

## Chapter 10 Audit Chaos

The level of auditing chaos in the Office of the State Auditor is extraordinary. Extraordinary claims deserve extraordinary proof. I've researched the auditing of the 28 counties that have been released for audit by CPA firms and provided links to the actual release letters. The results are depicted on the table below.

Click on individual boxes to view Release Letter.

OFFICE OF THE STATE AUDITOR				
COUNTIES AUDITED BY CPA FIRMS				
2003 to 2004, 2005, 2006 to 2008, and 2009 to 2011				
	2003 to 2004	2005	2006 to 2008	2009 to 2011
Becker		<a href="#">Anderson 21</a>	<a href="#">Anderson 21</a>	<a href="#">Otto 5</a>
Beltrami	<a href="#">Anderson 1</a>	<a href="#">Anderson 1</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Benton			<a href="#">Anderson 23</a>	<a href="#">Otto 5</a>
Clearwater	<a href="#">Anderson 2</a>	<a href="#">Anderson 2</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Fillmore	<a href="#">Anderson 3</a>	<a href="#">Anderson 3</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Hennepin	<a href="#">Hennepin</a>	<a href="#">Hennepin</a>	<a href="#">Hennepin</a>	<a href="#">Hennepin</a>
Hubbard	<a href="#">Anderson 4</a>	<a href="#">Anderson 4</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Jackson	<a href="#">Anderson 5</a>	<a href="#">Anderson 5</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Kanabec	<a href="#">Anderson 6</a>	<a href="#">Anderson 6</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Kittson	<a href="#">Anderson 7</a>	<a href="#">Anderson 7</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Koochiching	<a href="#">Anderson 8</a>	<a href="#">Anderson 8</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Lake of the Woods	<a href="#">Anderson 9</a>	<a href="#">Anderson 9</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Le Sueur		<a href="#">Anderson 21</a>	<a href="#">Anderson 21</a>	<a href="#">Otto 5</a>
Marshall	<a href="#">Anderson 10</a>	<a href="#">Anderson 10</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Martin	<a href="#">Anderson 11</a>	<a href="#">Anderson 11</a>		
Mower			<a href="#">Anderson 23</a>	<a href="#">Otto 5</a>
Nobles			<a href="#">Anderson 23</a>	<a href="#">Otto 5</a>
Pennington	<a href="#">Anderson 12</a>	<a href="#">Anderson 12</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Polk			<a href="#">Anderson 23</a>	<a href="#">Otto 5</a>
Red Lake	<a href="#">Anderson 13</a>	<a href="#">Anderson 13</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Renville	<a href="#">Anderson 14</a>	<a href="#">Anderson 14</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Rice			<a href="#">Anderson 23</a>	<a href="#">Otto 5</a>
Rock	<a href="#">Anderson 15</a>	<a href="#">Anderson 15</a>		
Roseau	<a href="#">Anderson 16</a>	<a href="#">Anderson 16</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Steel	<a href="#">Anderson 17</a>	<a href="#">Anderson 17</a>	<a href="#">Otto 1</a>   <a href="#">Otto 3</a>	<a href="#">Otto 5</a>
Swift		<a href="#">Anderson 21</a>	<a href="#">Anderson 21</a>	<a href="#">Otto 5</a>
Todd	<a href="#">Anderson 18</a>	<a href="#">Anderson 18</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Waseca	<a href="#">Anderson 19</a>	<a href="#">Anderson 19</a>	<a href="#">Otto 2</a>   <a href="#">Otto 4</a>	<a href="#">Otto 5</a>
Washington	<a href="#">Anderson 20</a>	<a href="#">Anderson 20</a>	<a href="#">Anderson 22</a>	<a href="#">Otto 5</a>
Wright			<a href="#">Anderson 23</a>	<a href="#">Otto 5</a>
Total	21	24	28	28

The Office of the State Auditor (OSA) has an unfunded mandate to examine all counties (see *Ask Jeff A Question* in Chapter 9). This means that the OSA audits all counties and bills them for the audit on an hourly basis unless the OSA releases a county from the unfunded mandate. However, throughout the 26 years that I have worked for the OSA, we have never audited Hennepin County. A private CPA firm audits Hennepin County. There is no government oversight of that private CPA firm's work on Hennepin County. An additional 27 counties were released from the unfunded mandate for a three-year period (see above) and were, therefore, audited by private CPA firms for audit years 2006 to 2008. These counties have been released again for audit years 2009 to 2011.

