

**Finance Committee Regular Meeting**  
Minutes of the March 10, 2015

There was concern among committee members that the board wouldn't have information to thoroughly review payment request. An information report to County Board was suggested as an alternative. Discussion continued on department head's level of authority to re-appropriate. Consensus by committee members was "a department head has authority to re-appropriate within a BU but not between BUs within their department."

Discussion continued on processing payment for unbudgeted purchases. Julie Kolp, Finance Director shared two situations where payment requests were submitted to Finance for payment, however there weren't budgeted dollars in the respective object account. Kolp suggested department heads should present information at the time of payment requests stating how the unbudgeted items will be funded within BUs without causing a deficit for the BU.

The County Treasurer provided committee members copies of January 2015's report of working cash account. The February 2015 county investment holdings were unavailable for review.

The monthly county state sales tax remittance reports were reviewed. February 2015's remittance for December was \$419,112 compared to \$465,644 from the same period in 2014. The fiscal year remittance to date is \$881,019 compared to \$951,814 the same time period in 2014.

Kolp updated committee members on the Kronos project. According to Kolp, Clearview should have gone live March 26 but has been pushed back until the April 9 payroll due to additional time needed for testing and training. Telestaff with Sheriff's department is soft-live. This means time is manually entered in Kronos and verified against the timesheets. Human Resource modules are still in review and Highway Activities in place of Job-Costing will not begin until other processes are going well.

Kolp reported the Finance Department has recorded 60 hours of overtime since the beginning of the year. Kolp attributed most of the overtime to additional time required by the Kronos project. Finance is also working on the year-end closing process and anticipates additional overtime as a result of this.

Mielke reported the County Board will be going on a bus tour on April 21<sup>st</sup>. The tour will be three hours from 9:00 – 12:00 a.m. with stops at the Reeseville Highway satellite shop, Astico Park, and the MetalFab plant in Beaver Dam. Lunch will be served at the Administration Building.

Kolp reported she will not be attending the 2015 Government Finance Officer Association (GFOA) conference in Philadelphia.

Next regular meeting is scheduled for Tuesday, April 14, 2015 at 9:00 a.m. in Room H & I - Auditorium on the 1<sup>st</sup> floor of the Dodge County Administration Building.

With no other business on the agenda, Chairman Frohling declared the meeting adjourned at 11:55 a.m.

Gerald Adelmeyer,

*David Frohling* Ch.

Secretary

**Finance Committee Regular Meeting**  
Minutes of the March 10, 2015

Dodge County Finance Committee Chairman, Dave Frohling called the Finance Committee meeting to order at 9:00 a.m. on Tuesday, March 10, 2015 in Room H & I – Auditorium of the Administration Building. Chairman Frohling took roll and the following members were present: Frohling, Schaefer, Adelmeyer, Gohr and Uttke.

Also present: County Board Chairman Russ Kottke, Supervisors: Jeff Berres, Dennis Schmidt, Donna Maly, and Larry Bischoff. Also present were Mielke, Kolp, Scott Smith, Mark Grams, Janet Wimmer, Russ Freber, Brian Field, Jane Hooper, John Corey and Lifke.

Julie Kolp, Finance Director certified the public notice given for this meeting complies with the requirements of Wisconsin's open meetings law.

Motion by Adelmeyer and 2<sup>nd</sup> by Schaefer to allow the chair to deviate from the agenda at his discretion. Motion Carried.

Motion by Gohr and 2<sup>nd</sup> by Schaefer to approve February 9, 2015 regular committee and February 17, 2015 special committee meeting minutes as presented. Motion Carried.

Chief Deputy Sheriff, Scott Smith appeared to present information on un-collected Civil Process fees. Many of these fees are from the former Tiburon Information Management System. According to Smith, the Sheriff's department did have success in collecting some of the outstanding fees. The remaining \$6,580 is from \$4.00 to \$172.00 charges. Consideration was given to using the Tax Intercept program, however this program requires a Driver's License and/or date of birth and in many cases the Sheriff's department doesn't have this information. There is also a fee associated with this service. Overall, it was determined the Tax Intercept program wouldn't be cost effective in collect the remaining fees. Motion by Uttke and 2<sup>nd</sup> by Schaefer to write-off \$6,580 of un-collected Civil Process fees in Business Unit (BU) 2051 – Civil Process. Motion carried with unanimous approval.

