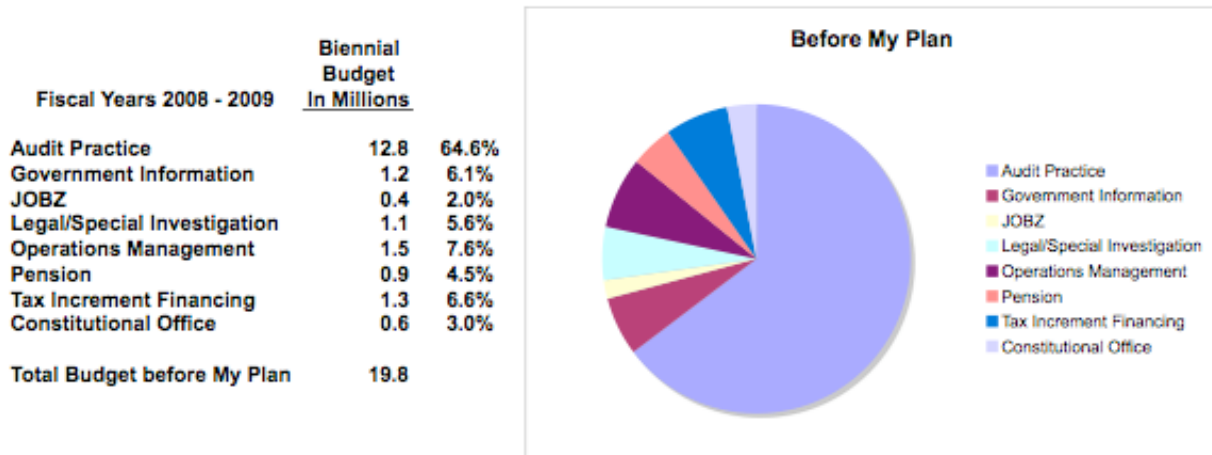


## Chapter 14

### Conservative Redesign Plan for the OSA--- Real Problems, Real Solutions.

The Office of the State Auditor (OSA) has a biennial budget of \$19,756,000. 64.6% of the OSA budget is the Audit Practice Division. The Audit Practice Division would not exist without the following two Minnesota Statutes: 6.48 and 6.49.

Minnesota Statute 6.48 grants powers to the State Auditor to “make a thorough examination” of counties. This is a mandate. The statute also states, “The county receiving any examination shall pay to the state general fund, ... the total costs and expenses of such examination, including salaries paid to the examiners while actually engaged in making such examination.” This makes the mandate an unfunded mandate. Minnesota Statute 6.49 extends the unfunded mandate onto cities of first class, and declares, “The state auditor shall bill said cities monthly for services rendered, including any examination, ...” The unfunded OSA mandate does *not* include school districts and small cities. Private CPA firms audit school districts and small cities. The current budget is detailed in Figure 1 below.



**Figure 1**

Over the 26 years that I have worked for the OSA, we have never audited Hennepin County. A private CPA firm audits Hennepin County. The reason that the OSA fails to audit Hennepin County is a story in three parts. Part one is because Hennepin County applies for the Government Finance Officers Association (GFOA) Certificate, which has a deadline of 6 months after fiscal year end (See Chapter 7, *GFOA Certificate Deadline*). Part two is staffing. If the OSA hired enough auditors to examine Hennepin County by the June 30th GFOA deadline, there would be an idle surplus of OSA auditors for the balance of the year (See Chapter 6, *It's All About Staffing*). Part three is simply a matter of budgeting; the OSA's budget is set by the State Legislature. The OSA is operating at full capacity and without an increase in the budget; the OSA lacks

the ability to audit additional government entities (see Chapter 11, The Governor speaks English and finds it useful).

Twenty-seven counties have also been released from the unfunded OSA mandate (see Chapter 10, Audit Chaos) and (see Chapter 11, The Governor speaks English and finds it useful). This means that these counties are allowed to seek competitive bids for their examinations; in the private sector. This free market approach to auditing has saved county taxpayers hundreds of thousands of dollars over the years, and the counties get their audits done on time.

But, there remains one consequential problem; a deal breaker. There is no government oversight over the work papers of the audits performed by the CPA firms. These work papers are peer reviewed by the CPA profession. This self-policing, self-motivated, peer review program gave us the Enron debacle; the icon of accounting oversight failure.

A similar self-policing, self-motivated peer review program in the science community gave us man-made global warming and Climategate. Therefore, you simply cannot rely on any professional peer review program to look out for you the taxpayer. Peer review arrangements are all based on self-preservation and inadequate for the elevated fiduciary burden of tax dollars.