The unfunded mandate also includes all three first class cities (i.e, Minneapolis, St. Paul, and Duluth) but not small cities. Private CPA firms audit the small cities.

Contrary to widely held belief; the unfunded OSA mandate does not include the examination of school districts. Interestingly, this exclusion includes Anoka Hennepin School District, even though this district is larger than any government entity examined by the State Auditor's Office. All Minnesota school districts are audited by CPA firms.

The State would obviously benefit from a uniform system of auditing, so, why the inconsistencies in what should be a standardized system of auditing governmental entities? There is no good reason; the situation evolved through politics--- the logical consequence of political influence on an office that would much better be managed by a professional CPA.

One of my goals is to get politics out of local governmental audits. I can do this by privatizing the Audit Practice Division; however, there has to be some government oversight of the privatized system because of the higher fiduciary responsibility of tax dollars.

## [Ask Jeff A Question](#)

This chapter's selected question is from Pat in Eagan.

Pat asks, "Jeff, there is more to the State Auditor's Office than just the Audit Practice Division, why do you focus on only the Audit Practice Division?"

Jeff's Answer: Most individuals do not know what the Office of the State Auditor (OSA) does; the OSA is an obscure elected professional position, not a policy making position. According to Minnesota Management and Budget, 80% of the OSA's budget is "offset" by revenues from conducting audits. Most of those charges come from the Audit Practice Division, which makes up 65% of the OSA's budget. A small portion of those charges comes from the TIF Division. 6.5% of the Office is funded by a statutory appropriation of tax dollars from the legislature.

Click here for more on the budget of the State Auditor's Office.

<http://www.mmb.state.mn.us/doc/budget/narratives/initial09/st-auditor.pdf>

The Audit Practice Division is by far the largest division. About 100 of the roughly 120 employees in the OSA work directly or indirectly in this division.

Now Pat, if you had a voting share of stock in a corporation and you had the opportunity to vote for the CEO of that corporation, would you vote for someone who is qualified to do 35% (100% - 65%) of the job or 100% of the job? The answer is obvious; any other vote would jeopardize your company's going concern (put your corporation at risk for bankruptcy).

To build on this analogy, would you select your corporate auditor by interview and resume— or would you conduct a full-scale elections process with a circus-like atmosphere including campaign promises, lawn signs and campaign buttons? The point is; this job is about qualifications and governance, not campaign promises.

Electing someone who is not a CPA is equivalent to electing a CEO who can only do 35% of the job. It's safe to say that we would all vote for someone who can do 100% of the job, and that is another reason why I am running for State Auditor.

As an outsider, it would seem that, since the career of the State Auditor probably depends upon a lack of big internal fraud, bribery and massive inadvertence on his /her watch, he/she should not be numerically or ethically challenged.

Here's another fun analogy. Let's say that I was overseeing the operation of the particle detector at an abandoned iron-mine in Soudan, Minnesota. Among my responsibilities were the study of global warming and how cosmic rays detected a half-mile underground can be used to detect major weather events occurring 20 miles in the upper atmosphere.

In this scenario, I would want to know the characteristics of cosmic rays (known as muons, which are negatively charged leptons) and their origin as decay products from collisions with other particles known as mesons. I would want to know how an increase in atmospheric temperature expands and thins the atmosphere thus decreasing particle collisions. I'd want to understand that this would result in the decay of fewer mesons due to fewer collisions while more mesons would remain to undergo natural decay into muons. [\(Click here for the rest of the Soudan mine particle detector story\)](#).

