

COUNTY OF RACINE
Racine, Wisconsin

SINGLE AUDIT REPORT
December 31, 2006

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH <i>OMB CIRCULAR A-133</i> and the Schedule of Expenditures of Federal Awards	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	5
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	9
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS	12
SCHEDULE OF PRIOR YEAR FEDERAL AUDIT FINDINGS	14
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE <i>STATE SINGLE AUDIT GUIDELINE</i> and the Schedule of Expenditures of State Awards	15
SCHEDULE OF EXPENDITURES OF STATE AWARDS	17
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS	21
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS	26
STATUS OF PRIOR YEAR STATE FINDINGS AND QUESTIONED COSTS	33

**Independent Auditor's 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**

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

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Racine as of and for the year ended December 31, 2006, which collectively comprise County of Racine's basic financial statements and have issued our report thereon dated July 30, 2007. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered County of Racine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting *2006-01 and 2006-02*.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Racine's financial statements are free of 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 the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit County of Racine's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Milwaukee, Wisconsin
July 30, 2007

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and the Schedule of Expenditures of Federal Awards

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

Compliance

We have audited the compliance of County of Racine with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. County of Racine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of County of Racine's management. Our responsibility is to express an opinion on County of Racine's compliance based on our audit.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of County of Racine's compliance with those requirements.

In our opinion, County of Racine complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of County of Racine is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered County of Racine's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2006-01 and 2006-02 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

County of Racine's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit County of Racine's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Racine County, Wisconsin as of and for the year ended December 31, 2006, and have issued our report thereon dated July 30, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Racine County, Wisconsin's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of, management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Milwaukee, Wisconsin
August 3, 2007

COUNTY OF RACINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2006

Grantor Agency Pass-through Agency Grant or Project Title	CFDA #	Program Award Amount	Receivable (Payable) 01/01/06	Receipts	Local Share	Grant Expenditures	Receivable (Payable) 12/31/06
U.S. DEPARTMENT OF AGRICULTURE							
Wisconsin Department of Public Instruction							
School Breakfast Program	10.553	\$ N/A	\$ 3,043	\$ 41,850	\$ -	\$ 42,434	\$ 3,627
National School Lunch Program	10.555	N/A	4,693	55,929	-	67,715	16,479
Total Wisconsin Department of Public Instruction			7,736	97,779	-	110,149	20,106
Wisconsin Department of Health and Family Services - Health Care Financing							
Administrative Grants For Food Stamp Program	10.561	335,782	106,107	670,342	49,835	704,345	140,110
Wisconsin Department of Workforce Development							
Administrative Grants For Food Stamp Program	10.561	1,973,439	139,036	254,606	-	207,028	91,458
Total U.S. Department of Agriculture			252,879	1,022,727	49,835	1,021,522	251,674
U.S. DEPARTMENT OF COMMERCE							
Wisconsin Department of Administration							
Lakefront Plan Update	11.419	25,000	11,250	18,750	7,500	7,500	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Racine County Housing Authority							
Lower Income Housing Assistance Program:							
Section 8 Moderate Rehabilitation							
Low Rent Public Housing Support Audit Costs	14.850	1,900	-	1,900	(200)	1,900	-
Voucher Program	14.871	N/A	-	8,063,428	(684,538)	8,063,428	-
N/C S/R Section 8 Programs	14.182	80,667	-	80,667	86,228	80,667	-
Total U.S. Department of Housing and Urban Development			-	8,145,995	(598,510)	8,145,995	-
U.S. DEPARTMENT OF JUSTICE							
Bureau of Justice Assistance							
Bulletproof Vest Partnership Program	16.607	1,539	1,001	2,540	-	1,539	-
Passed Through City of Racine							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	58,400	-	-	-	58,400	58,400
Total Bureau of Justice Assistance			1,001	2,540	-	59,939	58,400
Wisconsin Department of Administration-Office of Justice Assistance							
Juvenile Accountability Incentive Block Grants	16.523	31,621	5,357	13,393	1,757	15,812	7,776
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	120,000	11,802	11,802	-	12,175	12,175
Byrne Formula Grant Program	16.579	85,000	24,671	71,454	-	46,783	-
Passed Through Jefferson County							
Byrne Formula Grant Program	16.579	141,028	56,681	56,681	-	-	-
Passed Through Kenosha County							
Byrne Formula Grant Program	16.579	105,670	-	28,328	-	105,670	77,342
Total Wisconsin Department of Administration-Office of Justice Assistance			98,511	181,658	1,757	180,440	97,293

See Notes to Schedule of Expenditures of Federal Awards for basis of presentation and significant accounting policies.

COUNTY OF RACINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2006

Grantor Agency Pass-through Agency Grant or Project Title	CFDA #	Program Award Amount	Receivable (Payable) 01/01/06	Receipts	Local Share	Grant Expenditures	Receivable (Payable) 12/31/06
Wisconsin Department of Justice							
Drug Enforcement Administration Grants	16.000	\$ 3,151	\$ -	\$ 900	\$ -	\$ 3,151	2,251
Crime Victim Assistance	16.575	145,868	19,196	75,236	19,214	75,743	19,703
Bryne Formula Grant Program	16.579	-	16,751	16,751	7,602	8,235	8,235
Total Wisconsin Department of Justice			35,947	92,887	26,816	87,129	30,189
Wisconsin Department of Transportation							
Enforcing Underage Drinking Laws Program	16.727	10,000	-	7,440	2,000	7,440	-
Total U.S. Department of Justice			135,459	284,525	30,573	334,948	185,882
U.S. DEPARTMENT OF LABOR							
Wisconsin Department of Workforce Development							
Passed Through Kenosha County							
WIA Adult Program	17.258	898,134	69,333	333,360	7,414	312,702	48,675
WIA Youth Activities	17.259	1,463,494	95,674	512,233	-	536,984	120,425
WIA Dislocated Workers	17.260	1,237,592	140,851	495,770	-	426,133	71,214
Total U.S. Department of Labor			305,858	1,341,363	7,414	1,275,819	240,314
U.S. DEPARTMENT OF TRANSPORTATION							
Wisconsin Department of Transportation							
Photogrametry Grant	20.205	3,000	-	-	-	3,000	3,000
Highway Planning and Construction	20.205	506,717	14,862	-	583	2,915	17,777
State and Community Highway Safety	20.600	255,265	30,311	144,651	5,250	134,125	19,785
Total U.S. Department of Transportation			45,173	144,651	5,833	140,040	40,562
U.S. DEPARTMENT OF EDUCATION							
Wisconsin Department of Public Instruction							
Handicapped Preschool and School Programs							
7/1/04 - 6/30/05	84.027	12,063	12,063	12,063	-	-	-
7/1/05 - 6/30/06		1,505,034	559,830	1,505,034	-	945,204	-
Special Education: Preschool Grants	84.173	50,610	43,279	50,610	-	7,331	-
7/1/05 - 6/30/06							
Wisconsin Department of Public Instruction			615,172	1,567,707	-	952,535	-
Wisconsin Department of Health and Family Services - Disability and Elder Services							
Special Education Grants for Infants and Families with Disabilities	84.181	219,113	-	219,113	-	219,113	-
Safe and Drug-Free Schools and Communities State Grants	84.186	38,986	9,466	30,398	-	28,588	7,656
Total Wisconsin Department of Health and Family Services - Disability and Elder Services			9,466	249,511	-	247,701	7,656
Total U.S. Department of Education			624,638	1,817,218	-	1,200,236	7,656

