

**ANOKA COUNTY**

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

Commissioners Look (Chair) and Schulte;  
Bob Thistle; Brian Page; Rhonda Sivarajah

FOR THE JUNE 23, 2021 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 17, 2020
5. Business
  - A. Office of the State Auditor to Present
  - B. 2020 Disbursements Audit – Summary Report (approval required)
  - C. 2021 License Centers Cash Handling Audit – Summary Report (approval required)
  - D. Verbal Report on Current Audits
  - E. Consider for Informational Purposes, a 2021 Internal Audit Plan

*\*\* 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.*

*The Internal Audit Committee held their regularly scheduled meeting in Room #705 of the Anoka County Government Center. However, due to the Governor's Emergency Executive Order 20-48, and a determination by the county board chair that public attendance was not feasible due to the health pandemic, members of the public were not allowed to attend this meeting in person. Public members monitored this meeting through the internet at <https://www.anokacounty.us/1430/Watch-Board-Meetings-Online> or by calling 763-324-4704 24 hours in advance of the meeting time to arrange for telephonic access. Public monitoring in this manner was done pursuant to Minn. Stat. 13D.021.*

**ANOKA COUNTY  
INTERNAL AUDIT COMMITTEE REPORT**

FOR THE JANUARY 26, 2021 COUNTY BOARD MEETING

The Internal Audit Committee meeting was held on Thursday, December 17, 2020, in the County Board Room #705, Anoka County Government Center, Anoka, Minnesota.

Persons Present:       **Committee Members** – Commissioner Matt Look, Chair; Commissioner Scott Schulte;

Via Webex Conference Call - Rhonda Sivarajah, County Administrator; Brian Page, Citizen Member;

**Others Present** – Chuck Denninger, Internal Auditor; Brenda Pavelich-Beck, Accounting Director

Via Webex Conference Call - Randy Vogt, Office of the State Auditor; Juli Mader, Office of the State Auditor; Cory Kampf, Finance & Central Services Division Manager;

Not Present:           **Committee Member** – Robert Thistle, Citizen Member

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

The report of the June 29, 2020 committee meeting was approved as written.

**Information Items**

1. Randy Vogt and Juli Mader from the Office of the State Auditor (OSA) conducted the entrance meeting for the County's annual audit for the year ended December 31, 2020. The audit report will be completed by June 2021.
2. The Internal Auditor described some of the key projects he was involved in the past nine months in a verbal report. For example, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") resulted in the county receiving significant funds from the State. County management developed a formal request and authorization process for CARES-related projects. The Internal Auditor was able to evaluate and assess CARES project compliance with some of the key Federal guidelines and county policies.

The Internal Auditor also initiated ongoing detail testing throughout 2020. Benefits of this continuous monitoring:

- Allowed the Internal Auditor to keep updating the risk assessment;
  - Internal Auditor had opportunities to meet new managers (as a result of transfers or turnover throughout the year);
  - Enabled the Internal Auditor to reinforce the inherent risks within the county and the importance of internal controls;
  - Internal Auditor was able to confirm the operational effectiveness of the system of internal controls management has developed and implemented.
3. The 2021 Audit Plan will be presented later in 2021. The Internal Auditor explained some of the audit objectives and planned audit work for the first months of 2021.
  4. The next meeting of the Internal Audit Committee will be in March 2021.

The meeting was adjourned at 9:20 a.m.

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**Audit Name:** Finance & Central Services  
**Review of Accounts Payable Payments**  
**Report Phase:** Summary Report  
**Issued:** January 15, 2021

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**Summary:** Management monitoring of high-value dollar expenditures via electronic transfers needs strengthening. A more robust validation and verification process is needed surrounding new Person Entity I.D.s (PEIDs) and changes to PEID name and address when payments exceed a certain dollar amount.

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**Introduction:** In an effort to strengthen financial internal controls surrounding disbursements, Internal Audit initiated a monthly continuous monitoring program for payments (i.e., ongoing limited detail testing). Benefits of continuous monitoring:

- The Internal Auditor had opportunities to meet new managers (hired or promoted as a result of turnover throughout the year);
- Allowed the Internal Auditor the opportunity to continue to educate management and staff of the inherent risks within the county and the importance of internal controls;
- The Internal Auditor was able to confirm the operational effectiveness of some of the financial internal controls management had developed and implemented.

**Background:** During the course of the COVID-19 pandemic, in general, the daily processes, Information Technology application, and personnel related to payments were not disrupted from April through November 2020. However, inherent financial risks increased in Finance and Central Services (F&CS). Pandemic-related government orders made it difficult for all employees and supervisors to be in the office together. More individuals worked remotely with continued authorized access to accounting systems.

As a response to these increased inherent financial risks, the Internal Auditor initiated ongoing detail testing throughout 2020. One benefit from this type of review is that potential internal control concerns could be identified earlier in the regular audit period. Management could then develop, design, and implement internal controls earlier to address the issues.

F&CS uses two main methods of payment: electronic funds transfers (EFTs) and payments made by check.

