

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 DECEMBER 11, 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 August 3, 2023
5. Business
 - A. Office of the State Auditor to Present
 - B. Summary Report – Information Technology – Limited Audit of General Controls
 - C. Approve 2024 Draft Audit Plan
 - D. Verbal Report on Current Audits
 - E. Other – Approve Facilitator for the Institute of Internal Auditors
 - 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 AUGUST 22, 2023, COUNTY BOARD MEETING

The Internal Audit Committee meeting was held on Thursday, August 3, 2023, in Room #772, Anoka County Government Center, Anoka, Minnesota.

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

Others Present – Juli Mader, Office of the State Auditor; Felicia Tri, Office of the State Auditor; Brad Johnson, County Attorney; Commander Wayne Heath, Sheriff’s Office; Cory Kampf, Chief Financial Officer; Brenda Pavelich-Beck, Department Director, Accounting Operations; Chuck Denninger, Internal Auditor; Amy Kirk, Senior Manager, Accounting

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

The report of the December 16, 2022, 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, 2022. The audit was completed in July 2023. The County received an unmodified (i.e., unqualified) opinion on the financial statements, which is the highest rating obtainable for the annual financial audit. The OSA reported internal control items surrounding financial reporting. One Federal program cluster had internal control and non-compliance concerns resulting in a modified (i.e., qualified) opinion. County Financial Management provided action plans to address these reported items.
2. Summary Report: Attorney’s Office: A limited audit of selected cash-related accounts within the Attorney’s Office revealed transactions were properly supported, approved, and accurately recorded.
3. Summary Report: Sheriff’s Office: A limited review was performed of cash-related accounts to ensure transactions were properly supported, approved, and accurately recorded. Opportunities to streamline the process for deposits were identified.
4. A draft of the 2023 Audit Plan was presented by the Internal Auditor. Motion was made, seconded, and approved to accept the 2023 Audit Plan.
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 December 2023.

The meeting was adjourned at 10:10 a.m.

**ANOKA COUNTY
ANNUAL AUDIT ENTRANCE MEETING
FYE 12/31/2023**

Date: Monday, December 11, 2023

Time: 8:30 a.m.

Location: Anoka County Government Center, Room 772

Attendees: Internal Audit Committee:
Matt Look – Committee Chair; and member, Board of Commissioners
Jeff Reinert – Chair, Board of Commissioners; and member, Internal Audit Committee
Rhonda Sivarajah – County Administrator
Brian Page – citizen member
Ryan Hardin – citizen member
Chuck Denninger – Internal Auditor
Cory Kampf – Division Manager, Finance & Central Services (F&CS)
Brenda Pavelich-Beck – Accounting Director, F&CS
Amy Kirk – Senior Accounting Manager, F&CS
Juli Mader – Audit Director, Office of the State Auditor (OSA)
Felicia Tri – Senior, OSA

Purpose: To provide a two-ways means of communication with management and those charged with governance for matters related to the financial statement audit.

1. Staffing/Administration

OSA Staff: Juli Mader and Felicia Tri are both assigned to the 2023 audit as well as additional staff as needed.

Staff timing: Audit planning, internal control observations and testing, and legal compliance testing will begin in December/January. Audit work will be based on the schedules of completion dates. A preliminary schedule has been provided to Finance and Central Services with required due dates.

2. Statement on Auditing Standards (SAS) AU-C Section 260 – The Auditor’s Communication with Those Charged with Governance

Auditing standards define “those charged with governance” and establishes communication requirements between auditors and those charged with governance. At Anoka County we have identified those charged with governance over the financial reporting process as the Board of County Commissioners and the Internal Audit Committee. Our audit engagement letter covers the specific matters to be communicated to those charged with governance, including:

A. Audit objectives and Auditor’s responsibilities under generally accepted auditing standards:

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- 1) Forming and expressing opinions about whether the financial statements prepared by management are presented fairly in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and to report on the fairness of the supplementary information. We issue two opinions—one on the financial statements, and one on Anoka County’s compliance with federal program requirements.
- 2) Reporting on the County’s internal control over both:
 - a. financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, and
 - b. compliance related to major federal programs.

However, we will not express an opinion on the effectiveness of the internal controls as this audit is not designed to do so.

- 3) Performing the audit in accordance with:
 - a. generally accepted auditing standards (issued by the American Institute of Certified Public Accountants);
 - b. standards for financial audits contained in *Government Auditing Standards* (issued by the Comptroller General of the United States);
 - c. the Single Audit Act Amendments of 1996;
 - d. the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (also known as the Uniform Guidance); and
 - e. legal provisions of the *Minnesota Legal Compliance Audit Guide for Counties*.
- 4) Communicating significant matters related to the audit that, in the auditor’s judgment, are relevant to the responsibilities of those charged with governance.