See Notes to Schedule of Expenditures of Federal Awards for basis of presentation and significant accounting policies.

COUNTY OF RACINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2006

Grantor Agency Pass-through Agency Grant or Project Title	CFDA #	Program Award Amount	Receivable (Payable) 01/01/06	Receipts	Local Share	Grant Expenditures	Receivable (Payable) 12/31/06
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1,998,600	\$ 98,544	\$ 471,291	\$ -	\$ 507,686	\$ 134,939
Office of National Drug Control Policies High Intensity Drug Traffic Area	93.276	68,386	16,542	73,485	-	68,387	11,444
Wisconsin Department of Health and Family Services - Division of Children and Family							
Consolidated Knowledge Development and Application (KD&A) Program	93.230	364,137	12,596	12,596	-	-	-
Promoting Safe and Stable Families	93.556	79,934	4,984	78,263	-	80,894	7,615
Temporary Assistance for Needy Families	93.558	597,321	(1,218)	583,709	21,165	576,156	(8,771)
Chafee Education and Training Vouchers Program	93.599	6,377	-	1,345	-	1,367	22
Child Welfare Services State Grants	93.645	153,652	(313)	150,150	5,444	148,208	(2,255)
Foster Care Title IV-E	93.658	1,345,367	60,303	1,313,261	44,575	1,305,768	52,810
Social Services Block Grant	93.667	1,210,712	(2,431)	1,166,696	42,227	1,154,487	(14,640)
Child Abuse and Neglect State Grants	93.669	22	-	22	-	22	-
Chafee Foster Care Independent Living	93.674	34,708	-	34,708	-	34,708	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	130,247	2,424	123,590	-	130,247	9,081
Total Division of Children and Family			76,345	3,464,340	113,411	3,431,857	43,862
Wisconsin Department of Health and Family Services - Division of Disability and Elder Services							
Special Programs for the Aging-Title III, Part C, Nutrition Services	93.045	519,202	91,026	467,922	411,745	493,356	116,460
Nutrition Services Incentive Program	93.053	73,962	13,703	72,631	-	73,962	15,034
Medical Assistance Program	93.778	8,676,411	228,045	8,410,721	-	8,535,656	352,980
Block Grants for Community Mental Health Services	93.958	223,088	3,807	194,358	-	190,551	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	713,347	28,331	601,357	-	644,833	71,807
Total Division of Disability and Elder Services			364,912	9,746,989	411,745	9,938,358	556,281
Wisconsin Department of Health and Family Services - Health Care Financing							
State Children's Insurance Program	93.767	78,498	17,686	149,310	-	160,110	28,486
Medical Assistance Program	93.778	480,714	132,626	1,008,912	15,749	1,066,516	190,230
Total Division of Health Care Financing			150,312	1,158,222	15,749	1,226,626	218,716
Total Wisconsin Department of Health and Family Services			591,569	14,369,551	540,905	14,596,841	818,859
Wisconsin Department of Workforce Development							
Temporary Assistance for Needy Families	93.558	2,334,950	116,067	779,846	152	601,374	(62,405)
Child Support Enforcement	93.563	94,720	310,651	2,175,380	1,997	2,308,236	443,507
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,555,239	46,557	927,122	1,867	925,130	44,565
Medical Assistance Program	93.778	N/A	9,260	105,018	-	114,268	18,510
Passed Through Racine Unified School District							
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,750	-	1,523	123	1,523	-
Total Wisconsin Department of Workforce Development			482,535	3,988,889	4,139	3,950,531	444,177

See Notes to Schedule of Expenditures of Federal Awards for basis of presentation and significant accounting policies.

COUNTY OF RACINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2006

Grantor Agency Pass-through Agency Grant or Project Title	CFDA #	Program Award Amount	Receivable (Payable) 01/01/06	Receipts	Local Share	Grant Expenditures	Receivable (Payable) 12/31/06
Wisconsin Department of Administration Low Income Home Energy Assistance	93.568	\$ 629,699	\$ 56,327	\$ 143,756	\$ 4,163	\$ 123,942	\$ 36,513
Wisconsin Department of Corrections Child Welfare Services State Grants	93.645	37,703	7,873	31,618	22,383	37,702	13,957
Foster Care Title IV-E	93.658	47,129	9,841	39,523	27,979	47,128	17,446
Total Wisconsin Department of Corrections			17,714	71,141	50,362	84,830	31,403
Total U.S. Department of Health and Human Services			1,263,231	19,118,113	599,569	19,332,217	1,477,335
U.S. DEPARTMENT OF HOMELAND SECURITY							
Wisconsin Department of Administration - Office of Justice Assistance State Domestic Preparedness Equipment Support Program	97.004	56,191	3,284	25,776	1,243	36,457	13,965
Homeland Security Grant	97.067	109,742	-	97,697	-	106,999	9,302
Wisconsin Department of Military Affairs Emergency Management Performance Grants	97.042						
10/1/04 - 9/30/05 (Sept - Dec 2004 exps)		48,007	23,828	28,793	-	4,965	-
10/1/05 - 9/30/06 (Sept - Dec 2005 exps)		48,007	-	24,439	57,620	49,889	25,450
Total U.S. Department of Homeland Security			27,112	176,705	58,863	198,310	48,717
TOTAL FEDERAL AWARD PROGRAMS			\$ 2,665,600	\$ 32,070,047	\$ 161,077	\$ 31,656,587	\$ 2,252,140

See Notes to Schedule of Expenditures of Federal Awards for basis of presentation and significant accounting policies.

