

# **STATE OF MINNESOTA**

## **Office of the State Auditor**



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# **Summary Report of County Audit Survey**

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

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

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

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

**Audit Practice** - conducts financial and legal compliance audits for 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 700 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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## **Summary Report of OSA Audit Survey 2015**

The Office of the State Auditor (OSA) completed a comprehensive survey of counties audited by the OSA regarding their annual audit for the year ended December 31, 2013. The survey focused on the timeliness of the annual audits performed by the OSA. Of the 59 counties audited by the Office, 31 counties, or 53%, completed the survey.

### **Timeliness of Audit**

The survey asked counties about the timeliness of their 2013 audit performed by the OSA. Of the 31 counties completing the survey, 9 counties, or 29%, currently participate in the Government Finance Officers Association (GFOA) Certificate of Excellence in Financial Reporting Program. GFOA audits have a deadline of June 30. All nine counties, or 100%, reported that their audits were completed on time.

Twenty-one counties were required to meet the federal Single Audit reporting deadline of September 30. All 21 counties, or 100%, reported their audits were completed on time. The remaining county was not required to have a Single Audit so the deadline did not apply.

Prior to the start of the audit, counties are asked to complete an Audit Preparation Checklist. An Audit Preparation Checklist is used by a county to prepare for the audit. It allows counties to identify and commit to completion dates for the components of the audit preparation work. Once completed, the audit work can proceed. The checklist allows for efficient use of time by the county and OSA staff.

Of the 31 respondents, 84%, or 26 counties, reported completing an Audit Preparation Checklist. All 26 counties reported that county personnel adhered to their committed completion dates, which allowed the OSA to proceed with the audit of the county's financial statements according to the schedule.

### **Cost of Audit**

The audit rates charged to counties for their 2013 audits increased 7% due to increases in state bargaining agreements. After taking the 7% increase into account, 15 counties or 48% saw their audit costs increase. The remaining 16 counties, or 52%, saw their audit costs decrease. The survey asked counties to identify factors which accurately reflect what occurred during the county's December 31, 2013 audit. The two tables on the following page summarize the factors present.

<b>Reasons for Decrease in Audit Costs</b>	<b>Responses</b>	<b>Percent</b>
The county completed and adhered to the audit preparation checklist	22	71%
The county had internal control policies and procedures documented for the 2013 audit	21	68%
The number of internal control or compliance findings decreased from 2012 to 2013	11	36%
The county received less federal funding in 2013	8	26%
The county provided additional training to assist county staff in preparing financial statements for the audit	8	26%
The 2012 audit findings included material misstatements/audit adjustments, and the finding was resolved in 2013	8	16%
The county had a major construction, capital project or bond issue in 2012, but not in 2013	5	16%
The number of major federal programs decreased from 2012 to 2013	3	10%
The county hired a consultant to help prepare for the audit	2	7%

<b>Reasons for Increase in Audit Costs</b>	<b>Responses</b>	<b>Percent</b>
The county had internal control or compliance finding(s) in the 2013 audit	20	65%
Implementation of new accounting standards has created more work for county staff in preparing for the annual audit	11	36%
The county did not conduct a risk assessment of its internal controls	9	29%
The county had a major construction, capital project, or bond issue in 2013	9	29%
The county received new or additional federal funds	8	26%
There were delays in the county completing its financial statement preparation work	7	23%
The county's internal control policies and procedures were not documented in writing	6	19%
The county had material misstatements identified by auditors during the 2013 audit	5	16%
The number of major federal programs audited increased	3	10%
The county did not complete the financial statement preparation work	1	3%
The county did not have a Single Audit for 2012 but was required to have a Single Audit for 2013	1	3%

The final question on the survey asked whether the county would like the Office of the State Auditor staff to follow up on how to improve the timeliness of its audit and/or how to reduce or control audit costs. Of the respondents, 7% or 2 counties, answered yes compared to 38% in the last survey. The remaining respondents answered no, indicating that they were not interested in learning how to improve the timeliness of their audit and/or how to reduce or control audit costs.

## Quality of Audit

Professional audit standards require that an audit organization have quality control procedures in place to ensure that services are competently delivered and adequately supervised. Both the American Institute of Certified Public Accountants' standards and the *Government Auditing Standards* require auditors to develop and maintain an effective system of quality control. To make sure those quality control procedures are working, auditors engaged in the practice of public accounting in the United States are required to be enrolled in an approved practice-monitoring program. In addition, the Minnesota State Board of Accountancy requires that accounting firms undergo a peer review once every three years as part of its licensing process.

The goal of practice-monitoring is to promote quality in the accounting and auditing services provided by the auditors. The OSA complies with these standards by obtaining an external peer review every three years. The most recent external peer review of the OSA was completed in 2012, and did not include any findings and indicated that the OSA's quality control policies and procedures were in place, operated effectively, and met the auditing standards. A complete copy of the OSA peer review can be found on the OSA website at [www.auditor.state.mn.us](http://www.auditor.state.mn.us) under the "Auditing" tab.