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State Auditor

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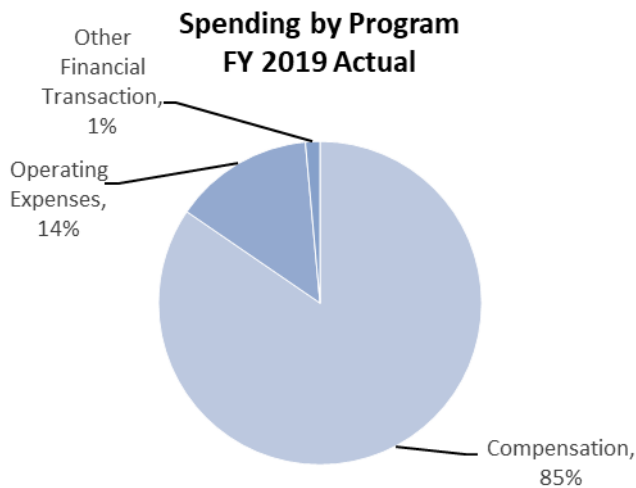
AT A GLANCE

- Oversees the finances of approximately 3,300 local units of government.
- Completes approximately 100 financial and compliance audits annually.
- Reviews approximately 430 single audit reports annually.
- Investigates allegations of unlawful use of public funds and property.
- Conducts continual outreach and provides educational resources to state and local elected officials, local government finance professionals, and the public.
- Reviews investment and financial reporting and compliance of approximately 600 local public pension plans.
- Reviews expenditures and compliance of approximately 1,650 tax increment financing (TIF) districts.
- Maintains financial reporting database on local government entities.
- Supports service by the State Auditor on six state boards and Executive Council and provides senior management to the Office.
- Publishes educational resources and provides ongoing training opportunities on local government finance and legal compliance issues.

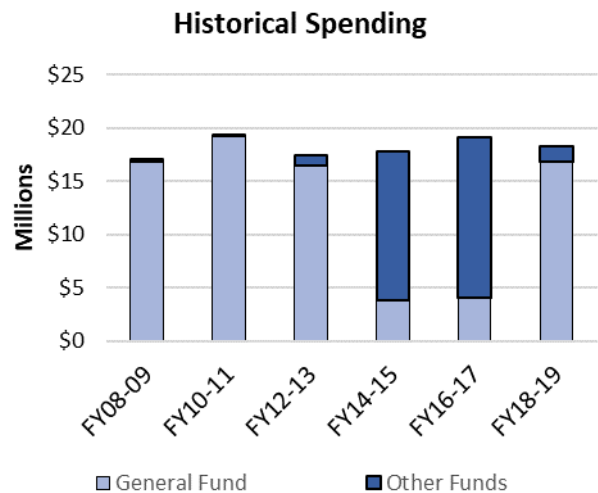
PURPOSE

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

BUDGET



Source: Budget Planning & Analysis System (BPAS)



FY 14 – 17 the Audit Practice Division funds were moved the State Auditor’s Enterprise Fund

Source: Budget Planning & Analysis System (BPAS)

The OSA is organized into seven divisions: Audit Practice, Government Information (GID), Legal/Special Investigations (SI), Operations Management (OPM), Pension, Tax Increment Financing (TIF), and the Constitutional Office. There are approximately 80 employees in six offices. We are primarily funded by a general fund

appropriation, with the TIF Division being funded by a statutory appropriation. Audit fees collected by the Audit Practice Division for auditing services are deposited in the general fund as non-dedicated receipts.

STRATEGIES

The OSA oversees nearly \$40 billion in annual spending by local governments by auditing local government financial statements and reviewing documents, data, reports, and reported complaints. The financial information collected from local governments is analyzed and serves as the basis of the statutory reports we issue.

Primary statutory citations regarding the State Auditor's office are in Chapter 6 of Minnesota Statutes (<https://www.revisor.mn.gov/statutes/cite/6>).

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<u>Expenditures by Fund</u>								
1000 - General	8,296	8,575	8,481	12,460	10,604	10,604	12,169	12,269
2000 - Restrict Misc Special Revenue	645	777	747	871	888	900	888	900
Total	8,942	9,352	9,228	13,331	11,492	11,504	13,057	13,169
Biennial Change				4,265		437		3,667
Biennial % Change				23		2		16
Governor's Change from Base								3,230
Governor's % Change from Base								14

Expenditures by Program

State Auditor	8,942	9,352	9,228	13,331	11,492	11,504	13,057	13,169
Total	8,942	9,352	9,228	13,331	11,492	11,504	13,057	13,169

Expenditures by Category

Compensation	7,967	7,908	8,144	11,216	9,982	10,051	11,452	11,695
Operating Expenses	933	1,307	993	1,461	1,297	1,238	1,381	1,256
Capital Outlay-Real Property				385	107	109	107	109
Other Financial Transaction	42	137	91	269	106	106	117	109
Total	8,942	9,352	9,228	13,331	11,492	11,504	13,057	13,169

Full-Time Equivalent

	81.32	76.82	75.97	94.72	86.56	86.56	102.91	102.91
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(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
1000 - General								
Balance Forward In		1,453		1,856				
Direct Appropriation	9,748	10,058	10,338	10,604	10,604	10,604	12,169	12,269
Transfers In			100	66				
Transfers Out			100	66				
Cancellations	0	2,936	0					
Balance Forward Out	1,452		1,857					
Expenditures	8,296	8,575	8,481	12,460	10,604	10,604	12,169	12,269
Biennial Change in Expenditures				4,070		267		3,497
Biennial % Change in Expenditures				24		1		17
Governor's Change from Base								3,230
Governor's % Change from Base								15
Full-Time Equivalents	76.11	71.43	70.41	88.06	79.90	79.90	96.25	96.25

2000 - Restrict Misc Special Revenue

Balance Forward In	2,749	2,958	3,088	3,129	2,976	2,761	2,976	2,761
Receipts	42	48	43	48	48	48	48	48
Transfers In	812	860	745	670	625	625	625	625
Balance Forward Out	2,958	3,088	3,129	2,976	2,761	2,534	2,761	2,534
Expenditures	645	777	747	871	888	900	888	900
Biennial Change in Expenditures				196		170		170
Biennial % Change in Expenditures				14		11		11
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	5.21	5.39	5.56	6.66	6.66	6.66	6.66	6.66

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
Direct				
Fund: 1000 - General				
FY2021 Appropriations	10,604	10,604	10,604	21,208
Forecast Base	10,604	10,604	10,604	21,208
Change Items				
Operating Adjustment		547	705	1,252
School Finance Accountability Team		743	744	1,487
Township Specialist		108	110	218
Special Investigator		104	106	210
Security Improvements		63		63
Total Governor's Recommendations	10,604	12,169	12,269	24,438
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	871	888	900	1,788
Forecast Base	871	888	900	1,788
Total Governor's Recommendations	871	888	900	1,788
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	48	48	48	96
Total Governor's Recommendations	48	48	48	96
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	9,670	8,166	8,166	16,332
Total Governor's Recommendations	9,670	8,166	8,166	16,332

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	547	705	715	721
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	547	705	715	721
FTEs	8.35	8.35	8.35	8.35

Recommendation:

The Governor recommends an increase in the Office of the State Auditor’s (OSA) General Fund Direct Appropriation for an operating adjustment. Since 89 percent of the Office’s expenditures are related to salaries and benefits, this request will allow us to retain current staff. Projected compensation cost increases continue to put pressure on our ability to keep all current staff within the base budget, and all current staff are essential to meet our mission. This request represents a 5.9 percent increase in the General Fund Direct Appropriation for the 2022/2023 biennium.

