

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Anoka County Anoka, Minnesota

Management and Compliance Report

Year Ended December 31, 2022

Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than \$40 billion in annual financial activity by local governments and approximately \$20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice:** Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.
- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information:** Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.
- **Legal/Special Investigations:** Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.
- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.
- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.
- **Tax Increment Financing (TIF):** Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

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Anoka County Anoka, Minnesota

Year Ended December 31, 2022



Office of the State Auditor

Management and Compliance Report

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

Anoka County Anoka, Minnesota

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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 governmental activities, each major fund, and the aggregate remaining fund information of Anoka County, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 23, 2023.

Report on 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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 preceding paragraph 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 certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a combination of deficiencies, in internal control over financial reporting 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-003 and 2022-004 to be material weaknesses.

A significant deficiency is a deficiency, or a 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002 to be significant deficiencies.

Report on 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 financial statements. 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

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 contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

Anoka County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Anoka County's response to the internal control findings identified in our audit and described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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/Julie Blaha

Julie Blaha
State Auditor

August 23, 2023

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor



**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

Qualified and Unmodified Opinions

We have audited Anoka County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Anoka County's major federal programs for the year ended December 31, 2022. 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.

Qualified Opinion on Medicaid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Anoka County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Medicaid Cluster for the year ended December 31, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2022.

Basis for Qualified and Unmodified Opinions

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Anoka County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each

major federal program. Our audit does not provide a legal determination of Anoka County's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Medicaid Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, Anoka County did not comply with requirements regarding Assistance Listing No. 93.778 Medical Assistance Program as described in finding number 2022-005 for Allowable Costs/Cost Principles and Reporting.

Compliance with such requirements is necessary, in our opinion, for Anoka County to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Anoka County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Anoka County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Anoka County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Anoka County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of Anoka County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 Anoka County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on Anoka County's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Anoka County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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 a 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 attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2022-003 and 2022-005 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Anoka County's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Anoka County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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 as of and for the year ended December 31, 2022, and have issued our report thereon dated August 23, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

/s/Julie Blaha

Julie Blaha
State Auditor

August 23, 2023

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Anoka County Anoka, Minnesota

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s 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 federal programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor’s report issued on compliance for major federal programs: **Unmodified, except for Medicaid Cluster, which is qualified.**

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

Identification of major federal programs:

Assistance Listing	
Number	Name of Federal Program or Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
93.563	Child Support Enforcement
93.778	Medicaid Cluster

The threshold used to distinguish between Type A and B programs was \$1,430,503.

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

Section II – Financial Statement Findings

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

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Anoka County

Anoka, Minnesota

Criteria: Internal controls should be designed to provide for an adequate segregation of functions and responsibilities. User accounts for County accounting systems should be current, and properly restrict users to system functions on a needs basis determined by job responsibilities.

Condition: 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.

Context: County staff immediately corrected the improper access issues upon notification.

Effect: By allowing access to functions beyond the scope of the user's job duties and responsibilities, there is a greater risk of unauthorized or unintended activity in the system.

Cause: The County informed us that there was an accumulation over time and that multiple staff were granted this permission when the SSIS Coordinator position was vacant to ensure adequate coverage.

Recommendation: 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.

View of Responsible Official: Acknowledge

2022-002 Segregation of Duties – Payroll

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Management is responsible for establishing and maintaining internal control over various accounting cycles, including payroll. In the time and attendance and payroll accounting systems, changes to the payroll master file and payroll processing should be segregated. If that is not practical, changes to the payroll master file should be monitored by someone independent of payroll processing at least monthly.

Condition: 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.

Context: The Payroll Department within Finance and Central Services posts the journal vouchers for each pay period with no detailed support and issues the payroll and payroll related payments.

Effect: When there is limited segregation of duties, there is an increased risk that errors or irregularities may occur and not be detected in a timely manner.

Cause: Due to the implementation of new time and attendance and payroll accounting software, Workday, and staff turnover within Human Resources, policies and procedures to address segregation of duties over processing payroll transactions have been overlooked.