Resolution No. 14-74 – Purchase New Vehicle – Emergency Management. The Fiscal Note set forth in Resolution No. 14-74 was presented to the Finance Committee for its review and approval. The Fiscal Note sets forth a Fiscal Impact in the amount of \$0 on 2015's adopted Budget. Jim Mielke, Administrator reported Resolution No. 14-74 was passed 6-1 by the Executive Committee. This vehicle is part of the adopted budget and will replace a 2005 Tahoe which will be transferred to Land Conservation at a value of \$7,500. The Tahoe was purchased with grant funds and Amy Nehls, Emergency Management Director received approval to dispose of this vehicle. Motion by Schaefer and 2<sup>nd</sup> by Adelmeyer to approve the Fiscal Note as presented and authorize and direct Finance Committee's Chairman to sign the Fiscal Note and send Resolution No. 14-74 to the County Clerk. Motion carried with 4-1 approval. Gohr opposed.

Resolution No. 14-76 – Continuation of Self-Insured Worker's Compensation Program. The Fiscal Note set forth in Resolution No. 14-76 was presented to the Finance Committee for its review and approval. The Fiscal Note sets forth a Fiscal Impact in the amount of \$0 on 2015's adopted Budget. Motion by Uttke and 2<sup>nd</sup> by Schaefer to approve the Fiscal Note as presented and authorize and direct Finance Committee's Chairman to sign the Fiscal Note and send Resolution No. 14-76 to the County Clerk. Motion carried with unanimous approval.

Resolution No. 14-75 – Complete Air Barrier Remediation Project. The Fiscal Note set forth in Resolution No. 14-75 was presented to the Finance Committee for its review and approval. The Fiscal

**Finance Committee Regular Meeting**  
Minutes of the March 10, 2015

Note sets forth a Fiscal Impact in the amount of \$437,600 on 2015's adopted Budget. According to Mielke, the air barrier project was budgeted in two phases with the first phase in 2015 and the second phase in 2016. The building committee received one bid for the project from Maas Brothers of Watertown. Upon reconsideration by the Building Committee, it was determined that it would be in the best consideration of Dodge County to complete both phases in 2015. Motion by Adelmeyer and 2<sup>nd</sup> by Schaefer to approve the Fiscal Note as presented and authorize and direct Finance Committee's Chairman to sign the Fiscal Note and send Resolution No. 14-75 to the County Clerk. Motion carried with unanimous approval.

Chief Deputy Sheriff, Scott Smith appeared to present information on a purchase request for radar units. According to Smith, this is part of an end-of-life replacement. Motion by Uttke and 2<sup>nd</sup> by Gohr to approve purchase of 5 radar units for \$10,372.50 from BU 2021 – Patrol and process vouchers when received. Motion carried with unanimous approval.

Chief Deputy Sheriff, Scott Smith appeared to present information on a purchase request for ammunition. According to Smith, this ammunition is for SWAT. Motion by Uttke and 2<sup>nd</sup> by Schaefer to approve the \$4,972 ammunition purchase request for BU 2041 – SWAT and process vouchers when received. Motion carried with unanimous approval.

Motion by Adelmeyer and 2<sup>nd</sup> by Gohr to approve the \$6,828.63 vaccine purchase request for BU 4001 – Public Health Nursing. Motion carried with unanimous approval.

Mark Grams, Veteran's Service Director appeared before committee members to present information on an over \$3,000 purchase request for grave-side flags. These flags supplement the flags provided by service organizations for Memorial Day observances. Motion by Gohr and 2<sup>nd</sup> by Adelmeyer to approve the \$3,000 purchase request for grave-side flags in BU 5302 – Veteran Service Office. Motion carried with unanimous approval.