Rationale/Background:

The State Auditor oversees local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities. This operating adjustment in part helps preserve 5.35 positions in the Audit Practice Division and the related revenue from audit fees generated by those positions. Eighty-nine percent (89%) of the proposed General Fund Direct Appropriation pays the salaries and benefits of staff who review documents and financial data, issue financial reports, and review complaints related to the finances and legal compliance of local government entities. Staff also provides essential training and support to accounting staff in local governments to help them properly complete their financial reporting requirements, establish proper internal controls to safeguard assets, and investigate reports of financial misfeasance, malfeasance and nonfeasance by local government employees and officials.

Projected increases in salary and benefit costs put pressure on our ability to retain all essential staff. This request will allow us to retain the necessary qualified staff to meet our mission.

Proposal:

The State Auditor proposes an increase of \$1,252,000 in our General Fund Direct Appropriation for the 2022/2023 biennium. These funds will be used to pay salaries, benefits and related operating costs of current staff and allow us to avoid reducing staff by approximately 8 full time equivalents (FTE).

Impact on Children and Families:

Children and families, particularly those who face financial challenges, depend on local government to work well. Minnesota implements most of its safety net, health and human services, and other every day infrastructure work through local government entities. The largest users of those services are children and families. A basic component of ensuring the effectiveness of local government is oversight of local funds. Funds used well go further and the examinations the OSA performs support that goal. The work of the OSA ensures transparency, integrity, and accuracy in the use of funds that so many children and families depend.

Equity and Inclusion:

Accurate data is essential to uncovering, understanding, and eradicating discrimination and disparities. The OSA is increasing its focus on analyzing local government data related to race and class in particular. We are advocating for increased demographic data collection and highlighting the disparities we find in our current data to a larger degree.

Results:

This proposal is intended to allow the Office of the State Auditor to continue to provide current levels of service and information to agency partners and the public as described in the results sections of the agency's background narratives.

Change Item Title: School Finance Accountability Team

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	743	744	744	744
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	743	744	744	744
FTEs	6	6	6	6

Recommendation:

The Governor recommends an increase in the Office of the State Auditor’s (OSA) General Fund Direct appropriation to fund the ramp up of a new School Finance Accountability Team. The State Auditor also requests that the work performed with these funds be exempt from the requirement to be recovered per Minn. Stat. § 6.56. This request represents a 6.8% increase in the General Fund Direct Appropriation for the 2022/2023 biennium.

Rationale/Background:

The State Auditor is responsible for overseeing local government finance, including those of school districts, per Minn. Stat. § 6.46. To do that effectively, our office needs to conduct audits on a portion of each of these types of entities, and then review the work of private firms that conduct the rest of the entities’ audits. Currently, we do no (zero) school district audits and no (zero) reviews of the work of private firms who conduct school district audits. This is a gaping hole in the oversight responsibility of our office.

Based on a review of our authority and current work, our office saw that this local government system is the state’s largest expenditure, yet is has the least oversight support from our office. In addition, when it comes to the need for accurate and effective financial practices, the stakes are high in schools. Schools depend on the involvement of their communities to best educate students, and trust is a key component of community involvement. Our oversight can increase trust in Minnesota schools by ensuring financial practices are up to par and ensuring resources get to Minnesota students as intended.

Based on conversations and feedback from stakeholders, including school financial officials, school board members, legislators, educators, and financial staff of the Department of Education, we need to rebuild our school presence in the most efficient and least disruptive method possible. During this ramp up, we would be creating a team that would initially be able to do a voluntary round of audits at no charge. We will build the team and get the data needed to oversee private firms and create the risk analysis to determine where we need to be focusing our examinations. Once the ramp up period is complete, all school districts would be charged for our work per Minnesota statute.

These positions will make it possible for us to start auditing some school districts. These positions will also make it possible for us to gain experience which will help with the oversight of school districts we do not audit. The State Auditor anticipates being able to audit four to six school districts per year in the first four years.

Proposal:

The State Auditor is proposing an increase of \$1,487,000 in our General Fund Direct Appropriation for the 2022/2023 biennium. These funds will be used to pay the salary, benefits, and other operating costs of six new positions/six full time equivalents (FTE) in the Audit Practice Division to staff the School Finance Accountability Team. The State Auditor is also proposing that the work performed with these additional funds be exempt from the requirement to be recovered for the first four years.

IT Related Proposals:

This proposal includes the purchase of a laptop computer for each member of the School Finance Accountability Team. All other technology needs for the School Finance Accountability Team will be provided with existing resources.

Impact on Children and Families:

A key goal of school is to prepare people for happy, successful lives. Education is arguably the most important expenditure the state of Minnesota makes; therefore, education funding needs at least the same level of oversight that other areas of spending receive. Our schools our most effective when they have the trust of their communities, and confidence that funds are used appropriately is a key building block of that trust.

Equity and Inclusion:

Historically, racism in our schools has manifested itself in no small part in how school leaders spend school money. To adequately monitor spending choices to erase discrimination in the apportionment of resources, we first need to be sure we know exactly how the money is being spent. Good audits help ensure that we can trust the numbers, and when we can trust the numbers, we can build better solutions. By increasing OSA oversight of school funds, we can get our work off to an accurate start.

Statutory Change(s):

Minn. Stat. § 6.56

OSA is asking for an exception, so as to not be required to charge for the audit work performed by this team for the first four years as currently required by Minn. Stat. § 6.56. The result will be a team of auditors who can conduct school district audits for no charge for a period of four years and then start charging for all audit work performed after that as required by Minn. Stat. § 6.56. By allowing OSA this exception during the ramp up of the program, financial stress on these school districts will be eliminated.

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Peer Review Quality Standards Met (See note 1)	Yes	Yes	2015/2018
Quantity	Change in Total Number of Audits Issued (See notes 2 and 3)	-26	+4	2018/2019
Quality	Audits Issued Within 12 Months of Auditee Year-End (See notes 3 and 4)	93%	95%	2018/2019
Results	Available Training Slots Filled by State and Local Government Accounting Professionals (See note 5)	100%	100%	2018/2019

Notes:

1. The OSA participates in the National State Auditor's Association Peer Review Program. Maintenance of an appropriate internal quality control system is essential to performing effective audits that comply with professional standards. The results of the two previous Peer Reviews concluded that the OSA met professional requirements. The Peer Review is performed every three years with the last ones being performed in 2015 and 2018.
2. The decrease in the number of audits issued in 2018 was primarily due to counties choosing to be audited by CPA firms instead of the OSA.
3. For the two areas that refer to Audits Issued, "Previous" refers to audits issued during the 2018 calendar year and "Current" refers to audits issued during the 2019 calendar year.
4. The Division's outcomes are largely qualitative in nature, and many measures are driven by uncontrollable factors such as the abilities, resources, and preparedness of auditees.
5. The Available Training Slots refers to the annual training provided by the OSA.

