



OFFICE OF THE STATE AUDITOR

E-Update

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State Auditor
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1. Updated Statements of Position
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1. Updated Statements of Position

As we discussed in our last communication, the Legal/SI division is in the process of reviewing and revising the Statements of Position that are available on our website at

<http://www.auditor.state.mn.us/default.aspx?page=statements>. Three additional revised Statements of Position have now been posted. The following is the list of all revised Statements of Position:

- 2007-1001 Contract Change-Orders and Contractor's Bonds
 - 2007-1002 Administrative Penalties for Traffic Offenses
 - 2007-1003 Internal Controls for Municipal Liquor Stores
 - 2007-1004 Employee Timekeeping Procedures
 - 2007-1005 Credit Card Use and Policies
 - 2007-1006 Employee Recognition Programs and Events
 - 2007-1007 City Bidding and Contract Requirements
 - 2007-1008 Custodial Credit Risk: Investment Policy Considerations
 - 2007-1009 [not yet available]
 - 2007-1010 The Importance of Internal Controls
 - 2007-1111 Federal Check 21 Act
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- 2007-2001 City Fire Department Accounts and Fire Relief Association Accounts
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2. Annual Revenue Levels at Which Towns and Smaller Cities are Required to Have Audits Performed

A city with a population over 2,500 must have an annual audit performed. Whether a town or smaller city has to have its financial statements audited, however, often depends on its annual revenue. The annual revenue thresholds are adjusted each year for inflation. The following revenue thresholds apply for 2006:

Larger Towns – A town with a population over 2,500 and annual revenue greater than \$746,049 must have an audit of its 2006 financial statements.

Towns with Combined Clerk/Treasurers – A town with a combined clerk/treasurer must have an annual audit for 2006 if its annual revenue was greater than \$166,901. A town with annual revenue of \$166,901 or less must have an audit once every five years.

Smaller Cities with Combined Clerk/Treasurers – A city with a population of 2,500 or less and a combined clerk/treasurer must have an annual audit if its annual revenue is greater than \$166,901. A city with a combined clerk/treasurer and annual revenue of \$166,901 or less must have an audit once every five years.

3. Avoiding Pitfalls – Fraud Risk Questions During an Audit

As part of an audit, auditors are now required to consider the risk of material misstatement of the financial statements due to fraud. As a result, even when auditors do not suspect fraud, in compliance with auditing standards, they will be asking questions designed to assess the risk of fraud. Fraud risks can be considered in the following context:

- Are employees or management under pressure, or do they have an incentive, to commit fraud?
 - Does the opportunity to commit fraud exist?
 - Do employees or management have an attitude that allows them to commit fraud or to rationalize committing fraud?
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