COUNTY OF RACINE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

(A) Revenues and Expenditures

Expenditures in the schedules are presented in accordance with the modified accrual basis of accounting, consistent with the County's 2006 financial statements. Receivables at year-end consist of federal program expenditures scheduled for reimbursement to the County in the succeeding year while payables represent advances for federal programs that exceed reported County Expenditures.

(B) Subgrantees

Certain program funds are passed through the County to subgrantee organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subgrantees outside of the County's control utilized the funds. The county requires all subgrantees receiving more than \$25,000 to submit a separate audit report disclosing the use of program funds.

(C) Cost Allocation

The County has a plan for allocation of indirect costs related to grant programs. Indirect costs are first allocated to applicable County departments in accordance with the cost allocation plan. The County reports each department's indirect cost allocation to the State and the State allocates the indirect costs to individual programs. Indirect costs are included in expenditures in the schedules.

In addition to the cost allocation plan, the County has various departments that provide services to other County departments.

2. FINANCIAL ASSISTANCE PROGRAMS

The Schedule of Expenditures of Federal Awards includes all programs of the County of Racine, Wisconsin (the "County") and its component units which had activity in 2006.

Program Period

Certain of the financial assistance programs have contract periods which are less than a year or which are for a 12-month period that ends during the calendar year. For the fiscal year-end contracts that ended or began in 2006, transactions occurring during 2006 are presented in the Schedule of Expenditures of Federal Awards and the fiscal period is disclosed under the title of the contract.

COUNTY OF RACINE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2006

2. FINANCIAL ASSISTANCE PROGRAMS (CONTINUED)

Local Share

Certain financial assistance programs require the County to fund a portion of the expenses of the program. The portion funded by the County is included as the "Local Share" in the Schedule of Expenditures of Federal Awards.

3. ADJUSTMENTS TO BEGINNING BALANCE

Adjustments were made to the December 31, 2005 ending accrual or deferral because of new information available in 2006. The primary reason was to report on actual 2006 program revenue. Additional adjustments were made to reflect federal/state funding percent changes.

4. CONTINGENCY

All federal financial assistance programs are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for costs disallowed under the terms of the programs. It is the opinion of management that all costs charged against those federal programs are allowable under the regulations of these programs.

5. AGING PROGRAMS MATCHING SHARE

Funds received from Southeastern Area Agency on Aging require a 1/9 local cash or in-kind match for all programs except for Title 111-E which requires a 25% match. The detail of local share included in the Schedule of Federal and State Financial Assistance for Aging Programs is as follows:

	<u>Program Income</u>	<u>Cash Match</u>	<u>In-kind Match</u>
Senior Community Services			
Respite Services	\$ -	\$ -	\$ 4,362
Family Services of Racine	-	-	778
Totals	<u>-</u>	<u>-</u>	<u>5,140</u>
Title III-B			
Racine County HSD	-	4,147	-
Racine/Kenosha Community Action Agency	-	-	865
Lincoln Lutheran		-	26,910
Respite Services	-	-	37,804
Totals	<u>-</u>	<u>4,147</u>	<u>65,579</u>
Title III-C			
Lincoln Lutheran	<u>305,122</u>	<u>-</u>	<u>132,469</u>

COUNTY OF RACINE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2006

5. AGING PROGRAMS MATCHING SHARE (CONTINUED)

	<u>Program Income</u>	<u>Cash Match</u>	<u>In-kind Match</u>
Title III-D			
Respite Services	-	-	1,285
Benefit Specialist			
Racine/Kenosha Community Action Agency	-	-	3,715
Title III-E			
Racine County HSD	-	-	11,910
Respite Services	-	-	17,055
Totals	-	-	28,965
 Grand Total Local Match	 <u>\$ 305,122</u>	 <u>\$ 4,147</u>	 <u>\$ 237,153</u>

6. The County made grants to subrecipients under the following federal programs:

<u>Federal CFDA Number</u>	<u>Amount Paid to Subrecipients</u>	<u>Federal CFDA Number</u>	<u>Amount Paid to Subrecipients</u>
10.561	\$ 100,219	93.568	\$ 102,536
17.258	224,318	93.596	298,038
17.259	415,505	93.556	3,542
17.260	303,483	93.645	24,903
84.186	28,588	93.658	218,063
93.045	434,978	93.667	193,156
93.053	73,962	93.778	82,898
93.243	463,184	93.959	282,779
93.558	112,522		

This information is an integral part of the accompanying schedule.

COUNTY OF RACINE
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ X yes _____ None Reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ yes _____ X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
<u>14.871</u>	<u>Section 8 Housing Choice Vouchers</u>
<u>93.558</u>	<u>Temporary Assistance for Needy Families</u>
<u>93.658</u>	<u>Foster Care – Title IV-E</u>
<u>93.778</u>	<u>Medical Assistance Program</u>

Dollar threshold used to distinguish between type A and type B programs: \$949,680

Auditee qualified as low-risk auditee? _____ X yes _____ no

COUNTY OF RACINE
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS (continued)
Year Ended December 31, 2006

Section II - Financial Statement Findings

2006-01 Allowance For Doubtful Accounts Receivable

The County does not have a written policy in place related to assisting the departments in selecting an appropriate method for determining valuation for the allowance for doubtful accounts. We recommend that the Finance Department develop a formal policy to assist departments with this calculation.

Management Response

The County makes allowance for uncollectable accounts in two areas, tax collections and patient receivables for Ridgewood healthcare Center. The amount posted as an allowance for uncollectable amounts is based upon an assessment of each individual account. The County agrees to formalize this process in a written policy.

2006-02 Contract Retainage Payable

The County does not currently record payables for work performed under contracts and withheld as retainage. We recommend that the County establish a written policy and formal procedures to identify and record contract retainages payable.