Change Item Title: Township Specialist

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	108	110	110	110
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	108	110	110	110
FTEs	1	1	1	1

Recommendation:

The Governor recommends an increase of in the Office of the State Auditor’s (OSA) General Fund Direct appropriation to fund the filling of a Township Specialist position in the Government Information Division. This request represents a 1.0 percent increase in the General Fund Direct Appropriation for the 2022/2023 biennium.

Rationale/Background:

The Government Information Division collects financial information from over 3,300 local governments in Minnesota. Townships make up 1,781 of these entities with fifty-three percent of townships having a population of 300 or less. This position would help townships to meet their legal reporting requirements by following up on outstanding reports, answering reporting questions, and reviewing reported information.

We currently have a significant number of townships that regularly fail to complete reporting requirements. Often, lack of reporting indicates that a township needs support in their financial practices. It’s not surprising that there is a high correlation between townships that do not report and townships that eventually need to be investigated by the OSA for financial mismanagement.

When we personally connect with township staff, we often find and are able to assist with a number of issues both related and unrelated to their reporting problems. The more we are able to directly connect with township officials, the better the data we collect and as a bonus, the more related problems we are able to help townships solve. A dedicated specialist who can build long term relationships with township staff and leaders will help strengthen the financial practices of townships on a number of levels.

Proposal:

The State Auditor is proposing an increase of \$218,000 in our General Fund Direct Appropriation for the 2022/2023 biennium. These funds will be used to pay the salary and benefits of a township specialist position/one full time equivalent (FTE).

Impact on Children and Families:

Children and families, particularly those who face financial challenges, depend on local government to work well. Minnesota implements most of its safety net, health and human services, and other every day infrastructure work through local government entities. The largest users of those services are children and families. A basic component of ensuring the effectiveness of local government is oversight of local funds. Funds used well go further and the examinations the OSA performs support that goal. The work of the OSA ensures transparency, integrity, and accuracy in the use of funds that so many children and families depend.

Equity and Inclusion:

Accurate data is essential to uncovering, understanding, and eradicating discrimination and disparities. The OSA is increasing its focus on analyzing local government data related to race and class in particular. We are advocating for increased demographic data collection and highlighting the disparities we find in our current data to a larger degree. This position will increase not only the volume of data we receive from townships, but will give us insight into how we can increase the quality of the data to help us understand disparities in rural areas.

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Local Governments Meeting Reporting Requirements	93.9%	92.7%	2018/2019
Quality	Views of Local Government Finance Reports on Website	73,886	53,845	2018/2019
Quantity	Views of Comparison Tools on Website	9,606	11,979	2018/2019
Results	CTAS Users Reporting with Exported Files	833	846	2018/2019

Change Item Title: Special Investigator

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	104	106	106	106
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	104	106	106	106
FTEs	1	1	1	1

Recommendation:

The Governor recommends an increase of the Office of the State Auditor’s (OSA) General Fund Direct appropriation to fund the filling of a Special Investigator position in the Legal/Special Investigations Division. This request represents a 1.0 percent increase in the General Fund Direct Appropriation for the 2022/2023 biennium.

Rationale/Background:

The Legal/Special Investigations Division, among other things, receives, assesses, and investigates (when appropriate) concerns of possible misuse or mishandling of public funds by local government entities and employees. Each year, the division receives hundreds of inquiries and reports of such concerns from citizens, local government employees, and various mandated reporters. With the division’s current staffing, the division must strictly triage matters brought to it, meaning that some inquiries that fall within the OSA’s authority must wait for examination while other matters in progress are addressed. The addition of an investigator position that would focus on intake and preliminary work-up of matters would improve the Division’s ability to address multiple matters simultaneously and more expeditiously. In addition, with the financial strain affecting local governments as a result of the pandemic, we anticipate an increase in the need for the OSA to monitor and respond to concerns about how public dollars are being handled.

Proposal:

The State Auditor is proposing an increase of \$210,000 in our General Fund Direct Appropriation for the 2022/2023 biennium. These funds will be used to pay the salary and benefits of a special investigator position/one full time equivalent (FTE).

Impact on Children and Families:

Children and families, particularly those who face financial challenges, depend on local government to work well. Minnesota implements most of its safety net, health and human services, and other every day infrastructure work through local government entities. The largest users of those services are children and families. A basic component of ensuring the effectiveness of local government is oversight of local funds. Funds used well go further and the examinations the OSA performs support that goal.

Equity and Inclusion:

As legislators create new policy solutions to address systemic racism and other forms of discrimination, they are (wisely) including oversight mechanisms right from the start. An increasingly common and efficient oversight mechanism is access to investigations to respond to concerns about misuse of the funds related to a particular policy solution. Expanding our investigations team will allow us to be ready for those investigations, which will ultimately increase the success of the solutions.

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Views of Avoiding Pitfalls on Website	58,901	77,507	2018/2019
Quality	Views of Legal/SI Statements of Position on Website	69,979	70,368	2018/2019
Quantity	Views of Investigative Reports and Review Letters on Website	33,584	27,071	2018/2019

Change Item Title: Security Improvements

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	63	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	63	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends a one-time General Fund Direct appropriation to the Office of the State Auditor (OSA) to fund security enhancements to OSA’s office in Saint Paul and security training for staff. This request represents a 0.3 percent increase in the General Fund Direct Appropriation for the 2022/2023 biennium.

Rationale/Background:

With increases in security issues at and near the State Capitol, it is important that the Office of the State Auditor (OSA) make improvements to physical security. The OSA’s main office is located two blocks from the State Capitol but is not considered part of the Capital Campus. As a result, the OSA does not benefit from the protections provided by Capitol Security to other state employees located on the Capitol Campus. The planned security enhancements will allow the OSA to quickly alert staff to security events and allow us to lock down our space. The proposed security training will educate staff on what to do when a security event occurs.

Proposal:

The State Auditor is proposing a one-time appropriation of \$63,000 to our General Fund Direct Appropriation for the 2022/2023 biennium. These funds will be used to install security enhancements to our main office in Saint Paul and provide security training to our staff.

Impact on Children and Families:

This proposal would not have a specific impact on children and families.

Equity and Inclusion:

This proposal would not specifically impact equity and inclusion efforts.

IT Results:

This proposal would help the OSA more effectively do its work, illustrated by the measures below, by increasing its employees’ safety and security.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Audits Issued Within 12 Months of Auditee Year-End (See notes 1 and 2)	93%	95%	2018/2019
Quantity	Views of Legal/SI Statements of Position on Website	69,979	70,368	2018/2019
Quantity	Local Governments Meeting Reporting Requirements	93.9%	92.7%	2018/2019
Quality	Pension Plans Certified as Eligible to Receive Fire State Aid	99.8%	99.7%	2018/2019
Quality	Views of Website documents and pages	3,722,483	3,584,652	2018/2019
Quantity	Annual TIF Reports Filed on Time	97%	97%	2018/2019

Notes:

1. For the two areas that refer to Audits Issued, “Previous” refers to audits issued during the 2018 calendar year and “Current” refers to audits issued during the 2019 calendar year.
2. The Division’s outcomes are largely qualitative in nature, and many measures are driven by uncontrollable factors such as the abilities, resources, and preparedness of auditees.

