

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

**ASSESSING THE ADEQUACY OF
2015 COUNTY AUDITS
PERFORMED BY PRIVATE CPA FIRMS**

MARCH 2017

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

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ASSESSING THE ADEQUACY OF 2015 COUNTY AUDITS PERFORMED BY PRIVATE CPA FIRMS

Introduction

The purpose of this report is to present the results of the Office of the State Auditor's (OSA) review of the audit documentation (workpapers) for audits of Minnesota counties performed by certified public accounting (CPA) firms. The workpaper review was performed to assess the adequacy of documentation of the audit procedures performed in meeting auditing standards. This report presents our findings and conclusions on the adequacy of the audit procedures documentation.

Government auditing is essential in providing accountability to legislators, oversight bodies, those charged with governance, and the public. Auditors are required to maintain the highest level of independence, accept only work that the audit organization is competent to perform, achieve high-quality work, and follow applicable auditing standards cited in the auditors' reports. A distinguishing mark of a governmental auditor is acceptance of responsibility to serve the public interest.

Background

The OSA historically has audited counties. Budget cuts to the Audit Division by the Legislature in 2003 reduced the number of OSA's audit staff. As a result, although the OSA continued to have the authority to audit all counties, it required some counties to have their annual audit conducted by private CPA firms. As part of the OSA's oversight of counties, we perform desk reviews of the audits of county annual financial reports conducted by the private firms. A desk review involves a comparison of the financial report with applicable accounting and auditing reporting standards. Periodically, the OSA has also performed workpaper reviews of the audit documentation that should support the conclusions and reporting done by the auditor. Minnesota statutes allow the State Auditor to request additional information from the CPA firms and determine if additional examinations are necessary. Based on the results of these past reviews, we have required certain counties to be audited by the OSA.

Scope and Methodology

Audits of Minnesota counties for the year ended December 31, 2015, were performed during 2016. Of the 87 Minnesota counties, the OSA performed audits for 61 counties; 26 counties were audited by six different CPA firms. The OSA performed desk reviews of the audit reports for all 26 county audits performed by CPA firms. In addition, we selected audits from all the firms performing county audits and reviewed the underlying audit documentation. See Exhibit 1. Such a review does not constitute an audit. The results of both our desk reviews and workpaper reviews have been communicated to the counties and the CPA firms. The auditing standards identified in Appendix A were used as the criteria against which the audit documentation was measured.

Exhibit 1 - CPA Firms, Counties and Reviews

Private CPA Firm	Counties Audited	Review of Audit by OSA	
		Desk Review	Workpaper Review
Baker Tilly Virchow Krause, LLP	Le Sueur	✓	✓
	Renville	✓	
	Waseca	✓	
Brady Martz & Associates, P.C.	Marshall	✓	✓
CliftonLarson Allen LLP	Douglas	✓	✓
	Mower	✓	✓
	Beltrami	✓	
	Jackson	✓	
	Kanabec	✓	
	Lincoln	✓	
	Nobles	✓	
	Rice	✓	
	Steele	✓	
	Swift	✓	
	Todd	✓	
Washington	✓		
Eide Bailly LLP	Fillmore	✓	✓
Hoffman, Philipp, & Knutson, PLLC	Hubbard	✓	✓
	Roseau	✓	✓
	Clearwater	✓	
	Kittson	✓	
	Koochiching	✓	
	Lake of the Woods	✓	
	Pennington	✓	
	Red Lake	✓	
RSM US LLP	Hennepin	✓	✓

The OSA confirmed that each of the six CPA firms participated in a peer review and received a peer review rating of pass. The firms select their reviewer from an approved list established by either the American Institute of Certified Public Accountants (AICPA) or the Minnesota Society of Certified Public Accountants. A peer review does not prevent, and may not detect, deficient audit work.

Understanding Audit Documentation Requirements

The objective of an audit of financial statements performed in accordance with generally accepted auditing standards (GAAS) is for the auditor to obtain reasonable assurance about whether the financial statements are presented fairly, in all material respects. Reasonable assurance is reached when the auditor has obtained sufficient (quantity) and appropriate (quality) audit evidence. Audit evidence is the information used by the auditor in arriving at the conclusions on which the auditor's opinions and reports are based. Audit documentation is the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached.

Standards require audit documentation to be sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing, and extent of the procedures performed; the results of the audit procedures performed, and the audit evidence obtained; and the significant findings or issues arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions. In the audit industry, if procedures performed, support obtained, and conclusions reached are not documented, then the presumption is they were not done.

CONCLUSIONS

Le Sueur County - Baker Tilly Virchow Krause, LLP

The audit evidence does not support the auditor's report on compliance for each major federal program and internal control over compliance (single audit report). Additional audit procedures need to be performed and documented and the auditor's single audit report subsequently re-issued. Audit documentation for other 2015 county audits performed should also be reviewed for similar deficiencies. (pg. 10 - pg. 12)

Marshall County - Brady Martz & Associates, P.C.

The audit evidence does not support the auditor's report on compliance for the major federal program and internal control over compliance. Additional audit procedures need to be performed and documented and the auditor's single audit report subsequently re-issued. (pg. 13 - pg. 14)

Douglas County - CliftonLarsonAllen LLP

A material misstatement was discovered rendering the auditor's report incorrect and unreliable regarding the fair presentation of the financial statements. The financial statements need to be adjusted for the material misstatement and the auditor's report on the financial statements subsequently re-issued.

In addition, the audit evidence does not support the auditor's report on compliance for each major federal program and internal control over compliance. Additional audit procedures need to be performed and documented and the auditor's single audit report subsequently re-issued. Audit documentation for other 2015 county audits performed should also be reviewed for similar deficiencies. (pg. 15 - pg. 17)

Mower County - CliftonLarsonAllen LLP

The audit evidence does not support the auditor's report on compliance for each major federal program and internal control over compliance. Additional audit procedures need to be performed and documented and the auditor's single audit report subsequently re-issued. Audit documentation for other 2015 county audits performed should also be reviewed for similar deficiencies. (pg. 18 - pg. 21)

Fillmore County - Eide Bailly LLP

Material misstatements were discovered rendering the auditor's report incorrect and unreliable regarding the fair presentation of the financial statements. The financial statements need to be adjusted for the material misstatements and the auditor's report on the financial statements subsequently re-issued.