**Method of Review:** Internal Audit reviewed the current processes in place for payments to vendors, whether by check or electronic payment. A selection of payments made by check and EFT's in excess of \$5,000 for the period of April through November 2020 were reviewed by the Internal Auditor for certain criteria.

Key attributes that were tested included:

- The amounts to be paid per the accounting system agreed to the vendor invoice;
- The name and address per the invoice agreed to the check;
- The name and amount per the accounting system agreed to the name and amount reflected in the banking system;
- Amounts paid via EFT to the vendor were paid into the authorized payee bank account.

**Audit Results:** County policy requires all payments in excess of \$500,000 to be approved by the Division Manager of F&CS. All requests for payment in excess of \$500,000 that were tested by the Internal Auditor were, in fact, properly approved. However, in one area, the Internal Auditor determined that two requests for payments to the same vendor (one for \$380,000 for one project and another for \$400,000 for another project) were automatically combined by the operating system into one check to that vendor. The question was whether the Division Manager should have approved this payment since the check amount exceeded \$500,000.

In addition, results of this limited review indicated the two payments previously mentioned (\$380,000 and \$400,000) were only approved by a program lead and a department's accountant.

**Recommendations** – Consider having an Accounting Manager perform a detailed review and approval for all payments in excess of a predetermined amount. This is particularly important for new vendors, payees with a change in name or address, payees with a change in payment method (i.e., check to EFT), and payees with a change in bank and/or bank account number.

Consider having the respective department managers approve certain requests for payments in excess of a predetermined amount before the authorized documentation is forwarded to F&CS for payment.

**Management Comment** – Agreed. Management is working on this issue to clarify procedures.

cc: Rhonda Sivarajah  
Cory Kampf  
Brenda Pavelich-Beck  
Paula Bownik

## APPENDIX

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### Audit Objectives, Scope, and Methods

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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 2020 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.

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**Audit Name:** License Centers - Limited Audit of Cash Handling  
**Report Phase:** Summary Report  
**Issued:** June 23, 2021

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**Summary:** A limited audit was conducted of cash handling, summarization and balancing procedures, and the daily preparation of deposits for transportation to the bank. Key internal controls were deemed to be functioning as intended except for one area requiring emphasis in training.

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**Introduction:** Cash handling procedures were observed and evaluated at the five Anoka County License Centers to ensure that they were consistent and accurate.

**Background:** The Internal Auditor obtained an understanding of the significant cash handling-related risks by conducting a formal risk assessment with all of the site supervisors, manager, assistant director, and director. One of the main objectives of the risk assessment was to elevate management's level of awareness of the inherent risks that exist, specifically the financial risks, risk of non-compliance with statutes and county policies, reputation and information technology risks, and the risk of fraud.

**Audit Results:** Key internal controls were validated as follows:

- Video surveillance functioned at all sites.
- Cash-counting machines and check-scanning machines were fully operational.
- All the sites followed the same procedures for summarizing, balancing, recording, and securing the cash in locked safes at the end of the business day.
- A proper separation of duties existed: the senior staff prepared the deposit, the bonded and armored car service transported the deposit to the bank, and Treasury handled the bank statements.

The Internal Auditor performed limited detail testing by judgmentally selecting a number of daily cash deposit recaps for all License Centers. He also performed analytical reviews of the receipts for all sites for the month of April 2021 and observed the after-hours summarization process to ensure the final deposit was accurate and secured in the safe.

In one area, results of a review of scanned checks revealed the checks had not been restrictively endorsed. Each workstation is outfitted with a restrictive endorsement stamp. Applying the stamp at the end of each check-related transaction reduces the risk associated with checks being improperly handled. On the one hand, the checks are deposited to the County's bank when they are scanned at the end of the business day. On the other hand, there are opportunities for employees to subsequently access the checks that were not restrictively endorsed.

**Recommendation:** Personal checks received at License Centers should be restrictively endorsed immediately at the end of each transaction.

**Management Comment:** Agreed. Personnel will be reminded and this internal control will continue to be emphasized in training.

*(continued on reverse side)*

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Anoka County - Internal Audit Department  
Internal Audit Committee  
Revised 2021 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).
License Centers - Limited review of cash handling.	Conduct a risk assessment with License Center management and review cash receipting, handling, balancing, and securing.
Joint Powers Agreements Review	Evaluate current processes and procedures surrounding expenditures.
Human Services - Limited review of administration of user access rights to State of Minnesota computer applications.	Assess adequacy of internal controls.
Information Technology - Limited review of fixed assets and background checks of IT personnel.	Physical inventory to ensure existence and accountability of major IT hardware purchases.
Human Services - Economic Assistance Child Support administration review.	Identify, evaluate and validate key internal controls surrounding collection and follow-up procedures.
Follow-up Selected Audits	Assess adequacy of financial internal controls designed into system to address prior reported audit concerns.
2020 Risk assessment and develop 2021 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).

**Anoka County - Internal Audit Department  
Internal Audit Committee  
Revised 2021 Audit Plan**

**DRAFT**

**Audits**

Accounts Payable: This audit examines calendar year 2021 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 2021: 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**