

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**MANAGEMENT AND COMPLIANCE REPORT**

**ANOKA COUNTY**  
**ANOKA, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2017**

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits of local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

**Tax Increment Financing** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**ANOKA COUNTY  
ANOKA, MINNESOTA**

**Year Ended December 31, 2017**



**Management and Compliance Report**

**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

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**ANOKA COUNTY  
ANOKA, MINNESOTA**

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

### Independent Auditor's Report

Board of County Commissioners  
Anoka County  
Anoka, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anoka County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 19, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Anoka County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and an item that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002 to be a material weakness and item 2017-001 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Anoka County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the cities administer the tax increment financing districts in Anoka County.

In connection with our audit, nothing came to our attention that caused us to believe that Anoka County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

### **Anoka County's Response to Findings**

Anoka County's responses to the internal control findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.



## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

June 19, 2018

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

#### Independent Auditor's Report

Board of County Commissioners  
Anoka County  
Anoka, Minnesota

#### **Report on Compliance for Each Major Federal Program**

We have audited Anoka County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. Anoka County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Anoka County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about Anoka County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

### ***Opinion on Each Major Federal Program***

In our opinion, Anoka County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

### ***Other Matter***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003. Our opinion on each major federal program is not modified with respect to this matter.

Anoka County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Anoka County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Anoka County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on

a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003, that we consider to be a significant deficiency.

Anoka County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Anoka County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anoka County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated June 19, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anoka County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

June 19, 2018

**ANOKA COUNTY  
ANOKA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA No. 20.205
Social Services Block Grant	CFDA No. 93.667

The threshold for distinguishing between Types A and B programs was \$1,294,178.

Anoka County qualified as a low-risk auditee? **Yes**

## II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

### ITEMS ARISING THIS YEAR

Finding Number 2017-001

#### Highway Department Inventory

**Criteria:** Reported inventory amounts should reflect the actual amount of inventory on hand. Supporting documentation for the valuation of inventory should be prepared and retained by the County.

**Condition:** During the audit of the Highway Department's inventory, the four highest-valued inventory items were tested by verifying the price and quantity amounts reported as of December 31, 2017; the following were noted:

- For two items, the County could not provide supporting documentation for the quantity reported. The total value of these items at December 31, 2017, was unable to be determined.
- For one item, the incorrect per-unit price was used, which caused inventory to be understated by \$1,644 as of December 31, 2017.
- For one item, the County could not provide supporting documentation for the per-unit price used.

**Context:** The County Highway Department does not use a perpetual inventory system. Inventory quantities and values are only updated at year-end.

**Effect:** The inventory system did not reflect an accurate value of the inventory on hand as of December 31, 2017. Without adequate controls over inventory, County assets are exposed to misuse and theft.

**Cause:** Lack of supporting documentation, and some amounts were inaccurately entered into the inventory system.

**Recommendation:** We recommend the County strengthen internal controls over the valuation of its inventory. Documentation should be prepared and retained to support the Highway Department inventory values reported.

**View of Responsible Official:** Concur



Finding Number 2017-002

Audit Adjustments

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

**Condition:** Audit adjustments were identified that, when aggregated, resulted in significant changes to the County's financial statements. These adjustments were reviewed and approved by the appropriate County staff and are properly reflected in the financial statements.

**Context:** The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

**Effect:** The following audit adjustments needed to be recorded in the Road and Bridge Special Revenue Fund for December 31, 2017:

- Increased cash and investments with escrow agents and decreased expenditures by \$1,134,989 to properly reflect the right-of-way balance held by the State of Minnesota.
- Increased due from other governments and state intergovernmental revenue by \$953,457 to properly account for highway allotments.
- Increased due from other governments and unavailable revenue by \$1,033,809 to record a federal grant receivable at year-end.

**Cause:** This activity was overlooked or incorrectly recorded when financial statement information was prepared.

**Recommendation:** We recommend County staff implement additional procedures over financial reporting that include a comprehensive review of balances, disclosures, and supporting documentation by a qualified individual to ensure the information is complete and accurate so the County's financial statements are fairly presented in accordance with generally accepted accounting principles.

