



July 24, 2017

Internal Control Assessment Report

**MILLE LACS COUNTY  
SHERIFF'S OFFICE  
MILACA, MINNESOTA**

*Prepared by:*

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## **EXECUTIVE SUMMARY**

CliftonLarsonAllen LLP (“CliftonLarsonAllen” or “CLA”) performed an internal control assessment for the Mille Lacs County Sheriff’s Office (“MLCSO”) to assess whether internal controls are suitably designed and operating effectively to achieve control objectives. The internal control assessment was performed as a result of Mille Lacs County Sheriff’s Office’s understanding of the importance of internal controls in their processes and holding themselves accountable.

MLCSO Biannual Audit included the Central Minnesota Auto Theft Prevention unit that includes; Mille Lacs County Sheriff’s office, Morrison County Sheriff’s office, Benton County Sheriff’s office, Stearns County Sheriff’s office, Isanti County Sheriff’s office, and the City Police Agencies of; Princeton, Milaca, Onamia, Isle, Isanti, St Cloud, as well as Mille Lacs Band Police.

The internal control assessment was performed from July 6, 2017 to August 4, 2017 in accordance with the timeline established per the engagement letter June 13, 2017.

Interviews were performed with several key stakeholders in the Organization to gain an understanding of the processes, risks, and internal controls, specifically for the areas deemed to be in-scope as defined in the engagement letter. After the interview process, CLA performed effectiveness testing; specifically performing walkthroughs of processes and internal controls with the key stakeholders including inquiry, observation, and inspection of documentation.

Based on the results of the testing procedures, CLA developed this report to communicate and address the following:

- Best practice control activities
- Observations identified during the assessment
- Recommendations and best practices
- Risk ranking per individual observation

### **Internal Control Assessment**

The objective of the project is to provide MLCS with internal control assessment services specific to the functions/process areas described below in the Project Scope section as defined in Minnesota Statute 13.824 Automated License Plate Readers. As noted defined in Subdivision 6:

(a) In addition to the log required under subdivision 5, the law enforcement agency must maintain records showing the date and time automated license plate reader data were collected and the applicable classification of the data. The law enforcement agency shall arrange for an independent, biennial audit of the records to determine whether data currently in the records are classified, how the data are used, whether they are destroyed as required under this section, and to verify compliance with subdivision 7. If the commissioner of administration believes that a law enforcement agency is not complying with this section or other applicable law, the commissioner may order a law enforcement agency to arrange for additional independent audits. Data in the records required under this paragraph are classified as provided in subdivision 2.

(b) The results of the audit are public. The commissioner of administration shall review the results of the audit. If the commissioner determines that there is a pattern of substantial noncompliance with this section by the law enforcement agency, the agency must immediately suspend operation of all automated license plate reader devices until the commissioner has authorized the agency to reinstate their use. An order of suspension under this paragraph may be issued by the commissioner, upon review of the results of the audit, review of the applicable provisions of this chapter, and after providing the agency a reasonable opportunity to respond to the audit's findings.

(c) A report summarizing the results of each audit must be provided to the commissioner of administration, to the chair and ranking minority members of the committees of the house of representatives and the senate with jurisdiction over data practices and public safety issues, and to the Legislative Commission on Data Practices and Personal Data Privacy no later than 30 days following completion of the audit.

As defined above, CLA will perform the following audit services:

- Facilitate meetings with key staff and stakeholders to gain an understanding of the current state processes and internal controls
- Evaluate the design of current state processes and internal controls as defined in the statute to include:
  - Data collection, classification and use restrictions
  - Retention of data procedures
  - Data use standards
  - Logging procedures
  - Authorization to access data procedures
  - Inventory of technology controls
  - Procedures for sharing among agencies
  - Data backup and recovery procedures
  - Data destruction procedures
- Perform effectiveness testing of key controls
- Identify internal control improvement opportunities and provide recommendations

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## **CONCLUSION**

We appreciate the opportunity to assist Mille Lacs County Sheriff's management as they continue to focus on improvements related to their internal control infrastructure. Management and staff interviewed were a pleasure to work with and open to sharing their opinions and knowledge. Their cooperation was invaluable to the outcome of this project.

Overall, we thought individuals were very knowledgeable of the processes and procedures for which they are responsible and were able to provide the information needed to complete our assessment procedures in a timely and efficient manner.

While compliant and or in conformance with statute as required, the audit of internal control is to provide opportunities for improvement and while there are no "Extreme" or "High Risk" rankings per observations there is a "low level" risk opportunity to improve internal control moving forward and that potential risk area has been reviewed with Management along with a recommendation to determine a strategy moving forward to enhance security. The accompanying page explain that "low level " detailed Audit observation.

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## DETAILED OBSERVATION LISTING

Based on the internal control assessment, CLA identified one observation. This observation was made based on interviews with key stakeholders, review of applicable policies and procedures, and effectiveness testing.

#	Control Activity	CliftonLarsonAllen Observation	CliftonLarsonAllen Recommendation	Management's Response	Risk Rating
1	Appropriate physical controls and detective devices should be implemented to ensure access physical assets are secured and monitored.	Cameras have not been installed to monitor ingress and egress to the server room.	MLCSO should install video surveillance to monitor the entrance to the server room.	MLCSO will review a Camera placement with I.T. Director to monitor entrance to the server room as a 2018-2019 budgetary item.	Low

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## DEFINITION OF CLASSIFICATIONS FOR OBSERVATIONS

Each internal audit report is reviewed by the process owner, controller, and Internal Audit. Based on the review of the content of each observation, one of the following definitions is assigned to facilitate comparison between observations.

**High** — A high risk observation represents breakdowns in the control environment and includes such conditions as risk of financial loss, repeat observations, systemic control weaknesses, noncompliance with laws and regulations, observations with potentially significant financial statement impact, a lack of segregation of duties in high-risk areas, observations which if not corrected could disrupt the business line or company as a whole, and weaknesses in computer controls, such as security over key systems or personnel being able to affect accounts for which they are not accountable. This definition is not meant to be all inclusive, but rather to provide management guidance as to what may be considered a significant observation concerning the company's internal controls or operations. Significant observations will be reported to the Audit Committee quarterly until management has fully addressed the issues. Written responses are required and will be included in Audit Committee reports and as part of the audit file.

**Moderate** — Moderate risk observations represent isolated control exceptions that impact the risk and control assessment of individual business units and/or portions of ABC's business processes. Other observations are typically within the control of business unit management and may be corrected with minimal disruption to the business processes. If left unchecked, other observations may increase the risk to the organization and deteriorate to the level of significant observations. Other observations may include isolated instances of noncompliance with ABC's policies or control weaknesses that do not represent significant risk to the organization. Written responses are required and will be included in Audit Committee reports and as part of the audit file.

**Low** — Low risk observations cover situations that are not considered significant observations or other observations. Additional comments may include comments on process improvement based on audit observations; matters that came to our attention during the audit where we believe management should be apprised of the situation, yet no financial, operational, or regulatory compliance control has been violated and no recommendations can yet be formulated; or matters outside of our audit scope that may warrant management consideration. Note that additional comments will not be communicated in the Internal Audit Report; they will only be communicated to local management during the closing/exit meeting prior to leaving the site.