Management Response

It is extremely rare for the County to have retainage payable at year end. The County agrees to formalize this process in a written policy.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

**COUNTY OF RACINE
SCHEDULE OF PRIOR YEAR FEDERAL AUDIT FINDINGS
Year Ended December 31, 2006**

There were no findings or questioned costs identified in the prior year.

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major State Program and on Internal Control Over Compliance in Accordance With State Single Audit Guidelines and the Schedule of Expenditures of State Awards

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

Compliance

We have audited the compliance of County of Racine with the types of compliance requirements described in the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that are applicable to each of its major state programs for the year ended December 31, 2006. County of Racine's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of County of Racine's management. Our responsibility is to express an opinion on County of Racine's compliance based on our audit.

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; and *State Single Audit Guidelines*. Those standards and OMB Circular A-133 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 program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of County of Racine's compliance with those requirements.

In our opinion, County of Racine complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with State Single Audit Guidelines and which are described in the accompanying schedule of findings and questioned costs as items 2006-03, 2006-04, 2006-05, 2006-06, and 2006-07.

Internal Control Over Compliance

The management of County of Racine is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered County of Racine's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

County of Racine's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit County of Racine's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of State Awards

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Racine County, Wisconsin as of and for the year ended December 31, 2006, and have issued our report thereon dated July 30, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Racine County, Wisconsin's basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Single Audit Guidelines* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of, management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Milwaukee, Wisconsin
August 3, 2007

COUNTY OF RACINE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the year ended December 31, 2006

Grantor Agency Pass-through Agency Grant or Project Title	State ID #	Program Award Amount	Receivable (Payable) 1/1/2006	Receipts	Local Share	Grant Expenditures	Receivable (Payable) 12/31/06
WISCONSIN DEPARTMENT OF ADMINISTRATION							
Land Information Grants	505.118	\$ 300	\$ 62	\$ 300	-	-	(238)
LIHEAP Public Benefits	505.371	96,181	-	37,295	-	57,830	20,535
Office of Justice Assistance							
Jail Literacy Project - State	505.631	5,000	2,500	2,500	-	-	-
OJA Digital Recording Grant	505.636	13,360	-	13,360	-	13,360	-
Passed Through Jefferson County State Task Force Against Drugs	505.631	28,204	15,752	15,752	-	-	-
Total Wisconsin Department of Administration			18,314	69,207	-	71,190	20,297
WISCONSIN DEPARTMENT OF AGRICULTURE, TRADE AND CONSUMER PROTECTION							
Soil and Water Conservation Project Aids #9214-05-52-00	115.150	133,193	23,978	95,691	121,757	133,193	61,480
Soil and Water Conservation Project Aids #9214-05-52-00	115.400	61,873	11,998	11,998	-	32,963	32,963
Total Wisconsin Department of Agriculture			35,976	107,689	121,757	166,156	94,443
WISCONSIN DEPARTMENT OF COMMERCE							
Environmental Aids - Private Sewage System Replacement and Rehabilitation	370.403	49,142	-	49,142	-	49,142	-
Petroleum Clean Up Fund	(a)	N/A	71,251	29,351	44,750	(41,900)	-
Total Wisconsin Department of Commerce			71,251	78,493	44,750	7,242	-
WISCONSIN DEPARTMENT OF CORRECTIONS							
State Probation & Parole Offenders	410.116	165,258	-	-	-	165,258	165,258
Capacity Building for Early & Intensive Intervention	410.302	356,590	29,068	176,999	-	178,295	30,364
Youth Aids - Basic County Allocation	410.313	3,027,834	638,329	2,534,472	1,814,898	3,027,834	1,131,691
Youth Aids - AODA Allocation	410.313	29,239	-	29,239	-	29,239	-
Jail Literacy Project - Juvenile Inmates	(a)	12,000	-	12,000	-	12,000	-
Total Wisconsin Department of Corrections			667,397	2,752,710	1,814,898	3,412,626	1,327,313

See Notes to Schedule of Expenditures of State Awards for basis of presentation and significant accounting policies.

COUNTY OF RACINE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the year ended December 31, 2006

Grantor Agency Pass-through Agency Grant or Project Title	State ID #	Program Award Amount	Receivable (Payable) 1/1/2006	Receipts	Local Share	Grant Expenditures	Receivable (Payable) 12/31/06
WISCONSIN DEPARTMENT OF HEALTH AND FAMILY SERVICES							
Division of Children and Family							
Children and Families Incentive Funds	435.342	\$ 334,427	\$ 90,233	\$ 423,706	\$ 26,423	\$ 334,427	\$ 954
CFSR Review Expenses	435.343	10,000	-	10,000	-	5,992	(4,008)
Foster Care Continuation	435.365	30,240	214	214	-	-	-
Kinship Care Base Benefit	435.377	751,213	(32,859)	719,434	-	718,696	(33,597)
Kinship Care Assessment	435.380	66,641	-	66,641	21,704	66,641	-
Brighter Future Initiative	435.540	161,394	3,004	153,145	-	161,394	11,253
Basic County Allocation	435.561	6,402,477	(13,060)	6,256,571	226,856	6,175,621	(94,010)
State/County Match - Basic County Allocation	435.681	1,164,580	-	1,108,143	3,712,632	1,164,580	56,437
Sacwis Ongoing-Local Match	(a)	N/A	-	-	41,357	-	-
Youth Independent Living II IV-E Match	(a)	N/A	-	-	8,677	-	-
Foster Parent Preservice Training - Match	(a)	N/A	-	-	17,710	-	-
Chips Lega Services - Match	(a)	N/A	-	-	65,395	-	-
TPR Adoption - Match	(a)	N/A	-	-	47,634	-	-
Total Division of Children And Family			<u>47,532</u>	<u>8,737,854</u>	<u>4,168,388</u>	<u>8,627,351</u>	<u>(62,971)</u>
Division of Healthcare Financing							
Funeral/Cemet-W-2 and Non W-2	435.105	N/A	8,750	205,280	-	238,774	42,244
Medical Assistance Transportation	435.131	N/A	15,749	93,582	-	87,341	9,508
Medical Assistance Transportation - Admin	435.132	N/A	853	2,555	-	2,580	878
IMAA State Share	435.283	864,510	209	864,719	898,825	864,510	-
IMAA Federal Shares	435.284	10,893	2,454	20,719	-	22,218	3,953
Program Integrity - Medicaid	435.750	34,290	-	34,290	-	34,290	-
Fraud-Contract Cont	435.950	36,371	398	13,794	-	24,582	11,186
TANF Program Integ-over	(a)	N/A	-	-	9,151	-	-
CC Program Integ-over	(a)	N/A	-	-	7,369	-	-
Total Division of Healthcare Financing			<u>28,413</u>	<u>1,234,939</u>	<u>915,345</u>	<u>1,274,295</u>	<u>67,769</u>

See Notes to Schedule of Expenditures of State Awards for basis of presentation and significant accounting policies.