Motion by Gohr and 2<sup>nd</sup> by Schaefer to purchase 8 dish racks for \$177 from BU 1326 – Jail Improvement and process voucher when received. Motion Carried with unanimous approval.

Russ Freber, Physical Facilities Director appeared to present a request for a Contingent Appropriations to cover repair costs for one of Henry Dodge Office Building's (HDOB) elevators. According to Freber, HDOB has two elevators. Elevator #4 is currently shut down due to safety concerns from the public. It could be started up if Elevator # 5 needs to be shut down. Elevator # 4 requires a sheave repair. Freber's concern is that the motor and machine are still original. If they go out after the sheave is repaired, the sheave repair costs would be lost. Total repair costs are \$43,000. Freber is requesting a Contingent Appropriation transfer of \$25,000. The balance would be funded with savings from two vacant maintenance positions. Motion by Schaefer and 2<sup>nd</sup> by Uttke to approve a \$25,000 Contingent Appropriation request for BU 1905 – Henry Dodge Office Building to cover Elevator# 4 repair costs. Motion carried with unanimous approval.

Mielke provided committee members with information regarding a supervisor's request for a forensic audit of Health and Human Services, Clearview and Highway. According to Mielke, our current Independent Auditor, Johnson ^Block and Company, Baker Tilly and Schenck were consulted. Johnson^Block could provide input but wouldn't be able to provide the service because it requires a higher level of certification which Johnson^Block doesn't have. The term forensic implies the

**Finance Committee Regular Meeting**  
Minutes of the March 10, 2015

assumption of wrong doing and is used to gather evidence for prosecution. The supervisor requesting the forensic audit doesn't have any evidence of wrong doing but does want an evaluation of operations. According to Mielke's sources, an evaluation could range from \$37,000 to \$39,000 with a forensic audit easily exceeding six digits. Jim Block, Johnson^Block representative participated in a telephone conference with the Finance Committee to discuss options.

Block shared with committee members three possible approaches to the supervisor's request.

1. Forensic audit – There isn't a defined definition for forensic audit and there aren't any generally accepted auditing procedures to follow. In order to conduct a forensic audit, their needs to be a defined concern or indication of fraud and how it occurred.
2. Agreed Upon Procedures Engagement – This process would also need to have a focus so there would be defined things to look for and test procedures to make sure they are working correctly.
3. Study of Internal Control – This process studies internal controls and determines if professional standards are defined and being followed. It identifies systems and verifies the supporting documentation. This process is more effective if there's an area of focus.

Block commented that in prior audits, he found accounting procedures that weren't followed perfectly but fraudulent activity was never discovered. He stated that control structures aren't as tight as big corporation but typical of Wisconsin Counties. Processes are more uniform than most counties the size of Dodge County but uniformity could be an overall goal. Internal audits are limited and overall internal controls could be strengthened centrally with the Finance Department having oversight over all departments. Block commented on repeat findings regarding limited documentation of procedures and internal controls. For 2014's audit, Block is anticipating a finding regarding Clearview's Accounts Receivable. Block commented that it's not a repeat finding because it didn't occur in 2013 but there was a finding and long discussion regarding it in 2012's audit.

Block suggested the county focus the project on one department rather than trying to do everything at once. He also recommended talking to a narrow group of people to see if they have suspicions, doubts or concerns about fraud. If anything is discovered during the process, it's possible the scope of the project could be expanded and/or a forensic audit could follow.

Mielke concluded with information regarding Portage County's review of controls and procedures. According to Mielke, Baker Tilly is contracted to perform the review and they will provide Portage County with a report of recommendations when completed. Chairman Frohling recommended this process be a topic for discussion for April's Finance Committee meeting.

Chairman Dave Frohling reported on the Proposed 2015 – 2017 State Budget. According to Frohling, the county levy will be status quo. Land Conservation funding may be reduced statewide. There's discussion that Courts may have a Block Grant for Guardian Ad Litem, Courts Reporter and Courts. Transportation funding is 25% Debt Service leaving less for the Department of Transportation. Human Services and Health are considering privatizing Aging and Disability Resource Center (ADRC). Countywide assessment is being proposed to be taken out of the budget and presented as a stand-alone bill. The Wisconsin Counties Association Joint Commission of Finance will be meeting in April.

