

COUNTY OF RACINE

Racine, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2017

COUNTY OF RACINE

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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 Honorable Members of the Board of Supervisors
County of Racine
Racine, Wisconsin

We have audited, in accordance with 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 the County of Racine, Wisconsin as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County of Racine's basic financial statements and have issued our report thereon dated July 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Racine'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 the County of Racine's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Racine'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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Racine'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*.

County of Racine's Response to Finding

The County of Racine's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Racine'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 Virchow Krause, LLP

Milwaukee, Wisconsin
July 31, 2018

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 Honorable Members of the Board of Supervisors
County of Racine
Racine, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited the County of Racine, Wisconsin'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 the County of Racine's major federal and major state programs for the year ended December 31, 2017. The County of Racine's major federal and major state programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Racine'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 major state program occurred. An audit includes examining, on a test basis, evidence about the County of Racine'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 the County of Racine's compliance.

Opinion on Each Major Federal and Major State Program

In our opinion, the County of Racine 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.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2017-002. Our opinion on each major federal and major state program is not modified with respect to this matter.

County of Racine's Response to Finding

The County of Racine's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Racine'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 the County of Racine 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 the County of Racine's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 the County of Racine'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 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 the County of Racine, Wisconsin as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County of Racine's basic financial statements. We issued our report thereon dated July 31, 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. 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

Milwaukee, Wisconsin
September 26, 2018

COUNTY OF RACINE

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	Payments to Subrecipients
FEDERAL PROGRAMS					
U. S. Department of Agriculture					
Child Nutrition Cluster					
School Breakfast Program	10.553	DPI	515370	\$ 23,604	\$ -
National School Lunch Program	10.555	DPI	515370	40,383	-
Total Child Nutrition Cluster				<u>63,987</u>	<u>-</u>
SNAP Cluster					
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	10.561	DHS	277, 284	806,318	-
Total SNAP Cluster				<u>806,318</u>	<u>-</u>
Total U.S. Department of Agriculture				<u>870,305</u>	<u>-</u>
U.S. Department of Housing and Urban Development					
Community Development Block Grant/State's Program	14.228	DOA	CSOAR 16-05	50,000	50,000
Total U.S. Department of Housing and Urban Development				<u>50,000</u>	<u>50,000</u>
U.S. Department of Justice					
CEASE Grant (Drug Enforcement Administration)	16.000	DOJ	N/A	2,932	-
Edward Byrne Grant (Federal Task Force Operations)	16.738	DOJ	2016-DJ-01-12233	125,176	84,124
Edward Byrne Grant (Courtroom Security Grant)	16.738	DOJ	GL-20307-52200	18,066	-
OJA - Edward Byrne Memorial Formula Grant (Treatment Court)	16.738	DOJ	2017-TD-04	116,491	-
Subtotal				<u>259,733</u>	<u>84,124</u>
Total U.S. Department of Justice				<u>262,665</u>	<u>84,124</u>
U.S. Department of Labor					
H-1B Job Training Grants	17.268	Kenosha Cty/DWD	DWD-JC-RCWDC-WIOA-16-17	175,426	-
WIOA Cluster					
WIA Adult Program	17.258	Kenosha Cty/DWD	DWD-JC-RCWDC-WIOA-16-17	281,412	-
WIA Youth Activities	17.259	Kenosha Cty/DWD	DWD-JC-RCWDC-WIOA-16-17	794,632	-
WIA Dislocated Worker Formula Grants	17.278	Kenosha Cty/DWD	DWD-JC-RCWDC-WIOA-16-17	372,202	-
Total WIOA Cluster				<u>1,448,246</u>	<u>-</u>
Total U.S. Department of Labor				<u>1,623,672</u>	<u>-</u>