COUNTY OF RACINE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the year ended December 31, 2006

Grantor Agency Pass-through Agency Grant or Project Title	State ID #	Program Award Amount	Receivable (Payable) 1/1/2006	Receipts	Local Share	Grant Expenditures	Receivable (Payable) 12/31/06
Division of Disability and Elder Services							
ADRC - Other ADRC Expenses	435.140	\$ 153,672	\$ -	\$ -	\$ -	71,944	\$ 71,944
COPW GPR	435.338	982,332	(17,913)	821,052	-	815,334	(23,631)
CIPII GPR - Non Federal	435.348	770,257	30,589	768,447	-	770,257	32,399
Community Options Program (COP)	435.367	2,552,532	509,740	2,529,165	-	2,393,035	373,610
CIPII Comm Relocated - Non Federal	435.369	19,090	-	16,700	-	19,069	2,369
CIPII Diversions - Non Federal	435.375	1,625	-	2,457	-	1,624	(833)
Alzheimer's Family & Caregiver Support	435.381	92,485	(4,230)	64,040	-	65,156	(3,114)
CLTS DD - GPR	435.450	71,426	111,604	189,915	-	71,429	(6,882)
CLTS MI - GPR	435.451	451,936	-	428,452	-	451,939	23,487
Brain Injury Waiver	435.506	105,127	(2,781)	109,535	-	105,127	(7,189)
Integrated Services Children W/ Severe Disabilities	435.530	7,400	-	7,400	-	7,400	-
Non-resident 997	435.531	N/A	11,150	12,740	-	1,590	-
Birth to Three Initiative	435.550	255,362	-	255,362	-	255,362	-
Aging-Benefit Specialist	435.560320	33,438	8,353	27,771	3,715	33,438	14,020
Senior Community Services	435.560330	13,704	2,856	11,946	5,140	13,704	4,614
Aging: Title III, Part C Nutrition	435.560350	175,227	28,160	164,556	92,004	175,227	38,831
Aging: Title III, Part C Nutrition	435.560360	14,347	109	14,374	33,818	14,347	82
Aging-Elder Abuse Service	435.560490	65,670	41,176	74,804	-	60,689	27,061
Community Integration Program I-B (CIP-1B)	435.564	605,283	26,002	619,702	-	605,283	11,583
Family Support	435.577	169,026	(606)	168,420	-	167,648	(1,378)
Community Integration Program I-A (CIP-1A)	435.580	1,365,358	(5,432)	1,356,311	-	1,365,358	3,615
Total Division of Disability and Elder Services			<u>738,777</u>	<u>7,643,149</u>	<u>134,677</u>	<u>7,464,960</u>	<u>560,588</u>
Division of Management and Technology							
RCC Health Check	435.967	N/A	39,257	114,349	-	111,661	36,569
Total Wisconsin Department of Health and Family Services			<u>853,979</u>	<u>17,730,291</u>	<u>5,218,410</u>	<u>17,478,267</u>	<u>601,955</u>
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT							
Children First	445.315	540,000	69,714	274,736	-	269,632	64,610
W-2 Administration - TANF	445.315	399,511	30,080	30,080	-	-	-
W-2 Administration	445.315	342,261	-	202,628	-	202,223	(405)
W-2 Services	445.315	552,190	-	261,199	137	260,878	(321)
W-2 Implementation Contract	445.315	959,706	63,042	63,042	-	-	-
W-2 Contract Prepayments	445.315	N/A	-	73,639	-	-	(73,639)
W-2 Job access Loans Net	445.323	18,010	2,895	4,908	-	2,813	800
CS Credit Bureau Fees-34%	445.334	N/A	-	-	-	-	-
Vital Records Fee	445.334	N/A	(367)	(1,357)	-	(1,350)	(360)
Unemployment Insurance Fees	445.334	N/A	(98)	(798)	-	(858)	(158)
CS Performance Based	445.350	708,726	-	706,939	339,878	725,607	18,668
CS FPLS Fees	445.357	N/A	(1,480)	(10,064)	-	(10,301)	(1,717)
FSET Admin 50/50 Optional	445.367	395,161	1,500	106,744	-	182,246	77,002
W-2 Implementation Contract	445.367	1,526,579	100,279	100,279	-	-	-
FSET Supplement	445.367	51,699	37,257	47,583	-	24,782	14,456
W-2 Emergency Assistance	445.375	N/A	20,052	114,423	-	105,720	11,349
Admin Advance	(a)	N/A	(139,040)	135,419	-	-	(274,459)

See Notes to Schedule of Expenditures of State Awards for basis of presentation and significant accounting policies.

