

ANOKA COUNTY

**INTERNAL AUDIT COMMITTEE AGENDA
and Meeting of the Anoka County Board of Commissioners****

Commissioners Reinert (Chair) and Look;
Brian Page; Ryan Hardin; Rhonda Sivarajah

FOR THE AUGUST 3, 2023 MEETING

8:30 a.m.

Room #772 – Government Center

1. Public Comment: Public comments are welcome at this time. In consideration of others wishing to speak, please limit comments to 2 minutes. Questions directed to the committee will not be answered immediately; however, whenever possible, all appropriate questions will be responded to in a timely and effective manner by county staff.
2. Approval of Agenda
3. Chairman’s Remarks
4. Approval of Internal Audit Committee Meeting Minutes of December 16, 2022
5. Business
 - A. Office of the State Auditor to Present
 - B. Summary Report – Review of Attorney’s Office Accounts
 - C. Summary Report – Review of Sheriff’s Office Accounts
 - D. Approve 2023 Audit Plan
 - E. Verbal Report on Current Audits
 - F. Other
 - G. Options for Next Meeting – TBD

*** Actions taken by this Committee do not bind the County Board. In addition to the County Commissioners appointed to this committee, additional County Commissioners may attend. Non-committee Commissioners may choose to participate in the discussions and/or ask questions, but they will not vote on any item, nor will they agree to take a specific action on business conducted by the committee. If their attendance and limited participation in the committee meeting is considered a meeting of the County Board, this shall serve as notice of a County Board meeting. This shall also serve as notice of a County Board Meeting for any committee comprised of four or more members of the board.*

**ANOKA COUNTY
INTERNAL AUDIT COMMITTEE REPORT**

FOR THE JANUARY 3, 2023 COUNTY BOARD MEETING

The Internal Audit Committee meeting was held on Friday, December 16, 2022, in Room #772, Anoka County Government Center, Anoka, Minnesota.

Persons Present: **Committee Members** – Commissioner Matt Look, Chair; Commissioner Scott Schulte; Rhonda Sivarajah, County Administrator; Brian Page, Citizen Member; Ryan Hardin, Citizen Member

Others Present – Juli Mader, Director, Office of the State Auditor; Felicia Tii, Office of the State Auditor; Pam LeBlanc, Chief Officer, Property Records & Taxation; Cory Kampf, Chief Financial Officer; Brenda Pavelich-Beck, Deputy Director, Accounting Operations; Kristie Olson, Deputy Director, Property Records & Taxation; Wolid Ahmed, Lead Elections Specialist; Chuck Denninger, Internal Auditor

All items were approved by all committee members unless otherwise noted.

The report of the September 12, 2022 committee meeting was approved as written.

Information Items

1. Juli Mader and Felicia Tii from the Office of the State Auditor (OSA) conducted the entrance meeting for the County’s annual audit for the year ended December 31, 2022. The audit report will be completed by June 2023.
2. Summary Report - Property Records and Taxation Division - Limited Audit of Cash Handling - A review was conducted of two distinct areas within Property Records and Taxation. In one area, clients can walk up to a counter in the Government Center to make property tax payments by check, cash, or credit card. In another area, checks are received in the mail for payment and are processed within the “phone/mail group.”

Key financial internal control effectiveness was tested throughout the audit without exception. The Internal Auditor observed and tested the close-out and balancing of the cash drawers after the cash counters were closed. This included the final roll-up to the grand totals, balancing within the Tyler cashiering system, and final tally to the preparation of the bank deposit. In all cases reviewed, the cash, credit card, and check totals balanced. Opportunities were identified to streamline the check payment processing in the “phone/mail” group.

3. Summary Report - Property Records and Taxation Division – Limited Review of Election Processes - The audit focused on the handling and counting of absentee ballots at the Anoka County government center for both the primary and general elections. Processes surrounding the handling, sorting, validating, tracking, and counting of mailed absentee ballots for both elections were observed by the Internal Auditor.

Public accuracy tests of the absentee ballot counting machine resulted in no errors. The Internal Auditor determined the absentee ballot handling processes followed by the elections department staff and election judges were consistent and methodical. Key internal controls that were identified during the course of the audit were deemed to be well-designed and functioning as management intended. Internal Audit did not make any recommendations.

4. A draft of the 2023 Audit Plan was presented by the Internal Auditor. Motion was made, seconded and approved to accept the draft of the 2023 Audit Plan. The Plan, as stipulated in the Internal Audit Charter Statement, will be submitted to the county commissioners for comment. Subsequent to the comment period, the committee will consider approval of the final Audit Plan at the next meeting.
5. The Internal Auditor provided a verbal report on other areas of audit work; there were no major concerns raised.
6. The next meeting of the Internal Audit Committee will be in March 2023. The meeting was adjourned at 9:40 a.m.

Audit Name: Attorney's Office
Limited Audit of Cash Accounts
Report Phase: Summary Report
Issued: August 3, 2023

Summary: A limited audit of selected cash-related accounts within the Attorney's Office revealed transactions were properly supported, approved, and accurately recorded. Opportunities were identified in one area to strengthen internal controls.

Introduction: A new County Attorney took office at the beginning of 2023. When a new county official is elected, an audit of accounts is performed focusing on transactions that occurred around the time of the transition. The Internal Auditor performed a limited review of cash-related accounts to ensure transactions were properly supported, approved, and accurately recorded.

Background: Major areas of focus included the forfeitures account, high-value disbursements, and accounting entries.

