

MARATHON COUNTY

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR NON-COMPLIANCE WITH FEDERAL AND STATE REQUIREMENTS For the Year Ended December 31, 2016

FINDING 2015-001 INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: According to Statement on Auditing Standards (SAS) AU-C Section 315, 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: The auditors prepared the financial statements in accordance with generally accepted accounting principles.

Cause: The County has chosen to contract with the auditors for preparation of the annual financial statements.

Effect: The auditors prepared the financial statements which presents risks over financial reporting that errors may occur and not be detected.

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 2015.

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 in house when the capacity to do so exists. There were no material audit entries for the 2016 financial statements.

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 for 2016: April 2017.

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:

The Finance Department continued to provide on-going training to staff, to increase their capability of creating the financial statements in-house and has continued to analyze whether the Finance Department has the capacity to complete the financial statements in-house.

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FINDING 2015-002 DEPARTMENT CONTROLS/DECENTRALIZED ACTIVITIES

Criteria: Sufficient internal controls involve centralizing collections of County funds as much as feasible and depositing funds on a regular basis.

Condition: For the majority of the year, the Central Wisconsin Airport collected significant amounts of funds and did not deposit them on a regular basis.

Cause: Past procedures have not been evaluated until recently.

Effect: Controls are weakened when centralized collections do not occur and deposits are not made regularly.

Recommendation: County and airport staff should determine if payments could be sent directly to the County Treasurer's office for daily deposit.

Management's Response: The County changed its Accounts Receivable billing practices and as of December 2015, the department has had its invoices payments sent directly to the County Treasurer's office. The County Treasurer and Finance Director will continue to work with CWA to verify that monthly invoices payments are sent directly to the Treasurer's office.

Official Responsible for Ensuring the Corrective Action Plan: Kristi Kordus, Marathon County Finance Director.

Planned Completion Date for the Corrective Action Plan: This plan is effective as of December 2015.

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

Current Year Status: The County changed its Account's Receivable billing practices as of the end of 2015. CWA is a distant location and has just recently been included on the County's network. The Treasurer's office is currently working with CWA to have the staff at CWA enter invoices in Cayenta with the remittance address being the County Treasurer's office at the Courthouse. The parking payments that come directly to CWA will be directly receipted into the County's cash receipting system and deposited timely.

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FINDING 2015-003 TREASURER'S OFFICE

Criteria: We performed our audit under Statements on Auditing Standards (SAS), AU-C Section 315, which required us to review the County's internal controls. As a result, we identified certain controls that we considered to be key controls that were not in place during the year under audit.

Condition/Context: The County's Treasurer's office has multiple financial responsibilities as defined within Wisconsin State Statutes, including the collection of delinquent property or real estate taxes as well as performing settlements with the other taxing jurisdictions that collect currently owed taxes. During the month of August, the County Treasurer's office "settles" with other governments that collect taxes throughout the year until this settlement date. During this settlement process, the County underpaid two cities the amount they were owed. While it was subsequently discovered by the County, controls should be in place to prevent these types of errors from occurring. Further, the tax collection software system that the County utilizes was not reconciled to the County's general ledger and is not able to produce historical reports or interface with the County's general ledger. Finally, adjustments made in the tax system are not being independently reviewed.

Cause: There are system limitations within the tax collection system that do not allow historical reports to be reproduced. In addition, there was a change in the Treasurer's position in 2015.

Effect: The County underpaid two municipalities and did not reconcile between the tax collection software and the general ledger at the end of 2015. Internal controls cannot be relied upon over adjustments to the tax system.

Recommendation: We recommend that all settlements be prepared by someone with a strong knowledge of the settlement process and independently reviewed prior to settlement. We recommend that the tax collection software and the general ledger reconcile at all times during the year. Further, we recommend that the County work with the software vendor to determine if historical reports could be produced, if the two systems could interface, and if a report could be generated whereby a review of all adjustments could be performed by someone independent of posting journal entries.

Management's Response: The Finance Department will work with the Treasurer's office to develop a set of procedures to balance the Land Records system with Cayenta. The two systems balanced in past years. The land records application cannot rerun reports from prior dates to verify ending balances so we will complete the current reconciliation and maintain monthly reconciliations of the two systems.

The current Land Records system is old and many of the requested improvements that you suggested are not possible on the system without major programming changes. In 2016, the County is going out for RFP to purchase a new Land Records system and hopefully many of the suggestions that you have listed will be functioning in the new system.

Official Responsible for Ensuring the Corrective Action Plan: Kristi Kordus, Marathon County Finance Director.

FINDING 2015-003 TREASURER'S OFFICE (cont.)

Planned Completion Date for the Corrective Action Plan: The reconciliation of Land Records to Cayenta will be completed in September 2016. The RFP for a new Land Records system and implementation of a new system will be completed by the end of 2017.

Current Year Status: The Finance Department will work with the Treasurer's office and City County Information Technology Commission to develop a set of procedures to balance the Land Records system with Cayenta. The land records application cannot rerun reports from prior dates to verify ending balances so we will complete the current reconciliation and maintain monthly reconciliations of the two systems.

There are two items to note on the process of recording receipts from the land records system to Cayenta. Each day amounts collected by the Treasurer's office for various categories are posted to the accounts (land records). The subsequent day, the financial activity is posted through Cayenta cash receipts by the County treasurer's office. This does provide a problem for timing and possible errors due to double receipting. The Land Records systems are not interfaced with Cayenta so the previous day's activity must be posted by cash receipt at the Treasurer's office not through manual journal entries.