**View of Responsible Official:** Concur

### III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

#### ITEM ARISING THIS YEAR

Finding Number 2017-003

#### Special Tests and Provisions - Wage Rate Requirements

**Program:** U.S. Department of Transportation's Highway Planning and Construction Cluster (CFDA No. 20.205), Award No. 00002, 2017

**Pass-Through Agency:** Minnesota Department of Transportation

**Criteria:** The Davis-Bacon Act (23 U.S.C. 113) and 29 CFR Section 5 require that contractors and subcontractors performing work on federal contracts in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits listed in the contract's wage determination class. Each covered contractor and subcontractor must, on a weekly basis, submit a copy of the payrolls providing the information listed under payrolls and basic records of 29 CFR Section 5 for the preceding weekly payroll period. In addition, Anoka County has procedures in place to record payrolls obtained from contractors and subcontractors on a tracking sheet to verify that all required payrolls are received.

**Condition:** Two projects funded by the Highway Planning and Construction Cluster were tested. Three of the 47 contractors and subcontractors on those projects had missing certified payroll weeks that were never received by the County. In addition, two other instances were noted where the certified payrolls were not properly reconciled on the County's tracking sheet.

**Questioned Costs:** None.

**Context:** Anoka County entered into contracts for federally-funded projects requiring compliance with the Davis-Bacon Act.

**Effect:** There is no evidence that all certified payrolls were obtained from contractors or subcontractors or included on the County's tracking sheet to comply with the requirements of the Davis-Bacon Act.

**Cause:** Insufficient controls over the County's review of contractors' and subcontractors' compliance with the requirements of the Davis-Bacon Act.

**Recommendation:** We recommend the County implement additional controls to ensure that compliance with the Davis-Bacon Act is being achieved and that documentation exists to support the monitoring of and compliance with this requirement.

**View of Responsible Official:** Concur

**IV. PREVIOUSLY REPORTED ITEMS RESOLVED**

2015-001 Eligibility Testing (CFDA No. 93.778)

2016-001 Procurement, Suspension, and Debarment (CFDA No. 14.218)

2016-002 Subrecipient Monitoring (CFDA No. 14.218)

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**REPRESENTATION OF ANOKA COUNTY  
ANOKA, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Finding Number: 2017-001**

**Finding Title: Highway Department Inventory**

Name of Contact Person Responsible for Corrective Action:

Salt Inventory: Jim Christenson, Maintenance Superintendent

Signal Inventory: Jane Rose, Traffic Engineering Manager

Corrective Action Planned:

Salt barns will be marked with dimensions to note the “percent full” at various pile depths with a corresponding volume calculated for each dimension. Photos of the stockpile against the measuring marks will be taken monthly. The methodology of the valuation will be documented.

An audit will be conducted to ensure items are valued correctly for the year-end inventory. For items that are obsolete, a quote will be obtained annually to update the price to current replacement value.

Anticipated Completion Date:

Salt Inventory: Demarcations on the salt facilities and the computation of volume for each facility will be performed before new salt deliveries arrive (late summer/early fall 2018).

Signal Inventory: Concurrent with annual physical count.

**Finding Number: 2017-002**

**Finding Title: Audit Adjustments**

Name of Contact Person Responsible for Corrective Action:

Brenda Pavelich-Beck - 763-324-1715

Corrective Action Planned:

Adjust due dates for information received from accountants, building in time for complete review by accounting manager and/or director. Work more with the departments' accounts to assure proper coding and classification, negating the need for adjusting entries.

Anticipated Completion Date:

December 31, 2018

**Finding Number: 2017-003**

**Finding Title: Special Tests and Provisions - Wage Rate Requirements**

**Program: Highway Planning and Construction Cluster (CFDA No. 20.205)**

Name of Contact Person Responsible for Corrective Action:

Harry Grams, Construction Engineering Supervisor

Corrective Action Planned:

For document storage (filing) controls, both paper and electronic versions of payrolls will be kept.

For QA/QC purposes to ensure that payroll records have been submitted and reviewed, monthly review meetings will be conducted with the Contracts Administrator and Construction Engineering Supervisor to look for errors and/or omissions. This monthly meeting is in addition to the regular weekly reports and reviews.

Anticipated Completion Date:

June 2018



**REPRESENTATION OF ANOKA COUNTY  
ANOKA, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Finding Number: 2015-001**

**Finding Title: Eligibility Testing**

**Program: Medical Assistance Program (CFDA No. 93.778)**

**Summary of Condition:** A sample of 15 Medical Assistance Program case files were selected for testing controls over, and compliance with, the eligibility requirements of the program. Of the 15 case files selected, there was one case where the bank statements in the case file did not match the amounts in MAXIS; one case file included an outdated bank statement; and one case file was missing verification of the disposal of a vehicle, and the ownership for the current vehicle was not supported with a title.

