

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT
PREPARED AS A RESULT OF THE AUDIT OF

ANOKA COUNTY
ANOKA, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2008

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 160 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 730 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**

For the Year Ended December 31, 2008



Management and Compliance Report

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

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**ANOKA COUNTY
ANOKA, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Schedule of Findings and Questioned Costs	Schedule 1	1
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		5
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		8
Schedule of Expenditures of Federal Awards	Schedule 2	11

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**ANOKA COUNTY
ANOKA, MINNESOTA**

Schedule 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Anoka County.
- B. A significant deficiency in internal control was disclosed by the audit of financial statements of Anoka County and is reported in the "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*." It was not a material weakness.
- C. No instances of noncompliance material to the financial statements of Anoka County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Anoka County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	CFDA #10.557
Administrative Matching Grant for Food Stamp Program	CFDA #10.561
Highway Planning and Construction	CFDA #20.205
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778

- H. The threshold for distinguishing between Types A and B programs was \$1,123,796.
- I. Anoka County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

ITEM ARISING THIS YEAR

08-1 Audit Adjustments

A control deficiency 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 misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified the following material adjustments:

- Loans receivable and deferred revenue were increased by \$1,777,581 in the Community Development Block Grant Special Revenue Fund. For the government-wide financial statements, loans receivable and related revenues were increased by \$1,777,581.
- Contracts payable and related capital improvement expenditures were decreased by \$356,210 in the Capital Projects Fund.
- Construction expenditures and intergovernmental revenue were increased by \$228,347 in the Road and Bridge Special Revenue Fund.
- Federal intergovernmental revenues were decreased and liabilities were increased by \$1,272,439 in the Road and Bridge Special Revenue Fund.
- Due from other governments and the related federal intergovernmental revenues were increased by \$552,246 in the Road and Bridge Special Revenue Fund.

Schedule 1
(Continued)

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. However, by definition, independent external auditors cannot be considered part of the County's internal control.

We recommend the County establish internal controls necessary to determine that all adjusting entries are made to ensure the County's annual financial statements are reported in accordance with generally accepted accounting principles.

Client's Response:

Anoka County reviews monthly budget to actual variance reports both in accounting and the respective departments. At year end there are various accrual entries made. We are creating processes and extending review periods to identify and monitor timely accrual entries.

We continue to work closely with departments to improve the communication of activities within those departments that may impact the financial statements. A few of the adjustments in 2008 were unique situations that improved communication between the originating department and the accounting department would have identified the items that became audit adjustments.

PREVIOUSLY REPORTED ITEMS RESOLVED

Controls Over Accounting System Journal Entries (07-1)

Neither the Human Services Department nor Finance and Central Services had formal policies and procedures over the journal entry function. There was a lack of segregation of duties over Human Services' journal entries. Neither the Human Services Department nor Finance and Central Services had a monitoring process in place over the journal entry function.

Resolution

Both the Human Services Department and Finance and Central Services now have written policies and procedures for journal entries that adequately segregates the duties and provides for monitoring of the controls.

Segregation of Duties – Payroll (07-2)

The individuals responsible for processing payroll also had the ability to change pay rates and add new employees.

Resolution

The Human Resources Department now reviews wage changes and employee status changes made by the Payroll Department.

Segregation of Duties – Human Services (07-3)

There was a lack of segregation of duties within the Human Services Department in that one individual could both process disbursements and set up new vendors.

Resolution

The disbursements processing and vendor set-up and maintenance duties have now been adequately segregated. All new vendors added to the system are reviewed by an Accounting Supervisor monthly.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.



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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*

Board of County Commissioners
Anoka County

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Anoka County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 23, 2009. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anoka County's internal control over financial reporting as a basis for designing our auditing procedures 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 preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 08-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Anoka County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anoka County's financial statements are free of 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Anoka County complied with the material terms and conditions of applicable legal provisions.

Anoka County's written response to the significant deficiency identified in our audit has been included in the Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of County Commissioners, Internal Audit Committee, management, others within Anoka County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 23, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Anoka County

Compliance

We have audited the compliance of Anoka County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Anoka County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Anoka County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Anoka County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Anoka County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 23, 2009. Our audit was performed for the purpose of forming opinions on Anoka County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic

financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Internal Audit Committee, management and others within Anoka County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 23, 2009

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**ANOKA COUNTY
ANOKA, MINNESOTA**