In addition, the audit evidence does not support the auditor's report on compliance for each major federal program and internal control over compliance. Additional audit procedures need to be performed and documented and the auditor's single audit report subsequently re-issued. (pg. 22 - pg. 25)

Hubbard County - Hoffman, Philipp, & Knutson, PLLC

The audit evidence does not support either the auditor's report on the financial statements or the auditor's report on compliance for each major federal program and internal control over compliance. The technical deficiencies are pervasive and affect the reliability of the audit results. The audit quality deficiencies are at a level that a new audit needs to be performed. We intend to review the audit documentation for the new audit. (pg. 26 - pg. 33)

Roseau County - Hoffman, Philipp, & Knutson, PLLC

The audit evidence does not support either the auditor's report on the financial statements or the auditor's report on compliance for each major federal program and internal control over compliance. The technical deficiencies are pervasive and affect the reliability of the audit results. The audit quality deficiencies are at a level that a new audit needs to be performed. We intend to review the audit documentation for the new audit. (pg. 34 - pg. 40)

Hennepin County - RSM US LLP

The audit documentation identified inconsistent treatment of a finding between a material component/opinion unit and the County. Based on additional information provided by the firm, no further action is required. However, in the future, we recommend that findings be evaluated consistently between the reports issued. (Updated March 31, 2017) (pg. 41)

KEY FINDINGS

SINGLE AUDIT ISSUES

All eight counties reviewed were subject to a “Single Audit” under the requirements of the U.S. Office of Management and Budget’s (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). A single audit is the term used to refer to an entity-wide audit consisting of two main parts: an audit of the financial statements and a compliance audit of the entity’s major federal award programs. The audit of the major federal programs includes (a) gaining an understanding of and testing internal controls over compliance and (b) testing compliance with applicable compliance requirements for each major federal program. In a Uniform Guidance compliance audit, the applicable compliance requirements are those that may have a direct and material effect on each major federal program.

The OMB issues the *OMB Compliance Supplement* (Compliance Supplement), which identifies compliance requirements and provides suggested audit procedures for numerous federal award programs. The Compliance Supplement is updated annually. The 2015 Compliance Supplement must be used for audits of the year ended December 31, 2015. The 2015 Compliance Supplement covers audits conducted under the Uniform Guidance and provides guidance on awards that are subject to the administrative requirements and cost principles in the Uniform Guidance and those that are subject to the previous administrative requirements and cost principles. Parts 3 and 4 of the Compliance Supplement contain the compliance requirements applicable to most federal programs. Part 3 contains the requirements universal to all programs, while part 4 contains the requirements specific to individual federal programs. Part 3 provides further guidance for federal awards subject to either the new or old requirements. The auditor considers the applicable requirements of parts 3 and 4.

Deficiencies in the audit documentation for the audit of major federal programs were noted in all eight counties reviewed. The following items were noted in our reviews of the workpapers for the Single Audit:

- Failure to document testing of significant portions of expenditures for major federal programs.

(Le Sueur, Douglas, Mower, Fillmore, and Roseau Counties)

- Failure to document testing of direct and material compliance requirements and internal controls over compliance for major federal programs at a level to meet the objectives in OMB’s Compliance Supplement.

(Le Sueur, Marshall, Douglas, Mower, Fillmore, Hubbard, Roseau, and Hennepin Counties)

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS ISSUES

The Governmental Accounting Standard Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were effective for the counties' 2015 financial statements. These statements require a restatement of beginning net position (equity) and place limitations on the amounts included in the restatement. Paragraph 3 of GASB 71 limits the restatement of deferred outflows and deferred inflows to pension contributions made after the measurement date. The financial statements of Fillmore and Douglas Counties were issued materially incorrect, as the following items were noted:

Fillmore County

- Amounts used for the restatement of the net pension liability for the three employees' retirement funds was a combination of 2013 and 2014 amounts, which overstated the liability by approximately \$0.8 million.
- Amounts for pension related deferred outflows and deferred inflows were included in the restatement when they should not have been. This overstated beginning deferred outflows and deferred inflows by \$0.7 million and \$2.3 million, respectively. Additionally, this also caused ending deferred outflows and deferred inflows to be overstated by \$0.7 million and \$1.6 million, respectively.
- Beginning net position was understated by \$2.5 million and ending net position was understated by \$0.9 million because of the error in the restatement.

Douglas County (specific to the Hospital Enterprise fund)

- Amounts for pension related deferred outflows and deferred inflows were included in the restatement when they should not have been. This overstated beginning deferred outflows and deferred inflows by \$3.8 million and \$8.6 million, respectively. Additionally, this also caused ending deferred outflows and deferred inflows to be overstated by \$0.06 million and \$3.4 million, respectively.
- Beginning net position was understated by \$4.9 million and ending net position was overstated by \$2.8 million because of the error in the restatement.

To address the complexities of auditing the pension amounts included within the financial statements, the AICPA added a new chapter to its audit and accounting guide, *State and Local Governments*. The guide is an interpretive publication which provides guidance on the application of GAAS in specific circumstances. If the auditor does not apply the auditing guidance in an applicable interpretive publication, the auditor should document how the requirements of GAAS were complied with. The following items were noted:

- Failure to test the census data submitted by the county to the pension plan.

(Le Sueur, Marshall, Fillmore, Hubbard, and Roseau Counties)

- Failure to document procedures performed to evaluate the competency of the plan auditors and/or actuary.

(Le Sueur, Marshall, Douglas, Mower, Fillmore, Hubbard, and Roseau Counties)

SHARED REVENUE RECOGNITION ISSUE

Pursuant to the Minnesota Constitution, highway user taxes are shared with counties, cities, and towns. The accounting for these revenues is to recognize them at the government-wide level in the year of appropriation. Even though the Minnesota Department of Transportation (MNDOT) does not release the funding until requested for an eligible project, it is considered an asset of the county. The undistributed funds should be reported as a receivable by the county. Fillmore County treated the highway funding as an expenditure-driven reimbursement grant where revenues are recognized to the extent expenditures have been incurred, which resulted in a material error in the financial statements. Based on available information, receivables were understated by at least \$3.2 million, and revenues were overstated by approximately \$1.3 million.

PERVASIVE TECHNICAL DEFICIENCIES

Appropriate documentation is essential to accomplishing an auditor's overall objectives of reporting on the financial statements and compliance. Meeting the documentation requirements of auditing standards provides evidence of the basis for the auditor's opinion and that the audit was planned and performed in accordance with GAAS. If sufficient appropriate audit evidence necessary to support the audit opinion was not appropriately documented, then the audit was not conducted in accordance with GAAS, and the auditor would not have a basis to render an opinion.

AU-C § 230.08 states an auditor should document audit evidence, "...that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand

- a. the nature, timing, and extent of the audit procedures performed to comply with GAAS and applicable legal and regulatory requirements;
- b. the results of the audit procedures performed, and the audit evidence obtained; and
- c. significant findings or issues arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions."