Statutory Change(s):

None

Program: State Auditor

Activity: Audit Practice

auditor.state.mn.us/

AT A GLANCE

- Serves the State and its citizens by performing financial and compliance audits of local governments with the highest level of independence, transparency of how public funds are used.
- Supports accountability of local government finances with unbiased and objective oversight.
- Promotes quality standards in local government audits.
- Shares education and technical assistance with local governments, state officials, and other auditors.

PURPOSE & CONTEXT

The Office of the State Auditor (OSA), through its Audit Practice Division, has the legal authority to act in the public's best interest in auditing local government finances, including counties, cities, and other political subdivisions of the state. The Audit Practice Division also has the authority to audit local governments that have been audited by other auditors if we determine that it is in the public's best interest. This unique authority instills in taxpayers and other stakeholders confidence in the integrity of local government finances. In order to meet our responsibilities, we provide audit staff with the necessary training to achieve excellence and proficiency in their field.

The commitment of the Audit Practice Division is to help local government work at its best and to maintain public trust. To this end, we strive to expand our outreach. We established a working group consisting of representatives from the OSA Audit Practice Division, counties, and CPA firms that audit counties to work together toward consistent treatment in applying accounting principles and other regulations. We participate with national, federal, state, and local officials to address the accounting, auditing, and accountability issues surrounding COVID-19.

The Audit Practice Division is funded by a general fund appropriation. Audit fees collected by the Audit Practice Division for auditing services are deposited in the general fund as non-dedicated receipts.

SERVICES PROVIDED

The Audit Practice Division provides the following services:

- Issues approximately 100 annual audit reports of local governments including, but not limited to, counties, cities, towns, schools, special districts, joint ventures, and pension funds that provide transparency and accountability to taxpayers, the State of Minnesota, federal agencies, and other stakeholders;
- Reviews approximately 430 single audit reports annually;
- Ensures professional, unbiased, objective assessments of whether public resources are reasonably managed, appropriately reported, and administered in compliance with laws and regulations;
- Reports on the fair presentation of local governments' financial statements, comments on irregularities and deficiencies in local governments' internal controls, identifies issues of legal and federal grant noncompliance, and recommends changes for improvements in local government accounting practices and procedures;
- Shares knowledge and experience with audit clients to make the audit process as efficient and effective as possible;

- Provides annual continuing professional education training for Audit Practice Division staff to maintain proficiency and meet required industry standards and provides training for local government accounting professionals on new accounting principles and compliance issues;
- Conducts annual desk reviews of county audit reports and periodic work paper reviews of county audits performed by private CPA firms to determine that the quality standards for reporting and for performing audit procedures in conformance with auditing standards are met;
- Participates in the local working group to promote consistency in county accounting and auditing;
- Collaborates with representatives from all levels of government in addressing emerging issues, such as COVID-19;
- Coordinates technical accounting and auditing to support the other divisions within the OSA, further promoting efficiency and effectiveness.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Peer Review Quality Standards Met (See note 1)	Yes	Yes	2015/2018
Quantity	Change in Total Number of Audits Issued (See notes 2 and 3)	-26	+4	2018/2019
Quality	Audits Issued Within 12 Months of Auditee Year-End (See notes 3 and 4)	93%	95%	2018/2019
Results	Available Training Slots Filled by State and Local Government Accounting Professionals (See note 5)	100%	100%	2018/2019

Notes:

1. The OSA participates in the National State Auditor’s Association Peer Review Program. Maintenance of an appropriate internal quality control system is essential to performing effective audits that comply with professional standards. The results of the two previous Peer Reviews concluded that the OSA met professional requirements. The Peer Review is performed every three years with the last ones being performed in 2015 and 2018.
2. The decrease in the number of audits issued in 2018 was primarily due to counties choosing to be audited by CPA firms instead of the OSA.
3. For the two areas that refer to Audits Issued, “Previous” refers to audits issued during the 2018 calendar year and “Current” refers to audits issued during the 2019 calendar year.
4. The Division’s outcomes are largely qualitative in nature, and many measures are driven by uncontrollable factors such as the abilities, resources, and preparedness of auditees.
5. The Available Training Slots refers to the annual training provided by the OSA.

The following provisions of Minnesota law provide are the primary legal authority for these activities

- Minn. Const., art. 5, §§ 1 and 4 (Executive branch).
- Minn. Stat., ch. 6 (State Auditor).
- Minn. Stat. § 6.46 (Powers to State Auditor).
- Minn. Stat. § 6.47 (Prescribes Accounting and Budgeting Systems).
- Minn. Stat. § 6.481 (Audits of Counties).
- Minn. Stat. § 6.49 (Audits of 1st Class Cities).
- Minn. Stat. § 6.495 (Audits of Relief Associations).

Minn. Stat. § 6.50 (Audits of 2nd, 3rd and 4th Class Cities).
Minn. Stat. § 6.51 (Audits of Other Political Subdivisions).
Minn. Stat. § 6.515 (Audits of Federal Money).
Minn. Stat. § 6.54 (Petition Audits).
Minn. Stat. § 6.55 (Request Audits).
Minn. Stat. § 123B.77 (Standards for School District Audits).
Minn. Stat. § 124E.16 (Audits of Charter Schools).
Minn. Stat. § 367.36 (Audits of Towns).
Minn. Stat. § 375.17 (Prescribes Form of County's Financial Statements).
Minn. Stat. §§ 412.02, 412.591 (Prescribes Audit Standards for Certain Cities).
Minn. Stat. § 465.719 (Audits for Corporations created by political subdivisions).
Minn. Stat. § 469.43 (Audit of nonprofit agency contracting with Destination Medical Center).
Minn. Stat. § 469.100 (Compliance Examinations of Economic Development Authorities).
Minn. Stat. § 471.697 (City and Town Audits/Financial Reports, Audits of 1st Class Cities).
Minn. Stat. § 471.698 (Prescribes Form of Certain City Financial Statements).
Minn. Stat. § 471.6985 (Prescribes Form of Municipal Liquor Store Financial Statements).
Minn. Stat. § 471.699 (Enforcement of Reporting Requirements).
Minn. Stat. § 473.13 (Audits of Met Council).
Minn. Stat. § 477A.017 (Prescribes Uniform Financial Accounting and Reporting Systems).
Minn. Stat. § 477A.0175 (Determine fees collected by unauthorized diversion program).