**Summary of Corrective Action Previously Reported:** Additional training will be provided to all staff on requirements for asset verifications. Economic Assistance will continue to review the coding and verifications for MAXIS Medical Assistance cases (50 to 60 reviewed each month) to provide feedback and training to financial workers.

**Status:** Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes  X  No

The corrective action plans from the 2015 Health Care Audit were put in place in August 2016. A total of 1,382 Medical Assistance case files were reviewed during 2017. The written reviews were provided to staff on correct cases, incorrect cases, and those where actions needed clearer documentation. Staff were required to correct and update these cases. Clarifications were received from the Department of Human Services on when verifying excluded assets is needed. In-person training was provided to staff when patterns of deficiencies were found. Monthly newsletters were sent highlighting best practices and error prone areas. Specific workshops were conducted on the topics MA-EPD, Processing Health Care Applications, and Spenddowns.

**Finding Number: 2016-001**

**Finding Title: Procurement, Suspension, and Debarment**

**Program: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218)**

**Summary of Condition:** The County entered into subrecipient agreements for projects that were federally funded. During testing, auditors noted that the agreements with the subrecipients did not include the suspension or debarment language. In addition, no verification procedures were performed to determine that the subrecipients were not suspended or debarred at the time the agreements were finalized.

**Summary of Corrective Action Previously Reported:** New language was inserted in Anoka County Community Development Block Grants/Entitlement Grants (CDBG) subrecipient agreements. Certification of non-debarment contract language was provided and reviewed by the Anoka County Attorney's Office. A new process was implemented for Community Development staff to check the federal SAM database to ensure subrecipients of federal funds are registered. In addition to checking the name of the contracting firm, the name of the president and/or owner of the organization will be checked for debarment, suspension, or disqualification.

Subrecipients using or who anticipate using subcontractors will be required to submit a list of potential subcontractors. The subcontractors will also be checked for debarment, suspension, or disqualification. Documentation of the debarment, suspension, or disqualification check will include a website printout placed in the recipient's file. The federal SAM database check will occur as part of the application review process prior to recommending applicants for CDBG funding and/or as new subrecipient projects are considered.

**Status:** Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No  X

**Finding Number: 2016-002**

**Finding Title: Subrecipient Monitoring**

**Program: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218)**

**Summary of Condition:** The County passed federal CDBG funding to subrecipients, including cities, townships, and other local agencies. During testing, auditors noted that the County did not perform any on-site monitoring procedures of its CDBG subrecipients during 2016.

**Summary of Corrective Action Previously Reported:** The Program Year (PY) 2015 Public Service CDBG subrecipients' grant year ended June 30, 2016, while the PY 2015 Project subrecipients' grant year ended December 31, 2016. Community Development staff updated the subrecipient monitoring plan and determined all PY 2015 CDBG subrecipients, except the Columbia Heights and Habitat projects, would be monitored. Most PY 2015 subrecipients received an on-site visit. Notifications were sent the week of April 24, 2017, and on-site visits were completed in May 2017.



Moving forward, all subrecipients will be placed on a three-year monitoring schedule. A risk assessment will be also be conducted on subrecipients; if the subrecipient receives a high score they will be added to the group of subrecipients monitored. Monitoring of subrecipients will be completed within 90 days after the end of the program year. Public Services will be monitored in July, August, or September, and Projects in January, February, or March.

**Status:** Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No  X

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**ANOKA COUNTY  
ANOKA, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Passed through Minnesota Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	Not provided	\$ 68,140	\$ -
National School Lunch Program	10.555	Not provided	102,418	-
Passed through Minnesota Department of Health				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN004W1003	1,027,931	-
Passed through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	2,407,389	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN127Q7503	102,745	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2520	11,490	-
<i>(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$2,521,624)</i>				
Passed through Minnesota Department of Agriculture				
WIC Farmers' Market Nutrition Program (FMNP)	10.572	B0417F172615	<u>2,168</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ 3,722,281</u></b>	<b><u>\$ -</u></b>
<b>U.S. Department of Housing and Urban Development</b>				
Direct				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		\$ 1,647,610	\$ 1,514,527
Passed through Dakota County Community Development Agency				
Home Investment Partnerships Program	14.239	Not provided	<u>305,402</u>	<u>241,939</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>\$ 1,953,012</u></b>	<b><u>\$ 1,756,466</u></b>
<b>U.S. Department of Justice</b>				
Direct				
Drug Court Discretionary Grant Program	16.585		\$ 68,926	\$ -
<i>(Total Drug Court Discretionary Grant Program 16.585 \$115,570)</i>				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		113,574	-
Bulletproof Vest Partnership Program	16.607		80	-
DNA Backlog Reduction Program	16.741		62,912	-
Equitable Sharing Program	16.922		3,007	-