B. Responsibilities of Management:

- 1) Designing, implementing, establishing, and maintaining effective internal controls, including controls over federal programs, and for evaluating and monitoring the ongoing activities; the selection and application of accounting principles; the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information; and compliance with applicable laws, regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements).

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- 2) Identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.
- 3) Making all financial records and related information available to us and for the accuracy and completeness of that information.
- 4) Providing us with (a) access to all information of which you are aware that is relevant to the preparation and fair presentation of financial statements, (b) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (c) additional information that we may request for the purpose of the audit, and (d) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- 5) Adjusting the financial statements to correct material misstatements.
- 6) Designing and implementing programs and controls to prevent and detect fraud, and informing us about all known or suspected fraud affecting the County involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements.
- 7) Identifying and ensuring that the County complies with applicable laws, regulations, contracts, agreements, and grants. Also, for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report.
- 8) Evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.
- 9) Providing us with other documents that use or make reference to the auditor's report or the audited financial statements prior to their issuance and providing written representations for this responsibility.
- 10) Identifying all federal awards received and understanding and complying with the compliance requirements and for preparation of the Schedule of Expenditures of Federal Awards in conformity with Uniform Guidance.
- 11) Preparing the required supplementary information (RSI) and any other supplementary information reported in the financial statement report in accordance with U.S. GAAP.

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- 12) Establishing and maintaining a process for tracking the status of audit findings and recommendations.
 - 13) Identifying and providing us with report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of our audit as discussed in the engagement letter and relaying to us corrective actions taken to address significant findings and recommendations identified as a result of those audits or engagements.
 - 14) Providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions.
 - 15) Providing us a written client management representation letter confirming certain representations made to us during the audit.
- C. Overview of the planned scope and timing of the audit:
- 1) We will audit the basic financial statements of Anoka County for the year ended December 31, 2023. The level of federal funding received by the County once again requires the audit to be a federal single audit (in accordance with the Single Audit Act Amendments of 1996).
 - 2) The County again will be seeking the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. This means that the County needs to have the final annual comprehensive financial report (ACFR) submitted to the GFOA by June 30, 2024.
 - 3) To the extent possible, auditing procedures are planned to be conducted remotely.
- Our preliminary audit plan has us completing field work and submitting the ACFR to the OSA to begin the review process by the end of May, 2024, but that is dependent on the schedule of completion. If all goes as planned, we will issue our opinion on the financial statements and our Management and Compliance Report by June 30, 2024, in time for the County to be in compliance with the GFOA's certificate program deadline.
- D. Audit findings will be communicated to management as the audit progresses. We will also communicate any significant audit findings at the management exit meeting.
- E. Communications about significant accounting policies, sensitive accounting estimates, significant audit adjustments, disagreements with management, difficulties encountered in performing the audit, and other significant issues arising from the audit will be communicated to those charged with governance in a separate letter at the conclusion of the audit.

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3. Engagement Letter:

The engagement letter will be sent to you soon. Once it is, you will need to complete by signing and returning via email.

4. Federal Single Audit

For the 2023 audit, Anoka County is not considered to be a low-risk auditee because of material weaknesses and a qualified opinion over the Medical Assistance Program in 2023. This means we will be required to test 40 percent (vs. 20 percent) of the County's total federal dollars spent in 2023.

Type A federal programs are those with federal expenditures in excess of three percent of total federal expenditures or \$750,000, whichever is more; this totaled \$1,430,503 for Anoka County for 2022. Due to the COVID-19 pandemic, in 2022, the County spent approximately \$5,6 million in State and Local Fiscal Recovery funding (Assistance Listing # 21.027). (How much was spent in 2023?) Assuming that federal grants will also be funded at similar levels in 2023 as they were for 2022, the 2023 Type A threshold will remain consistent with 2022.

All Type A federal programs are required to be tested at least once every three years. As a result, we may be required to test the federal Highway Planning and Construction Program (ALN 20.205) if federal expenditures for this program exceed the Type A threshold.

Due to a qualified opinion issued in 2022 over the Medical Assistance Program (ALN 93.778), it will be tested as a major program again for 2023.

Since the State and Local Fiscal Recovery Fund program (ALN 21.027) has been designated as higher risk in the 2023 Compliance Supplement, it will be tested as a major program for 2023 if the federal expenditures exceed the Type A threshold amount.