An auditor should document any procedure that provides audit evidence that is necessary to support the audit opinion. The audit documentation for Hubbard and Roseau Counties does not demonstrate that the audit was performed in accordance with GAAS. As listed in the detailed findings, the following items were noted during our review:

- Overall failure to meet the objectives required of auditors to prepare documentation that provides a sufficient and appropriate record of the basis for the auditor's reports and evidence that the audit was performed in accordance with the applicable requirements. Procedures not applicable were signed off on in the audit programs as done; there was no reference in the audit programs to the work performed; and errors and inconsistencies were not caught during internal review.
- Failure to document that any sufficient and appropriate audit evidence was obtained to support, with any reasonable assurance, that general and payroll expenditures were free from material misstatement. There was failure to document procedures performed, including no internal control testing, no analysis of current year to prior year comparison, and no substantive procedures.
- Failure to document that sufficient and appropriate audit evidence was obtained to support, with reasonable assurance, that revenues were free from material misstatement. Substantive procedures over revenues documented as performed were only done at the government-wide level with no documentation of how that applies to other opinion units.
- Contradictory or inconsistent information between documents underlying the understanding of the entity and its environment risk assessment process.
- Failure to document testing performed to support control risk assessment at less than high.

INCONSISTENT TREATMENT OF FINDING ISSUE

If control deficiencies are identified during an audit, the auditor is required to determine whether the deficiency rises to the level of significant deficiency or material weakness. Generally, a finding relating to a prior period adjustment is considered a material weakness. However, based on the conditions that resulted in the adjustment, an auditor may use judgment and evaluate the finding as only a significant deficiency.

A separate report was issued for a major enterprise fund of Hennepin County, which reported a prior period adjustment identified as a material weakness. When included in the county-wide reporting, the finding was reduced to a significant deficiency. The audit firm based the reporting difference on materiality at the county-wide level. For local government audits, the auditor's opinion is not given on the entity as a whole, rather opinions are given on all of the parts that make up the whole. Since the fund in question was a major fund, materiality should not have changed between the two reports. The inconsistent treatment of the finding could affect users' perception of the reliability of the reports.

DETAILED FINDINGS**Le Sueur County - Baker Tilly Virchow Krause, LLP**

Conclusion: The audit evidence does not support the auditor's report on compliance for each major federal program and internal control over compliance (single audit report). Additional audit procedures need to be performed and documented and the auditor's single audit report subsequently re-issued. Audit documentation for other 2015 county audits performed should also be reviewed for similar deficiencies.

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AU-C 300.05	Planning	Failure to document that the engagement partner participated in the engagement team discussion.
American Institute of Certified Public Accountants	AAG-SLG 13.187h-i	Net pension liability and related accounts	Failure to document the procedures performed to evaluate competency and objectivity of the auditor of the pension plan financial statements and of the auditor of the pension schedules and whether the auditors' reports on such are adequate and appropriate for use.
American Institute of Certified Public Accountants	AU-C 500.08, AAG-SLG 13.187b	Net pension liability and related accounts	Failure to document the procedures performed to evaluate competency and objectivity, obtain an understanding of work, and evaluate appropriateness of work of the pension actuary.
American Institute of Certified Public Accountants	AU-C 540.08-.14	Estimated useful lives of capital assets and related depreciation expense	Failure to document useful lives of capital assets and related depreciation expense as an accounting estimate along with the required audit procedures for the estimate.

Le Sueur County - Baker Tilly Virchow Krause, LLP (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AAG-SLG 13.188	Net pension liability and related accounts	Failure to test the census data reported to the pension plan during the period immediately preceding the actuarial valuation for completeness and accuracy.
U.S. Government Accountability Office	GAS 4.45	Audit Findings / Reporting	Failure to document distribution of auditors' reports by the audit firm to those charged with governance.
American Institute of Certified Public Accountants	AAG-GAS 11.33-.41	Federal Program - Medical Assistance Program	Failure to document testing of material components of the program: <ul style="list-style-type: none"> • No documentation of testing Social Services Reports (2556) and related expenditures. • No documentation of testing Local Collaborative Time Study (LCTS) reports and related expenditures. • No documentation of testing the County-wide cost allocation plan.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/part 3.1 C. Cash Management compliance test 4/ or part 3.2 C. Cash Management compliance test 7	Federal Programs - Medical Assistance Program and Child Support Enforcement	Conclusion documenting that cash management compliance requirements were not applicable due to the programs being reimbursement grants is inconsistent with the requirements in parts 3.1 and 3.2 of the Compliance Supplement specifically addressing audit procedures for reimbursement grants.

Le Sueur County - Baker Tilly Virchow Krause, LLP (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AAG-SLG 11.86	Federal Programs - Medical Assistance Program and Child Support Enforcement	Less than the minimum sample size recommended by the AICPA and internal guidance was used when testing reporting requirements for each major program.
American Institute of Certified Public Accountants	AAG-GAS 20.77	Federal Programs - Medical Assistance Program and Child Support Enforcement	Failure to document testing for compliance based on part 3.2 of the Compliance Supplement.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/part 3.1 or 3.2/ B. Allowable Costs/Cost Principles	Federal Program - Child Support Enforcement	Failure to document testing of the County-wide cost allocation plan.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2 and 4/ B. Allowable Costs/Cost Principles	Federal Program - Child Support Enforcement	Failure to document testing for allowable costs/cost principles compliance requirements for expenditures.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2 and 4/ A. Activities Allowed or Unallowed	Federal Program - Child Support Enforcement	Failure to document testing for activities allowed or unallowed compliance requirements for payroll expenditures.

Marshall County - Brady Martz & Associates, P.C.

Conclusion: The audit evidence does not support the auditor's report on compliance for the major federal program and internal control over compliance (single audit report). Additional audit procedures need to be performed and documented and the auditor's single audit report subsequently re-issued.

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AAG-SLG 13.187h-i	Net pension liability and related accounts	Failure to document the procedures performed to evaluate competency and objectivity of the auditor of the pension plan financial statements.
American Institute of Certified Public Accountants	AU-C 500.08, AAG-SLG 13.187b	Other post-employment benefits and net pension liability and related accounts	Failure to document the procedures performed to evaluate competency and objectivity, obtain an understanding of work, and evaluate appropriateness of work of the other post-employment benefits and pension actuaries.
American Institute of Certified Public Accountants	AU-C 501.11	Inventory	Failure to perform presumptively mandatory requirement of observing inventory or documenting rationale for the departure and alternative audit procedure.
American Institute of Certified Public Accountants	AU-C 330.20	Receivables / Revenues	Failure to perform presumptively mandatory requirement of confirming receivables or documenting rationale for the departure and alternative audit procedure.
American Institute of Certified Public Accountants	AAG-SLG 13.188	Net pension liability and related accounts	Failure to test the census data reported to the pension plan during the period immediately preceding the actuarial valuation for completeness and accuracy.