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

COUNTY OF RACINE

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	Payments to Subrecipients
FEDERAL PROGRAMS (cont.)					
U.S. Department of Transportation					
Transit Services Programs Cluster					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	DOT	1245-2017-1	\$ 64,579	\$ -
Total Transit Services Program Cluster				<u>64,579</u>	<u>-</u>
Highway Safety Cluster					
State and Community Highway Safety (Alternatives to Incarceration)	20.600	DOT	41000-0000005073	60,000	-
Alcohol Impaired Driving Countermeasures Grants	20.601	DOT	FG-2018-RACINE C-04189	35,787	7,602
Occupant Protection Incentive Grant (Seatbelt Enforcement)	20.602	DOT	FG-2018-RACINE C-04205	67,385	48,277
Total Highway Safety Cluster				<u>163,172</u>	<u>55,879</u>
Hazardous Materials Emergency Preparedness Training	20.703	DOT	PDMC-PL-05-WI-2014-003	15,000	-
Total U.S. Department of Transportation				<u>242,751</u>	<u>55,879</u>
U.S. Department of Education					
Special Education-Grants for Infants and Families	84.181	DHS	550	211,888	-
Total U.S. Department of Education				<u>211,888</u>	<u>-</u>
U. S. Department of Health and Human Services					
Title III, Part F - Preventive Health	93.043	DHS	560510	13,398	-
Aging Cluster					
Special Programs for the Aging_ Title III, Part C	93.044	DHS	560340	127,359	-
Title III, Part C - Nutrition Services	93.045	DHS	560350, 560360	478,976	-
Nutrition Services Incentive Program	93.053	DHS	560422	37,651	-
Total Aging Cluster				<u>643,986</u>	<u>-</u>
National Family Caregiver Support, Title III, Part E	93.052	DHS	560520	60,976	-
Anti-Heroin Task Force Grant	93.276	DOJ	455COPSHEROIN15	85,099	47,133
High Intensity Drug Traffic Area DOJ Grant	93.276	DOJ	B0324P1	64,929	5,043
Subtotal				<u>150,028</u>	<u>52,176</u>
HEALTH INS INFORMATN SHIP	93.324	DHS	560432	3,373	-
Maternal, Infant, and Early Childhood Home Visiting Cluster					
Home Visiting Program	93.505	DCF	1008	923,583	923,583
Total Maternal, Infant, and Early Childhood Home Visiting Cluster				<u>923,583</u>	<u>923,583</u>
Promoting Safe and Stable Families	93.556	DCF	3306	62,341	-

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

COUNTY OF RACINE

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	Payments to Subrecipients
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	561, 852, 3377, 3380	\$ 2,114,813	\$ -
Total TANF Cluster				<u>2,114,813</u>	<u>-</u>
Child Support Enforcement	93.563	DCF	701, 7477, 7482, 7506, 7588	2,352,062	-
Low Income Home Energy Assistance Block Grant	93.568	DOA	AD1599972.51	314,045	-
CCDF Cluster					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	DCF	831, 840, 852	531,674	-
Total CCDF Cluster				<u>531,674</u>	<u>-</u>
Child Welfare Service Grants - State Grants	93.645	DCF	3413, 3561, 3681	176,963	-
Foster Care - Title IV-E	93.658	DCF	3413, 3554, 3561, 3681	1,679,076	-
ARRA-Adoption Assistance	93.659	DCF	3574	52,294	-
Social Services Block Grant	93.667	DHS	561	958,047	-
Chafee Foster Care Independence Program	93.674	DCF	3360A	41,985	-
Children's Health Insurance Program	93.767	DHS	277	103,178	-
Medicaid Cluster					
Medical Assistance Program	93.778	DHS	878, 881, 560081, 560087, 560091	1,867,550	-
Medical Assistance Program - CLTS	93.778	DHS	872, 878, 881	817,092	-
Total Medicaid Cluster				<u>2,684,642</u>	<u>-</u>
Block Grants for Community Mental Health Services	93.958	DHS	515, 569	120,307	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	DHS	570, 586, 589	582,506	-
Total U.S. Department of Health and Human Services				<u>13,569,277</u>	<u>975,759</u>
U.S. Department of Homeland Security					
Emergency Management Performance Grants	97.042	DMA	4040-0007	85,949	-
Total U.S. Department of Homeland Security				<u>85,949</u>	<u>-</u>
TOTAL FEDERAL PROGRAMS				<u>\$ 16,916,507</u>	<u>\$ 1,165,762</u>

