

Chapter 12 Who's Auditing?

In Chapter 8, *The Single Audit Act-- The Audit Evolves*, I introduced you to the complexity of governmental accounting. It has evolved into a specialist's field. It even requires a specific number of continuing professional education (CPE) credits in governmental accounting. The Government Auditing Standards require at least 24 of the 80 hours of CPE should be in subjects directly related to government auditing to be completed every 2 years. So, if the Office of the State Auditor is not auditing the released counties, then who is? That is the question that needs to be asked about the 28 counties that have been released for audit by CPA firms. The table below summarizes my research and illuminates my concerns with the OSA.

OFFICE OF THE STATE AUDITOR						
COUNTIES AUDITED BY CPA FIRMS AND THE NAME OF THE FIRMS						
2003 TO 2011 (see below for full name of firms)						
	2003 to 2004	2005	2006 to 2008	2009	2010 to 2011	
Becker		HDS	HDS	HDS	HDS	
Beltrami	LA	LA	LA	LA	LA	
Benton			LA	LA	LA	
Clearwater	HDS	HDS	HDS	HDS	HDS	
Fillmore	BTVK	BTVK	BTVK	BTVK	BTVK	
Hennepin	KPMG	McP	McP	McP	McP	
Hubbard	HDS	HDS	HDS	HDS	HDS	
Jackson	BTVK	BTVK	BTVK	BTVK	BTVK	
Kanabec	LA	LA	LA	LA	LA	
Kittson	HDS	HDS	HDS	HDS	HDS	
Koochiching	X	X	WGH	HDS	HDS	
Lake of the Woods	HDS	HDS	HDS	HDS	HDS	
Le Sueur		BTVK	BTVK	BTVK	BTVK	
Marshall	X	X	BM	BM	BM	
Martin	X	X	OSA	OSA	OSA	
Mower			LA	LA	LA	
Nobles			LA	LA	LA	
Pennington	HDS	HDS	HDS	HDS	HDS	
Polk			HDS	BM	BM	
Red Lake	HDS	HDS	HDS	HDS	HDS	
Renville	BTVK	BTVK	BTVK	BTVK	BTVK	
Rice		HLB	HLB	LA	LA	
Rock	X	X	OSA	OSA	OSA	
Roseau	HDS	HDS	HDS	HDS	HDS	
Steel	LA	LA	LA	LA	LA	
Swift		LA	LA	LA	LA	
Todd	LA	LA	LA	LA	LA	
Waseca	BTVK	BTVK	BTVK	BTVK	BTVK	
Washington	LA	LA	LA	LA	LA	
Wright			LA	LA	LA	
Total	21	24	28	28	28	

Audits performed by:

LA – LarsonAllen

HDS – Hoffman Dale and Swenson PLLC

KPMG LLP

McGladrey Pullen

HLB – HLB Tautges Redpath, LTD

BTVK – Baker Tilly Virchow Krause LLP

BM – Brady Marpz and Associates PC

WGH – Walker Giroux and Hahne LTD

OSA – Office of the State Auditor (audits were released from 2003 to 2005)

X – Unknown

Under my Plan, CPA firms placing bids on released audits would have to participate in a Certificate Program. Meeting the CPE requirements, a desk review of prior governmental audits, and a peer review of one prior governmental audit that qualifies under the Single Audit Act would be minimum Certificate requirements. Looking at the CPA firms auditing the released counties, this is what my auditor's intuition tells me.

LarsonAllen's governmental audit division has a contact person named Doug Host. Doug is a former employee of the Office of the State Auditor (OSA) and has an Active CPA License #16098. I know him personally, consider him a highly qualified individual and would grant a Certificate to audit released counties. LarsonAllen would be considered low risk because the firm meets the criteria.

Hoffman Dale and Swenson PLLC is a firm made up of former employees of the OSA. Their firm has a Certificate # 01379 with the Minnesota Board of Accountancy (MBA). I know them personally, consider them highly qualified and would grant a Certificate to audit released counties. HDS would be considered low risk because the firm meets the criteria.