Anoka County

Anoka, Minnesota

Recommendation: 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.

View of Responsible Official: Acknowledge

2022-003 Internal Controls over Payroll

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

Criteria: Management is responsible for designing and implementing internal controls over accounting processes, including payroll. To obtain greater assurance that errors or fraud in payroll are prevented, detected, and corrected in a timely manner, payroll disbursements made to employees should be supported by appropriate supervisory authorization.

Furthermore, Title 2 U.S. Code of Federal Regulations § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: 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.

Context: Beginning September 24, 2022, with the implementation of the new time and attendance and payroll system, Workday, Human Resources began mass approving timesheets. Once posted, the mass approval overrides all other approvals in the system making it impossible to identify which timesheets were reviewed and approved by assigned supervisors and which were not.

The sample sizes were based on the guidance from Chapter 11 of the AICPA Audit Guide, Government Auditing Standards and Single Audits.

Effect: The lack of assigned supervisory review and approval of timesheets has created errors in payroll transactions resulting in an increased number of corrections and supplemental pay needing to be processed.

Cause: Human Resources began mass approving timesheets during the implementation to Workday as a way to speed up the processing of payroll. At the same time the County implemented Workday, Human Resources experienced a large amount of staff turnover. The increase in staff turnover combined with implementing Workday, caused significant internal controls to be overlooked.

Anoka County

Anoka, Minnesota

Recommendation: 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.

View of Responsible Official: Acknowledge

2022-004 **Material Audit Adjustment**

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

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: A material audit adjustment was identified that resulted in significant changes to the County's 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: In the Road & Bridge Special Revenue Fund, due from other governments and deferred inflows of resources – unavailable revenue decreased by \$2,452,217 to correct highway allotment receivables. The adjustment was reviewed and approved by the appropriate Anoka County staff and is reflected in the financial statements.

Cause: This activity was overlooked by staff when financial statement information was prepared.

Recommendation: 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.

View of Responsible Official: Acknowledge

Section III – Federal Award Findings and Questioned Costs

2022-003 **Internal Controls over Payroll**

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Compliance

Severity of Deficiency: Material Weakness

Anoka County Anoka, Minnesota

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

Award Number and Year:

Assistance Listing Number	Award Number	Year
21.027	Federal Direct	2022
93.563	2201MNCEST 2201MNCSES	2022
93.778	2205MN5ADM 2205MN5MAP	2022

Pass-Through Agency:

Assistance Listing Number	Pass-Through Agency
21.027	Not applicable
93.563	Minnesota Department of Human Services
93.778	Minnesota Department of Human Services

Questioned Costs: None

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.

2022-005 Allowable Costs/Cost Principles and Reporting

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Material Weakness and Modified Opinion

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

Program: 93.778 Medical Assistance Program

Award Number and Year: 2205MN5ADM, 2205MN5MAP; 2022

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. Code of Federal Regulations § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

For County federal awards received from the Minnesota Department of Human Services (DHS), internal control should be established and maintained to provide assurance that program reports submitted to DHS are completed accurately and in accordance with report instructions. As part of the County’s reporting requirements for the Medical Assistance Program, the County submits to DHS the quarterly Social Service Fund Report (DHS-2556) and the Income Maintenance Quarterly Expense Report (DHS-2550).

Anoka County Anoka, Minnesota

Condition: 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.

Questioned Costs: \$950,651

Context: The DHS relies on accurate reporting of program costs to ensure that resulting grant funds paid to the County are for applicable federal program activities/costs and provide detailed information necessary for maintaining proper oversight over federal programs.

Effect: Errors in the submission of costs on the quarterly reports can impair the DHS's ability to provide required oversight over federal programs and can result in the County receiving either more or less federal funds than allowed based on the actual underlying activity.