**ANOKA COUNTY  
ANOKA, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Justice (Continued)</b>				
Passed through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	A-CVSP-2017- ANOKAAO-00018	75,833	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	A-NFSIA-2017- ANOKASO-00003	10,241	-
Passed through Minnesota Trial Courts				
Drug Court Discretionary Grant Program <i>(Total Drug Court Discretionary Grant Program 16.585     \$115,570)</i>	16.585	Not provided	46,644	-
<b>Total U.S. Department of Justice</b>			<b>\$ 381,217</b>	<b>\$ -</b>
<b>U.S. Department of Labor</b>				
Passed through Minnesota Department of Employment and Economic Development				
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207	4127100	\$ 124,303	\$ -
Senior Community Service Employment Program	17.235	8125100	58,652	-
Senior Community Service Employment Program <i>(Total Senior Community Service Employment Program     17.235 \$327,204)</i>	17.235	7125100	86,885	-
Workforce Investment Act (WIA) National Emergency Grants				
WIA Cluster				
WIA Adult Program	17.258	4123101	478	-
WIA Adult Program	17.258	5123100	28,857	-
WIA Adult Program	17.258	6123100	194,656	-
WIA Adult Program <i>(Total WIA Adult Program 17.258 \$252,420)</i>	17.258	7123100	28,429	-
WIA Youth Activities	17.259	5123600	42,853	-
WIA Youth Activities	17.259	6123600	173,806	-
WIA Youth Activities <i>(Total WIA Youth Activities 17.259 \$302,379)</i>	17.259	7123600	85,720	-
WIA Dislocated Worker Formula Grants	17.278	4128001	2,407	-
WIA Dislocated Worker Formula Grants	17.278	5128000	21,971	-
WIA Dislocated Worker Formula Grants	17.278	6128000	278,371	-
WIA Dislocated Worker Formula Grants <i>(Total WIA Dislocated Worker Formula Grants 17.278     \$368,496)</i>	17.278	7128000	65,747	-
Passed through Senior Service America, Inc.				
Senior Community Service Employment Program <i>(Total Senior Community Service Employment Program     17.235 \$327,204)</i>	17.235	320	181,667	-
<b>Total U.S. Department of Labor</b>			<b>\$ 1,634,274</b>	<b>\$ -</b>

**ANOKA COUNTY  
ANOKA, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Transportation</b>				
Passed through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	00002	\$ 10,571,223	\$ -
Passed through Metropolitan Council Federal Transit Cluster Federal Transit - Formula Grants	20.507	SG-2016-021	558,708	-
Passed through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC17-2017- ANOKASO-103	26,669	23,010
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC17-2017- ANOKASO-103	186,881	112,811
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC18-2018- ANOKASO-053	55,389	29,492
<i>(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$242,270)</i>				
Highway Safety Cluster				
National Priority Safety Programs	20.616	A-ENFRC17-2017- ANOKASO-103	47,576	20,513
National Priority Safety Programs	20.616	A-ENFRC18-2018- ANOKASO-053	8,963	-
<i>(Total National Priority Safety Programs 20.616 \$56,539)</i>				
<b>Total U.S. Department of Transportation</b>			<b>\$ 11,455,409</b>	<b>\$ 185,826</b>
<b>U.S. Department of Education</b>				
Passed through Minnesota Department of Employment and Economic Development Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Not provided	<b>\$ 119,109</b>	<b>\$ -</b>
<b>U.S. Department of Health and Human Services</b>				
Passed through Metropolitan Area Agency on Aging National Family Caregiver Support, Title III, Part E Alzheimer's Disease Initiative: Specialized Supportive Services Project (ADI-SSS) through Prevention and Public Health Funds (PPHF)	93.052	311-17-003E-221	\$ 94,240	\$ -
	93.763	Not provided	12,222	-
Passed through Minnesota Department of Health Public Health Emergency Preparedness	93.069	NU90TP921911-01-00	250,337	-
Universal Newborn Hearing Screening	93.251	12-700-00054	1,650	-
Immunization Cooperative Agreements	93.268	H23IP000737	2,150	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	12-700-00054	2,025	-
Maternal, Infant, and Early Childhood Home Visiting Cluster Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	12-700-00054	77,477	-