Marshall County - Brady Martz & Associates, P.C. (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AU-C 450.05 AU-C 240.35-.37	Completion procedures	Failure to identify whether journal entries made were client-supported or audit adjustments so that the effects of audit adjustments can be determined and evaluation made for indications of fraud.
U.S. Government Accountability Office	GAS 4.45	Audit Findings / Reporting	Failure to document distribution of auditors' reports by the audit firm to those charged with governance.
OMB 2015 Compliance Supplement	OMB/parts 3.1 or 3.2 and 4/ I. Procurement and Suspension and Debarment	Federal Program - Highway Planning and Construction	Failure to document testing for compliance with procurement and suspension and debarment requirements at a level to meet the audit objectives in OMB's Compliance Supplement.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2/ L. Reporting	Federal Program - Highway Planning and Construction	Failure to document testing for reporting compliance requirements.
Federal Regulation / Uniform Guidance American Institute of Certified Public Accountants	2 CFR 200.514(c)(3)(i), AAG-GAS 19.33-43	Federal Program - Highway Planning and Construction	Failure to document identification and testing of key internal controls over compliance to support a low assessed level of control risk for procurement and suspension and debarment; matching, level of effort, earmarking; and special tests and provisions.
American Institute of Certified Public Accountants	AAG-GAS 16.48-.50	Federal Program - Highway Planning and Construction	Failure to document compliance requirement materiality.

Douglas County - CliftonLarsonAllen LLP

Conclusion: A material misstatement was discovered rendering the auditor’s report incorrect and unreliable regarding the fair presentation of the financial statements. The financial statements need to be adjusted for the material misstatement and the auditor’s report on the financial statements subsequently re-issued. In addition, the audit evidence does not support the auditor’s report on compliance for each major federal program and internal control over compliance (single audit report). Additional audit procedures need to be performed and documented and the auditor’s single audit report subsequently re-issued. Audit documentation for other 2015 county audits performed should also be reviewed for similar deficiencies.

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AAG-SLG 13.187h-i	Net pension liability and related accounts	Failure to document procedures performed to evaluate competency and objectivity of the auditor of the pension schedules.
American Institute of Certified Public Accountants Governmental Accounting Standards Board	AU-C 200.06, AU-C 330.18 GASB 71, par. 3	Net pension liability and related accounts - material misstatement	Failure to detect a material misstatement in the financial statements. Incorrect implementation of GASB 68 for the Hospital Enterprise Fund resulted in errors reported for the amounts of deferred inflows and deferred outflows of resources.
American Institute of Certified Public Accountants Office of the State Auditor	AU-C 500.06, 500.A2, LC / introduction	Compliance with MN statutes	Failure to corroborate inquiry to test the Miscellaneous Provisions and Conflicts of Interest sections of the <i>Minnesota Legal Compliance Audit Guide for Counties</i> , promulgated by the State Auditor pursuant to Minn. Stat. § 6.65.
Office of the State Auditor	LC	Compliance with MN statutes	Inconsistency between workpapers documenting the Tax Increment Financing section of the <i>Minnesota Legal Compliance Audit Guide for Counties</i> as not applicable and the corresponding auditor’s report indicating it was tested.

Douglas County - CliftonLarsonAllen LLP (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AU-C 330.20	Receivables / Revenues	Failure to perform presumptively mandatory requirement of confirming receivables or documenting rationale for the departure and alternative audit procedure.
American Institute of Certified Public Accountants	AU-C 330.06	Receivables / Revenues	Failure to document response to fraud risks for all relevant assertions.
American Institute of Certified Public Accountants	AU-C 600.22, .A47	Relying on other auditors' work	Failure to document component auditor's professional competence.
U.S. Government Accountability Office	GAS 4.10	Audit Findings / Reporting	Failure to document in the workpapers procedures to develop all elements of a finding.
U.S. Government Accountability Office	GAS 4.45	Audit Findings / Reporting	Failure to document distribution of auditors' reports by the audit firm to those charged with governance.
American Institute of Certified Public Accountants	AAG-GAS 23.26	Audit Findings / Reporting	Failure to update specific wording in the <i>Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance</i> .
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2/ B. Allowable Costs/Cost Principles	Federal Program - Medical Assistance Program	Failure to perform all required tests of the cost allocation plan.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2/ L. Reporting	Federal Program - Highway Planning and Construction	Failure to document testing of compliance for reporting requirements.

Douglas County - CliftonLarsonAllen LLP (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AAG-GAS 11.33-.41	Federal Program - Medical Assistance Program	Failure to document testing of a material component of the program. Local Collaborative Time Study (LCTS) reports and related expenditures were not tested.

Mower County - CliftonLarsonAllen LLP

Conclusion: The audit evidence does not support the auditor’s report on compliance for each major federal program and internal control over compliance (single audit report). Additional audit procedures need to be performed and documented and the auditor’s single audit report subsequently re-issued. Audit documentation for other 2015 county audits performed should also be reviewed for similar deficiencies.

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AAG-SLG 13.187h-i	Net pension liability and related accounts	Failure to document procedures performed to evaluate competency and objectivity of the auditor of the pension schedules.
American Institute of Certified Public Accountants	AU-C 600.20	Component unit	Failure to document the consolidation process of incorporating the component unit's information into the County's financial statements.
Office of the State Auditor	LC	Compliance with MN statutes	Inconsistency between workpapers documenting the Tax Increment Financing section of the <i>Minnesota Legal Compliance Audit Guide for Counties</i> as not applicable and the corresponding auditor's report indicating it was tested.
American Institute of Certified Public Accountants Office of the State Auditor	AU-C 500.06, 500.A2, LC/ introduction	Compliance with MN statutes	Failure to document corroboration of inquiry to test the Miscellaneous Provisions section of the <i>Minnesota Legal Compliance Audit Guide for Counties</i> , promulgated by the State Auditor pursuant to Minn. Stat. § 6.65.
U.S. Government Accountability Office	GAS 4.10	Audit Findings / Reporting	Failure to document in the workpapers procedures to develop all elements of a finding.