Until final federal expenditure numbers are provided, we are unable to determine if these programs will be adequate to meet the 40 percent testing threshold requirement. If not, additional programs will be selected for testing.

5. Status of Prior Year Findings

Financial Statement Findings

Finding Number: 2022-001
System Access – Social Services Information System (SSIS)

During review of access to the Social Services Information System (SSIS), it was noted that 29 County staff had access to the Administer System function. Access to this function within SSIS allows the user to create, delete, or edit users, roles, departments, units, locations, and can set up general county preferences.

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We recommend the County design and implement procedures to ensure that access to its accounting systems are current and properly restrict users to functions only necessary to complete assigned tasks. In addition, we recommend that the County review access to accounting systems on a periodic basis for appropriateness.

2023 follow-up: audit procedures will be performed for 2023 to determine if corrective action was taken.

Finding Number: 2022-002
Segregation of Duties – Payroll

The Anoka County Human Resources Department has access to and is responsible for processing payroll and makes changes to the payroll master files, which includes processing new hires and terminations, editing pay rates, reviewing, and approving timesheets, adding new employees, and making changes to the PERA portal.

We recommend the County re-evaluate whether Human Resources staff should have access and be making changes to the payroll master files, approving payroll, and processing payroll. Management should consider segregating payroll processing duties between the Payroll Department within Finance and Central Services and Human Resources and ensure access within the systems is limited to perform the duties assigned. If access to multiple payroll functions by one group is required, we recommend monitoring procedures be implemented to reduce the opportunity for fraud and errors.

2023 follow-up: audit procedures will be performed for 2023 to determine if corrective action was taken.

Finding Number: 2022-003
Internal Controls over Payroll

During testing of internal controls over payroll processing, the County was unable to provide evidence of assigned supervisory review or approval of timesheets for payroll processed during fourth quarter. For each major federal program audit, the fourth quarter payroll expenditures selected for testing contained no evidence of supervisory review or approval.

We recommend the County discontinue the practice of mass approving timesheets and design and implement procedures that requires each timesheet to be reviewed and approved within the system by the assigned supervisors.

2023 follow-up: audit procedures will be performed for 2023 to determine if corrective action was taken.

Finding Number: 2022-004
Material Audit Adjustment

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A material audit adjustment was identified that resulted in significant changes to the County's financial statements.

We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

2023 follow-up: audit procedures will be performed for 2023 to determine if corrective action was taken.

Federal Award Findings and Questioned Costs

Finding Number: 2022-003

Internal Controls over Payroll

Federal Agency: U.S. Department of the Treasury and U.S. Department of Health and Human Services

Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds; 93.563 Child Support Enforcement; 93.778 Medical Assistance Program

The finding referenced above represents a compliance finding that could have a direct and material effect on the financial statements and is required to be reported under *Government Auditing Standards*. This finding relates to both the financial statements and federal awards. The details of this finding are reported within "Section II – Financial Statement Findings" of the Schedule of Findings and Questioned Costs.

2023 follow-up: audit procedures will be performed for 2023 to determine if corrective action was taken.

Finding Number: 2022-005

Allowable Costs/Cost Principles and Reporting

Federal Agency: U.S. Department of Health and Human Services

Program: 93.778 Medical Assistance Program

Federal revenue offsets from the State and Local Fiscal Recovery Funds (ALN 21.027) were omitted from all quarterly DHS-2550 and DHS-2556 reports submitted to DHS during 2022. This resulted in an understatement of federal revenue offsets of \$197,934 on the DHS-2550 and \$752,717 on the DHS-2556 reports for the year.

We recommend Anoka County implement controls that ensure all DHS reports include federal revenue offsets and are completed accurately in accordance with DHS guidance.

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2023 follow-up: audit procedures will be performed for 2023 to determine if corrective action was taken.

6. New Accounting and Auditing Pronouncements

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. The following are new statements issued by the GASB that are effective for the year ended December 31, 2023:

- ***GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements***

GASB Statement No. 94 provides guidance on the accounting and financial reporting for public-private and public-public partnerships (P3s) and availability payment arrangements (APAs) by establishing the definitions of P3s and APAs and providing uniform guidance for transactions that meet those definitions. P3s should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation.

- ***GASB Statement No. 96, Subscription-Based Information Technology Arrangements***

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in an asset and corresponding liability; (3) provides capitalization criteria; and (4) requires note disclosures. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation.

