



Marathon County Finance Department
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June 28, 2013

*Ms. Carla Cogin, Partner
Baker Tilly Virchow Krause, LLP
Ten Terrace Court
PO Box 7398
Madison, WI 53707-7398*

Dear Ms. Cogin:

The Finance and Property Committee for Marathon County will receive a copy of the Report on Internal Control (Including the Required Communication of Internal Controls and Related Matters), and will review the document at its July 8, 2013 meeting. The Finance Department (Department) will continue to work with management on the items noted in the report to strengthen internal controls and increase operational efficiency. Listed below is the plan for implementing items discussed in the Report on Internal Controls.

The County would like to thank Carla Cogin, Partner, John Rader, Audit Manager and the Baker Tilly Virchow Krause staff for their work to complete our audit.

Material Weaknesses

Internal Controls over Financial Reporting

The County has implemented procedures for county personnel that prepare the financial statements to review transactions and accounts so that the financial statements would be free of any material errors. The County reviewed transactions and accounts that met transaction dollar limits, reviewed transactions during the year and completed additional pre-audit work to verify all transactions were appropriate. The County takes the accuracy of its financial reporting very seriously and will continue to strive to create financial statements that are free of material misstatement.

If in the future, if staffing capacity allows, the County will attempt to have additional resources within the department review the final financial transactions and entries and development the comprehensive annual financial report in house.

Internal Control Environment

Entity-Wide Controls

- *The Finance and Property Committee does review the CAFR, Communication to Those Charged with Governance, the Management Response and Single Audit Report.*
- *If in the future, if staffing capacity allows, the County will attempt to have additional resources within the County to designate staff to review potential entity-wide internal controls and implement necessary changes.*

Controls Over Cash

The County does verify decentralize bank accounts by someone independent of the processing transactions. We will initiate a similar procedure for the County's general checking account as well.

Decentralized Activities

Library

The consortium that owns and operates our library management software has contracted for a substantially more robust software system to replace the current one that is unable to track financial transactions.

The Library Management maintains oversight of monies which come into the business office and will continue to look for reasonableness in ongoing deposits compared to historical norms.

As for the volume and quality of our receivables, we initiated a conversation with Corporation Counsel in early 2012 in order to determine reasonableness and ramifications of writing down monies owed to Marathon County Public Library. A substantial lack of backup information for most of the money owed to us made us decide to first put the current information into the new system so that we can use the tools it offers to best analyze that which is not reasonably collectable. When we have exhausted opportunities for collections in the new system, a process which should be completed in 2013, we will approach our Board of Trustees with a request for the approval of writing down uncollectable receivables.

Central Wisconsin Airport

The County will be changing the Accounts Receivable billing practices the 3 or 4th quarter of 2013 to have payments directed to the County Treasurer's office. The County Treasurer and Finance Director will work with CWA to determine if we can have monthly rental payments sent directly to the Treasurer's office.

Other Communications to Those Charged with Governance

Decentralized Activities

Conservation, Planning and Zoning (CPZ) Department

The new CPZ director is looking at restructuring the department and creating an Office Manager position that would oversee financial transactions but not complete all the duties of the current staff position. This should eliminate many of the concerns that are listed in the auditor's comment.

Information Technology

Logical and Physical Access Security

The appropriate County staff will work with the City County Information Technology Commission to determine how to formally review access levels for the applications listed.

Prior Year Points

Departmental Controls

One issue that is listed in the 2012 Letter states that, "the lack of segregation of duties that may occur at departments or locations that handle cash or do miscellaneous billing."

Evaluating and documenting the internal control procedures in each department will assist in providing management the opportunity to create additional segregation of duties. The County management will continue to look at ways we can mitigate the risk posed by the lack of segregation of duties in the departments identified in your letter.

Internal Service Funds

Even though the County has chosen to use Group Health Trust to pool its Health insurance risk, the County still has the option to self-insure its Health Insurance in future years. In 2013, the County applied over \$1,637,000 of its Employee Benefits Retained Earning to offset health insurance premium and fully fund the County's HRA for the health plan. The County applied over \$81,000 to offset dental premiums and \$124,000 in Worker's Compensation reserves to offset Worker's compensation premiums.

For 2013, the County allocated reserves to cover a portion of the increase in property and casualty insurance and will continue to use reserves when appropriate to offset increases in premiums in the future.

Required Audit Communications

The listing of information in this section of the letter from Baker Tilly Virchow Krause is an audit requirement. It is designed to give the auditors a format with which to make accurate and timely comment to the County regarding new and better procedures and bring audit issues to your attention.

The management at Marathon County appreciates the hard work and professionalism that Baker Tilly Virchow Krause has put into this audit. We are working to implement the suggestions that you have made in order to strengthen our commitment to effective management and internal control.

Sincerely,

MARATHON COUNTY

*Kristi Kordus
Marathon County Finance Director*