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

COUNTY OF RACINE

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 ID	Expenditures	Payments to Subrecipients
STATE PROGRAMS					
Wisconsin Department of Agriculture, Trade and Consumer Protection					
County Staff and Support	115.150	N/A	9214-17-52-00	\$ 130,054	\$ -
Land and Water Resource Management	115.400	N/A	9214-17-52-00	<u>52,084</u>	<u>-</u>
Total Wisconsin Department of Agriculture, Trade, and Consumer Protection				<u>182,138</u>	<u>-</u>
Wisconsin Department of Natural Resources					
Recreational Aids - Snowmobile Trail and Area	370.485	N/A	S-4768	44,417	-
Water Safety Aid	370.550	N/A	227.52	41,328	-
Wildlife Damage Claim and Abatement	370.553	N/A	1472550044RA	<u>858</u>	<u>-</u>
Total Wisconsin Department of Natural Resources				<u>86,603</u>	<u>-</u>
Wisconsin Department of Transportation					
Elderly and Handicapped County Aids	395.101	N/A	N/A	<u>463,134</u>	<u>-</u>
Total Wisconsin Department of Transportation				<u>463,134</u>	<u>-</u>
Wisconsin Department of Corrections					
State Probation & Parole Offenders	410.116	N/A	302.33(2)(a)3	<u>240,600</u>	<u>-</u>
Total Wisconsin Department of Corrections				<u>240,600</u>	<u>-</u>
Wisconsin Department of Health Services					
Infant Mortality - Racine	435.11019	City of Racine	110190	254,803	-
IMAA State Share ACA CY	435.276	N/A	276	60,918	-
IMAA Fed Share ACA CY	435.277	N/A	277	414	-
IMAA State Share	435.283	N/A	283	799,651	-
IMAA Federal Share	435.284	N/A	284	21,695	-

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

COUNTY OF RACINE

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 ID	Expenditures	Payments to Subrecipients
STATE PROGRAMS (cont.)					
Wisconsin Department of Health Services (cont.)					
Adult Protective Services	435.312	N/A	312	\$ 214,490	\$ -
Children's Cop	435.377	N/A	377	158,533	-
Alzheimer's Family Support	435.381	N/A	381	83,912	-
Coordinated Services County	435.515	N/A	515	46,114	-
Community Mental Health	435.516	N/A	516	963,375	-
Birth to Three Initiative	435.550	N/A	550.000	207,941	-
Basic County Allocation	435.561	N/A	561	5,473,366	-
FPI NON-FED	435.600	N/A	60	36,568	-
Base County Allocation - State Match	435.681	N/A	681	225,853	-
CLTS Other GPR	435.871	N/A	871	284,058	-
CLTS Autism GPR	435.874	N/A	874	264,374	-
CLTS Other CWA Admin GPR	435.877	N/A	877	24,018	-
IM REG PILOT Second 6MTHS	435.880	N/A	880	22,342	-
Aging & Dis Resource Ctr	435.560100	GWAAR	560100	1,115,970	-
Benefit Specialist County	435.560320	GWAAR	560320	30,870	-
EBS OCI Replacement	435.560327	GWAAR	560327	14,017	-
Senior Community Svs Prog	435.560330	GWAAR	560330	13,034	-
Title 3C-1 Cong Meal Prog	435.560350	GWAAR	560350	76,727	-
Title 3C-2 Home Meals	435.560360	GWAAR	560360	29,660	-
Elder Abuse Service	435.560490	GWAAR	560490	65,013	-
				10,487,716	-
Total Wisconsin Department of Health Services					
Wisconsin Department of Children and Families					
CF Children First	437.070	N/A	700	184,434	-
Food Stamp Agency Incentives	437.0965	N/A	965	36,291	-
AFDC Agency Incentives	437.0975	N/A	975	476	-
Medicaid Agency Incentives	437.098	N/A	980	12,507	-