Mielke presented information from Eau Claire County regarding the approval process for invoices over \$10,000. The Eau Claire County Board approves the list of over \$10,000 invoices before they are paid.

## **Transcript of Telephone Conference By and Between Jim Block and the Dodge County Finance Committee Which Took Place At a Meeting of the Finance Committee On March 10, 2015**

*This transcript was prepared by John F. Corey, Corporation Counsel, in response to a request made to him by Supervisor Wayne Uttke. This request was made to John F. Corey by Supervisor Uttke on March 13, 2015.*

**John F. Corey:** Today is March 10, 2015. This recording is taking place during a meeting of the Dodge County Finance Committee. The time is 10:05 AM. This is Jim Block who will be speaking on the telephone to the members of the Finance Committee.

**Chairman Dave Frohling:** I guess Jim, you know what we want you to talk about. If you're ready to go, we're ready to listen.

**Jim Block:** Okay, I understand you are wondering about a forensic audit and I had talked to Julie a little bit about it last week and I guess the first thing I want to say is that there is no definite definition for a forensic audit. It is not like when we come in and do the audits for the financial statements where there are generally accepted auditing standards. There are no generally accepted standards for a forensic audit. It is kind of a general term. In order to do a forensic audit we need to get more specific. Forensic audits, they can be all types of varieties, but they are usually some kind of investigation that is put together to provide evidence that is going to be presented in Court or used for some kind of decision making process, so, in order to be useful, it has to be pretty directed. The first step would be to find just what it is we are looking at. If, in a lot of cases, it is used to find evidence for fraud, but before you start looking for the evidence, you have to have an indication that fraud may have occurred and how it occurred. Otherwise, you are just, it is just too inefficient and you can't just go in and just generally be looking around for problems. For a forensic audit, the first step would be to define what the issue is and what is going to be looked at. I also talked to Julie about maybe some of the possibilities to address the concerns. One would be what is called an agreed upon procedures engagement. It is similar in some ways to a forensic audit, but it needs to have a focus so that you have certain things that you are looking at and are going to test whether the procedures for purchasing are working right or payroll are working right and the process is working the way it is supposed to work, but what you need there is a clear definition of what is supposed to happen so you can test to see that it is really happening. A lot of times the drawback with a study like that is that what the criteria are, is not really defined well enough and that is the first step and everybody has to agree that if we do these tests that will get us the information we want to get. So, again, the starting point is to define what the concern is, where you want to look, and then the procedures we are going to do to see if it is working. So, you want to get some focus and not have somebody come in and just go all over the place because it will take too long and may not answer your questions and it will waste money doing it. That is the second possibility, the third

possibility is a more general thing and that is a study of internal control. There are some professional standards for how to go about that, but again you are better off focusing on the area of concern because that can be a wide ranging thing, but you could have somebody come in and do an audit of your internal control systems over certain areas. But what you are going to need to do first is define what is supposed to be happening to see if it really is happening and I think if you had somebody to come in to do a study of internal control the first thing they are going to ask for is the documentation of the system that is set up there and that documentation might be a little sketchy at Dodge County. The systems are there, but they are not always fully documented and I think that is going to be the first step that anybody would ask for is so that is what you are going to need. Again, there is preparation that would have to go into any one of these three approaches to look into things. That is pretty much all I have to say. The overall issue is to define the problem first before you have someone go in and just start looking. As far as what we can do, we have done different types of forensic audits, we've done agreed upon procedure audits. We can help you with those. The internal control study we have done those, but in a more limited basis usually. If you are looking for a wide ranging internal control studies, you might need to look at a larger firm with somebody who specializes more in internal control issues, and is kind of more like an internal audit function. That is pretty much what I had been thinking about. If you have any questions, I will try to answer.

**Chairman Frohling:** Any questions from the Committee members or others in attendance?

**Supervisor Uttke:** We were just told that the audit that was requested would go back five years. Is that normal or do you normally just go back a year?