Cause: The County neglected to move the State and Local Fiscal Recovery Funds (ALN 21.027) revenue from the General Fund to the Human Services fund at the time the expenditures occurred resulting in an adjustment for financial reporting and omission of the federal revenue offset reported to DHS.

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

View of Responsible Official: Acknowledge



Anoka County

FINANCE & CENTRAL SERVICES DIVISION

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Representation of Anoka County Anoka, Minnesota

Corrective Action Plan
For the Year Ended December 31, 2022

Finding Number: 2022-001

Finding Title: System Access – Social Services Information System (SSIS)

Name of Contact Person Responsible for Corrective Action:

Ben Nowack – Senior Business Systems Analyst – SSIS Coordinator

Corrective Action Planned:

Remove access for those that did not require “Administer System” as a part of their essential job duties.

Anticipated Completion Date:

Completed on April 25, 2023, user access to “administer System” was reduced from 29 to 11 essential county staff.

Finding Number: 2022-002

Finding Title: Segregation of Duties - Payroll

Name of Contact Person Responsible for Corrective Action:

Cory Kampf - CFO - Finance and Central Services

Emily Wilson - Supervisor, Accounting - Finance and Central Services

Corrective Action Planned:

Human Resources and Finance and Central Services will be working with our process change consultant, Plante Moran, to develop appropriate procedures for monitoring payroll. This will ensure that a proper segregation of duties exists and are followed. The Security roles within Workday separate duties between Human Resources, employees, Payroll, Department Managers and Supervisors. Based on the outcome of the review, we will make the appropriate adjustments to our process.

Anticipated Completion Date:

December 31, 2023

Finding Number: 2022-003

Finding Title: Internal Controls over Payroll

Name of Contact Person Responsible for Corrective Action:

Cory Kampf - CFO - Finance and Central Services
Emily Wilson - Supervisor, Accounting - Finance and Central Services

Corrective Action Planned:

The Mass Approval Process does not overwrite the individual time sheet approval. The reports showing this were not available at the time of the audit and are being developed to resolve this issue. Discontinuing the Mass Approval may result in the need to process additional supplemental payrolls for those individuals that were not paid on the regular payday. We continue to develop additional training and tools for supervisors to help them with their responsibilities for approving time. Also, we are looking at developing procedures around supplemental payrolls with the plan to minimize the need for them.

Anticipated Completion Date:

December 31, 2023

Finding Number: 2022-004

Finding Title: Material Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Yvonne Kirkeide - Sr. Manager, Budgeting - Finance and Central Services

Corrective Action Planned:

The corrective action plan is to increase the knowledge around receivables for the highway allotment, along with performing an in-depth review. We have started by meeting with the auditors and reviewing the 2022 information in detail. The County will meet internally and review the 2022 reporting prior to the start in preparing the 2023 data.

In addition, for the 2023 year-end, we will do year-end comparisons with the 2022 corrected information. This information will be analyzed to ensure it is reported consistently and accurately.

Anticipated Completion Date:

March 31, 2024

Finding Number: 2022-005

**Finding Title: Allowable Costs/Cost Principles and Reporting
Program: Medical Assistance Program 93.778**

Name of Contact Person Responsible for Corrective Action:

Nicole Hegge - Sr. Manager, Accounting - Finance and Central Services

Corrective Action Planned:

In order to appropriately report the revenue offset that may impact federal programs, we have updated our quarterly process ensuring that any federal revenue offsets are included in the appropriate fund and report. In some instances, this may still require the County to file amendments to federal reports; however, they will be completed no later than eight weeks following the end of the quarter.

Anticipated Completion Date:

December 31, 2023



Anoka County

FINANCE & CENTRAL SERVICES DIVISION

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Representation of Anoka County Anoka, Minnesota

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

Finding Number: 2021-001

Year of Finding Origination: 2021

Finding Title: Procurement, Suspension, and Debarment

Program: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) 10.557; State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) 10.561; and Coronavirus State and Local Fiscal Recovery Funds 21.027

Summary of Condition: For three covered transactions tested, the verification for suspended or debarred vendors was not performed before entering into the covered transaction. For two procurements tested that exceeded the simplified threshold, documentation of a cost or price analysis was not available.

