTROLS OVER FINANCIAL REPORTING

- > Journal Entry Review - Our review of journal entries revealed that entries prepared by the Highway Accountant are not being approved by someone other than the preparer. We recommend that adjusting journal entries and supporting documentation be reviewed and approved by an appropriate person, preferably someone with a higher level of authority, who is not the original preparer.
- > Reconciliation Review - We also noted that reconciliations for many accounts prepared by Human Services and Highway are not being reviewed by someone other than the preparer. We recommend that reconciliations be reviewed by someone at a level of authority higher than the preparer and independent of the reconciliation process.

LAFAYETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2016-002: INTERNAL CONTROL ENVIRONMENT (cont.)

CONTROLS OVER FINANCIAL REPORTING (cont.)

Cause: Due to staffing limitations, certain controls were not implemented by the county.

Effect: Errors or irregularities could occur as part of these financial processes that may not be discovered by your staff.

Recommendation: We recommend that a designated employee review the segregation of duties, risks, and these potential controls and determine whether additional controls should be implemented. This determination should take into consideration a cost / benefit analysis.

Management Response:

CONTROLS OVER HUMAN SERVICES RELATED ACTIVITY

Customer billings will be reviewed by the Human Services Director or designated staff for accuracy. Goods and services ordered by the accounts payable staff will be reviewed by another Human Services staff or the Director. These procedures will be effective by the end of 2017.

CONTROLS OVER FINANCIAL REPORTING

The Finance Director now reviews and approves all journal entries from all departments prior to posting them in the General Ledger. The Finance Director will now review the reconciliations prepared by County departments, including the central Finance department.

Human Services account reconciliations are completed by the Finance Manager and reconciliation reports are given to the Director for review.

SECTION III – FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2016-003 DHS STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS

REPEAT OF PRIOR YEAR FINDING 2015-005

Criteria: According to the DHS *State Single Audit Guidelines* General Requirements, the county must follow acceptable procurement standards when purchasing care and services using funds from the Department of Health Services. These standards include ensuring that payments for care and services do not exceed the amount specified in the contract.

Condition/Context: During our testing of DHS general requirements, it was noted that the county had paid one of the five providers tested more than the contracted amount in 2016. The sample was not statistically valid.

LAFAYETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION III – FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2016-003 DHS STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS (cont.)

REPEAT OF PRIOR YEAR FINDING 2015-005 (cont.)

Cause: The county did not have controls in place to ensure that providers were only paid their contracted amount.

Effect: There is potential that a provider could be paid for unallowable costs.

Questioned Costs: Payments in the amount of \$37,098 were made in excess of contracted amounts.

Recommendation: The county should implement control procedures to ensure that providers are not paid more than their contracted amount or amend provider contracts when overages are anticipated.

Management Response: During the 4th Quarter of 2016 Human Services developed a tracking method to ensure provider contract balances are reviewed and payments are not made over above the contract balance. During 2017 Human Services has continued to improve this process. During the 2016 audit it was found that payments exceeded the amount of the contract with one of the providers. Human Services has completed an addendum to the contract to increase the amount of the contract. This addendum has been signed by both parties.

LAFAYETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION IV – OTHER ISSUES

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ yes X no

2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Agriculture, Trade and Consumer Protection	_____ yes	<u> X </u> no
Department of Natural Resources	_____ yes	<u> X </u> no
Department of Transportation	_____ yes	<u> X </u> no
Department of Health Services	<u> X </u> yes	_____ no
Department of Children and Families	_____ yes	<u> X </u> no
Department of Justice	_____ yes	<u> X </u> no
Department of Military Affairs	_____ yes	<u> X </u> no
Department of Veteran's Affairs	_____ yes	<u> X </u> no
Department of Administration	_____ yes	<u> X </u> no

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes _____ no

4. Name and signature of partner



Amanda R. Blomberg

5. Date of report September 27, 2017