Schedule 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 51,388
National School Lunch Program	10.555	77,990
Passed Through Minnesota Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	828,894
Passed Through Minnesota Department of Human Services		
Administrative Matching Grant for Food Stamp Program	10.561	<u>2,332,894</u>
Total U.S. Department of Agriculture		<u>\$ 3,291,166</u>
U.S. Department of Housing and Urban Development		
Direct		
Community Development Block Grants (CDBG)	14.218	\$ 1,512,689
Direct Via Dakota County Community Development Agency		
Home Investment Partnerships Program	14.239	<u>638,516</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 2,151,205</u>
U.S. Department of the Interior		
Direct		
Mississippi National River and Recreation Area	15.AAT	<u>\$ 13,500</u>
U.S. Department of Justice		
Direct		
Bulletproof Vest Partnership Program	16.607	\$ 2,719
Edward Byrne Memorial Justice Assistance Grant Program	16.738	8,424
Passed Through Minnesota Department of Public Safety		
Juvenile Accountability Block Grant	16.523	26,121
Crime Victim Assistance	16.575	33,692
Enforcing Underage Drinking Laws Program	16.727	<u>1,260</u>
Total U.S. Department of Justice		<u>\$ 72,216</u>

**ANOKA COUNTY
ANOKA, MINNESOTA**

**Schedule 2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Labor		
Passed Through Minnesota Department of Employment and Economic Development		
Unemployment Insurance	17.225	\$ 13,970
Senior Community Service Employment Program (SCSEP)	17.235	169,550
Workforce Investment Act (WIA) Cluster		
WIA Adult Program	17.258	177,426
WIA Youth Activities	17.259	175,908
WIA Dislocated Workers	17.260	<u>507,481</u>
Total U.S. Department of Labor		<u>\$ 1,044,335</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	\$ 8,022,541
Passed Through Minnesota Department of Natural Resources		
Recreational Trails Program	20.219	15,000
Passed Through Metropolitan Council		
Federal Transit Formula Grants	20.507	164,332
Job Access/Reverse Commute Grant	20.516	97,114
Passed Through Minnesota Department of Public Safety		
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>39,243</u>
Total U.S. Department of Transportation		<u>\$ 8,338,230</u>
U.S. Department of Education		
Passed Through Minnesota Department of Employment and Economic Development		
Rehabilitation Services - Vocational Rehabilitation Grants	84.126	<u>\$ 11,246</u>
U.S. Election Assistance Commission		
Passed Through Minnesota Office of Secretary of State		
Help America Vote Act Requirements Payments	90.401	<u>\$ 28,276</u>

**ANOKA COUNTY
ANOKA, MINNESOTA**

**Schedule 2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	\$ 20,234
Promoting Safe and Stable Families	93.556	228,676
Temporary Assistance for Needy Families (TANF)	93.558	4,357,125
Child Support Enforcement	93.563	5,481,954
Refugee and Entrant Assistance - State-Administered Programs	93.566	14,231
Child Care and Development Cluster		
Child Care and Development Block Grant	93.575	4,352,517
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	554,419
Foster Care Title IV-E	93.658	1,235,730
Social Service Block Grant (Title XX)	93.667	1,414,084
Chafee Foster Care Independence Program	93.674	11,790
State Children's Insurance Program	93.767	9,688
Medical Assistance Program	93.778	3,424,834
Community Mental Health Services Block Grant	93.958	29,928
Passed Through Minnesota Department of Health		
Immunization Grants	93.268	34,360
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	468,387
Temporary Assistance for Needy Families (TANF)	93.558	316,802
Refugee and Entrant Assistance - Discretionary Grants	93.576	8,002
Maternal and Child Health Services Block Grant	93.994	275,824
Passed Through National Association of County and City Health Officials		
Medical Reserve Corps Small Grant Program	93.008	193
Passed Through Metropolitan Area Agency on Aging		
National Family Caregiver Support - Title III, Part E	93.052	<u>55,000</u>
Total U.S. Department of Health and Human Services		<u>\$ 22,293,778</u>
Corporation for National and Community Service		
Direct		
Retired Senior Volunteer Program (RSVP)	94.002	<u>\$ 36,637</u>

**ANOKA COUNTY
ANOKA, MINNESOTA**

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 41,781
Passed Through Minnesota Department of Public Safety		
Hazardous Mitigation Grant	97.039	3,189
Emergency Management Performance Grant	97.042	134,298
Total U.S. Department of Homeland Security		\$ 179,268
Total Federal Awards		\$ 37,459,857

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Anoka County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are based on the modified accrual basis of accounting. Due to timing differences in revenue recognition under the modified accrual basis, expenditures on this schedule do not match the federal revenues reported in the financial statements. The unspent revenues of \$137,277 for CFDA No. 90.401 were spent down by \$28,276 in 2008.
3. During 2008, CFDA Nos. 14.218, 93.575, and 93.596 were passed through to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.