Summary of Corrective Action Previously Reported: The Procurement Unit will continue to educate County users on procurement, suspension, and debarment procedures. This would include documentation of the process and what we discovered. The education also includes the rationale used to determine the method of procurement and federal guidance listed in Title 2 U.S. *Codes of Federal Regulations*.

Plans to assist the County in education are in process. These include seeking and acquiring a new finance/procurement system, a more comprehensive and educational procurement procedure manual will be developed, and a formal training model strategy for all County users of procurement. This will assist by moving the County from a manual environment to a more structured environment.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

**Anoka County
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**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	Not provided	\$ 77,775	\$ -
National School Lunch Program	10.555	222MN061N1099	131,762	-
COVID-19 – National School Lunch Program	10.555	212MN005H1703	12,206	-
(Total National School Lunch Program 10.555 \$143,968)				
Passed Through Minnesota Department of Health				
Special Supplemental Nutrition Program for Women, Infants, and Children				
	10.557	222MN004W5003	1,272,333	-
Passed Through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
	10.561	222MN101S2514	3,317,794	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
	10.561	222MN101S2520	864	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
	10.561	222MN127Q7503	493,243	-
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$3,811,901)				
Passed Through Minnesota Department of Agriculture				
WIC Farmers' Market Nutrition Program (FMNP)				
	10.572	22MN992Y8607	1,077	-
Total U.S. Department of Agriculture			\$ 5,307,054	\$ -
U.S. Department of Housing and Urban Development				
Direct				
CDBG – Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants				
	14.218		\$ 989,314	\$ 729,456
Passed Through Minnesota Department of Human Services				
COVID-19 – Emergency Solutions Grant Program				
	14.231	E-17-DC-27-0001	284,639	-
Passed Through Dakota County Community Development Agency				
Home Investment Partnerships Program				
	14.239	M21-DC270203	341,790	299,150
COVID-19 – Home Investment Partnerships Program				
	14.239	M21-DP270203	34,219	-
(Total Home Investment Partnerships Program 14.239 \$376,009)				
Total U.S. Department of Housing and Urban Development			\$ 1,649,962	\$ 1,028,606
U.S. Department of Justice				
Direct				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program				
	16.590		\$ 110,677	\$ -
DNA Backlog Reduction Program				
	16.741		49,247	-
Passed Through Minnesota Department of Public Safety				
Missing Children's Assistance				
	16.543	2019MCFXK020	8,307	-
Crime Victim Assistance				
	16.575	A-CVS-2020-ANOKAAO-114	93,575	-
Paul Coverdell Forensic Sciences Improvement Grant Program				
	16.742	A-NFSIA-2022-ANOKASO-008	85,000	-
National Sexual Assault Kit Initiative				
	16.833	A-SAKI-2020-ANOKASO-003	153,064	-