COUNTY OF RACINE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the year ended December 31, 2006

Grantor Agency Pass-through Agency Grant or Project Title	State ID #	Program Award Amount	Receivable (Payable) 1/1/2006	Receipts	Local Share	Grant Expenditures	Receivable (Payable) 12/31/06
FSET Admin 50/50 Optional	(a)	N/A	-	-	364,492	-	-
Total Wisconsin Department of Workforce Development			183,834	2,109,400	704,507	1,761,392	(164,174)
WISCONSIN DEPARTMENT OF MILITARY AFFAIRS							
EPCRA Computer Grant	465.308	\$ 6,000	\$ -	\$ -	\$ -	\$ 5,550	\$ 5,550
EPCRA Emergency Planning Grant Program	465.337	65,701	32,826	49,264	61,965	32,875	16,437
Total Wisconsin Department of Military Affairs			32,826	49,264	61,965	38,425	21,987
WISCONSIN DEPARTMENT OF NATURAL RESOURCES							
Water Safety Aid (4/1/05-11/30/05)	370.550	32,000	29,763	29,763	-	-	-
Water Safety Aid (4/1/06-11/30/06)	370.550	35,222	-	-	-	35,222	35,222
County Fish and Game Project Grant	370.563	3,990	-	3,145	3,145	3,145	-
Wildlife Animal Damage Control	(a)	4,280	1,760	2,569	-	2,999	2,190
Total Wisconsin Department of Natural Resources			31,523	35,477	3,145	41,366	37,412
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION							
Handicapped and School Age Parents Education Aid (d)	255.101	6,028,074	3,449,524	3,106,234	5,169,063	1,533,400	1,876,690
General Aids	255.201	3,855,861	733,850	1,908,011	-	3,122,011	1,947,850
Total Wisconsin Department of Public Instruction			4,183,374	5,014,245	5,169,063	4,655,411	3,824,540
WISCONSIN DEPARTMENT OF TRANSPORTATION							
Specialized Transportation	395.101	330,516	-	278,028	66,103	278,028	-
WISCONSIN DEPARTMENT OF JUSTICE							
Law Enforcement Training fund-Victim Witness Services	455.503	N/A	70,377	70,377	-	-	-
Law Enforcement Training fund-Victim Witness Services	455.532	N/A	-	113,300	96,702	113,300	-
Law Enforcement Training fund-Victim Witness Services	455.539	N/A	43,538	43,538	97,102	105,194	105,194
Total Wisconsin Department of Justice			113,915	227,215	193,804	218,494	105,194
WISCONSIN PUBLIC SERVICE COMMISSION							
E-911 Program	N/A	417,410	16,629	56,782	33,971	99,824	59,671
TOTAL STATE FINANCIAL ASSISTANCE PROGRAMS			\$ 6,209,018	\$ 28,508,801	\$ 13,432,373	\$ 28,228,421	\$ 5,928,638

(a) The State Identification Number could not be identified.

See Notes to Schedule of Expenditures of State Awards for basis of presentation and significant accounting policies.

COUNTY OF RACINE
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
December 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

(A) Revenues and Expenditures

Expenditures and revenues in the schedules are presented in accordance with the modified accrual basis of accounting, consistent with the County's 2006 financial statements. Receivables at year-end consist of State program expenditures scheduled for reimbursement to the County in the succeeding year while payables represent advances for State programs that exceed reported County expenditures.

(B) Subgrantees

Certain program funds are passed through the County to subgrantee organizations. The Schedule of Expenditures of State Awards does not contain separate schedules disclosing how the subgrantees outside of the County's control utilized the funds. The County requires all subgrantees receiving more than \$25,000 to submit a separate audit report disclosing the use of the program funds.

(C) Cost Allocation

The County has a plan for allocation of indirect costs related to grant programs. Indirect costs are first allocated to applicable County departments in accordance with the cost allocation plan. The County reports each department's indirect cost allocation to the State and the State allocates the indirect costs to individual programs. Indirect costs are included in expenditures in the schedules.

In addition to the cost allocation plan, the County has various departments that provide services to other County Departments.

2. FINANCIAL ASSISTANCE PROGRAMS

The Schedule of Expenditures of State Awards includes all programs of the County of Racine, Wisconsin (the "County") and its component units which had activity in 2006.

Program Period

Certain of the financial assistance programs have contract periods which are less than a year of which are for a 12-month period that ends during the calendar year. For the fiscal year-end contracts that ended and began in 2006, transactions occurring during 2006 are presented in the Schedule of Expenditures of State Awards and the fiscal period is disclosed under the title of the contract.

COUNTY OF RACINE
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
December 31, 2006

2. FINANCIAL ASSISTANCE PROGRAMS (continued)

Local Share

Certain of the financial assistance programs require the County to fund a portion of the expenses of the program. The portion funded by the county is included as the "Local Share" in the Schedule of Expenditures of State Awards. A negative amount in this column indicates a reduction in local-share expenditures previously reported due to a sub-contractor refund.

Cognizant Agency

The Wisconsin Department of Health and Family Services is the County's State cognizant agency for the single audit.

3. ADJUSTMENTS TO BEGINNING BALANCE

Adjustments were made to the December 31, 2005 ending accrual or deferral because of new information available in 2006. The primary reason was to report on actual 2006 program revenue. Additional adjustments were made to reflect Federal/State funding percent changes.

4. STATE-DIRECT TO CLIENT PAYMENTS

The Wisconsin Department of Workforce Development sends State-direct to client payments for Wisconsin Works (W-2), Food Stamp Program and Low Income Home Energy Assistance Program (LIHEAP). The Wisconsin Department of Corrections sends State-direct payments for Youth Aids State Charges. In 2006, State-direct to client payments were \$845,397, \$14,782,857, \$920,060, and \$1,178,744 under the W-2, Food Stamp, LIHEAP and Youth Aids State Charges programs, respectively. These amounts are not included in the Schedule of Federal and State Financial Assistance.

5. EQUALIZATION AIDS

The Equalization Aids from the Wisconsin Department of Public Instruction is financial assistance not limited to any specific programs, purposes or targeted population. It is used in financing the general education program as seen fit by the County. The amount of the expenditure is presented as the amount of the award which is based on equalization and Tax Incremental Financing (TIF) aid results.