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

COUNTY OF RACINE

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 ID	Expenditures	Payments to Subrecipients
STATE PROGRAMS (cont.)					
Wisconsin Department of Children and Families (cont.)					
JJ Community Intervention Program	437.341	N/A	3410	\$ 152,830	\$ -
JJ AODA	437.3411	N/A	3411	65,914	-
JJ Early Intervention	437.3412	N/A	3412	38,700	-
JJ Youth Aids	437.3413	N/A	3413	4,268,119	-
Basic County Allocation	437.3561	N/A	3561	1,482,193	-
CW Children & Families Allocations	437.3681	N/A	3681	119,149	-
PDS Partnership Fees	437.394	N/A	3940	(8,782)	-
CS MSL Incentive Even FFY	437.7332	N/A	7332	110,037	-
CS State GPR Funding/PR Funding Allocation	437.7502	N/A	7502	426,078	-
CS Medical Support GPR Earned Federal Match	437.7606	N/A	7606	9,236	-
CS Federal Parent Locator Services	437.7903	N/A	7903	(9,900)	-
Total Wisconsin Department of Children and Families				<u>6,887,282</u>	<u>-</u>
Wisconsin Department of Justice					
JDAI - Annie E Casey Foundation	455.xxx	N/A	2014-JD-01-12286	2,619	-
Victim Witness	455.532	N/A	DJ-CVS-27	202,963	-
Total Wisconsin Department of Justice				<u>205,582</u>	<u>-</u>
Wisconsin Department of Military Affairs					
Emergency Planning Grant	465.337	N/A	4040-0007	27,181	-
Total Wisconsin Department of Military Affairs				<u>27,181</u>	<u>-</u>
Wisconsin Department of Administration					
Land Information Program Aid to Counties	505.166	N/A	AD179103	25,000	-
Public Utility Benefits Program	505.371	N/A	AD1599973.51	266,737	266,737
State Task Force Operation	505.630	N/A	2016-DJ-01-12233	86,616	60,313
Total Wisconsin Department of Administration				<u>378,353</u>	<u>327,050</u>
TOTAL STATE PROGRAMS				<u>\$ 18,958,589</u>	<u>\$ 327,050</u>

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

COUNTY OF RACINE

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 grant activity of the County of Racine 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 the County of Racine, it is not intended to and does not present the financial position, changes in net position or cash flows of the County of Racine.

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 June 1, 2018 Community Aids Reporting System (CARS) reports and the December 31, 2017 SPARC report.

COUNTY OF RACINE

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

NOTE 4 – PASS-THROUGH ENTITIES

Federal and state awards have been passed through the following entities:

DPI	Wisconsin Department of Public Instruction
DHS	Wisconsin Department of Human Services
Kenosha Cty	Kenosha County, Wisconsin
DOA	Wisconsin Department of Administration
DOJ	Wisconsin Department of Justice
City of Racine	City of Racine, Wisconsin
DOT	Wisconsin Department of Transportation
DCF	Wisconsin Department of Children and Families
DWD	Wisconsin Department of Workforce Development
GWAAR	Greater Wisconsin Agency on Aging Resources
DMA	Wisconsin Department of Military Affairs

NOTE 5 – INDIRECT COST RATE

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

COUNTY OF RACINE

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

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report 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 deficiencies identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to basic 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> none reported | <u> </u> yes <u> X </u> none reported |

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 X yes no

Auditee qualified as low-risk auditee?

 yes X no yes X no

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

\$ 750,000

Dollar threshold used to distinguish between Wisconsin Department of Health Services type A and type B programs:

\$ 563,734

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

\$ 250,000

COUNTY OF RACINE

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 Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.561	SNAP Cluster – State Administration Matching Grants for the Supplemental Nutrition Assistance Program
93.505	Home Visiting Program
93.563	Child Support Enforcement
93.778	Medicaid Cluster – Medical Assistance Program