- ***GASB Statement No. 99, Omnibus 2022***

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) issues identified during implementation of certain GASB Statements, and (2) accounting and financial reporting for financial guarantees. Some portions of this statement were effective upon issuance (April 2022). The requirements related to leases, PPPs, and SBITAs are effective for FYE December 31, 2023; the requirements related to financial guarantees are effective for FYE December 31, 2024.

Additionally, some portions of Implementation Guide 2021-1, *Implementation Guide Update - 2021* are effective.

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The American Institute of Certified Public Accountants (AICPA) is the independent organization that establishes U.S. auditing standards, which we are required to follow. The following are new statements issued by the AICPA that are effective for the year ended December 31, 2023:

- **AICPA Statement on Auditing Standards No. 143, *Auditing Accounting Estimates and Related Disclosures***, increases auditors focus on factors driving estimation uncertainty and potential management bias related to estimates included in the financial statements and related disclosures.
- **AICPA Statement on Auditing Standards No. 144, *Amendments to AU-C Sections 501, 540, and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained from External Information Sources***, address questions raised in the issuance of SAS No. 143.
- **AICPA Statement on Auditing Standards No. 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement***, enhances requirements and guidance on identifying and assessing the risks of material misstatement, in particular the areas of understanding the entity's system of internal control and assessing control risk. This statement also provides extensive guidance regarding the use of information technology and the consideration of IT general controls, revises the definition of significant risks, and includes guidance on maintaining professional skepticism. *Note: Understanding the entity's system of internal controls include systems used for federal award programs.*

The following are new statements issued by the GASB that are effective for the year ended December 31, 2024:

- **GASB Statement No. 100, *Accounting Changes and Error Corrections***

GASB Statement No. 100 defines accounting changes and addresses corrections of errors in previously issued financial statements. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections, as well as the required disclosure in the notes to the financial statements for each and how information in the required supplementary information (RSI) and supplementary information (SI) is affected by these changes. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- **GASB Statement No. 101, *Compensated Absences***

GASB Statement No. 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means, including when not to recognize a liability for specific types of compensated absences until the leave is used. This statement also establishes guidelines for measuring a liability for leave that has not been used, and amends the required note disclosure.

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The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

Additionally, one question from of Implementation Guide 2021-1, *Implementation Guide Update - 2021* (Q7.9.8 related to Capitalization Policies) and Implementation Guide 2023-1, *Implementation Guidance Update - 2023* are effective for fiscal years beginning after June 15, 2023 (calendar year 2024).

We will discuss with Anoka County staff the potential impact the other new accounting pronouncements may have on the County's financial statements.

7. Other Items

- A. Auditing standards require us to meet and communicate certain items to those charged with governance. Would you like us to meet with the full Board to go over what we discussed here today? If not, the notes on this meeting will be distributed to the Board.
- B. Each year we perform an audit of a County department that collects fees for services. Are there any fee offices/areas that you would like us to look at this year?
- C. Fraud items
 - a. What are your views about the risks of fraud?
 - b. Do you have knowledge of any actual, suspected, or alleged fraud affecting the entity or its federal award programs?
 - c. Do you have knowledge of any possible or actual noncompliance or abuses of programs and controls occurring the period being audited or the subsequent period?
 - d. What is the Board's role in the oversight of management's processes for identifying and responding to fraud risks? Does the Board take an active role in establishing policies and procedures to mitigate fraud risks? How does the Board oversee that established policies and procedures are in place?
 - e. Is the entity in compliance with laws, regulations, contracts, and grant agreements?
 - f. Is there anything else that you would like to add, or anyone else we should talk to regarding fraud?
- D. Other items:
 - a. Any changes in the fund structure, including new funds, new major funds, or closed funds?
 - b. Any changes to accounting methods or application of accounting principles? (new or

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revised)

- c. Any changes to accounting policies or procedures? (new or revised)
- d. Any new estimates (or basis of estimates) to be included in financial statements?
- e. Any significant accounting issues or unusual transactions for 2023?
- f. Any entities that may become discrete or blended component units?
- g. Any other joint ventures, joint powers, jointly-governed organizations other than those which we are currently aware of?
- h. Any significant or unusual capital expenditures?
- i. Any new long-term debt issued or was any existing long-term debt refunded?
- j. Any related party transactions that need to be disclosed in the notes to the financial statements?
- k. Litigation? Any significant legal matters and/or contingencies that were not settled by December 31, 2023?
- l. Was there an assessment by management of fraud risk, and was any fraud reported during 2023?
- m. Did the fraud risk assessment include federal programs?
- n. Any known or suspected fraud relating to the financial statements or federal programs reported to management or governance?
- o. Any known or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, including federal grants?
- p. Any known 609 reports (Minn. Stat §609.456) filed with OSA for 2023?
- q. Were there any audit reports from state or federal regulatory agencies received during 2023?
- r. Is the federal expenditures estimate available? If not, when can this be expected?
- s. Any new grant programs or significant reductions of current programs?
- t. Any specific requests from federal agencies to audit one or more specific programs as

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major?