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**Anoka County
Anoka, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Justice (Continued)				
Passed Through Minnesota Trial Courts Drug Court Discretionary Grant Program	16.585	15PBJA21GG04168DGCT	60,512	-
Total U.S. Department of Justice			\$ 560,382	\$ -
U.S. Department of Labor				
Passed Through Minnesota Department of Employment and Economic Development Senior Community Service Employment Program (Total Senior Community Service Employment Program 17.235 \$235,625)	17.235	1125101	\$ 119,681	\$ -
WIOA Cluster				
WIA Adult Program	17.258	123100	2,640	-
WIA Adult Program	17.258	1123100	283,812	-
WIA Adult Program	17.258	2123100	69,621	-
WIA Adult Program	17.258	9123101	3,610	-
(Total WIA Adult Program 17.258 \$359,683)				
WIA Youth Activities	17.259	123600	62,879	-
WIA Youth Activities	17.259	1123600	251,754	-
WIA Youth Activities	17.259	2123600	61,381	-
(Total WIA Youth Activities 17.259 \$376,014)				
WIA Dislocated Worker Formula Grants	17.278	123100	19,410	-
WIA Dislocated Worker Formula Grants	17.278	1123100	30,854	-
WIA Dislocated Worker Formula Grants	17.278	1128000	229,344	-
WIA Dislocated Worker Formula Grants	17.278	2128000	66,980	-
(Total WIA Dislocated Worker Formula Grants 17.278 \$346,588)				
Workforce Investment Act (WIA) National Emergency Grants COVID-19 – Workforce Investment Act (WIA) National Emergency Grants (Total Workforce Investment Act (WIA) National Emergency Grants 17.277 \$176,419)	17.277	1123000	110,727	-
	17.277	11201000	65,692	-
Passed through Senior Service America, Inc. Senior Community Service Employment Program (Total Senior Community Service Employment Program 17.235 \$235,625)	17.235	320	115,944	-
Total U.S. Department of Labor			\$ 1,494,329	\$ -
U.S. Department of Transportation				
Passed through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction COVID-19 – Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$6,819,132)	20.205	00002	\$ 5,284,414	\$ -
	20.205	00002	1,534,718	-
Transit Services Programs Cluster Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	MN-2021-048-00	47,031	-
Passed through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	0023-20-3B	7,125	-
Passed through Metropolitan Council Federal Transit Cluster Federal Transit – Formula Grants	20.507	SG-2021-019	168,000	-

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**Anoka County
Anoka, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation (Continued)				
Passed through the City of Lino Lakes				
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC2-2022-LINOLKPD-036	993	-
National Priority Safety Programs	20.616	A-ENFRC2-2022-LINOLKPD-036	1,051	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC2-2022-LINOLKPD-036	4,570	-
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$16,921)				
Passed through the City of Coon Rapids				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	69A375223000001640MNA	12,351	-
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$16,921)				
Total U.S. Department of Transportation			\$ 7,060,253	\$ -
U.S. Department of the Treasury				
Direct				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 5,610,203	\$ -
Federal Communications Commission				
Direct				
COVID-19 – Emergency Connectivity Fund Program	32.009		\$ 47,433	\$ -
U.S. Department of Education				
Passed through Minnesota Department of Employment and Economic Development				
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	H126A220032	\$ 109,421	\$ -
Election Assistance Commission				
Passed through Minnesota Secretary of State				
COVID-19 – 2018 HAVA Election Security Grants	90.404	EAC201908MNCOVID	\$ 103,428	\$ -
U.S. Department of Health and Human Services				
Passed through TRELIS Area Agency on Aging				
Aging Cluster				
Special Programs for the Aging – Title III, Part C – Nutrition Services	93.045	311-22-003E-221	71,195	-
Passed through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	NU90TP921911-01-00	253,239	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	1NU17CE924985-01-00	25,652	-
Early Hearing Detection and Intervention	93.251	H61MC00035	3,250	-
Immunization Cooperative Agreements	93.268	NH23IP000737	27,000	-
COVID-19 – Immunization Cooperative Agreements	93.268	NH23IP922628	202,059	-
(Total Immunization Cooperative Agreements 93.268 \$229,059)				
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	NU50DD000096	300	-
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	101,729	-
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP922188	216,370	-

