

LAFAYETTE COUNTY

Darlington, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2017

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, each major fund, and the aggregate remaining fund information of Lafayette County, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Lafayette County's basic financial statements, and have issued our report thereon dated June 7, 2018. Our report includes a reference to other auditors who audited the financial statements of the Memorial Hospital of Lafayette County, a major enterprise fund of Lafayette County, 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002, that we consider to be material weaknesses.

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*.

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 Virchow Krause, LLP

Madison, Wisconsin
June 7, 2018

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE 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, 2017. 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.

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, 2017.

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 or 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, each major fund, and the aggregate remaining fund information of Lafayette County, Wisconsin as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Lafayette County's basic financial statements. We issued our report thereon dated June 7, 2018, 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 Hospital of Lafayette County, a major enterprise fund 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 12, 2018

LAFAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2017

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	\$ <u>83,529</u>
Total SNAP Cluster				<u>83,529</u>
Total U.S. Department of Agriculture				<u>83,529</u>
U.S. Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	DOT	5635-01-02-72	<u>589,749</u>
Total U.S. Department of Transportation				<u>589,749</u>
U.S. Department of Education				
Special Education-Grants for Infants and Families	84.181	DHS	056-610	<u>12,922</u>
Total U.S. Department of Education				<u>12,922</u>
U. S. Department of Health and Human Services				
Title III, Part F - Preventive Health	93.043	GWAAR	560510	1,229
Aging Cluster				
Special Programs for the Aging, Title III, Part C	93.044	GWAAR	560340	<u>14,965</u>
Total Aging Cluster				<u>14,965</u>
National Family Caregiver Support, Title III, Part E	93.052	GWAAR	560520	4,579
Bioterrorism Preparedness	93.069	DHS	056-610	1,485
Medicare Enrollment Assistance Program	93.071	GWAAR	560620	99
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)				
Aligned Cooperative Agreements	93.074	DHS	056-610	25,667
Immunization Cooperative Agreements	93.268	DHS	056-610	6,859
State Health Insurance Assistance Program	93.324	GWAAR	560432	4,604
Promoting Safe and Stable Families	93.556	DCF	SPARC 2017	29,242

LAFAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2017

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.)				
TANF Cluster				
Block Grants for Temporary Assistance for Needy Families	93.558	DHS	056-610	\$ 84,861
Total TANF Cluster				<u>84,861</u>
Child Support Enforcement	93.563	DCF	SPARC 2017	177,840
Low Income Home Energy Assistance Block Grant	93.568	DOA	N/A	17,219
CCDF Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	DCF	SPARC 2017	<u>9,590</u>
Total CCDF Cluster				<u>9,590</u>
Child Welfare Service Grants - State Grants	93.645	DCF	SPARC 2017	12,260
Foster Care - Title IV-E	93.658	DCF	SPARC 2017	142,396
ARRA-Adoption Assistance	93.659	DCF	SPARC 2017	9,547
Social Services Block Grant	93.667	DHS	056-610	76,273
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance (PPHF)	93.733	DHS	056-610	2,226
Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	DHS	056-610	678
Children's Health Insurance Program	93.767	DHS	056-610	11,068
Medicaid Cluster				
Medical Assistance Program	93.778	DHS	056-610	121,900
Medical Assistance Program	93.778	Green County	N/A	138,508
Medical Assistance Program - WIMCR	93.778	DHS	056-610	27,856
Medical Assistance Program - I&A EBS / EBS OCI Replacement	93.778	GWAAR	560021	<u>8,236</u>
Total Medicaid Cluster				<u>296,500</u>
Block Grants for Community Mental Health Services	93.958	DHS	056-610	14,401
Block Grants for Prevention and Treatment of Substance Abuse	93.959	DHS	056-610	21,856
Maternal and Child Health Services Block Grant	93.994	DHS	056-610	9,363
Total U.S. Department of Health and Human Services				<u>974,807</u>
U. S. Corporation for National and Community Service				
Emergency Management Performance Grant	97.042	DMA	2017	<u>14,316</u>
Total U.S. Corporation for National and Community Service				<u>14,316</u>
TOTAL FEDERAL PROGRAMS				<u>\$ 1,675,323</u>

See accompanying notes to schedule of expenditures of federal and state awards.

LAFAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2017

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	115.150	N/A	2017	\$ 97,578
Land and Water Resource Management	115.400	N/A	2017	<u>55,191</u>
Total Wisconsin Department of Agriculture, Trade, and Consumer Protection				<u>152,769</u>
Wisconsin Department of Natural Resources				
All Terrain Vehicle Enforcement	370.551	N/A	2017	11,465
County Conservation Aids	370.563	N/A	2017	1,811
Snowmobile Trail Aids	370.574	N/A	2017	17,600
Snowmobile Trail Aids	370.575	N/A	2017	19,608
All Terrain Vehicle Enforcement	370.576	N/A	2017	43,738
All Terrain Vehicle Enforcement	370.577	N/A	2017	1,829
Grants to County Forests (Stewardship)	370.TA1	N/A	2017	<u>147,437</u>
Total Wisconsin Department of Natural Resources				<u>243,488</u>
Wisconsin Department of Transportation				
Elderly and Handicapped County Aids	395.101	N/A	2017	<u>69,578</u>
Total Wisconsin Department of Transportation				<u>69,578</u>
Wisconsin Department of Health Services				
Cons Contracts MCH	435.15932	N/A	15922	498
IMAA State Share ACA CY	435.276	N/A	15932	4,037
IMAA Fed Share ACA CY	435.277	N/A	283	27
IMAA State Share	435.283	N/A	284	42,607
IMAA Federal Share	435.284	N/A	297	2,356
Adult Protective Services	435.312	N/A	298	12,033
Children's COP	435.377	N/A	312	4,619
Alzheimer's Family Support	435.381	N/A	377	2,100
Coordinated Services County	435.515	N/A	381	51,546

LAFAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2017

Grantor Agency / Program Title	State ID Number	Pass-Through Agency	Pass-Through Agency/Grant Identifying Number	Expenditures
STATE PROGRAMS (cont.)				
Wisconsin Department of Health Services (cont.)				
Community Mental Health	435.516	N/A	516	\$ 14,352
Birth to Three Initiative	435.550	N/A	550	12,681
Basic County Allocation	435.561	N/A	561	435,750
Basic County Allocation - State Match	435.681	N/A	681	60,207
CLTS Other GPR	435.871	N/A	871	4,742
CLTS Autism GPR	435.874	N/A	874	663
I&A EBS Ben Spec GPR	435.560024	GWAAR	560024	8,236
Other EBS Ben Spec	435.560025	GWAAR	560025	11,189
Aging & Disability Resource Center	435.560100	Green County	N/A	167,704
EBS OCI Replacement	435.560327	GWAAR	560327	3,738
Senior Community Services Program	435.560330	GWAAR	560330	5,400
Elder Abuse Service	435.560490	GWAAR	560490	9,900
Total Wisconsin Department of Health Services				<u>854,385</u>
Wisconsin Department of Children and Families				
Food Stamp Agency Incentives	437.0965	N/A	965	4,351
Medicaid Agency Incentives	437.098	N/A	980	1,832
JJ Community Intervention Program	437.3410	N/A	341	855
JJ Youth Aids	437.3413	N/A	3413	70,260
Basic County Allocation	437.3561	N/A	3561	124,109
CW Children & Families Allocations	437.3681	N/A	3681	10,007
CW WSACWIS Annual Op Maint Fee	437.3935	N/A	3935	(2,276)
PDS Partnership Fees	437.3940	N/A	3940	(758)
CS MSL Incentive Even FFY	437.7332	N/A	7332	6,902
CS State GPR Funding/PR Funding Allocation	437.7502	N/A	7502	17,607
CS Medical Support GPR Earned Federal Match	437.7606	N/A	7606	504
CS Federal Parent Locator Services	437.7903	N/A	7903	(424)
Total Wisconsin Department of Children and Families				<u>232,969</u>
Wisconsin Department of Justice				
Victim and Witness Assistance Program	455.532	N/A	2017	15,556
Total Wisconsin Department of Justice				<u>15,556</u>

LAFAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2017

Grantor Agency / Program Title	State ID Number	Pass-Through Agency	Pass-Through Agency/Grant Identifying Number	Expenditures
STATE PROGRAMS (cont.)				
Wisconsin Department of Military Affairs				
Emergency Planning Grant	465.364	N/A	2017	\$ 4,275
Emergency Government Response Equipment	465.308	N/A	2017	<u>534</u>
Total Wisconsin Department of Military Affairs				<u>4,809</u>
Wisconsin Department of Veteran Affairs				
County Veteran Service	485.001	N/A	2017	<u>8,500</u>
Total Wisconsin Department of Veteran Affairs				<u>8,500</u>
Wisconsin Department of Administration				
Land Information Board Grants	505.166	N/A	2017	123,360
Public Benefits Grants	505.371	N/A	2017	<u>14,800</u>
Total Wisconsin Department of Administration				<u>138,160</u>
TOTAL STATE PROGRAMS				<u>\$ 1,720,214</u>

LAFAYETTE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2017

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, 2017. 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.

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/SPARC REPORT DATES

The Schedule of Expenditures of Federal and State Awards includes adjustments through the Community Aids Reporting System (CARS) reports dated June 1, 2018 and SPARC reports for December 2017.