I *might* know all of these things about subatomic particles if I were a policy analyst, a manager of a department, a small city mayor or even a CPA, but my chances of overseeing good science would be much higher if I had a degree in particle physics from the University of Oxford (not the E. Anglia Climate Research Unit).

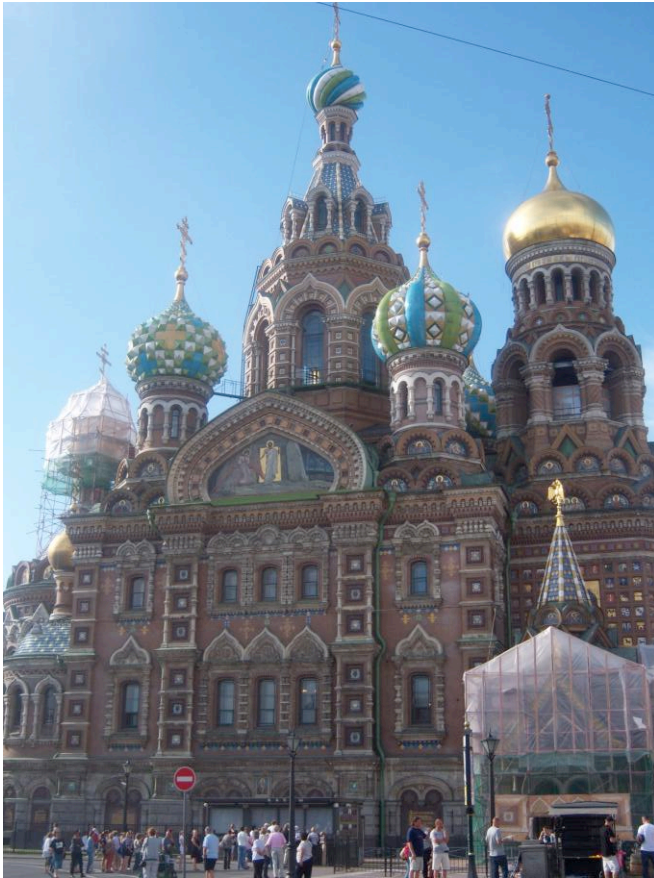
This example isn't governmental accounting, it's only particle physics, but it serves to make the point that that expertise is a good thing to have. That's another good reason to elect a CPA; and not just any CPA, but one who specializes in governmental accounting for the job of State Auditor.

Address all your questions directly to me at [Contact Jeff](#). Please include name and town, name and town, if you wish to opine.

**Blog Spot Links** related story on my campaign by

Speed Gibson

## Family Vacation



Church of Our Savior on Spilled Blood

Our family took a cruise to the Baltic this summer. We left the Port of Copenhagen and stopped in Sweden, Finland, Russia, Estonia, Poland, Germany, and back to Denmark. Neither my wife nor I were prepared for what we were going to see in Russia.

As we sailed from Helsinki to St. Petersburg, we listened to a speaker talk about Peter the Great, the Romanov Family, and the Palaces and Russian Orthodox Church. One story that I will never forget is the Church of Our Savior on Spilled Blood.

At the end of his speech, he said that you would either love St. Petersburg or you will hate St. Petersburg. My wife and I looked at each other and we said, "What did he mean by that?" He had just spent two-hour glorifying St. Petersburg. Why would he have made such a statement?

Even though I had heard about the relationship between the nobility and the church, I had either forgotten about the relationship, or I dismissed the relationship. Sandy and I started to realize what the founding fathers and immigrants were running from. The relationship between the church and the nobility was stomach turning. Every Czar had to build a bigger church for their patron saint, and then the church would lift them to sainthood. I now know why we have Freedom of Religion, and that is "of", not "from."

The time for government accountability has come.

Sincerely,

Jeff Wiita, CPA

Prepared and paid for by Jeff Wiita, CPA for State Auditor  
[http://www.jeffforstateauditor.com/Home\\_Page.html](http://www.jeffforstateauditor.com/Home_Page.html)

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