

**REPORT OF THE
STATE AUDITOR of MINNESOTA**

**MANAGEMENT AND COMPLIANCE LETTER
FOR
ANOKA COUNTY
YEAR ENDED DECEMBER 31, 1984**



ARNE H. CARLSON

State Auditor
St. Paul, Minnesota

**AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL,
MANAGEMENT PRACTICES, AND COMPLIANCE**

AND

**AUDITOR'S COMMENTS ON COMPLIANCE FOR CIRCULAR A-102,
ATTACHMENT P AUDITS (SINGLE AUDIT)**

FOR

ANOKA COUNTY

YEAR ENDED DECEMBER 31, 1984

**ARNE H. CARLSON
State Auditor
Saint Paul, Minnesota**



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October 22, 1985

The Honorable Albert A. Kordiak, Chairman
Board of County Commissioners
Anoka County Courthouse
Anoka, Minnesota 55303

We have examined the financial statements of Anoka County as of and for the year ended December 31, 1984, and have issued our opinion thereon dated May 29, 1985. This letter resulting from part of that examination is organized into sections on internal accounting control, compliance, management practices, and previously reported items resolved.

INTERNAL ACCOUNTING CONTROL

As part of our examination, we made a study and evaluation of the system of internal accounting control of Anoka County to the extent we considered necessary to evaluate the system, as required by generally accepted auditing standards and the standards for financial compliance audits contained in the U.S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- Revenues/receipts
- Expenditures/disbursements
- Payroll
- Property taxes
- Cash management
- Welfare eligibility

Our study included all of the above control categories. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on Anoka County's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of Anoka County is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, management must make estimates and judgments that assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition,
- transactions are executed in accordance with management's authorization, and
- transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the second paragraph will not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Anoka County taken as a whole or on any of the categories of controls identified in the second paragraph. However, our study and evaluation disclosed no condition that we consider to be a material weakness.

COMPLIANCE

We reviewed compliance with certain statutes, bylaws, administrative rules, and state and federal grant regulations and contracts that we deemed necessary. The review did not include all possible regulatory provisions which may be applicable, and was not intended to provide assurance of full compliance with all regulatory provisions. However, we noted the instances presented below of noncompliance with the provisions reviewed. Auditor's comments on compliance for Attachment P audits are on page 5.

ITEM ARISING THIS YEAR

Cash Deficits

The County had three funds with cash deficits at December 31, 1984.

Federal Job Training Special Revenue Fund	\$ 2,969
Ice Arena Enterprise Fund	82,447
Tenth Judicial District Agency Fund	68,549

When disbursements were made from these funds, cash from other funds was used to make payments. Minn. Stat. § 385.04 states in part, ". . . every warrant shall be paid only from the cash on hand in the fund from which it may be properly payable."

We recommend the following procedures be implemented to ensure there is sufficient cash in the fund before disbursements are made.

1. The County Treasurer and Accounting Department should develop a daily cash balance monitoring system that gives cash balances by fund. This system should identify the funds with insufficient cash to meet disbursement demands.
2. The Treasurer should follow Minn. Stat. § 385.32 and make temporary transfers from funds with adequate cash to a fund with insufficient cash when temporary cash shortfalls are anticipated.
3. The cash deficit in the Tenth Judicial District Agency Fund is caused by Anoka County paying all the district-wide expenses upon receipt of invoices. Anoka County in turn bills the other counties in the district for their respective share of the expenses. Thus, in effect, Anoka County is making advance payments for the other counties in the Judicial District, thereby causing the fund to have a continuous cash deficit. Anoka County should confer with the other counties and the administrator of the Judicial District and establish a method of funding the district-wide expenses which would eliminate the cash deficit in the District Court Agency Fund of Anoka County.

Client Response:

- A. Job Training fund: Anoka County makes every effort to draw funds from the Feds as quickly as possible. The County will consider a transfer of funds from the General fund to the Job Training fund to avoid cash deficits.
- B. Jail Construction fund: Though this fund was in compliance at the end of 1984, the Director of Property Management will make every effort to close the fund and draw down the deposit with the fiscal agent by 12/31/85.
- C. Ice Arena Enterprise fund: The Director of Parks and Recreation has discussed the status of the Enterprise fund with the Parks Committee, and the Committee is recommending to the County Board that the fund be closed at the end of 1985, and merged with the Parks and Recreation fund, a special revenue fund. The cash deficit which exists on 12/31/85 may be remedied by a transfer from the General fund.
- D. Tenth Judicial District Revolving fund: Two steps will be considered regarding this fund. First, the Counties in the Tenth Judicial District will be polled to determine if the majority prefers to pay its share of expenses to Anoka County a month or more in advance, and, if not, the Counties may be billed for interest charges, and a transfer made from the General fund to the Revolving fund to prevent future cash deficits.