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
DOT	Wisconsin Department of Transportation
Green County	Green County, Wisconsin

LAFAYETTE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2017

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, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:

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> </u> yes <u> X </u> no |

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

Unmodified

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance or the *State Single Audit Guidelines*?

 yes X no yes X no

Auditee qualified as low-risk auditee?

 yes X no yes X no

Dollar threshold used to distinguish between type A and type B programs:

\$ <u> 750,000 </u>	\$ <u> 250,000 </u>
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LAFAYETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2017

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>
20.205	Highway Planning and Construction
93.563	Child Support Enforcement

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
395.101	Elderly and Handicapped County Aids
370.TA1	Grants to Counties for County Forests

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

FINDING 2017-001: INTERNAL CONTROL OVER FINANCIAL REPORTING

REPEAT OF PRIOR YEAR FINDING 2016-001

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, 2017

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

FINDING 2017-001: INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)

Management Response: During the 2017 audit, the amount of entries made was reduced significantly from the 2016 audit due to more stable staffing levels and filling the Finance Director role. 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. The County plans to look into further training to prepare the SEFSA in-house instead of enlisting the help of the auditors. The County is already gathering and preparing a majority of the information, but further training is needed to competently complete the report.

FINDING 2017-002: INTERNAL CONTROL ENVIRONMENT

REPEAT OF PRIOR YEAR FINDING 2016-002

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 also noted that journal entries prepared during the vacancy in the Finance Director position were not approved by someone other than the preparer.
- > Reconciliation Review - We also noted that reconciliations for many accounts prepared by Human Services, Manor, and Highway are not being reviewed by someone other than the preparer.

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.

LAFAYETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2017

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

FINDING 2017-002: INTERNAL CONTROL ENVIRONMENT (cont.)

Recommendations:

- > 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.
- > We recommend that reconciliations be reviewed by someone at a level of authority higher than the preparer and independent of the reconciliation process.
- > 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

- > Human Services implemented an Expenditure Approval Policy & Procedure that outlines an employee cannot incur an expense and also approve the expense. This risk has been mitigated by implementing this policy as well as other measures described below.
- > The Human Services Finance Manger is continuing to learn the insurance billing system to be able to approve and spot check the billing going forward. The Human Services Support Unit goal throughout 2018 is to begin training an additional staff member on parts of the billing process. This person will assist with accuracy review and will report any findings to the Finance Manager.
- > For 2018, Human Services continues to implement a process of another party, other than the person preparing the billing, reviewing and spot checking for accuracy and segregation of duties. Any billings prepared by the Finance Manager are reviewed and approved by the Director as well as any billings prepared by the Clerks are reviewed and approved by the Finance Manager.
- > The Finance Manager is the individual responsible for processing accounts payable. The Finance Manager does not order or receive supplies for the agency and does not have access to the passwords for these accounts. For 2017, any supply purchase requests were approved by the Program/Department manager, and forwarded to the Executive Secretary to be placed. If there is no Manager approval available, the Director approved the purchase. Once the order was placed, the confirmation was forwarded to the Director to be used when approving accounts payable.
- > For 2018, the supply confirmation emails will go directly to the Director from the vendor, when possible, to be used when approving accounts payable.
- > At this time the only services that the Finance Manager is responsible for obtaining is for contracted secretary services through an employment agency. The invoices for these services are signed off by both the Finance Manager and the Director of Human Services.
- > All accounts payable is entered by the Finance Manager, reviewed and approved by the Director, reviewed and approved by the Human Services Committee, reviewed by the County Finance Accounting Assistant, reviewed and approved by the County Audit Committee, and returned to the County Finance Accounting Assistant for the final check to be cut and sent out by the County Treasurer's Office.

LAFAYETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2017

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

FINDING 2017-002: INTERNAL CONTROL ENVIRONMENT (cont.)

CONTROLS OVER FINANCIAL REPORTING

- > Human Services implemented the process of account reconciliations and monthly financials being completed by the Finance Manager and forwarded to the Director for review and approval before also being approved at the Human Services Committee meeting.
 - > Management believes this risk has been mitigated by all journal entries being posted by the Finance Department and by the attached Expenditure Approval Policy & Procedure developed by Human Services.
 - > Starting in December 2017, all associated journal entry backup that is approved by the Human Services Director will also be sent to the Finance Director before review and posting of journal entries and retained for backup in both offices.
 - > In 2018, we are working to have all Highway Department journal entries and backup sent to the Finance Director to be reviewed and posted.
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SECTION III – FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

No findings were reported.

LAFAYETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2017

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	_____ yes	<u> X </u> 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 12, 2018