Mower County - CliftonLarsonAllen LLP (Continued)

Authoritative Source	Standard	Audit Area	Finding
U.S. Government Accountability Office	GAS 4.45	Audit Findings / Reporting	Failure to document distribution of auditors' reports by the audit firm to those charged with governance.
American Institute of Certified Public Accountants	AAG-GAS 23.26	Audit Findings / Reporting	Failure to update specific wording in the <i>Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance</i> .
American Institute of Certified Public Accountants	AAG-GAS 11.33-41	Federal Program - Medical Assistance Program	<p>Failure to document testing of material components of the program:</p> <ul style="list-style-type: none"> • No documentation of testing Social Services reports (2556) and related expenditures. • No documentation of testing Local Collaborative Time Study (LCTS) reports and related expenditures. • Incomplete expenditure population used for testing Income Maintenance reports (2550) as it did not include payroll expenditures which are the largest expenditures reported.
OMB 2015 Compliance Supplement	OMB/parts 3.1 or 3.2/ E. Eligibility	Federal Programs - Medical Assistance Program and Temporary Assistance for Needy Families	Failure to document that each eligibility test is also determining whether the information is input into the state MAXIS system correctly.

Mower County - CliftonLarsonAllen LLP (Continued)

Authoritative Source	Standard	Audit Area	Finding
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2 and 4/ C. Cash Management	Federal Program - Temporary Assistance for Needy Families	Failure to document testing for compliance with cash management requirements at a level to meet the audit objectives in OMB's Compliance Supplement.
American Institute of Certified Public Accountants	AAG-GAS 11.33-.41	Federal Program - Temporary Assistance for Needy Families	Failure to document testing of a material component of the program. An incomplete payroll expenditure population was used.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2/ I. Procurement and Suspension and Debarment	Federal Program - Temporary Assistance for Needy Families	Failure to document evidence of whether the grace period was implemented for the Uniform Guidance procurement standards or rationale on why the new standards were not tested.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2 and 4/ A. Activities Allowed or Unallowed and B. Allowable Costs/Cost Principles	Federal Program - Child Support Enforcement	Failure to document testing for compliance with activities allowed or unallowed and allowable costs/cost principles requirements at a level to meet the audit objectives in OMB's Compliance Supplement.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2/ B. Allowable Costs/Cost Principles	Federal Programs - Child Support Enforcement, Medical Assistance Program, and Temporary Assistance for Needy Families	Failure to perform all required tests of the cost allocation plan, which is relevant to each of the major programs.

Mower County - CliftonLarsonAllen LLP (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AAG-GAS 19.33-.43	Federal Programs - Child Support Enforcement, Medical Assistance Program, and Temporary Assistance for Needy Families	Failure to document identification and testing of key internal controls over the county-wide cost allocation plan, which is relevant to each of the major program's direct and material compliance requirements, in order to support a low assessed level of control risk.

Fillmore County - Eide Bailly LLP

Conclusion: Material misstatements were discovered rendering the auditor’s report incorrect and unreliable regarding the fair presentation of the financial statements. The financial statements need to be adjusted for the material misstatements and the auditor’s report on the financial statements subsequently re-issued. In addition, the audit evidence does not support the auditor’s report on compliance for each major federal program and internal control over compliance (single audit report). Additional audit procedures need to be performed and documented and the auditor’s single audit report subsequently re-issued.

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AAG-SLG 13.187h-i	Net pension liability and related accounts	Failure to document procedures performed to evaluate competency and objectivity of the auditor of the pension plan financial statements and of the auditor of the pension schedules.
American Institute of Certified Public Accountants	AU-C 500.08, AAG-SLG 13.187b	Net pension liability and related accounts	Failure to document procedures performed to evaluate competency and objectivity, obtain an understanding of work, and evaluate appropriateness of work of the pension actuary.
American Institute of Certified Public Accountants	AU-C 315.11	Planning	Failure to document that the partner communicated any relevant matters to engagement team members not involved in the engagement team discussion.
American Institute of Certified Public Accountants, Governmental Accounting Standards Board	AU-C 200.06, AU-C 330.18 GASB 33, GASB 65	Receivables / Revenues - material misstatement	Failure to detect a material misstatement in the financial statements. An effective Highway allotment analysis was not performed. Balances identified in MNDOT’s State Aid Accounting System show a receivable and deferred inflow in the fund and revenue at the government-wide level that should have been reported and were not.

Fillmore County - Eide Bailly LLP (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants Governmental Accounting Standards Board	AU-C 200.06, AU-C 330.18 GASB 71, par. 3	Net pension liability and related accounts - material misstatement	Failure to detect a material misstatement in the financial statements. Incorrect implementation of GASB 68 resulted in errors reported for the amounts of deferred inflows and deferred outflows of resources.
American Institute of Certified Public Accountants	AAG-SLG 13.188	Net pension liability and related accounts	Failure to test the census data reported to the pension plan during the period immediately preceding the actuarial valuation for completeness and accuracy.
American Institute of Certified Public Accountants	AU-C 330.20	Receivables / Revenues	Failure to perform presumptively mandatory requirement of confirming receivables or documenting rationale for the departure and alternative audit procedure.
American Institute of Certified Public Accountants	AU-C 500.06, .A1-.A2	Other post-employment liability and related expenses	Failure to document support for the determination that OPEB was not material.
U.S. Government Accountability Office	GAS 4.45	Audit Findings / Reporting	Failure to document distribution of auditors' reports by the audit firm to those charged with governance.
American Institute of Certified Public Accountants	AAG-GAS 17.14	Schedule of Expenditures of Federal Awards (SEFA)	Failure to document consideration of internal control over the accuracy and completeness of the expenditure amounts reported on the SEFA.

Fillmore County - Eide Bailly LLP (Continued)

Authoritative Source	Standard	Audit Area	Finding
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2 and 4/ B. Allowable Costs/Cost Principles	Federal Program - Highway Planning and Construction	Failure to document testing for compliance with allowable costs/cost principles requirements at a level to meet the audit objectives in OMB’s Compliance Supplement.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2/ L. Reporting	Federal Programs - Medical Assistance Program and Highway Planning and Construction	Failure to document testing for reporting compliance requirements.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2 and 4/ I. Procurement and Suspension and Debarment	Federal Program - Highway Planning and Construction	Failure to document testing for procurement and suspension and debarment compliance requirements.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/part 3.1 C. Cash Management compliance test 4/ or part 3.2 C. Cash Management compliance test 7	Federal Programs - Medical Assistance Program and Highway Planning and Construction	Conclusions documenting that cash management compliance requirements were not applicable to the programs due to the immateriality of reimbursing is inconsistent with the requirements in parts 3.1 and 3.2 of the Compliance Supplement specifically addressing audit procedures for reimbursement grants. These grants are entirely reimbursement-based.
American Institute of Certified Public Accountants	AAG-GAS 11.33-.41	Federal Program - Medical Assistance Program	Failure to identify that the population of expenditures included all material program components that needed to be tested (ie: Income Maintenance, Social Services, LCTS, FELT). There was no analysis of revenue sources, and no documentation of cost allocation plan testing.