MANAGEMENT PRACTICES

As part of our financial statement examination, we also reviewed certain management practices. Our review was not a detailed study of every system, procedure, and transaction. Accordingly, the items presented here may not be all-inclusive of areas where improvement may be needed.

ITEM ARISING THIS YEAR

Fund Deficit

The Park and Recreation Special Revenue fund had a fund balance deficit at year-end December 31, 1984, of \$26,821.

We recommend that the County either levy or appropriate adequate funds as soon as possible in order to eliminate this deficit.

Client Response:

Fund Deficit: The fund deficit in the Parks fund at the end of 1984 was anticipated in the 1985 budget process and the levy for 1985 was increased to provide a positive fund balance at the end of 1985. Additionally, the recommended levy for 1986 is sufficiently large to increase the Parks fund balance even further.

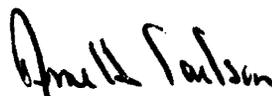
PREVIOUSLY REPORTED ITEMS RESOLVED

The following items included in our previous management and compliance letter dated December 17, 1984, have been resolved.

<u>Recommendation</u>	<u>Resolution</u>
<u>License Center - Remittance of Fees</u>	
County fees should be paid over to the County Treasurer more promptly and intact.	Recommendation has been implemented.
<u>Tax Collection and Distribution</u>	
<u>(a) Cash Controls</u>	
The County Auditor and the County Treasurer should reconcile collections to disbursements for the Tax and Penalty Fund.	The County Auditor has implemented this recommendation as of the 1985 June settlement.
<u>(b) Distribution</u>	
Program changes should be made to the Automatic Assessment and Collection System (TACS) to provide an unpaid settlement record to compare with the manually maintained tax levy and settlement records.	The County has implemented a program modification to the TACS system that will be run at the end of 1985.

We are available throughout the year to assist you in implementing any of our suggestions.

We would like to take this opportunity to thank the County Board and the County staff for their cooperation and assistance given to us during this examination.



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296-2551

AUDITOR'S COMMENTS ON COMPLIANCE FOR CIRCULAR A-102, ATTACHMENT P AUDITS

The Honorable Albert A. Kordiak, Chairman
Board of County Commissioners
Anoka County Courthouse
Anoka, Minnesota 55303

We have examined the financial statements of Anoka County as of and for the year ended December 31, 1984, and have issued our opinion thereon dated May 29, 1985. Our examination was made in accordance with generally accepted auditing standards; the provisions of Standards for Audit of Governmental Organizations, Programs, Activities and Functions, promulgated by the U.S. Comptroller General, as they pertain to financial and compliance audits; the provisions of the Office of Management and Budget's (OMB) Compliance Supplement--Uniform Requirements for Grants to State and Local Governments; and the provisions of OMB's Circular A-102, Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments, Attachment P, Audit Requirements. Accordingly, our examination included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our examination, a representative number of charges to federal awards were selected to determine if federal funds are being expended in accordance with the terms of applicable agreements and the provisions of federal law or regulations that could have a material effect on the financial statements or on the awards tested. The results of our test indicate that for the items tested, Anoka County complied with the material terms and conditions of federal award agreements, except as described in this letter. Further, for the items not tested, based on our examination and the procedures referred to above, nothing came to our attention to indicate that Anoka County had not complied with the significant compliance terms and conditions of the awards.

ITEM ARISING THIS YEAR

Administrative Costs

The Human Services Department receives administrative aid through a cost allocation plan prepared by the Minnesota Department of Human Services. Funds are provided under grants from the Department of Health and Human Services (CFDA Nos. 13.679, 13.714, and 13.808) and the Department of Agriculture (CFDA No. 10.551). In 1984, Anoka County received \$163,285 in federal administrative aid passed through the Minnesota Department of Human Services.

The cost allocation plan proposal for 1984 has been submitted by the Minnesota Department of Human Services but has not been approved by the federal cognizant agency. Accordingly, we consider all of the \$163,285 as questioned costs.

Client Response: Regarding the Human Services Administrative Aid which was determined to be questioned, it is our understanding that the State of Minnesota Department of Human Services is awaiting the approval of its cost allocation plan, and that these costs will be approved at such time as the cost allocation is approved.

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This report is intended solely for Anoka County, the cognizant audit agency, and other federal audit agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of the report, which is a matter of public record.


ARNE H. CARLSON
State Auditor

October 22, 1985