**ANOKA COUNTY  
ANOKA, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Health and Human Services</b>				
Passed through Minnesota Department of Health (Continued)				
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	Not provided	13,600	-
TANF Cluster				
Temporary Assistance for Needy Families <i>(Total Temporary Assistance for Needy Families 93.558 \$4,082,123)</i>	93.558	2017G996115	315,522	-
Maternal, Infant, and Early Childhood Home Visiting Cluster				
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	12-700-00054	358,089	-
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00054	267,326	-
Passed through Minnesota Department of Human Services				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	SM016024-17	43,490	-
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	Not provided	16,590	-
Promoting Safe and Stable Families	93.556	G-1701MNFPS	168,529	-
TANF Cluster				
Temporary Assistance for Needy Families <i>(Total Temporary Assistance for Needy Families 93.558 \$4,082,123)</i>	93.558	1701MNTANF	3,746,386	-
Child Support Enforcement	93.563	1704MNCEST	5,624,584	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	1701MNCCDF	324,526	-
Child Care and Development Block Grant <i>(Total Child Care and Development Block Grant 93.575 \$351,407)</i>	93.575	1801MNCCDF	26,881	-
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFRPG	128,460	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	62,111	-
Foster Care - Title IV-E	93.658	1701MNFOST	1,189,067	-
Social Services Block Grant	93.667	17-01MNSOSR	1,406,016	-
Chafee Foster Care Independence Program	93.674	G-1701MNCILP	25,634	-
Children's Health Insurance Program	93.767	1705MNS021	580	-
Medicaid Cluster				
Medical Assistance Program	93.778	1705MNADM	9,141,387	-
Medical Assistance Program <i>(Total Medical Assistance Program 93.778 \$9,220,277)</i>	93.778	1705MNSMAP	78,890	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010027-16	1,760	-
Passed through Minnesota Department of Employment and Economic Development				
TANF Cluster				
Temporary Assistance for Needy Families <i>(Total Temporary Assistance for Needy Families 93.558 \$4,082,123)</i>	93.558	2017G996115	20,215	-
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 23,399,744</b>	<b>\$ -</b>

**ANOKA COUNTY  
ANOKA, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Continued)**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>Corporation for National and Community Service</b>				
Direct				
Retired and Senior Volunteer Program	94.002		\$ 44,798	\$ -
<b>Executive Office of the President</b>				
Direct				
High Intensity Drug Trafficking Areas Program	95.001		\$ 32,282	\$ -
<b>U.S. Social Security Administration</b>				
Passed through Minnesota Department of Employment and Economic Development				
Disability Insurance/SSI Cluster				
Social Security Disability Insurance	96.001	Not provided	\$ 69	\$ -
<b>U.S. Department of Homeland Security</b>				
Passed through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	R29G4CGSFY16	\$ 8,224	\$ -
Passed through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Not provided	499	-
Emergency Management Performance Grants	97.042	ANOKACO-00002 A-EMPG-2017-	126,502	-
Homeland Security Grant Program	97.067	ANOKACO-00001 A-UASI-2016-	76,504	-
Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$261,835)	97.067	ANOKACO-00001 A-UASI-2015-	185,331	-
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 397,060</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 43,139,255</b>	<b>\$ 1,942,292</b>
<b>Totals by Cluster</b>				
Total expenditures for Child Nutrition Cluster			\$ 170,558	
Total expenditures for SNAP Cluster			2,521,624	
Total expenditures for CDBG - Entitlement Grants Cluster			1,647,610	
Total expenditures for Employment Service Cluster			124,303	
Total expenditures for WIA Cluster			923,295	
Total expenditures for Highway Planning and Construction Cluster			10,571,223	
Total expenditures for Federal Transit Cluster			558,708	
Total expenditures for Highway Safety Cluster			83,208	
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster			435,566	
Total expenditures for TANF Cluster			4,082,123	
Total expenditures for CCDF Cluster			351,407	
Total expenditures for Medicaid Cluster			9,220,277	
Total expenditures for Disability Insurance/SSI Cluster			69	

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**ANOKA COUNTY  
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**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Anoka County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Anoka County under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Anoka County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Anoka County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Anoka County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 42,089,218
Grants received more than 120 days after year-end, unavailable in 2017	
Highway Planning and Construction	1,033,809
Federal Transit - Formula Grants	<u>16,228</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 43,139,255</u>