**Jim Block:** Well, if you are doing a forensic audit you would go back to where you think the problem is, but again, in order to make it practical to do you need to narrow down. But you can go back five years if there is a suspicion of wrong doing back there.

**Supervisor Uttke:** It just seems that five years is a long time. It would be a lot of data to go through.

**Jim Block:** Well, usually what happens is that somebody will say they have seen something or they've detected something or they will find that money or goods have been diverted and there will be a particular instance and so what happens most of the time is that okay, if that happened once let's go back and check and see if it has happened more and you will start just going back not too far, but if you find it, you know, you kind of slowly dig in and if you keep finding it as you go back, then you just continue going back until you find out when you start. Because usually one of the things you try to do in a forensic audit is to find out how much dollars were lost, how it was done, and how far back it goes, and how it got started. You're trying to understand what went wrong. If you find something that is worth digging into there is no reason to stop unless it costs too much.

**Supervisor Uttke:** So you would start with recent activity and if you find an audit trail you would keep digging.

**Jim Block:** Right.

**Supervisor Schaefer:** Have you seen anything wrong in the years we have had you doing our audits?

**Jim Block:** I can't say that I have found anything as far as fraudulent activity. Yeah, we have found accounting procedures aren't always followed perfectly, but generally, we have not seen anything really bad or significant. The things we have found that were significant, we would have reported in our reports each year. We had an issue a couple years ago about how the accounts receivable were being handled out at Clearview and we had some long comments about that, but generally, we have found things to be working fairly smoothly. Dodge County doesn't have the tightest controls and you just don't have the staff or the structure in place to run as tight as a very big corporation might run, but that is fairly typical of Wisconsin counties and Wisconsin counties operate the best they can on the resources they have. Compared to other counties that I have worked at, Dodge County is doing pretty well.

**Supervisor Maly:** I have a question, you mentioned the fact of control and your accounting area, would it make any difference if we had all of our accounting through one source verses we had one Finance Department and then we have three different finance processing going on in three different departments that feed information to the main finance. Would it make more sense to have it all in one?

**Jim Block:** There is no one answer for that, in general I would say the answer would be that yes, it usually makes more sense for a control system to have one uniform process throughout the organization, but then. And, yeah, I would say generally that is true. It is running up against the issue in all the counties in Wisconsin have been organized on department by department basis and to try to get an entire county on a uniform system is hard across the state. And I think if you look at other counties that are the size Dodge County, Dodge County is probably more uniform than most of them. Some of them, the systems, like in the Highway or Human Services or nursing home or wherever, don't relate at all. It is an incredible manual process to pull all of those systems together so that they can. I mean, Dodge County has an overall system, but all these different things feed into them. I think it is kind of a historical process to get more uniform and I think that probably is an overall goal to pull them all together, but when you have different State agencies dictating different ways of doing things for these different departments, it is hard to get one system to cover all of those requirements.

**Supervisor Gohr:** Do we do any internal audits?

**Jim Block:** Not really, I think that would be, you would need a professional in there to do them, but I haven't really noticed any internal audits. There may be here and there a study, but it has

not been a common practice at Dodge or any other counties other than Milwaukee County has an internal audit staff and I think Dane County does too.

**Julie Kolp:** Correct, the only thing we do do is we look at the various checking accounts throughout the county. That is all we do if you would want to consider that an internal audit.

**Jim Block:** There are internal controls that could be strengthened centrally. Right now, a lot of the departments operate their systems with not that much oversight from either the Finance office or any other central. That may be something to look at as trying to, it wouldn't be an internal audit, but it would centralize some internal control functions. Cause right now each department kind of has their own internal control function. They still pretty much operate on their own. There's really no central authority to make that happen in a centralized way.

**Supervisor Uttke:** How long have you been performing audits here?

**Jim Block:** At Dodge County, I think the first one was 2006.

**Julie Kolp:** Yep.

**Supervisor Uttke:** Then each report you list things that you think need to be strengthened or?

**Jim Block:** Yes, we have, there are two documents. There is a report on internal control and that is usually in a bound document called single audit reports for the single audit or something like that that we issue. Then there's also a separate letter, so that report lists things that are significant. We also issue a management letter each year which is a separate letter that has recommendations for other things to look at.