KPMG LLP is not auditing any currently released county audits. They are one of the big CPA firms with substantial accounting support and would be considered low risk because the firm meets the criteria.

McGladrey Pullen is one of the big CPA firms and would be considered low risk because the firm meets the criteria.

HLB Tautges Redpath, LTD: I know nothing about HLB. In the past, they audited only one released county. I would consider them high risk and would do a detailed analysis of their work papers before granting a Certificate because the firm is not known to meet the criteria.

Baker Tilly Virchow Krause LLP has a Certificate # 01028 with the MBA and has audited many released counties in the past. I do not know anything more about them and would have to inquire and interview the audit team, desk review prior audits, and peer review one prior released county audit. BTVK would be considered moderate risk because the firm is not known to meet the criteria.

Brady Marpz and Associates PC has a Certificate # 00159 with the MBA and has audited only one county prior to 2009. I do not know anything more about them and would have to inquire and interview the audit team, desk review prior audits, and peer review the one prior county audit. BM would be considered high risk because the firm is not known to meet the criteria.

Walker Giroux and Hahne, LTD: I know nothing about WGH. In the past, they audited only one released county. I would consider them high risk and would do a detailed analysis of their work papers before granting a Certificate because the firm is not currently known to meet the criteria.

Ask Jeff A Question

This chapter's selected question is from Tim in Blaine.

Tim asks, "What do you think about rotating CPA firms every three years?"

Jeff's Answer: That is an excellent question, Tim, and CPAs have debated that question around the waterhole ever since the Enron and Arthur Andersen Scandal. Here is the problem. When a CPA firm contracts with a local government, it is usually a three-year contract.

The first year is the most costly year for the CPA firm because of the set up costs. They typically won't make any money until the second and third year. By the third year, the CPAs have just started to understand all aspects of the governmental entity's business. That is not the best time to pull the rug out from under their feet. A much better idea would be three-year contracts with mandatory rotation every six years. That would be in the best interest for the taxpayer and yet provide reasonably priced audits.

Here is why rotating auditors is a good idea on a micro level. Let's say Billy was in charge of the record keeping of a church BINGO operation. Because the church is so small, there is not enough staff for segregation of duties; therefore, Billy does all of the accounting cycles. If Billy is never taking vacation, a *big red flag* should appear to auditors. Most fraud in this case is uncovered when Billy becomes ill and someone else with a different set of eyes has to come in and do the job.

The same is true on a macro level. No internal controls can prevent collusion. If the auditors and administration or the governing body develop a plan to commit fraud, the only internal control that will prevent this is the rotation of auditors. New auditors come with a different set of eyes.

With my Plan and the way Minnesota Statutes 6.48 and 6.49 are worded, I could set conditions on the contracts of the released counties and cities of the first class. One such condition would be the rotation of auditors every six years. I would impose such a condition. It would not go over very well with the CPA profession, but my objective is to do what is in the best interest of the taxpayers, not the CPA profession. That is why

I am not a member of any CPA organization or government union. It would jeopardize my “independence in appearance and in fact.”

The worst-case scenario would be to elect a State Auditor who is not a CPA but has an association with or a history with one or more of the big accounting firms. That individual’s career is not dependent upon a lack of big internal fraud, bribery and massive inadvertence being discovered on his /her watch—an important incentive for a professional CPA.

It is incumbent upon all delegates at the Republican Convention in April to have vetted all candidates for State Auditor. If we have not vetted our endorsed candidate, we may elect someone who would release all counties and cities of the first class from the unfunded OSA mandate without proper conditions that would protect the taxpayers. Furthermore, our endorsed candidate, if elected, may not replace the unfunded OSA mandate with a well-regulated peer review program—something fundamental to conservative governance philosophy.