- u. Has a Summary Schedule of Prior Audit Findings been prepared?
 - v. Any changes to computer applications during 2023?
 - w. Any new contracts with service organizations?
 - x. Any new legislation having an impact on the financial statements?
 - y. Any staffing changes that may have an audit significance?
 - z. Any other items of significance we should be aware of?
 - aa. Is there any additional information you would like presented at the management exit meeting?
- E. Any other questions, comments, or concerns?

Audit Name: Information Technology
Limited Audit of General Controls
Report Phase: Summary Report
Issued: December 11, 2023

Summary: Aspects of physical security designed and implemented by Information Technology (IT) management at the county's main data center were found to be in place and operating as management intended. Opportunities to strengthen similar internal controls at other IT sites were identified during this limited audit and were agreed to by management.

Introduction: The county utilizes multiple facilities to house computer hardware. A limited audit was performed to evaluate the adequacy of internal controls surrounding physical security of these facilities. In addition, a limited physical inventory of IT fixed assets was performed.

Background: The county uses best practices in physically protecting its Information Technology assets. Some of these include backup facilities, a business continuity site, and server rooms.

Results: Many of the key physical safeguards to prevent damage and internal controls to assist management were examined in the main data center. Results of testing revealed the key physical safeguards and detective internal controls were operating as designed. For example, locked doors were closed and not propped open. Every door was fitted with badge access and access was verified to be only to current authorized employees. Certain rooms with computer-related hardware were fitted with video surveillance. Video surveillance for these rooms was observed to be operational.

High value IT fixed assets which were procured from 2018 until 2022 were selected for the physical inventory. There were no exceptions or concerns in this area.

The limited audit revealed that other sites housing county IT infrastructure lacked some of the safeguards found in the main data center. For example:

- (A) Each door at each site was fitted with electronic badge access. The same doors were fitted with locks allowing individuals to enter the rooms using metal keys without using their badge. Video surveillance was lacking in certain server and telecom rooms. Best practices are to have video surveillance in rooms containing computer hardware. This allows management to observe or subsequently verify, at any time, who was in the rooms, at what time, performing what type of activity, whether authorized, inadvertent, or inappropriate. The control objective is not to remove the metal key access but to implement video surveillance.
- (B) One site had inadequate air conditioning to mitigate the heat generated by a rack of computer hardware.
- (C) One site had computer equipment that was at risk for potential water damage. There were no water sensors in that room which would have resulted in an accident involving water going unnoticed.

Recommendations: In order to improve physical security and protection of IT infrastructure, video surveillance should be installed in sites that house IT hardware. Cooler air flow should be designed for one site to reduce the risk of excessive heat generated by IT equipment. Water sensors should be installed in higher risk rooms housing IT equipment.

Management Comment: Management agreed with the recommendations and actions have already begun to remediate the discussed concerns.

(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 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.

**Anoka County - Internal Audit Department
Internal Audit Committee
2024 Audit Plan**

DRAFT

<u>Project Name</u>	<u>Comments and Notes</u>
Accounts Payable - Office of the State Auditor	Perform detail testing of Accounts Payable within Finance & Central Services.
Contracts - Office of the State Auditor	Coordinate with the Office of the State Auditor (OSA).
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.
Information Technology - Limited review of IT general controls - network	Integrated audit with user access to Workday; limited review of network security
Human Services - Economic Assistance	Identify, evaluate, and validate key internal controls surrounding Child Support.
Follow-up Selected Audits	Assess adequacy of financial internal controls designed into system to address prior reported audit concerns.
2024 Risk assessment and develop 2025 Audit Plan	Meet with key management throughout the county; evaluate impact of key changes in personnel, data systems, etc.
Management Requests	Provide management with insight and expertise relating to risk awareness and internal controls (includes American Rescue Plan, CARES, continuous monitoring of expenditures).

**Anoka County - Internal Audit Department
Internal Audit Committee
2024 Audit Plan**

DRAFT

Audits

Accounts Payable: This audit examines calendar year 2023 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 2024: 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