**Supervisor Uttke:** Internally, I guess, from a County perspective, what do we do with the findings from the internal control report?

**Jim Block:** Well, usually Julie kind of coordinates them and passes them on to the other departments and they come up with the responses to how they are going to deal with those recommendations. Then when we come in the next year, we will review them again and talk about them and either repeat them in our letter or consider them fixed.

**Supervisor Uttke:** Do you have any idea how many of those are repeat findings?

**Jim Block:** The one repeat finding is making things more formal in the documentation of how the processes are supposed to work and making sure the internal controls are working. The documentation is the one that is a repeat. I do think that this year we are going to have another finding, not a repeat finding, but another finding about the Accounts Receivable situation at Clearview. We had a pretty long discussion a couple years ago about that and there were some changes being made and they seemed to be looking pretty good last year, but I think that we are going to have issues with it again this year. Just the idea of the looking at the aging and



evaluating the uncollectible receivables is going to be an issue again this year that we are going to bring up.

**Supervisor Uttke:** So would it make sense then to concentrate let's say a forensic audit, on just one department that seems to have repeat issues from audit year to audit year. And then look at if there is any audit trails to follow through on those?

**Jim Block:** I would say that would be a start to focus in on a department, and, again, then you would need to focus further on what issues within the department, but yeah rather than trying to do everything at once, I think you would want to prioritize the areas that are the most concern.

**Chairman Frohling:** If you were going to focus on one department though, would you recommend a forensic audit right away or a more procedural audit to see because I think at this point we don't believe there is wrong doing.

**Jim Block:** Yeah, I would not start a forensic audit on anything at this point until there is something more concrete that we can base this on. The one thing you need to have before you do a forensic audit is some fact that is the cause for concern, so I think before starting anything, I think just some informal interviews with people to find out where the concerns are to focus on, to figure out what do we think is the problem and where might it be before we can figure out what we're going to do. Whatever program is set up to look into this, it has to have a defined objective before it is going to make any sense to do.

**Supervisor Uttke:** What would you recommend as the next step?

**Jim Block:** I would recommend talking to people and finding out what their concerns are. One of the steps we do in our audit is we talk to a narrow group of people and ask them if they have suspicious or doubts or concerns about fraud or any other possible wrong doing. I would say you take a questionnaire like that and expand it and talk to more people and ask about if they have concerns in their area of work about things not happening properly. The best way to uncover problems is to get it from the people who are working there. They know more about it than auditors would ever find out. That's the first step is to try to get them to talk, get your employees to talk.

**Supervisor Uttke:** Who would conduct that interview?

**Jim Block:** It could be anybody, it could be somebody within the County, you could hire someone to come in and do it. It can be very sensitive, so it has to be thought out about how you are going to explain this to people how it is going on. We can do that kind of stuff, there's all kinds of consultants out there that can do that kind of stuff. You could also do it in the form of an employee satisfaction survey or something like that. There's a lot of possible ways, but I think employee input is one thing. I think one of the things we might have put in our management letter last year was a whistleblower line or system or someway to encourage if

employees do feel uncomfortable about something that there is a pathway that they can get information into somebody at the County that they have a concern about something. The most common way of uncovering fraud is through tips from employees or customers or outsiders. That has, so far, been proven to be the most effective way of uncovering stuff like this. Whether you have a tip line or you actually go out and talk to people, getting people to talk to you, at this point, is the best way to get started.

**Supervisor Uttke:** You're aware that most whistleblowers die a very slow and painful death.

**Jim Block:** Yeah, it is not a pretty process, that's why most people avoid having this discussion in the first place because it can be unpleasant.

**Supervisor Uttke:** But it would be within your scope to do that type of interview and research.

**Jim Block:** We could do that.

**Chairman Frohling:** You have a ballpark figure of what kind of cost we would incur to do one department with a survey by you?