Audit Practice

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<u>Expenditures by Fund</u>								
1000 - General	6,431	6,438	6,311	9,670	8,166	8,166	9,159	9,268
2000 - Restrict Misc Special Revenue	31	49	41	43	43	43	43	43
Total	6,462	6,488	6,351	9,713	8,209	8,209	9,202	9,311
Biennial Change				3,114		354		2,449
Biennial % Change				24		2		15
Governor's Change from Base								2,095
Governor's % Change from Base								13
<u>Expenditures by Category</u>								
Compensation	5,797	5,638	5,692	8,286	7,239	7,298	8,200	8,379
Operating Expenses	625	746	597	927	815	756	836	774
Capital Outlay-Real Property				300	80	80	80	80
Other Financial Transaction	40	104	63	200	75	75	86	78
Total	6,462	6,488	6,351	9,713	8,209	8,209	9,202	9,311
<u>Full-Time Equivalents</u>								
	58.47	53.35	52.37	66.76	62.94	62.52	72.76	72.34

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
1000 - General								
Balance Forward In		1,019		1,544				
Direct Appropriation	7,449	7,694	7,955	8,166	8,166	8,166	9,159	9,268
Transfers Out			100	40				
Cancellations		2,274						
Balance Forward Out	1,018		1,544					
Expenditures	6,431	6,438	6,311	9,670	8,166	8,166	9,159	9,268
Biennial Change in Expenditures				3,111		351		2,446
Biennial % Change in Expenditures				24		2		15
Governor's Change from Base								2,095
Governor's % Change from Base								13
Full-Time Equivalent	58.42	53.27	52.31	66.70	62.88	62.46	72.70	72.28

2000 - Restrict Misc Special Revenue

Balance Forward In	15	14	3		2	4	2	4
Receipts	30	39	38	45	45	45	45	45
Balance Forward Out	14	3	0	2	4	6	4	6
Expenditures	31	49	41	43	43	43	43	43
Biennial Change in Expenditures				3		2		2
Biennial % Change in Expenditures				4		3		3
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalent	0.05	0.08	0.06	0.06	0.06	0.06	0.06	0.06

Program: State Auditor
Activity: Legal/Special Investigations

auditor.state.mn.us

AT A GLANCE

- Provides legal expertise to all divisions within the office.
- Responds to inquiries on issues related to legal compliance from the public, local government officials and employees, and policymakers.
- Investigates allegations of unlawful use of public funds and property, working with law enforcement when requested.
- Annually publishes the Minnesota Legal Compliance Audit Guides by entity type.
- Publishes and updates Statements of Position to provide guidance on legal compliance, finance, and internal controls for local government officials and employees, and other interested parties.
- Provides training to assist local government officials and employees in protecting public assets.
- General Counsel serves as liaison to the Governor's office.
- General Counsel serves as proxy for the State Auditor on the following boards: State Board of Investment, Minnesota Housing Finance Agency.

PURPOSE & CONTEXT

We work to help Minnesota's approximately 3,300 local units of government, 600 local pension plans, and 400 development authorities use funds in compliance with state law. Our work is relied upon by local governments, members of the public, public- and private-sector auditors, law enforcement, statewide local government associations, and attorneys to obtain legal compliance in the use of local government funds. We receive and respond to statutorily-required reports of theft, embezzlement, and unlawful uses of public funds or property involving local governments. When requested by law enforcement, we work with them on financial investigations. We use specialized financial investigative and legal expertise to respond to questions and concerns. We meet our statutory duty to publish a legal compliance audit guide for use in auditing local governments. In addition, we support all divisions within the office by providing legal expertise and by conducting legal reviews of all audits performed by the Audit Practice Division. We are funded by an appropriation from the general fund.

SERVICES PROVIDED

We work to increase legal compliance in the use of local government funds by providing the following services:

- Perform inquiries, reviews, and investigations initiated because of concerns that we receive, and provide recommendations to local governments;
- Respond to the statutorily-required reports of possible misuse of public funds to ensure that a thorough investigation has been performed, appropriate referrals to law enforcement have been made, and internal control modifications have been implemented;
- Provide targeted training on legal compliance and on the prevention and detection of fraud to local government officials and employees, private and public sector auditors, and other interested parties;
- Update and publish annually seven Minnesota Legal Compliance Audit Guides, which set the current minimum legal compliance procedures and scope for local government audits; and
- Research, revise, and publish Statements of Position on a variety of topics related to local government legal compliance, finance, and internal controls and publish weekly Avoiding Pitfalls items on issues we identify during audits, inquiries, reviews, and investigations.

RESULTS

Our work improves legal compliance and transparency in the use of local government funds, and serves as a constant deterrent against misuse of public funds.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Views of Avoiding Pitfalls on Website	58,901	77,507	2018/2019
Quantity	Views of Legal/SI Statements of Position on Website	69,979	70,368	2018/2019
Quantity	Views of Investigative Reports and Review Letters on Website	33,584	27,071	2018/2019

The following provisions of Minnesota law provide are the primary legal authority for these activities¹:

Minn. Const., art. 5, §§ 1 and 4 (Executive branch).

Minn. Stat., ch. 6 (State Auditor).

Minn. Stat. § 6.52 (Subpoena Power).

Minn. Stat. § 6.53 (Penalty for Failure to Cooperate with OSA).

Minn. Stat. § 6.65 (Legal Compliance Audit Guides).

Minn. Stat. § 609.456 (Mandatory Reporting to OSA for Public Employees and Officials).

Minn. Stat. § 6.67 (Mandatory Reporting to OSA for Public Accountants).

¹ This list is intended to identify the main sources of legal authority, but it is not all-inclusive.

Legal/Special Investigations

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23

Expenditures by Fund

1000 - General	340	344	350	484	434	434	590	602
Total	340	344	350	484	434	434	590	602
Biennial Change				150		34		358
Biennial % Change				22		4		43
Governor's Change from Base								324
Governor's % Change from Base								37

Expenditures by Category

Compensation	302	288	311	406	386	385	542	553
Operating Expenses	37	56	38	58	46	47	46	47
Other Financial Transaction		0		20	2	2	2	2
Total	340	344	350	484	434	434	590	602

Full-Time Equivalents

	2.77	2.49	2.36	2.36	1.51	1.57	3.31	3.37
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Legal/Special Investigations

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
1000 - General								
Balance Forward In		4		76				
Direct Appropriation	344	363	426	434	434	434	590	602
Transfers Out				26				
Cancellations		23						
Balance Forward Out	4		76					
Expenditures	340	344	350	484	434	434	590	602
Biennial Change in Expenditures				150		34		358
Biennial % Change in Expenditures				22		4		43
Governor's Change from Base								324
Governor's % Change from Base								37
Full-Time Equivalents	2.77	2.49	2.36	2.36	1.51	1.57	3.31	3.37

Program: State Auditor
Activity: Government Information

auditor.state.mn.us

AT A GLANCE

- Collects, reviews, compiles, and analyzes financial information on approximately 3,300 local units of government.
- Issues 10 to 12 reports annually on local government finances.
- Certifies to the Department of Revenue all cities eligible to receive Local Government Aid and Small Cities Assistance.
- Responds to financial questions from local government employees and officials on a daily basis.
- Issues Best Practices Reviews of local government operations periodically.
- Provides ongoing training on Small Cities and Towns Accounting System (CTAS) to local government officials and employees throughout the state.
- Certifies to the Department of Revenue additional local government aid for cities and counties participating in the Performance Measurement Program.

PURPOSE & CONTEXT

We provide comprehensive, comparable financial information from over 3,300 local governments to assist state and local policymakers with policy and spending decisions, and to help the public make informed decisions about its local government. We collect and analyze local government financial data and publish regular reports provided to the legislature and to the public. We also conduct best practices reviews of local government operations as resources allow. The Government Information division is funded by an appropriation from the general fund.