COUNTY OF RACINE
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
December 31, 2006

6. RECONCILIATION OF EXPENDITURES PER CARS

Total expenditures per the April 9, 2007 CARS reports are reconciled to the Schedule of Federal and State Financial Assistance as follows:

Expenditures per April 9, 2007	
CARS Income Maintenance (34) report	\$ 4,088,802
CARS Human Services (34) report	39,253,647
Social Services Cost Pool	(6,238,685) (a)
DHFS/DWD/OTHER Programs not on CARS	12,900,106 (b)
CARS Adjustment/Refunds	682,772 (c)
Adjustment for Calendar Year	(363,130) (d)
County/State Adjustment to CARS	<u>1,750 (e)</u>
 Total Federal and State Expenditures	 <u>\$ 50,325,262</u>

- (a) Represents “information only” costs reported by the County on the CARS reports. All costs are reported on other CARS lines for reimbursement purposes. This amount is not included on the Schedule of Federal and State Financial Assistance.
- (b) Represents costs of programs not reported on CARS but included on the Schedule of Federal and State Financial Assistance. Includes program costs of \$3,904,341 awarded through the Department of Workforce Development-Bureau of Division-Wide Services for W2; \$5,185,459 awarded through the Department of Corrections for Youth Aids and Capacity Building for Early & Intensive Intervention; \$1,411,145 awarded through the Area Agency on Aging; \$344,131 awarded through Department of Transportation; \$185,935 awarded through the Department of Administration for LIHEAP; \$507,686 awarded by the U.S. Department of Health and Human Services for YORP; \$76,528 awarded by the Department of Administration-Office of Justice Assistance for JAIBG and DMC; \$1,283,235 awarded by the Department of Workforce Development-Bureau of Division-Wide Services passed through Kenosha County for WIA; and \$1,646 awarded by the Department of Workforce Development-Bureau of Division-Wide Services passed through Racine Unified for Locally Matched CCDF Funds.
- (c) Represents adjustments/reimbursements identified on the April 9, 2007 CARS report (sum of CARS lines 146, 154, 158, 200, 291, 909, 977, 1000, 1007, 1008, and 1009).
- (d) Represents costs of programs for which the grant year is not the calendar year and expenditures per CARS represent costs for the grant period. Adjustment revises program expenditures to correspond to the calendar year consistent with the Schedule of Federal and State Financial Assistance (CARS line 357 and 81037).

COUNTY OF RACINE
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
December 31, 2006

6. RECONCILIATION OF EXPENDITURES PER CARS (CONTINUED)

(e) Represents adjustments made to the April 9, 2007 CARS report by the County or State. A summary by CARS line number follows:

<u>CARS Line Number</u>	<u>Adjustment</u>
367	\$ 1,124 (1)
338	(50) (1)
339	(67) (1)
348	15 (1)
349	20 (1)
427	(670) (1)
437	(5,356) (1)
450	(3,963) (1)
451	(496) (1)
507	3 (1)
561	9,101 (1)
563	173 (1)
564	128 (1)
580	16 (1)
581	22 (1)
750	(1,213) (2)
753	273 (2)
754	806 (2)
756	93 (2)
758	41 (2)
104	<u>1,750 (3)</u>
Total	<u>\$ 1,750</u>

- (1) Adjustments made by State of Community Options, COPW, Community Integration Program II, Brain Injury Waiver, Community Integration Program 1B, Community Integration Program 1A, and CLTS Waiver.
- (2) Subsequent adjustment made by State for Income Maintenance, Medical Assistance, Food Stamps, Child Care, and TANF Program Integrity.
- (3) Subsequent adjustment made by State for Non W2 Funeral and Cemetery Program.

COUNTY OF RACINE
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
December 31, 2006

7. CONTINGENCY

All State financial assistance programs are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for costs disallowed under the terms of the programs. It is the opinion of management that all costs charged against those State programs are allowable under the regulations of these programs.

8. CASE MANAGEMENT AGENCY PROVIDERS

Funds received from EDS Federal Corporation for Medial Assistance Case Management Services billed at a State DHSS specified unit rate are included as cost offsets on the CARS report to the Community Options Program, Integrated Services to Children with Disabilities, and Basic County Allocation, CARS lines 367, 530, and 561, respectively. Funds received and reported for 2006 were \$15,863 for Community Options, \$35,612 for Integrated Services to Children with Disabilities, and \$176,133 for Basic County Allocation. In addition to audit testing for Community Options and Basic County Allocation, audit testing was also conducted for MA Case Management per State audit guidelines.

Funds received from EDS Federal Corporation in 2006 for Community Services Deficit Reduction Benefit totaled \$146,105.

9. COMMUNITY SUPPORT PROGRAM - MEDICAL ASSISTANCE

Funds received from EDS Federal Corporation for Medical Assistance Community Support Services are billed by Transitional Living Services Inc. at a State DHSS specified unit rate. These funds are included as cost offsets to the Basic County Allocation on the CARS report, line 561. Funds received and reported for 2006 were \$467,518.

10. CRISIS PROGRAM - MEDICAL ASSISTANCE

Funds received from EDS Federal Corporation for Medical Assistance Crisis Services are billed by Racine County Human Services Department at a State DHSS specified unit rate. These funds are included as cost offsets to the Basic County Allocation on the CARS report, line 561. Funds received and reported for 2006 were \$114,960.

This information is an integral part of the accompanying schedule.

COUNTY OF RACINE
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ X yes _____ None Reported

Noncompliance material to financial statements noted? _____ yes X no

State Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with the *State single Audit Guidelines*? _____ X yes _____ no

Identification of major programs:

State ID Number(s)	Name of State Program or Cluster
115.150	Soil & Water Conservation Project Aids # 9214-05-52-00
115.400	Soil & Water Conservation Project Aids # 9214-05-52-00
255.101	Handicapped and School age Parents Education Aid
255.201	General Aids
435.338/348	COPW GPR & CIPII GPR - Non Federal
435.367	Community Options Program (COP)
435.450	CLTS GPR
435.506	Brain Injury Waiver
435.564	Community Integration Program 1-B (CIP-1B)
435.580	Community Integration Program 1-A (CIP-1A)
445.315	W-2 Administration, Implementation, contract payments
445.367/375	W-2 Emergency Assistance
	WIMCR

Dollar threshold used to distinguish between type A and type B programs: \$100,000

Auditee qualified as low-risk auditee? _____ yes X no

COUNTY OF RACINE
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (continued)
Year Ended December 31, 2006

Section II - Financial Statement Findings

See findings 2006-01 and 2006-02 discussed in Section II of the Schedule of Federal Findings and Questioned Costs.

Section III - State Award Findings and Questioned Costs

2006-03 435.450, 435.506, 435.564 and 435.580 CIP/BIW/CLTS Cluster

Requirement

Service coordination costs as defined by the county agency are permitted in an amount up to seven percent (7%) of waiver service costs in CIP 1A, CIP 1B and the CLTS Waivers. For CIP 1A and CIP 1B, counties may request and receive a written waiver from the department allowing them to claim up to ten percent (10%) of the total waiver service costs. For BIW, the amount which may be claimed for service coordination costs is ten (10%) per cent of allowable service costs. No waiver is required in BIW.