**Jim Block:** Just the survey is probably a few thousand or something like that. Anytime you get into an issue like this where you start digging, you're talking thousands, thousands, and tens of thousands possibly. I think last year or so we had a very tiny investigation. One person in one little group home or it was in a couple of group homes, but it was four or five thousand dollars just to investigate this one person and it was a very focused investigation. The forensic audits, the costs mount up fast. You just look at what police departments spend in their time investigating something and they have a couple people working full-time on it for days and those costs add up. Until we get something more precise about what you want to do, that's about as close, it is going to be expensive.

**Supervisor Uttke:** Only if you find something.

**Jim Block:** Just getting to the point of finding something because, in order to find something, you have to go through a lot of either paperwork or talking to a lot of people. Because if the wrongdoing was more widespread, it would probably show up or somebody would have noticed something by now. Generally, it's not out there just to see easily. You have to dig for a while.

**Chairman Frohling:** Jeff you got a question?

**Supervisor Berres:** Yeah, you had mentioned, you were making a comment about Dodge County being a little, I think you used the word loose in its financial controls, I think that's the word you used. My question is, with the type of accounting that we, with the type of auditing that we have in place today, is that designed to find anything? And the second question I have is when you are a little bit different in Dodge County compared to other counties as far as we operate basically a hospital. A lot of counties don't do that, how does it normally work when a

county that operates a hospital or how does the hospital handle their auditing and is there a higher liability by being in the hospital business. And should we be auditing specifically following some sort of a format that a hospital follows for auditing.

**Chairman Frohling:** Okay, the question is, I think from the rest of us, the question would be do you consider Clearview a hospital?

**Jim Block:** Clearview I consider a, I would consider Clearview a nursing home.

**Administrator Mielke:** It's not licensed as a hospital.

**Supervisor Berres:** I understand that, but I guess my question is there guidelines that nursing homes take in normal private sector as far as auditing goes, are we following those guidelines?

**Administrator Mielke:** But we're not in the private sector.

**Supervisor Berres:** I'm asking about the accounting of it.

**Jim Block:** So as far as the audit goes, we look at Clearview separately as a nursing home. We look at the nursing home standards and the accounting. So, we do treat it separately in the audit and do procedures specifically geared toward the nursing home environment, the governmental nursing home environment. For the accounting, the accounting is different at Dodge County than other nursing homes and I think we covered that in our last management letter too, and this is a change that happened about ten or fifteen years ago, that Dodge County in its annual County Wide Financial Statements, changed the way it presented Clearview in its financial statements so that it is not accrual based in the county's financial statements. The department does produce accrual based financial statements, but we do not present an audited version of those financial statements. What shows up in the county reports and what is audited are nonaccrual financial statements. The accrual statements are audited in a way, but they are kind of lumped together with everything else in the county when we do the audit. So we are auditing Clearview specifically, but on the nonaccrual basis it might be getting a little confusing about what I'm talking about, but there is a difference there. The issue that it causes is it is hard to evaluate whether Clearview is making money or losing money in comparison to other nursing homes especially nursing homes in the private sector. As far as the question asked about is the accounting different, the accounting is different than other both county nursing homes and private nursing homes.

**Supervisor Uttke:** Would you recommend changing that?

**Jim Block:** I think it is worth a discussion and I think that there should be audited accrual financial statements for Clearview. Whether that is the way it should show up on the County report, but I think that there should be statements like that because it is hard to evaluate how well Clearview is doing financially without them.

**Chairman Frohling:** Without getting into that discussion, I think once you are on the system, whether it is accrual or cash, I always felt once you are on a cash system, after the first year you can audit the same way.

**Jim Block:** Right, you can audit the same way. I think it is more a matter of what is presented to the public and the County Board for the financial statements. There are a few adjustments to make Clearview's statements accrual that are never fully presented on an audited basis.

**Chairman Frohling:** Other questions? Hearing none, I think we're good, we appreciate your time Jim and we will have some more discussion and as we have more questions we will be contacting you.

**Jim Block:** Okay, good, I'm looking forward to it. Thank you.

(In unison) Bye.