

MARATHON COUNTY

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR NON-COMPLIANCE WITH FEDERAL AND STATE REQUIREMENTS For the Year Ended December 31, 2015

FINDING 2014-001 INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: According to Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, sufficient internal controls should be in place that provide for the preparation of reliable financial statements, including the schedule of expenditures of federal and state awards, that are fairly presented in conformity with generally accepted accounting principles.

Condition: Marathon County's financial records contained material misstatements, the auditors prepared the financial statements in accordance with generally accepted accounting principles, and material changes were made to the schedule of expenditures of federal and state awards.

Cause: The County has chosen to contract with the auditors for preparation of the annual financial statements. Material journal entries were also identified by the auditors.

Effect: The County's financial records and schedule of expenditures of federal and state awards were materially misstated. The auditors proposed and made an audit entry that was material to the County's financial statements during the 2014 audit. In addition, the auditors prepared the financial statements.

Recommendation: The County may consider and implement additional internal control procedures to ensure the accuracy of its financial records.

Management Response:

With increased workload for each of the Finance Department staff, it was determined that the auditors prepare the financial statements for 2014.

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 records that are free of material misstatements.

Official Responsible for Ensuring the Corrective Action Plan:

Kristi Kordus, Marathon County Finance Director

Planned Completion Date for the Corrective Action Plan:

- > Complete and review financial transactions during the year: on-going.
- > Complete additional pre-audit work on specific transactions accounts: April 2016.
- > Review staff workload in future years to see if the department has the funds and capacity to create the financial statements in house.

Current Year Status:

- For the 2015 audit, formally implement and document the use of a financial statement checklist. This will provide assurance that the County has reviewed and complied with the requirements of GAAP for financial reporting for the 2015 financial statements.
- Review the annual auditor "get ready" letter, prepare all work papers and communicate with the auditors on any items that need clarification or additional consultation prior to the actual audit (on-going from December 2015-April 2016).
- In December 2015, the County worked with its independent auditors to create a Uniform Guidance Implementation Guide for Marathon County. This guide will provide the road map for the County to

implement the changes made by the US Office of Management and Budget in regards to the Federal Grant Awards issued after December 26, 2014.

- Provided training for Finance Department staff through state and national professional associations to stay current on all GAAP, GASB and Single Audit guidelines.
 - Two Finance Department staff members attended a week long GFOA Governmental Accounting training session in August 2015.
 - The Finance Director attended the June 2015 GFOA annual conference and attended sessions on the annual GAAP/GASB update, avoiding common financial report deficiencies and implementing the OMB's new "Super Circular".
 - Most Finance Department staff attended webinars or similar training in relation to new accounting guidelines, federal guidelines, or fraud prevention techniques.

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FINDING 2014-002 DEPARTMENT CONTROLS/DECENTRALIZED ACTIVITIES

Criteria: Auditing standards state that a lack of adequate segregation of duties is a weakness in internal control.

Condition: A department at Marathon County does not have adequate segregation of duties regarding their accounting procedures.

Cause: A county department lacks the personnel necessary to adequately segregate financial and accounting duties.

Effect: Financial records and assets at the department without adequate segregation of duties are at more risk for misstatement due to fraud or errors.

Recommendation: The County may consider and implement additional internal control procedures to ensure adequate segregation of duties in all departments. In lieu of additional controls, the County may rely on continued or increased involvement by the appropriate committees.

Management Response:

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. As part of this process, staff from the Finance Department would meet with various departments and evaluate different aspects of the accounting cycles in order to identify opportunities for additional segregation of duties.

Official Responsible for Ensuring the Corrective Action Plan:

Kristi Kordus, Marathon County Finance Director

Planned Completion Date for the Corrective Action Plan:

The County will continue to work on implementing additional internal control procedures on an on-going basis.

Current Year Status:

Corrective action was taken as follows:

- The Finance Department sent a year-end memo to all departments for procedures to follow for timeliness of cash receipting, payment of 2015 invoices and accounts receivable payment processing. The Finance Department and County Treasurer's office continue to work with departments to monitor receipting and payment functions in each individual department.
- November 2015, the County Treasurer, Finance Director, and Finance Department Accounting Professional attended a Wisconsin County's Association educational seminar on fraud risk, prevention management and response.
- The Audit/Risk Assessment Committee will continue to work on best practice policies that will be implemented throughout the County. In January 2015, the Committee approved the Treasury Management-Bank Account Fraud Prevention Policy.

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FOR NON-COMPLIANCE WITH FEDERAL AND STATE REQUIREMENTS
For the Year Ended December 31, 2015

FINDING 2014-003

State Grantor: *Wisconsin Department of Children and Families (DCF) General Requirements*

Criteria: The DCF general requirements found in the *State Single Audit Guidelines* states that Random Moment Sampling (RMS) responses should be reasonably supported by appropriate documentation.

Condition/Context: One out of the twenty-five items tested did not have supporting documentation consistent with the reported program activity.

Cause: Unknown

Effect: The caseworker could be working on a different program than what the RMS sample states and could result in an inaccurate distribution of expenditures to programs for financial reporting to the state.

Questioned Costs: None noted

Recommendation: We recommend the County establish controls, such as internal review procedures, to ensure that RMS responses are consistent with supporting documentation.

Management Response: Economic support staff will be reminded of the importance of documenting work being performed on the case in CARES when reporting to RMS. The Fiscal Services Manager will attend a unit meeting to emphasize RMS and CARES case noting.

Official Responsible for Ensuring the Corrective Action Plan: Jane Huebsch, Support Program Manager and Jean Schult, Fiscal Services Manager.

Planned Completion Date for the Corrective Action Plan: September 30, 2015

Current Year Status: Corrective action was taken consistent with the corrective action plan.

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FINDING 2014-004

Program State ID Number and Title: 435.871 – TPA CLTS OTHER GPR
435.874 – TPA CLTS AUTISM GPR
435.877 – CLTS OTHER CWA ADMIN GPR
435.880 – CLTS AUTISM CWA ADMIN GPR

State Grantor: Wisconsin Department of Health Services

Criteria: DHS audit guidance states that the County waiver agency is required to establish Cost Sharing Agreements with the participant's family where appropriate. The MA Waiver Eligibility and Cost Sharing Worksheet (Form F-20919) and/or CARES screen should be completed in order to complete this requirement. This should be updated annually.

Condition/Context: During our testing, it was noted that one of the individuals selected for testing did not have a current copy of the MA Waiver Eligibility and Cost Sharing Worksheet (Form F-20919).

Cause: Unknown

Effect: The County may not be applying cost share when appropriate.

Questioned Costs: None noted

Recommendation: We recommend the County implement a system for tracking and verifying all documents are updated appropriately.

Management Response: The MA Waiver Eligibility and Cost Sharing Worksheet (Form F-20919) has been added to the annual recertification packet for staff to complete. CLTS staff will be reminded of the requirement to have F-20919 as part of the annual recertification process.

Official Responsible for Ensuring the Corrective Action Plan: Julie Jensen, Children's Support Services Supervisor

Planned Completion Date for the Corrective Action Plan: September 30, 2015

Current Year Status: Corrective action was taken consistent with the corrective action plan.