In order to correct this item, the County Treasurer and CCITC will review the daily transactions from systems to look for the discrepancies in the daily transactions.

Lastly, the current Land Records system is old (25 years old) and many of the requested improvements that you suggested are not possible on the system without major programming changes. In 2016, the County went out for RFP to purchase a new Land Records system with many of the suggestions that you have listed will be a requirement in the new system. The County will be anticipating a staged implementation of the new land records system in 2018.

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FINDING 2015-004 INFORMATION TECHNOLOGY

Criteria: We performed our audit under Statements on Auditing Standards (SAS) AU-C Section 315, which required us to review the County's internal controls, including those over information technology. As a result, we identified certain general computer controls that could be strengthened.

Condition/Context: A properly designed system of internal control includes establishing proper information technology controls. This includes systems that are designed to limit the access or control of any one individual to your government's assets or accounting records, and to achieve a higher likelihood that errors or irregularities in your accounting processes would be discovered by your staff in a timely manner. At this time, the proper information technology controls regarding user access are not in place. Further, the County does not have a formal process in place to complete backup restores on a periodic basis to ensure that the backups are functioning as intended, and some of the backups are kept onsite.

Cause: Unknown.

Effect: Weaknesses in the internal controls over information technology controls increases the possibility of misstatements due to errors or fraud.

Recommendation: We recommend that a designated employee review the controls over user access, the related risks, and potential controls to determine whether additional controls should be implemented. This determination should take into consideration a cost / benefit analysis. We also recommend a formal process be put in place to complete back up restores on a periodic basis to ensure they are functioning as intended.

Management's Response: We have contacted our accounting software vendor to look at how to provide better control over the access to Cayenta outside of the application interface. The proposed procedures that are required for the Finance Department to make changes are lengthy and we will look at having Cayenta complete the change or approve the required changes prior to Finance completing the change.

Our strategy for testing Cayenta restores is using the same type of back up process as we do for a routine backup to restore test environments. We will look to formalize this process and do an annual test.

Official Responsible for Ensuring the Corrective Action Plan: Kristi Kordus, Marathon County Finance Director.

Planned Completion Date for the Corrective Action Plan: This plan is effective as of September 2016.

Current Year Status: The County has generic Ids for Cayenta for CPZ, Sheriff and the Clerk. These logins are only used for cash receipting and reporting. The logins have no additional access to Cayenta. The County cannot have logins for each person to receipt each transaction; that process would be extremely cumbersome. There are mitigating controls such as the drawers are balanced daily and the deposit is verified in the Treasurer's office.

The Social Services and Land Records systems were created "in-house" and are very old (See note above on Land Records) and as the County implements new systems in both areas the issue with passwords should be fixed. The Active Directory system has complex passwords are the two applications mention (Social Services and Land records) are being replaced and the mitigating control is that you cannot log in to access those two application without first accessing Active Directory.

FINDING 2015-004 INFORMATION TECHNOLOGY (cont.)

Current Year Status (cont.): Periodic review of access levels for the social services application will be reviewed as Social Services moves to the new system. The Social service management team can review the permissions and set up a schedule for periodical review.

The County's strategy for testing Cayenta restores is using the same type of back up process as we do for a routine backup to restore test environments. The County will look to formalize this process and do an annual test.

For Cayenta, there are two nightly disk to disk copies. One is on-site and the other is off-site at the Courthouse. Both of these have a 28 day rotation. In addition, there is a backup to tape that happens nightly and the tape is sent off-site each month. The County has 2 years of month end tapes off site. An additional 5 years are in the vault at City Hall. The County will review the options that we have available to backup data and hold offsite further reducing our exposure to losing data.

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FOR NON-COMPLIANCE WITH FEDERAL AND STATE REQUIREMENTS
For the Year Ended December 31, 2016

FINDING 2015-005

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

Award Number: 2015-40

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. The parental payment liability also needs to be calculated. Both forms 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) and one individual did not have the parental payment liability calculation. The sample was not a statistically valid sample.

Cause: Unknown.

Effect: The County may not be applying cost share or parental payment liability payments when appropriate.

Questioned Costs: None noted

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

Management's Response: The Children's Long Term Support supervisor will randomly select CLTS cases submitted for annual recertification and complete a recertification review checklist to assure documentation is complete.

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

Planned Completion Date for the Corrective Action Plan: September 30, 2016

Current Year Status: Corrective action was taken, consistent with management's response shown above.

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FINDING 2015-006

State Grantor: Wisconsin Department of Health Services (DHS) General Requirements

Criteria: According to the DHS State Single Audit Guidelines General Requirements, counties must follow acceptable procurement standards when purchasing care and services using funds from DHS. One of the ways that a County follows these standards is to ensure 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 four providers tested more than the contracted amount in 2015. One of the contracts tested was for \$193,362 and the County paid \$248,062. This results in an overpayment of \$54,700. The sample is not considered statistically valid.

Cause: The County was using two systems in 2015 for tracking the contracts and information was not entered in both systems consistently.

Effect: There is potential that the County could pay a provider for unallowable costs.

Questioned Costs: None noted.

Recommendation: The County should implement control procedures to ensure that providers are not paid more than their contracted amount.

Management's Response: The contract monitoring process will be completed using summary reports with data from the County's general ledger software, ensuring all payments made to vendors are included when completing contract monitoring.

Official Responsible for Ensuring the Corrective Action Plan: Jean Schult, Fiscal Services Manager

Planned Completion Date for the Corrective Action Plan: September 30, 2016

Current Year Status: Corrective action was taken, consistent with management's response shown above.