Service coordination costs must be defined in writing by the county agency. The definition is subject to but does not require State approval. (Appendix to the State Single Audit Guidelines for Programs from the Department of Health and Family Services, 2006 Revision Section 3.2.II.C).

Condition

The County does not have a written description of its method for ensuring it reports no more than the allowed limit for service coordination costs.

Question Costs

Based on our test work, we did not identify any questioned costs.

Cause

The county does not have a written policy/definition of service coordination costs.

Effect

If this condition remains unresolved, it is possible that the County may charge costs that do not meet the definition of service coordination costs.

Recommendation

Management should establish policies and procedures to properly define and control service coordination costs.

Management Response

While there are processes in place to determine and monitor service coordination costs; they are not written. We concur that these policies and procedures should be formally documented and followed.

COUNTY OF RACINE
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (continued)
Year Ended December 31, 2006

Section III - State Award Findings and Questioned Costs (continued)

2006-04 DHFS General Requirements

Requirement

Provider audit reports are typically due to the granting agency six months from the end of the provider's fiscal period, and the granting agency should review and resolve the provider audit reports within six months of receipt of the reports. (Appendix to the State Single Audit Guidelines for Programs from the Department of Health and Family Services, 2006 Revision Section 2.4).

Condition

As of July 31, 2007, the County had not yet received provider agency audit reports by the required deadline for some of the providers that receive more than \$25,000 in funds from DHFS.

Question Costs

Based on our test work, we did not identify any questioned costs.

Cause

Several provider agency audit reports have not been received from the provider agency.

Effect

It is possible that providers for which audit reports have not been received are not meeting the standards that are required for the provider to be considered qualified.

Recommendation

Management should ensure that provider agency audit reports are received by six months from the end of the provider's fiscal period.

Management Response

Currently, each provider agency is notified of their audit responsibilities via a separate letter sent with their fully executed contract at the beginning of the year. The County will implement an additional reminder notice to be sent to provider agencies at the end of April.

COUNTY OF RACINE
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (continued)
Year Ended December 31, 2006

Section III - State Award Findings and Questioned Costs (continued)

2006-05 435.367 Community Options Program (COP)

Requirement

A county is not to bill COP for services provided to a participant who is not eligible for COP service funding as determined by the COP Uniform Cost Sharing Plan tools. Eligible recipients may be required, according to the fiscal eligibility tools, to contribute a cost share which results in less expense to the program (s. 46.27 (6u)). A recipient of COP funded services who is also served by a Medicaid Waiver is automatically eligible for COP with no COP cost share. (Appendix to the State Single Audit Guidelines for Programs from the Department of Health and Family Services, 2006 Revision Section 3.1.B).

Condition

There was no evidence in some case files that the county had completed a COP eligibility and cost sharing worksheet for clients receiving services.

Question Costs

Based on our test work, we did not identify any questioned costs.

Cause

The cause of this finding is due to the lack of internal control procedure to properly monitor this compliance requirement.

Effect

COP compliance requirements state that a county is not to bill COP for services to a participant who is not eligible for COP service funding as determined by the COP Uniform Cost Sharing Plan tools. If this condition remains unresolved, it is possible that the County may bill non-allowable expenses to the COP program.

Recommendation

Management should implement a monitoring policy to ensure that COP eligibility and cost sharing worksheets for clients receiving services are properly completed.

Management Response

The County will institute a monitoring procedure which will ensure that COP eligibility and cost sharing worksheets are properly completed.

COUNTY OF RACINE
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (continued)
Year Ended December 31, 2006

Section III - State Award Findings and Questioned Costs (continued)

2006-06 435.367 Community Options Program (COP)

Requirement

Every COP participant who received COP funded services must have a care plan (similar to a Waiver "ISP" – Individual Service Plan) that is (signed by the) participant or the participant's guardian. (COP Guidelines, page V-17). (Appendix to the State Single Audit Guidelines for Programs from the Department of Health and Family Services, 2006 Revision Section 3.1.A).

Condition

The County had files containing current service plans that were not signed by either the participant or the guardian.

Question Costs

Based on our test work, we did not identify any questioned costs.

Cause

The cause of this finding is due to the lack of internal control procedure to properly monitor this compliance requirement.

Effect

If this condition remains unresolved, it is possible that the County may have care plans that are incomplete or invalid.

Recommendation

Management should implement a monitoring policy to ensure the care plans have updated signatures to properly document that the care plans have been approved by the participant.

Management Response

Management will improve monitoring of all COP cases to ensure care plans have been approved by the participant or guardian.

COUNTY OF RACINE
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (continued)
Year Ended December 31, 2006

Section III - State Award Findings and Questioned Costs (continued)

2006-07 435.367 Community Options Program (COP)

Requirement

In certain circumstances, COP service fund may not be used to fund services even though specified in a case plan. A county MAY NOT:

1. purchase services provided to a community resident in an institutional setting without a variance, for example, adult day care provided in a nursing home.
2. purchase community services for an individual who is residing in an institution without a variance. Exception: in circumstances when a program recipient is institutionalized for 30 days or less, a variance is not required.
3. purchase services for an individual residing in a Residential Care Apartment Complex (RCAC).

(Appendix to the State Single Audit Guidelines for Programs from the Department of Health and Family Services, 2006 Revision Section 3.1.C).

Condition

Services were charged to an on-going COP recipient for a period of time of longer than 30 days but less than 90 days while the recipient was in an institution and there was no variance in the participant's file.

Question Costs

Based on our test work, we did not identify any questioned costs.

Cause

The cause of this finding is due to the lack of internal control procedure to properly monitor this compliance requirement.

Effect

If this condition remains unresolved, it is possible that COP money is being used for institutionalized recipients when the purpose of the program is for individuals not receiving institutional care.

Recommendation

Management should implement a monitoring policy to ensure that variances obtained and are placed in the participant's file if a COP recipient is institutionalized for a period of time of longer than 30 days but less than 90 days.

Management Response

County staff will undergo additional COP training. Management will enhance their internal control procedures to properly monitor this requirement.

COUNTY OF RACINE
STATUS OF PRIOR YEAR STATE FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2006

There were no findings or questioned costs identified in the prior year.