

ANOKA COUNTY

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

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

FOR THE September 12, 2022 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 June 27, 2022
5. Business
 - A. Interim Update on Limited Review of Elections
 - B. 2022 Limited Audit of Donations - Summary Report (approval required)
 - C. Review of Prior Audit Recommendation – Accounts Payable Payments
 - D. Verbal Report on Current Audits
 - E. Other
 - F. 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 JULY 12, 2022, COUNTY BOARD MEETING

The Internal Audit Committee meeting was held on Monday, June 27, 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, Office of the State Auditor; Brenda Pavelich-Beck, Accounting Director, Finance and Central Services; Chuck Denninger, Internal Auditor; Amy Kirk, Manager, Finance and Central Services

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

The report of the December 16, 2021, committee meeting was approved as written.

Information Items

1. Juli Mader from the Office of the State Auditor (OSA) conducted the exit meeting for the County's annual audit for the year ended December 31, 2021. The audit was completed in June 2022. The County received an unmodified opinion which is the highest rating obtainable for the annual financial audit.
2. A draft of the 2022 Audit Plan was presented by the Internal Auditor. Two audits were added to the initial audit plan. Motion was made, seconded, and approved to accept the 2022 Audit Plan.
3. The Internal Auditor provided a verbal report on other areas of audit work; there were no major concerns raised.
4. The committee approved the Internal Auditor's possible October 2022 travel to be an instructor for a three day course for the Institute of Internal Auditors (IIA). All travel costs are paid by the IIA.
5. The next meeting of the Internal Audit Committee will be in September 2022.

The meeting was adjourned at 9:45 a.m.

**2022 Audit Plan – Limited Audit of Elections
Key Internal Controls**

- 1) Ballot counting machine accuracy testing was performed according to state statute. Aspects of detail testing performed in July, 2022 by county elections staff included:
 - A) Accuracy testing on the automated ballot counting machine was performed using prepared test decks designed to meet all statutory testing requirements.
 - B) Additional accuracy tests were well-designed and operating.
 - C) Pre-test control totals were agreed to accuracy test totals.
 - D) Ballots used for testing purposes were purposefully marked up to result in over-votes, under-votes, and crossover votes in order to validate that the edit and validation routines on the ballot counting machine caught these iterations and rejected them.

- 2) Election storage room is well-secured including limited badge access, video surveillance, and log-in of individuals who access the room. In addition, any person entering the election storage room is to be accompanied by a county elections department employee.

- 3) All absentee ballot board election judges (total of 14 working for the county in July and August 2022) cleared their background checks.

Audit Name: Limited Audit of Donations
Report Phase: Summary Report
Issued: September 12, 2022

Summary: Prior to the audit, procedures had been developed and in use to report donated gifts to the county board. Opportunities to strengthen internal controls surrounding these procedures were identified during the course of the audit.

Introduction: A limited review was performed of donations to the county. State statute 465.03 requires that monetary and non-monetary gifts are to be reported to and accepted by the county board.

Background: “Staff may be approached by individuals, organizations, or service agencies offering to donate funds, goods, or services. The county may accept a grant or devise of real or personal property and maintain such property for the benefit of its citizens in accordance with the terms prescribed by the donor. Every such acceptance shall be by resolution of the governing body.” The audit also included a review of the processes for physically receipting and recording donations, and, where applicable, ensuring the gifts were used as the donor intended.

Results of an analysis of donations to the county for the period January 2021 through May 2022, revealed that six departments received monetary and/or non-monetary gifts. Processes had been developed to record the monetary gifts and procedures existed to submit information to their respective committees of jurisdiction. Those committees then submitted action items to the county board according to the State statute.

Results: Three departments had not reported donated gifts to the county board. In one case, a department had regularly reported gifts and donations up to their committee of jurisdiction. However, no action item had been reported up to the county board. In another case, one department had reported donated non-monetary gifts, but not every year. Management explained that the department had been severely impacted by the pandemic. During the course of the review, additional opportunities were identified to tighten internal controls surrounding the acceptance, recording, and reporting of donated gifts. Remediation efforts were taken during the audit.

Management in two departments had a written policy addressing the handling and reporting of gifts and donations. However, a county-wide written policy did not exist.

Recommendation: Consideration should be given to implementing a documented, county-wide donation policy.

Management Comment: Agreed.

(Continued on reverse side)

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 2021 and 2022 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.



Anoka County

COUNTY ADMINISTRATION

Internal Audit

CHUCK
DENNINGER
Internal Auditor
763-324-4606

August 3, 2022

TO: The File

FROM: C. T. Denninger, Internal Auditor

SUBJECT: Memorandum on Review – Finance & Central Services
Review of Accounts Payable Payments - Prior Reported Audit Issue

Summary: An Internal Audit report dated January 15, 2021, indicated management monitoring of high-value dollar expenditures needs strengthening.

Background: As a response to the reported financial risks, the Internal Auditor continued ongoing detail testing throughout 2021 and 2022. One benefit from this type of review is that potential internal control concerns could be identified earlier in the regular audit period.

Method of Review: Internal Audit reviewed the current processes in place for payments, whether by check or electronic payment. A selection of payments made by check and EFTs in excess of \$5,000 for the period of December 2020 through June 2022 were reviewed by the Internal Auditor for certain criteria.

Audit Results: Results of detail testing revealed three payments in excess of \$500,000 that were not properly approved. County policy requires all payments in excess of \$500,000 to be approved by the Division Manager of Finance & Central Services.

Recommendation: Management review and approval procedures need improvement for all payments in excess of a predetermined amount.

Management Comment: Corrective actions were taken. Review processes were streamlined in order to strengthen internal control.

cc: Dee Guthman
Cory Kampf
Brenda Pavelich-Beck
Rhonda Sivarajah

I:\IA\Chuck Denninger\2022 Audit Plan\Prior Recommendation Followup\Draft memorandum followup review of AP payments (20220803).docx