SERVICES PROVIDED

We work with local governments to collect and analyze their financial information on a timely basis. We provide transparency of local government finances through the following services:

- Respond to local government financial questions;
- Create and provide electronic reporting forms to improve accuracy and timeliness in statutorily-required reporting;
- Provide on-demand online training to help local governments successfully complete electronic reporting forms;
- Review data submitted through electronic reporting for consistency in reporting;
- Maintain, support, and upgrade the Small Cities and Towns Accounting System (CTAS) software used by over 1,300 small cities and towns throughout Minnesota;
- Provide basic accounting and CTAS training to local government officials and employees throughout the state;
- Prescribe the chart of accounts and reporting requirements for cities, towns, and special districts;
- Maintain an extensive database of local government financial data;
- Provide a user-friendly comparison tool of local government financial information;
- Compile and issue 10 to 12 annual reports each year;
- Prepare and compile customized data for use by legislative researchers and the media; and
- Conduct special studies as requested by the legislature.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Local Governments Meeting Reporting Requirements	93.9%	92.7%	2018/2019
Quality	Views of Local Government Finance Reports on Website	73,886	53,845	2018/2019
Quantity	Views of Comparison Tools on Website	9,606	11,979	2018/2019
Results	CTAS Users Reporting with Exported Files	833	846	2018/2019

The following provisions of Minnesota law provide the primary legal authority for these activities:

Minn. Const., art. 5, §§ 1 and 4 (Executive branch).

Minn. Stat., Ch. 6 (State Auditor).

Minn. Stat. § 6.475 (CTAS).

Minn. Stat. §§ 6.74, 6.75 (Collection of Local Government Data, Report).

Minn. Stat. § 6.745 (Summary Budget reports).

Minn. Stat. § 6.756 (Special Districts reports).

Minn. Stat. § 6.76 (Lobbying reports).

Minn. Stat. § 6.78 (Best Practices reports).

Minn. Stat. § 6.91 (Performance Measures reports).

Minn. Stat. § 367.36 (Towns Make Financial Report to OSA).

Minn. Stat. § 471.697 (Cities, Towns, Municipal Hospitals and Nursing Homes, Liquor Stores and Public Utility Commissions Make Financial Reports to OSA).

Minn. Stat. §§ 471.698, 412.02, 412.591 (City Financial reports).

Minn. Stat. § 471.6965 (Prescribes Summary Budget Statement for Cities).

Minn. Stat. § 471.6985 (Municipal Liquor Stores Report to OSA).

Minn. Stat. § 471.70 (Annual Reports to OSA of Municipalities' Outstanding Obligations).

Minn. Stat. § 609.5315 (Forfeiture reports to OSA and OSA to Legislature).

Government Information

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<u>Expenditures by Fund</u>								
1000 - General	585	655	640	733	697	697	857	872
2000 - Restrict Misc Special Revenue	9	9	2	12	10	10	10	10
Total	594	664	642	745	707	707	867	882
Biennial Change				129		27		362
Biennial % Change				10		2		26
Governor's Change from Base								335
Governor's % Change from Base								24
<u>Expenditures by Category</u>								
Compensation	527	552	569	654	618	616	778	791
Operating Expenses	67	105	73	91	89	91	89	91
Other Financial Transaction	0	7	0					
Total	594	664	642	745	707	707	867	882
<u>Full-Time Equivalents</u>								
	6.36	6.46	6.13	6.65	5.86	5.88	7.65	7.67

Government Information

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
1000 - General								
Balance Forward In		117		36				
Direct Appropriation	702	748	676	697	697	697	857	872
Cancellations	0	210	0					
Balance Forward Out	117		36					
Expenditures	585	655	640	733	697	697	857	872
Biennial Change in Expenditures				133		21		356
Biennial % Change in Expenditures				11		2		26
Governor's Change from Base								335
Governor's % Change from Base								24
Full-Time Equivalents	6.27	6.38	6.11	6.63	5.84	5.86	7.63	7.65

2000 - Restrict Misc Special Revenue

Balance Forward In	68	71	72	74	65	58	65	58
Receipts	13	9	5	3	3	3	3	3
Balance Forward Out	71	72	74	65	58	51	58	51
Expenditures	9	9	2	12	10	10	10	10
Biennial Change in Expenditures				(4)		6		6
Biennial % Change in Expenditures				(22)		39		39
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.09	0.08	0.02	0.02	0.02	0.02	0.02	0.02

Program: State Auditor

Activity: Pension

auditor.state.mn.us

AT A GLANCE

- Monitors approximately 600 local public pension plans with assets of over \$553 million and membership of nearly 17,000. The majority of these plans provide pensions to volunteer firefighters.
- Responds to thousands of phone calls and emails yearly from volunteer firefighters, local government officials, pension plan trustees, and pension plan auditors and advisors.
- Issues an annual financial and investment performance report.
- Certifies individual public pension plans for state aid distributions totaling nearly \$24 million.
- Convenes the Volunteer Fire Relief Association Working Group, a stakeholder group that identifies ongoing issues and forwards suggested legislative changes to the Legislative Commission on Pensions and Retirement.
- Serves as sole source of local public pension plan information.

PURPOSE & CONTEXT

There are approximately 600 volunteer fire relief associations and other types of local public pension plans in Minnesota. For these local public pension plans, the State Auditor's Office supports their fiduciary compliance with state laws governing plan administration and investment activity.

We are the sole source of comprehensive pension information of local public pension plans, which is used for comparison purposes by pension plan boards and their associated municipalities, and by the legislature to make policy decisions on these pension plans. We manage the reporting processes for the entire local pension plan system, ensuring that consistent approaches, methods, and investment rate-of-return calculations are used. The users of our services include pension plan boards, plan members, municipal representatives, auditors, investment professionals, policy makers, and the public. We are funded by an appropriation from the general fund. Pension state aid is used to reduce the appropriation.

SERVICES PROVIDED

We promote the consistent interpretation and application of state laws and local pension plan bylaws by providing the following services:

- Monitor pension plan operations and the administration of pension benefits;
- Collect and review annual reporting forms;
- Issue Statements of Position, monthly newsletters, and legislative updates to inform and educate pension plan trustees;
- Create and publish Sample Bylaw Guides and an annual Selected Relevant Statutes booklet to assist pension plan trustee in meeting statutory requirements;
- Convene the Volunteer Fire Relief Association Working Group annually bringing together stakeholders to identify and discuss pressing pension issues and to suggest legislative changes; and
- Publish an annual report on pension plan finances, investments, and administration.

RESULTS

The degree of compliance of local public pension plans with state laws and local bylaws, as measured annually, is excellent, as evidenced by the percentage of pension plans certified for fire state aid shown below.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Pension Plans Certified as Eligible to Receive Fire State Aid	99.8%	99.7%	2018/2019
Quantity	Views of Pension Newsletter on Website	59,261	60,541	2018/2019
Quantity	Views of Sample Bylaw Guides on Website	7,272	5,977	2018/2019
Quantity	Views of Pension Statements of Position on Website	14,637	20,068	2018/2019

The following provisions of Minnesota law provide the primary legal authority for these activities:

Minn. Const., art. 5, §§ 1 and 4 (Executive branch).

Minn. Stat., ch. 6 (State Auditor).

Minn. Stat. § 6.495 (Audits of Relief Associations, Report to Commissioner of Revenue).

Minn. Stat. § 6.496 (Provides Investment Performance Results to Relief Associations).

Minn. Stat. § 6.65 (Prescribes Minimum Audit Procedures for Relief Associations).

Minn. Stat. § 6.72 (Provides Annual Report of Relief Associations to Legislature).