Fillmore County - Eide Bailly LLP (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AAG-GAS 11.70-.75	Federal Program - Medical Assistance Program	Failure to document a formal sampling plan to address the internal control over compliance and compliance testing for each of the major program's direct and material compliance requirements.
American Institute of Certified Public Accountants	AU-C 300.09	Federal Programs - Medical Assistance Program and Highway Planning and Construction	Failure to document audit programs and the audit plan for the audit of major programs.
American Institute of Certified Public Accountants	AAG-GAS 20.77	Federal Programs - Medical Assistance Program and Highway Planning and Construction	Failure to document testing for compliance based on part 3.2 of the Compliance Supplement.

Hubbard County - Hoffman, Philipp, & Knutson, PLLC

Conclusion: The audit evidence does not support either the auditor’s report on the financial statements or the auditor’s report on compliance for each major federal program and internal control over compliance. The technical deficiencies are pervasive and affect the reliability of the audit results. The audit quality deficiencies are at a level that a new audit needs to be performed. We intend to review the audit documentation for the new audit.

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AU-C 200.06, AU-C 330.18, AU-C 500.4	Material transaction classes (see below):	
American Institute of Certified Public Accountants	AU-C 200.06, AU-C 330.18, AU-C 500.4	General Expenditures	Failure to document that any sufficient and appropriate audit evidence was obtained to support, with any reasonable assurance, that general expenditures were free from material misstatement. Failure to document procedures performed, including no internal control testing, no analysis of current year to prior year comparison, and no substantive procedures.
American Institute of Certified Public Accountants	AU-C 200.06, AU-C 330.18, AU-C 500.4	Payroll Expenditures	Failure to document that any sufficient and appropriate audit evidence was obtained to support, with any reasonable assurance, that payroll expenditures were free from material misstatement. Failure to document procedures performed, including no internal control testing, no analysis of current year to prior year comparison, and no substantive procedures.

Hubbard County - Hoffman, Philipp, & Knutson, PLLC (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AU-C 200.06, AU-C 330.18, AU-C 500.4	Revenues	Failure to document that sufficient and appropriate audit evidence was obtained to support, with reasonable assurance, that revenues were free from material misstatement. Substantive procedures over revenues documented as performed was only done at the government-wide level with no documentation of how that applies to other opinion units.
American Institute of Certified Public Accountants	AU-C 700.34-.36, .A9, .A29-.A31 700.A4	Audit Findings / Reporting	Failure to include all opinion units in the opinion paragraph of the independent auditor's report on the basic financial statements.
American Institute of Certified Public Accountants	AAG-GAS 4.54	Audit Findings / Reporting	Failure to indicate the correct year of the audit opinion date in the first paragraph of 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 <i>Government Auditing Standards</i> .
American Institute of Certified Public Accountants	AU-C 315.15-.27	Understanding the entity and risk assessment process	Contradictory or inconsistent information between documents underlying the understanding of the entity and its environment risk assessment process.
American Institute of Certified Public Accountants	AU-C 240.45	Audit Findings / Reporting	Failure to document required inquiry of fraud with those charged with governance.

Hubbard County - Hoffman, Philipp, & Knutson, PLLC (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AU-C 600.14-.16	Relying on other auditors' work	Failure to document analysis of group components.
American Institute of Certified Public Accountants	AU-C 600.22, 600.A44	Relying on other auditors' work	Failure to document communication with component auditors.
American Institute of Certified Public Accountants	AAG-SLG 13.187h-i	Net pension liability and related accounts	Failure to document procedures performed to evaluate competency and objectivity of the auditor of the pension plan financial statements.
American Institute of Certified Public Accountants	AU-C 500.08	Other post-employment benefits and net pension liability and related accounts	Failure to document procedures performed to evaluate competency and objectivity, obtain an understanding of work, and evaluate appropriateness of work of other post-employment benefits and pension actuaries.
American Institute of Certified Public Accountants	AU-C 330.08	Cash, investments, revenue and receivables, inventory, expenditures/expenses and accounts payable and other liabilities, payroll and related liabilities, and equity and financial statement reconciliations	Failure to document testing performed to support less than high control risk assessment for each significant audit area.
U.S. Government Accountability Office	GAS 3.14	Planning	Failure to document consideration of the following threats to independence: self-review, management participation, or other.
American Institute of Certified Public Accountants	AU-C 300.A2	Planning	Failure to document preliminary analytical review.

Hubbard County - Hoffman, Philipp, & Knutson, PLLC (Continued)

Authoritative Source	Standard	Audit Area	Finding
U.S. Government Accountability Office	GAS 4.05	Previous audits and attestation engagements	Failure to document inquiry regarding previous audits, attest engagements, or other studies.
MN Department of Human Services	DHS Bulletin 15-32-03	Revenues/Schedule of Expenditures of Federal Awards (SEFA)	Failure to note or follow-up on an overstatement of approximately \$585,031 (cash basis) on the SEFA for the Medical Assistance Program despite having the information included in the workpapers.
U.S. Government Accountability Office American Institute of Certified Public Accountants	GAS 4.15a, AU-C 230.05, 230.08	Audit documentation	Failure overall to meet the objectives required of auditors to prepare documentation that provides a sufficient and appropriate record of the basis for the auditor's reports and evidence that the audit was performed in accordance with the applicable requirements. Procedures not applicable are signed off on in the audit programs as done; no references in the audit programs to the work performed; no documentation of review on portions of the audit; errors and inconsistencies not caught during internal review; and significant amount of audit documented as being performed on the audit release date.

Hubbard County - Hoffman, Philipp, & Knutson, PLLC (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AU-C 330.06	Receivables / Revenues	Failure to document that the procedures planned to be performed over the significant and fraud risk were performed or that there was a change in the audit plan.
American Institute of Certified Public Accountants	AAG-SLG-13.188	Net pension liability and related accounts	Failure to test the census data reported to the pension plan during the period immediately preceding the actuarial valuation for completeness and accuracy.
American Institute of Certified Public Accountants	AU-C 330.20	Receivables / Revenues	Failure to perform presumptively mandatory requirement of confirming receivables or documenting rationale for the departure and alternative audit procedure.
American Institute of Certified Public Accountants	AU-C 501.11	Inventory	Failure to perform presumptively mandatory requirement of observing inventory or documenting rationale for the departure and alternative audit procedure.
American Institute of Certified Public Accountants Office of the State Auditor	AU-C 500.06, 500.A2, LC	Compliance with MN statutes	Failure to document how/where any testing was performed for compliance with the <i>Minnesota Legal Compliance Audit Guide for Counties</i> , except for the testing of collateral over investments.