Results: No major audit concerns were raised of cash-related transactions recorded during the period under review. However, two potential internal control concerns were identified during the course of this limited review. In one case, there appeared to be a lack of subrecipient monitoring for funds disbursed in 2022. Subrecipient monitoring ensures that funds dispersed to recipient cities were used as intended. In another area, through actions taken by the prior County Attorney, three non-profits received funds from the Attorney's forfeitures account; in two cases, contracts did not exist. A best practice in this area is to have a contract in force with the recipient entity.

Recommendations: Recipients of forfeited funds should remit invoice documentation to the Attorney's Office to support that the funds were spent by the recipient entity as intended. Donations to non-profit organizations should only be made with a contract in force to support the relationship between the organization and the county, in advance of the disbursement.

Management comment: Accepted.

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APPENDIX

Audit Objectives, Scope, and Methods

The purpose of the audit was to help assure the following control objectives are met:

- 1) Compliance with established policies and procedures.
- 2) Accuracy and reliability of financial and operating information.
- 3) Safeguarding of assets and information.
- 4) Economical and efficient use of resources.

Internal Audit reviewed records from 2022 and 2023 on a sample basis.

To conduct the work, Internal Audit:

- 1) Reviewed relevant financial records.
- 2) Interviewed responsible managers and staff.
- 3) Reviewed past relevant audit reports.

Audit Name: Sheriff's Office
Limited Audit of Cash Accounts
Report Phase: Summary Report
Issued: August 3, 2023

Summary: Key financial internal controls surrounding the receipt, handling, and processing of cash and checks were functioning as intended by management. Opportunities were identified during the course of the review to streamline the processes relating to deposits of cash and checks received at the Sheriff's Office.

Introduction: With the election of a new County Sheriff, the Internal Auditor performed a limited review of cash-related accounts to ensure transactions were properly supported, approved, and accurately recorded.

Background: Citizens come to a counter in the Sheriff's Office to make gun permit payments by check, cash, or credit card. In another area, checks are received for mortgage redemption payments and are processed for deposit.

Results: There were no audit concerns related to cash-related transactions recorded during the period under review. During the course of this limited review, the Internal Auditor was informed that administrative staff physically transport cash and checks to the bank for deposit. Operating efficiencies were identified in the handling and transporting of cash and checks.

Recommendation: Best practices in cash transporting should be adopted at the Sheriff's Office.

Management Comment: An evaluation of current best practices and their applicability to current cash transporting procedures will be completed by the end of this summer.

Background: A separate review was conducted of certain high-value invoices in order to determine whether invoiced amounts were properly approved.

Results: In one case, a management approval signature was missing. Through discussions with management, the review and approval were made; however, there was no signature to evidence the review.

Recommendation: Management (e.g., at the Commander level or higher), should evidence their review and approval of high-value invoices by signing and dating the invoices.

Management Comment: Agreed.

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**Anoka County - Internal Audit Department
Internal Audit Committee
2023 Audit Plan**

DRAFT

<u>Project Name</u>	<u>Comments and Notes</u>	<u>Status</u>
Accounts Payable - Office of the State Auditor	Perform detail testing of Accounts Payable within Finance & Central Services.	Completed
Contracts - Office of the State Auditor	Coordinate with the Office of the State Auditor (OSA).	Completed
Workday Payroll system - Federal income tax and state income tax withholdings.	Identify, evaluate and validate key internal controls surrounding the new payroll system. A limited audit of new hires and pay rate changes was conducted in November 2022.	Defer until first quarter 2024
Information Technology - Limited review of IT general controls	Integrated audit with user access to Workday; background checks of IT personnel; physical inventory to ensure existence and accountability of major IT hardware purchases.	
Human Services - Social Services - Fraud Risk Awareness Training.	Identify, evaluate, and validate key internal controls that mitigate the risk of fraud. Two other departments also requested this: Finance and Central Services and Parks	In-process
Statutory review of Sheriff's and Attorney's cash accounts	After the new Sheriff and Attorney take office (January 2023) perform a review of account balances.	Completed Sheriff's; Attorney's Completed
Follow-up Selected Audits	Assess adequacy of financial internal controls designed into system to address prior reported audit concerns.	On-going
2023 Risk assessment and develop 2024 Audit Plan	Meet with key management throughout the county; evaluate impact of key changes in personnel, data systems, etc..	On-going
Management Requests	Provide management with insight and expertise relating to risk awareness and internal controls (includes American Rescue Plan, continuous monitoring of expenditures).	

Anoka County - Internal Audit Department
Internal Audit Committee
2023 Audit Plan

DRAFT

Audits

Accounts Payable: This audit examines calendar year 2022 payables processed by Finance & Central Services. It examines whether invoices and claims have been authorized, processed, and accounted for according to established policies and procedures.

Contracts - Office of the State Auditor: This project involves coordination as outlined in the Internal Audit Standards. This standard calls for the sharing of information and coordination of activities to ensure proper coverage and to minimize the duplication of efforts. Past work has involved such things as the audit of contract compliance.

Management Requests: This is a portion of audit time resources held in reserve. Smaller requests may be taken up directly with the internal auditor while larger time commitments require Internal Audit Committee approval. Larger requests give more attention, at project initiation, to the definition of scope, objectives and timing.

Follow-up on Selected Audits in 2023: Annually, the Office of the State Auditor, Internal Audit, or other auditors may make recommendations. This area relates to follow-ups and verifies agreed upon actions were taken.

MISSION STATEMENT: Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls, and governance processes.

REDUCE RISKS – STRENGTHEN CONTROLS