Minn. Stat. § 353G.17 (Filings by Relief Associations to OSA for Transfer of Records, Assets, and Liabilities).

Minn. Stat. § 356.216 (Filings by Relief Associations to OSA of Actuarial Valuations).

Minn. Stat. § 356.219 (Public Pension Funds Investment Reporting).

Minn. Stat. § 356A.06 (Prepares Acknowledgment Forms for use by Pension Plans and Brokers).

Minn. Stat. § 424A.014 (Filings by Relief Associations to OSA of Audited Financial Statements).

Minn. Stat. § 424A.016 (Certifications by Relief Associations to OSA of Individual Account Allocations, Filings by Relief Associations to OSA of Bylaws and Amendments).

Minn. Stat. § 424A.02 (Determines Compliance with Financial Requirements by Relief Associations).

Minn. Stat. § 424A.05 (Authority to Approve Correction of Erroneous Deposits).

Minn. Stat. § 424A.091 (Determines Compliance with Financial Requirements by Relief Associations).

Minn. Stat. § 424A.092 (Determines Compliance with Financial Requirements by Relief Associations).

Minn. Stat. § 424A.093 (Determines Compliance with Financial Requirements by Relief Associations).

Minn. Stat. § 471.6175 (OPEB Trust Reports to OSA).

Minn. Stat. § 477B.042 (Filings by Relief Associations to OSA of Aid Allocation Agreements).

Pension

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23

Expenditures by Fund

1000 - General	429	527	502	569	530	530	593	606
Total	429	527	502	569	530	530	593	606
Biennial Change				115		(11)		128
Biennial % Change				12		(1)		12
Governor's Change from Base								139
Governor's % Change from Base								13

Expenditures by Category

Compensation	378	402	419	462	422	421	485	497
Operating Expenses	51	122	83	107	108	109	108	109
Other Financial Transaction		2						
Total	429	527	502	569	530	530	593	606

Full-Time Equivalents

	4.58	5.01	4.49	5.35	4.39	4.45	5.35	5.41
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Pension

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
1000 - General								
Balance Forward In		56		13				
Direct Appropriation	485	485	515	530	530	530	593	606
Transfers In				26				
Cancellations		14						
Balance Forward Out	56		13					
Expenditures	429	527	502	569	530	530	593	606
Biennial Change in Expenditures				115		(11)		128
Biennial % Change in Expenditures				12		(1)		12
Governor's Change from Base								139
Governor's % Change from Base								13
Full-Time Equivalents	4.58	5.01	4.49	5.35	4.39	4.45	5.35	5.41

Program: State Auditor
Activity: Operations Management

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AT A GLANCE

- Provides accounting services, facilities management, technology support, and human resources services for approximately 80 employees in six offices, two worksites, and client sites.
- Prepares and maintains the biennial budget for the Office.
- Updates and maintains the Small Cities and Towns Accounting System (CTAS) that helps small local governments follow standard accounting practices and maintain accurate accounting records.
- Updates, collects, and processes local government electronic reporting forms submitted to the Office.
- Maintains the central database for the Office.
- Hosts and maintains a website to increase transparency in local government finances that serve approximately 10,000 unique visitors each month.

PURPOSE & CONTEXT

The Operations Management Division supports all activities within the office by providing the accounting, facilities management, technology support, and human resource services for all divisions. We are funded by a general fund appropriation. The Tax Increment Financing (TIF) Division funding is accounted for in the Miscellaneous Special Revenue Fund, and costs related to supporting the TIF division are allocated directly to that appropriation.

SERVICES PROVIDED

We support all divisions within the office enabling each division to pursue identified strategies and to achieve desired results by providing the following services:

- Prepare and maintain the office's biennial budget;
- Process payroll for approximately 80 employees;
- Prepare purchase orders and pay invoices;
- Bill for and deposit payments for audit services;
- Maintain furniture and equipment inventory;
- Coordinate the lease renewals for and maintenance of six offices;
- Manage all the technology needs of the office;
- Maintain an integrated database for all divisions;
- Updates and maintains the Small Cities and Towns Accounting System for local governments;
- Work with each division to collect, process, and improve electronic reporting forms;
- Provide research and strategic planning support on technology issues;
- Provide network and personal computer installation, support, and maintenance;
- Purchase common network equipment;
- Coordinate the hiring of employees;
- Educate employees on benefit options; and
- Work to ensure the office is in compliance with state bargaining agreements.

RESULTS

We leverage technology to help the office perform its work more effectively and efficiently.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Actions performed in the State Auditor's Form Entry System	100,684	104,870	2018/2019
Quality	Views of Website documents and pages	3,722,483	3,584,652	2018/2019

The following provisions of Minnesota law provide the primary legal authority for these activities:

Minn. Const., art. 5, §§ 1 and 4 (Executive branch).

Minn. Stat., ch. 6 (State Auditor).

Minn. Stat. § 6.475 ((Electronic) CTAS).

Minn. Stat. § 6.496 (Provides Electronic Performance Results to Relief Associations).

Minn. Stat. § 6.72 (Relief Associations Report to OSA).

Minn. Stat. § 6.74 (Electronic Collection of Local Government Data).

Minn. Stat. § 367.36 (Towns Make Electronic Financial Reports to OSA).

Minn. Stat. § 469.175 (Electronic TIF Districts report to OSA).

Minn. Stat. § 471.6175 (Electronic OPEB Trust Reports to OSA).

Minn. Stat. § 471.697 (Cities, Towns, Municipal Hospitals and Nursing Homes, Liquor Stores and Public Utility Commissions Make Electronic Financial Reports to OSA).

Minn. Stat. § 471.698 (Cities Make Electronic Financial Reports to OSA).

Minn. Stat. § 471.6985 (Municipal Liquor Stores Electronic Report to OSA).

Minn. Stat. § 471.70 (Annual Electronic Reports to OSA of Municipalities' Outstanding Obligations).

Minn. Stat. § 609.5315 (Electronic Forfeiture reports to OSA).

Operations Management

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<u>Expenditures by Fund</u>								
1000 - General	263	345	346	637	495	495	589	534
Total	263	345	346	637	495	495	589	534
Biennial Change				375		7		140
Biennial % Change				62		1		14
Governor's Change from Base								133
Governor's % Change from Base								13

Expenditures by Category

Compensation	204	236	249	384	360	359	391	398
Operating Expenses	58	93	76	138	95	96	158	96
Capital Outlay-Real Property				75	20	20	20	20
Other Financial Transaction	1	15	20	40	20	20	20	20
Total	263	345	346	637	495	495	589	534

Full-Time Equivalents

	2.30	2.61	2.74	4.62	4.14	4.15	4.61	4.62
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Operations Management

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
1000 - General								
Balance Forward In		225		142				
Direct Appropriation	488	488	488	495	495	495	589	534
Cancellations		368						
Balance Forward Out	225		142					
Expenditures	263	345	346	637	495	495	589	534
Biennial Change in Expenditures				375		7		140
Biennial % Change in Expenditures				62		1		14
Governor's Change from Base								133
Governor's % Change from Base								13
Full-Time Equivalents	2.30	2.61	2.74	4.62	4.14	4.15	4.61	4.62

Program: State Auditor
Activity: Constitutional Office

auditor.state.mn.us

AT A GLANCE

- Conducts continual outreach and provides educational resources to state and local elected officials, local government finance professionals, and the public.
- Works closely with the legislature and governor on appropriations and policy issues to ensure effective OSA oversight of nearly \$40 billion and increased transparency of local government finances.
- Maintains contact with statewide media to help Minnesotans better understand the critical role and responsibilities of the OSA and to raise public awareness of local government.
- Provides support to each OSA Division: Audit, TIF, Pension, Government Information and Special Investigations.
- Supports the State Auditor's service on six state boards and the Executive Council.
- Supports General Counsel's work as Liaison to Governor's office and other government entities.
- Supports General Counsel's work as proxy on the following boards: State Board of Investment and Minnesota Housing Finance Authority.