Hubbard County - Hoffman, Philipp, & Knutson, PLLC (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AU-C 540.08-.14	Estimates for useful lives of capital assets and related depreciation, other post-employment benefits, and net pension liability and related accounts	Failure to document as accounting estimates the useful lives of capital assets and related depreciation expense, other post-employment benefits, net pension liability, deferred inflows of resources, deferred outflows of resources, and related pension expense along with the required audit procedures for the estimates.
American Institute of Certified Public Accountants	AU-C 520.06	Completion procedures	Failure to perform presumptively mandatory requirement of designing and performing analytical procedures near the end of the audit.
U.S. Government Accountability Office	GAS 4.10-.14	Audit Findings / Reporting	Failure to include all the required elements for Finding 2007-003.
American Institute of Certified Public Accountants	AAG-GAS 20.20	Federal Program - Highway Planning and Construction	Failure to document why the matching, level of effort, earmarking and subrecipient monitoring compliance requirements, identified as applicable in part 2 of the Compliance Supplement, were not audited.
American Institute of Certified Public Accountants	AAG-GAS 20.20	Federal Program - Foster Care Title IV-E	Failure to document why the following compliance requirements, identified as applicable in part 2 of the Compliance Supplement, were not audited: cash management; matching, level of effort, earmarking; and reporting.

Hubbard County - Hoffman, Philipp, & Knutson, PLLC (Continued)

Authoritative Source	Standard	Audit Area	Finding
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2 and 4/A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, C. Cash Management, H. Period of Availability/Performance, I. Procurement and Suspension and Debarment, L. Reporting	Federal Program - Highway Planning and Construction	Failure to document testing for compliance with activities allowed or unallowed; allowable costs/cost principles; cash management; period of availability/performance; procurement and suspension and debarment; and reporting at a level to meet the audit objectives in OMB’s Compliance Supplement.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2 and 4/A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, C. Cash Management, E. Eligibility, and N. Special Tests and Provisions	Federal Program - Foster Care IV-E	Failure to document testing for compliance with activities allowed or unallowed; allowable costs/cost principles; eligibility; and special tests and provisions at a level to meet the audit objectives in OMB’s Compliance Supplement.
American Institute of Certified Public Accountants	AAG-GAS 11.70-.75	Federal Program - Foster Care IV-E	Failure to document a formal sampling plan to address the internal control over compliance and compliance testing for each of the major program’s direct and material compliance requirements.
American Institute of Certified Public Accountants	AAG-GAS 19.33-.43	Federal Programs - Highway Planning and Construction and Foster Care IV-E	Failure to document identification and testing of key internal controls over compliance to support a low assessed level of control risk for each of the major program’s direct and material compliance requirements.

Hubbard County - Hoffman, Philipp, & Knutson, PLLC (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AAG-GAS 16.41 -.46	Federal Programs - Highway Planning and Construction and Foster Care IV-E	Failure to document the assessment of the risk of material noncompliance due to fraud for each major program.
American Institute of Certified Public Accountants	AAG-GAS 16.48-.50	Federal Programs - Highway Planning and Construction and Foster Care IV-E	Failure to document compliance requirement materiality.

Roseau County - Hoffman, Philipp, & Knutson, PLLC

Conclusion: The audit evidence does not support either the auditor’s report on the financial statements or the auditor’s report on compliance for each major federal program and internal control over compliance. The technical deficiencies are pervasive and affect the reliability of the audit results. The audit quality deficiencies are at a level that a new audit needs to be performed. We intend to review the audit documentation for the new audit.

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AU-C 200.06, AU-C 330.18 AU-C 500.04	Material transaction classes (see below):	
American Institute of Certified Public Accountants	AU-C 200.06, AU-C 330.18 AU-C 500.04	General Expenditures	Failure to document that any sufficient and appropriate audit evidence was obtained to support, with any reasonable assurance, that general expenditures were free from material misstatement. Failure to document procedures performed, including no internal control testing, no analysis of current year to prior year comparison, and no substantive procedures.
American Institute of Certified Public Accountants	AU-C 200.06, AU-C 330.18 AU-C 500.04	Payroll Expenditures	Failure to document that any sufficient and appropriate audit evidence was obtained to support, with any reasonable assurance, that payroll expenditures were free from material misstatement. Failure to document procedures performed, including no internal control testing, no analysis of current year to prior year comparison, and no substantive procedures.

Roseau County - Hoffman, Philipp, & Knutson, PLLC (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AU-C 200.06, AU-C 330.18 AU-C 500.04	Revenues	Failure to document that sufficient and appropriate audit evidence was obtained to support, with reasonable assurance, that revenues were free from material misstatement. Substantive procedures over revenues documented as performed were only done at the government-wide level with no documentation of how that applies to other opinion units.
American Institute of Certified Public Accountants	AU-C 230.05, 230.08	All areas	Failure overall to meet the objectives required of auditors to prepare documentation that provides a sufficient and appropriate record of the basis for the auditor's reports and evidence that the audit was performed in accordance with the applicable requirements. Procedures not applicable are signed off on in the audit programs as done; no references in the audit programs to the work performed; and errors and inconsistencies not caught during internal review.
American Institute of Certified Public Accountants	AU-C 330.30	Understanding the entity and risk assessment process	Contradictory or inconsistent information between documents underlying the understanding of the entity and its environment risk assessment process.
American Institute of Certified Public Accountants	AAG-SLG 13.187h-i	Net pension liability and related accounts	Failure to document the evaluation of competency and objectivity of the auditor of the pension plan financial statements.

Roseau County - Hoffman, Philipp, & Knutson, PLLC (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AU-C 500.08	Other post-employment benefits and net pension liability and related accounts	Failure to document procedures performed to evaluate competency and objectivity, obtain an understanding of work, and evaluate appropriateness of work of other post-employment benefits and pension actuaries.
American Institute of Certified Public Accountants	AU-C 330.08	Cash, revenue and receivables, inventory, expenditures and payables, and payroll and related liabilities	Failure to document testing performed to support less than high control risk assessment for each significant audit area.
American Institute of Certified Public Accountants	AU-C 300.A2	Planning	Failure to document preliminary analytical review.
U.S. Government Accountability Office	GAS. 4.05	Previous audits and attestation engagements	Failure to document inquiry regarding previous audits, attest engagements, or other studies.
American Institute of Certified Public Accountants	AU-C 330.06	Receivables / Revenues	Failure to document that the procedures planned to be performed over the significant and fraud risk were performed or that there was a change in the audit plan.
American Institute of Certified Public Accountants	AAG-SLG 13.188	Net pension liability and related accounts	Failure to test the census data reported to the pension plan during the period immediately preceding the actuarial valuation for completeness and accuracy.