**Anoka County
Anoka, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed through Minnesota Department of Health (Continued)				
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$3,569,862)	93.558	1801MNTANF	359,240	-
Refugee and Entrant Assistance-State Administered Programs	93.566	203338	7,000	-
Maternal, Infant, and Early Childhood Home Visiting Grant	93.870	118111	472,562	-
Maternal and Child Health Services Block Grant to the States	93.994	B04MC32551	228,212	-
Passed through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	2101MNFPS	19,926	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$3,569,862)	93.558	2201MNTANF	3,209,221	-
Child Support Enforcement	93.563	2201MNCES	4,829,314	-
Child Support Enforcement (Total Child Support Enforcement 93.563 \$6,073,218)	93.563	2201MNCSES	1,243,904	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	2201MNCDF	439,834	-
Refugee and Entrant Assistance – Wilson/Fish Program	93.583	90RW0071	6,571	-
Community-Based Child Abuse Prevention Grants	93.590	2102MNBCAP	81,302	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2101MNCWSS	18,143	-
Foster Care – Title IV-E	93.658	2201MNFOST	1,295,428	-
Social Services Block Grant	93.667	2201MNSOSR	1,400,079	-
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	188,277	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2202MNCILP	28,765	-
COVID-19 – John H. Chafee Foster Care Program for Successful Transition to Adulthood (Total John H. Chafee Foster Care Program for Successful Transition to Adulthood 93.674 \$107,510)	93.674	2301MNCILC	78,745	-
Medicaid Cluster				
Medical Assistance Program	93.778	2205MN5ADM	9,793,008	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$9,884,084)	93.778	2205MN5MAP	91,076	-
Passed Through Minnesota Department of Employment and Economic Development				
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$3,569,862)	93.558	1801MNTANF	1,401	-
Total U.S. Department of Health and Human Services			\$ 24,692,802	\$ -
Corporation for National and Community Service				
Direct				
Retired and Senior Volunteer Program	94.002		\$ 40,102	\$ -
Executive Office of the President				
Direct				
High Intensity Drug Trafficking Areas Program	95.001		\$ 127,183	\$ -

**Anoka County
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**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	R29G70CGBLA19	\$ 12,683	\$ -
Passed through Minnesota Department of Public Safety Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	4531DRMNP00000001	555,587	-
Emergency Management Performance Grants	97.042	A-EMPG-2021-ANOKACO-002	143,862	-
Homeland Security Grant Program	97.067	A-UASI-2021-ANOKACO-001	168,738	-
Total U.S. Department of Homeland Security			\$ 880,870	\$ -
Total Federal Awards			\$ 47,683,422	\$ 1,028,606
Totals by Cluster				
Total expenditures for Child Nutrition Cluster			\$ 221,743	
Total expenditures for SNAP Cluster			3,811,901	
Total expenditures for CDBG – Entitlement Grants Cluster			989,314	
Total expenditures for WIOA Cluster			1,082,285	
Total expenditures for Highway Planning and Construction Cluster			6,826,257	
Total expenditures for Transit Services Programs Cluster			47,031	
Total expenditures for Federal Transit Cluster			168,000	
Total expenditures for Highway Safety Cluster			2,044	
Total expenditures for Aging Cluster			71,195	
Total expenditures for CCDF Cluster			439,834	
Total expenditures for Medicaid Cluster			9,884,084	

Anoka County Anoka, Minnesota

Notes to the Schedule of Expenditure of Federal Awards As of and for the Year Ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

Report 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.

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, 2022. 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.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2 – De Minimis Cost Rate

Anoka County has elected to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

<u>Reconciliation to Schedule of Intergovernmental Revenue</u>	
Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 48,947,161
Grants received more than 60 days after year-end, considered unavailable revenue in 2022	
Emergency Management Performance Grants (AL No. 97.042)	143,862
Unavailable revenue in 2021, recognized as revenue in 2022	
DNA Backlog Reduction Program (AL No. 16.741)	(168,362)
Highway Planning and Construction (AL No. 20.205)	(1,087,913)
Revenue recognized in 2022 and expended in 2021	
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (AL No. 21.027)	(151,326)
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 47,683,422</u>

Note 4 – Coronavirus State and Local Fiscal Recovery Funds

During the current year, Anoka County has identified \$151,326 of 2021 expenditures to be applied to the Coronavirus State and Local Fiscal Recovery Funds, assistance listing 21.027. These expenditures were not

**Anoka County
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identified in time to be included on the 2021 Schedule of Expenditures of Federal Awards. Because they are not current year expenditures, they are not included in 2022 Schedule of Expenditures of Federal Awards.