PURPOSE & CONTEXT

The State Auditor is an independent constitutional officer elected statewide to provide oversight of over 4,300 units of local government. The State Auditor oversees nearly \$40 billion in local government finances for Minnesota's taxpayers. The OSA helps to ensure financial integrity and accountability in local government financial activities.

The Constitutional Office provides senior-level management and leadership, supports the State Auditor on six state boards and the State Executive Council, and ensures that our stakeholders and the public are kept updated on our work. The office is funded by a general fund appropriation.

SERVICES PROVIDED

We accomplish our goal of providing effective oversight of local government finances by providing the following services:

- Disseminate the extensive knowledge of local government finances and accounting expertise of OSA to policy makers, the media and the public;
- Provide outreach to stakeholders to proactively address emerging finance and compliance issues;
- Consistently communicating with the public to provide a better understanding of local government and instill confidence in local government finances. The State Auditor maintains an active public schedule to support this effort;
- Propose, pursue, advocate and testify for legislation that increases accountability, transparency and the understanding of local government finances;
- Work with statewide media to communicate the work of the OSA and provide transparency of local government finances;
- Continually improving the public's understanding of the role and responsibilities of the OSA and the State Auditor.

The following provisions of Minnesota law provide the primary legal authority for these activities:

Minn. Const., art. 5, §§ 1 and 4 (Executive branch).

Minn. Stat., ch. 6 (State Auditor).

Constitutional Office

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<u>Expenditures by Fund</u>								
1000 - General	249	265	333	367	282	282	381	387
Total	249	265	333	367	282	282	381	387
Biennial Change				186		(136)		68
Biennial % Change				36		(19)		10
Governor's Change from Base								204
Governor's % Change from Base								36
<u>Expenditures by Category</u>								
Compensation	221	228	292	319	233	233	332	338
Operating Expenses	28	36	41	46	47	47	47	47
Other Financial Transaction		1		2	2	2	2	2
Total	249	265	333	367	282	282	381	387
<u>Full-Time Equivalents</u>								
	1.77	1.67	2.40	2.40	1.14	1.41	2.65	2.92

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
1000 - General								
Balance Forward In		31		45				
Direct Appropriation	280	280	278	282	282	282	381	387
Transfers In			100	40				
Cancellations		46						
Balance Forward Out	31		45					
Expenditures	249	265	333	367	282	282	381	387
Biennial Change in Expenditures				186		(136)		68
Biennial % Change in Expenditures				36		(19)		10
Governor's Change from Base								204
Governor's % Change from Base								36
Full-Time Equivalents	1.77	1.67	2.40	2.40	1.14	1.41	2.65	2.92

Program: State Auditor
Activity: Tax Increment Financing

auditor.state.mn.us

AT A GLANCE

- Provides compliance oversight of approximately 1,650 Tax Increment Financing (TIF) districts administered by over 400 development authorities.
- Collects and reviews approximately 1,650 annual TIF reports, 150 TIF plans, and 200 other filings annually.
- Publishes annual TIF Legislative Report.
- Provides training to local government officials, such as county auditors, city clerks or administrators, and economic development professionals.
- Provide resources to promote TIF compliance through the TIF County Guide, Statements of Position, instructional videos, and articles.

PURPOSE & CONTEXT

Tax increment financing was created to help businesses and communities redevelop blighted areas, expand tax base, create jobs, construct housing, and assist development that would not otherwise occur “but for the use of tax increment.” Tax increment funding comes from public dollars. The Tax Increment Financing Division supports local government compliance with the Tax Increment Financing (TIF) Act, which provides the parameters and controls around proper handling, use and reporting of tax increment funds. We are the sole source of comprehensive comparable data on TIF activity in Minnesota. Some of this data is used in the annual TIF Legislative Report to inform lawmakers and the public on the uses of TIF. Our oversight work serves as a deterrent to misuse of TIF. We are funded by a special revenue fund statutory appropriation.

SERVICES PROVIDED

The division works to support local government compliance with the TIF Act by providing the following services:

- Collect and review financial information annually to identify non-compliance and to help communities come into legal compliance;
- Educate a broad audience, including local officials, lawmakers, financial consultants, state agencies, the public, and the media, on the TIF Act by publishing Statements of Position, articles, and weekly E-updates; providing online training videos; conducting trainings and webinars; speaking at conferences; providing administrative resources; and responding to requests for information;
- Publish a Tax Increment Financing County Guide to assist county officials in meeting their responsibilities under the TIF Act; and
- Consult with local government associations, legislative staff, and others regarding possible amendments to the TIF Act to ensure ongoing effective oversight by the OSA.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Non-Compliance Findings Resolved	100%	100%	2018/2019
Quantity	Views of TIF Statements of Position on Website	10,135	9,454	2018/2019

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Individuals Viewing Online Training Videos and Attending Courses	2,512	1,597	2018/2019
Quantity	Annual TIF Reports Filed on Time	97%	97%	2018/2019

The following provisions of Minnesota law provide the primary legal authority for these activities:

Minn. Const., art. 5, §§ 1 and 4 (Executive branch).

Minn. Stat., ch. 6 (State Auditor).

Minn. Stat. § 469.175 (TIF Districts Report to OSA).

Minn. Stat. § 469.177 (Enforcement Costs; Correction of Errors).

Minn. Stat. § 469.1771 (TIF Oversight).

Tax Increment Financing

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<u>Expenditures by Fund</u>								
2000 - Restrict Misc Special Revenue	605	719	704	816	835	847	835	847
Total	605	719	704	816	835	847	835	847
Biennial Change				196		162		162
Biennial % Change				15		11		11
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Compensation	537	564	611	705	724	739	724	739
Operating Expenses	67	149	85	94	97	92	97	92
Capital Outlay-Real Property				10	7	9	7	9
Other Financial Transaction	0	7	8	7	7	7	7	7
Total	605	719	704	816	835	847	835	847

Full-Time Equivalents

	5.07	5.23	5.48	6.58	6.58	6.58	6.58	6.58
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Tax Increment Financing

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
2000 - Restrict Misc Special Revenue								
Balance Forward In	2,666	2,873	3,014	3,055	2,909	2,699	2,909	2,699
Transfers In	812	860	745	670	625	625	625	625
Balance Forward Out	2,873	3,014	3,055	2,909	2,699	2,477	2,699	2,477
Expenditures	605	719	704	816	835	847	835	847
Biennial Change in Expenditures				196		162		162
Biennial % Change in Expenditures				15		11		11
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	5.07	5.23	5.48	6.58	6.58	6.58	6.58	6.58