Roseau County - Hoffman, Philipp, & Knutson, PLLC (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AU-C 330.20	Receivables / Revenues	Failure to perform presumptively mandatory requirement of confirming receivables or documenting rationale for the departure and alternative audit procedure.
American Institute of Certified Public Accountants	AU-C 501.11	Inventory	Failure to perform presumptively mandatory requirement of observing inventory or documenting rationale for the departure and alternative audit procedure.
American Institute of Certified Public Accountants Office of the State Auditor	AU-C 500.06, 500.A2, LC	Compliance with MN statutes	Failure to document any testing was performed for compliance with the <i>Minnesota Legal Compliance Audit Guide for Counties</i> , except for the testing of collateral over investments.
American Institute of Certified Public Accountants	AU-C 540.08-.14	Estimates for other post-employment benefits and net pension liability and related accounts	Failure to document other post-employment benefits, net pension liability, deferred inflows of resources, deferred outflows of resources, and related pension expense as accounting estimates along with the required audit procedures for the estimates.
MN Department of Human Services	DHS Bulletin 15-32-03	Revenues/Schedule of Expenditures of Federal Awards (SEFA)	Failure to note or follow-up on an overstatement of approximately \$278,930 (cash basis) on the SEFA for the Medical Assistance Program Federal Grant despite having the information included in the workpapers.

Roseau County - Hoffman, Philipp, & Knutson, PLLC (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AU-C 450.05, AU-C 240.35-.37	Completion procedures	Failure to identify whether journal entries made were client-supported or audit adjustments so that the effects of audit adjustments can be determined and evaluation made for indications of fraud.
American Institute of Certified Public Accountants	AU-C 520.06	Completion procedures	Failure to perform presumptively mandatory requirement of designing and performing analytical procedures near the end of the audit.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2 and 4/ B. Allowable Costs/Cost Principles, C. Cash Management, H. Period of Availability/Performance, I. Procurement and Suspension and Debarment, and L. Reporting	Federal Program - Highway Planning and Construction	Failure to document testing for compliance with allowable costs/cost principles; cash management; period of availability/performance; procurement and suspension and debarment; and reporting at a level to meet the audit objectives in OMB’s Compliance Supplement.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2/ G. Matching, Level of Effort, Earmarking	Federal Program - Highway Planning and Construction	Incorrect documentation that the matching, level of effort, earmarking compliance requirements were not applicable at the County level, and thus not tested, when MNDOT generally does not provide 100% funding for projects, and procedures in the Compliance Supplement indicate that matching funds used should be tested for compliance.

Roseau County - Hoffman, Philipp, & Knutson, PLLC (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AAG-GAS 20.20	Federal Program - Highway Planning and Construction	Failure to document why the subrecipient monitoring compliance requirement, identified as applicable in part 2 of the Compliance Supplement, was not audited.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2 and 4/ A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, C. Cash Management, F. Equipment and Real Property Management, G. Matching, Level of Effort, Earmarking, or M. Subrecipient Monitoring	Federal Program - Child Support Enforcement	Failure to document testing for compliance with activities allowed or unallowed; allowable costs/cost principles; cash management; equipment and real property; matching, level of effort, earmarking; or subrecipient monitoring.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2 and 4/ L. Reporting	Federal Program - Child Support Enforcement	Failure to document testing for compliance with reporting at a level to meet the audit objectives in OMB's Compliance Supplement.
American Institute of Certified Public Accountants	AAG-GAS 11.70-.75	Federal Program - Child Support Enforcement	Failure to document a formal sampling plan to address the internal control over compliance and compliance testing over reporting.
Federal Regulation / Uniform Guidance American Institute of Certified Public Accountants	2 CFR 200.514(c)(3)(i), AAG-GAS 19.33-.43	Federal Programs - Highway Planning and Construction and Child Support Enforcement	Failure to document identification and testing of key internal controls for each of the major program's direct and material compliance requirements to support a low assessed level of control risk.

Roseau County - Hoffman, Philipp, & Knutson, PLLC (Continued)

Authoritative Source	Standard	Audit Area	Finding
American Institute of Certified Public Accountants	AAG-GAS 16.41-.46	Federal Programs - Highway Planning and Construction and Child Support Enforcement	Failure to document the assessment of the risk of material noncompliance due to fraud for each major program.
American Institute of Certified Public Accountants	AAG-GAS 16.48-.50	Federal Programs - Highway Planning and Construction and Child Support Enforcement	Failure to document compliance requirement materiality.

Hennepin County - RSM US LLP

Conclusion: The audit documentation identified inconsistent treatment of a finding between a material component/opinion unit and the County. Based on additional information provided by the firm, no further action is required. However, in the future, we recommend that findings be evaluated consistently between the reports issued. (Updated March 31, 2017)

Authoritative Source	Standard	Audit Area	Finding
U.S. Government Accountability Office	GAS par. 3.79-.81	Health policy reserve liability and net pension liability and related accounts	Failure to document the assessment of the professional qualifications of internal specialists consulting on the audit.
U.S. Government Accountability Office	GAS 4.45	Audit Findings / Reporting	Failure to document distribution of auditors' reports by the audit firm to those charged with governance.
American Institute of Certified Public Accountants	AAG-SLG 4.69, 4.74	Audit Findings / Reporting	Inconsistent treatment of a material restatement finding reported as a material weakness in the Metropolitan Health Plan (MHP) component report and as a significant deficiency in the County's report where the MHP is a major fund.
Federal Regulation / Uniform Guidance OMB 2015 Compliance Supplement	2 CFR 200.514(d), OMB/parts 3.1 or 3.2/ L. Reporting	Federal Programs - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, Highway Planning and Construction, and Child Support Enforcement	Failure to document testing of the reporting compliance requirements for each major program.

Appendix A - Auditing Standards/Authoritative Sources

American Institute of Certified Public Accountants (AICPA) auditing standards generally accepted in the United States of America - (AU-C)

Government Auditing Standards (GAS), U.S. Government Accountability Office - 2011 Revision

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) - (CFR)

2015 U.S. Office of Management and Budget (OMB) *Compliance Supplement* - (OMB)

2015 Minnesota Legal Compliance Audit Guide for Counties, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65 - (LC)

Audit Guide for Financial and Compliance Audits of Minnesota Counties, issued by the OSA dated August 2015 - (AG)

AICPA Audit and Accounting Guide, *State and Local Governments*, dated March 1, 2015 - (AAG-SLG)

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