Identification of major state programs:

<u>State ID Numbers</u>	<u>Name of State Program</u>
435.561	Basic County Allocation
435.681	Basic County Allocation – State Match
437.3561	Base County Allocation
437.3681	CW Children & Families Allocation
437.7502	CS State GPR Funding/PR Funding Allocation
505.371	Public Utility Benefits Program

COUNTY OF RACINE

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

FINDING 2017-001: INTERNAL CONTROL OVER FINANCIAL REPORTING

REPEAT OF FINDING 2016-001

Material Journal Entries and Preparation of Financial Statements

Criteria: AU-C Section 265 requires auditors to report a material weakness if material journal entries are identified by the auditors, material changes are made to the schedule of expenditures of federal and state awards, or the auditor prepares the annual financial statements and footnotes.

Condition: Material journal entries were identified during the course of the audit. Also, as your auditors, we prepared the County of Racine's annual financial statements.

Cause: Due to limited resources, County of Racine staff was not able to identify certain adjustments to the County of Racine's books and the County of Racine contracted with the auditors to prepare the financial statements.

Effect: The financial statements need to contain all of the required disclosures and account balances without material changes by the auditors.

Recommendation: We recommend that the County of Racine put in place procedures in order to reduce the risk of material adjustments as well as determining if resources would be available to prepare a complete set of financial statements.

Management's Response: Due to staffing changes and moving to a new financial system, staff has continued to contract with the auditors to prepare the County's financial statements. Management will work with auditors on the preparation of financial statements in future audits with the goal of completing the County of Racine's annual financial statements in house without auditor assistance. Current processes are being reviewed to and will be updated to ensure proper internal controls are in place and procedures are being followed to make all closing entries properly and in a timely matter.

COUNTY OF RACINE

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

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2017-002

REPEAT FINDING: 2016-003

State ID Number and Title: N/A General Requirements
State Grantor: Wisconsin Department of Children and Families

Criteria: Program requirements as identified in the Department of Children and Family Services General Requirements identify specific tests that auditors should perform related to the Random Moment Sampling (RMS) system. Those procedures include verifying documentation supporting the RMS responses provided by the County of Racine.

Condition/Context: Out of 40 responses tested, we found one response that did not contain supporting documentation for the date and time of the response. The sample was not a statistically valid sample.

Cause: The County of Racine did not ensure that the RMS response was properly documented and supported.

Effect: The caseworker could be working on a different program than what the RMS sample states which could result in the inaccurate allocation of expenditures to affected programs.

Questioned Costs: None noted.

Recommendation: We recommend internal review of procedures for ensuring that RMS responses are supported by underlying records.

Management's Response: The Income Maintenance Consortium regularly provides individual, group, and Consortium trainings which are relevant to the operations and workload management. In those trainings, the importance of good documentation of RMS responses is emphasized. Income Maintenance has a large workload and staffing levels are challenging, however, management is confident that by continuing to address the importance and role of proper responses and documentation, this discrepancy can be mitigated in the future.

COUNTY OF RACINE

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

SECTION IV – OTHER ISSUES

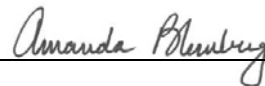
Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ yes X no

Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, 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 Health Services	_____	yes	<u> X </u>	no
Department of Children and Families	<u> X </u>	yes	_____	no
Department of Agriculture, Trade and Consumer Protection	_____	yes	<u> X </u>	no
Department of Justice	_____	yes	<u> X </u>	no
Department of Military Affairs	_____	yes	<u> X </u>	no
Department of Corrections	_____	yes	<u> X </u>	no
Department of Transportation	_____	yes	<u> X </u>	no
Department of Administration	_____	yes	<u> X </u>	no
Department of Natural Resources	_____	yes	<u> X </u>	no

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

Name and signature of partner



Amanda R. Blomberg, CPA, Firm Director

Date of report

September 26, 2018