Finally, I would like to point out that I am the *only* candidate seeking the Republican endorsement who is a CPA, and I have 26 years of governmental auditing experience protecting the taxpayer.

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

Current Event, Propitious Trends

The [American Institute of Certified Public Accountants \(AICPA\)](#) recently announced its support of legislation ([H.R. 4410](#)) introduced in the U.S. House of Representatives by Reps. Collin Peterson, D-Minn., and Mike Conaway, R-Texas. The purpose of this bill is to require the U.S. Comptroller General to be a CPA.

“Taxpayers are rightly demanding ever-increasing accountability and transparency from the U.S. government,” said AICPA President and CEO Barry Melancon, CPA. “It is essential that the comptroller general have the education, skills, background, training, and discipline of a CPA.” [SmartBrief](#) [WebCPA\(12/28\)](#)

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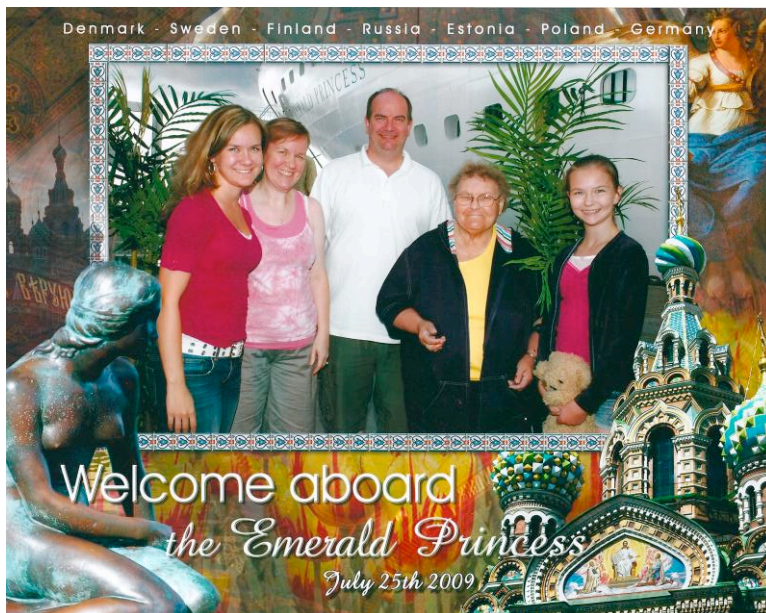
Speed Gibson

Family Vacation (insightful trip to Russia continued)

The next morning, I woke-up early and had breakfast by myself. The buffet area was already full, but I found an empty table for four. I sat down and started to eat.

An older couple asked me if they could join me. I said, "Yes."

The old man had been born in Lithuania and fled his homeland when the Soviets invaded. He told me how the Soviets gave his family an ultimatum to leave his country or die. So, the family fled to America, and he grew up in Chicago. He was an engineer, and he was not able to visit his homeland until after the Iron Curtain fell. Even though the Berlin Wall fell on November 9, 1989, to him the Iron Curtain did not fall in Lithuania until 1991.



I told him about our tour to Peterhof and the little old lady sweeping the street. I asked him where were all of the senior citizens?

He said that all of the senior citizens live 15 miles outside of St. Petersburg. They get a pension, but it is not enough to live in the city or visit the city. He said that the senior citizens sweep the streets with homemade brooms made of branches. That explains why the little old lady was sweeping the street with a homemade broom of straw.

I told him that the city appeared to be dirty, but the streets were clean. He said that they hose down the streets each night. Well, that explains why the streets were wet when there was no rain (see *Family Vacation* in Chapter 11).

Although my perceptions seem endless, the take home message for America is: if you want to protect the environment, you have to limit the size of government. If you want good working conditions, you have to limit the size of government. If you want to have the best health care system in the world, you have to limit the size of government.

When government makes too many promises, it will not be able to deliver. As a result, the government will have to cut services and everything suffers, including the environment.

Our next “port of call” was Tallinn, Estonia.

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

Contact Jeff