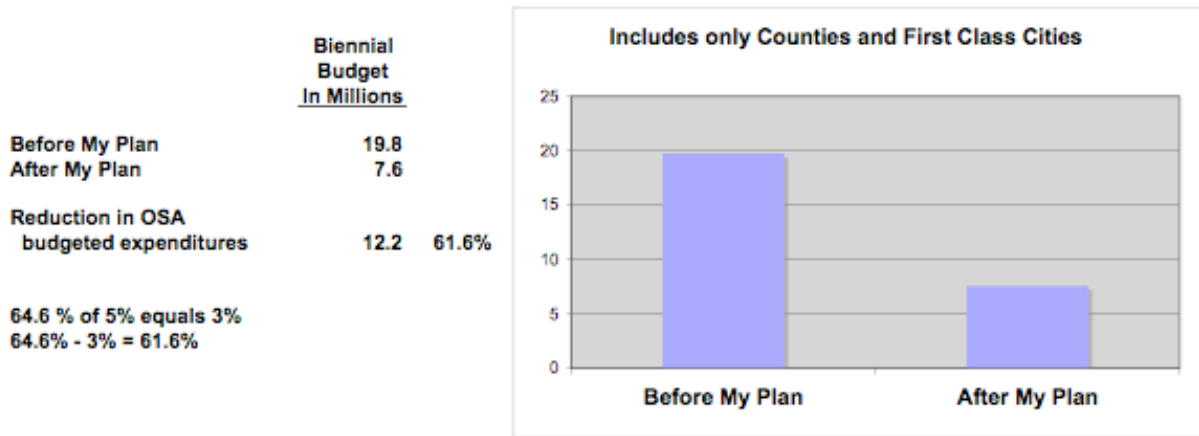
My Plan is to privatize the Audit Practice Division, release the remaining 59 counties and three first class cities from the unfunded OSA mandate, and replace the Division with a Peer Review Division. The Peer Review Division would be about 5% the size of the current Audit Practice Division. That would result in a 61.6% reduction in budgeted expenditures for the OSA. The redesigned Division would leave the OSA budget as annotated by Figures 2 & 3 below.

Fiscal Years 2008 - 2009	Biennial Budget In Millions	
Peer Review **	0.6	7.9%
Government Information	1.2	15.8%
JOBZ	0.4	5.3%
Legal/Special Investigation	1.1	14.5%
Operations Management	1.5	19.7%
Pension	0.9	11.8%
Tax Increment Financing	1.3	17.1%
Constitutional Office	0.6	7.9%
<b>Total Budget after My Plan</b>	<b>7.6</b>	

\*\* Peer Review Budget is estimated to be 5% of current Audit Practice Budget. (12.8 Million \* 5% = .6 Million)



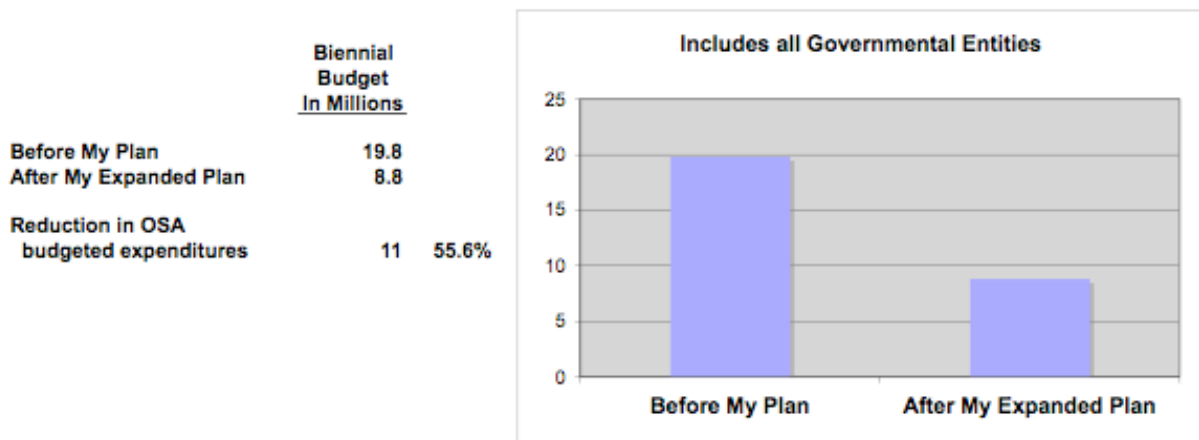
**Figure 2**



**Figure 3**

This well-regulated and extensively overseen peer review process administered by the OSA is *not* intended to replace the current peer review program administered by the CPA profession, but is intended to be a supplement to their process. It is intended to protect the interests of the taxpayer, not the CPA profession.

Note that this peer review process only includes counties and first class cities. This is because their release from the unfunded OSA mandate would be conditional on their participation in the peer review process. School districts and small cities are not covered under the unfunded OSA mandate; therefore, a change in state statute would be required before school districts and small cities could be included in an expanded peer review process. If such legislation were passed, the Peer Review Division would triple in size and would result in a 55.6% reduction in budgeted expenditures for the OSA. The budgeted savings of the expanded peer review program is presented in Figures 4 below.



**Figure 4**

Perhaps most important is that the expanded peer review program would bring proper conservative governance and a measure of consistent accounting oversight to all levels of government, not just counties and first class cities.

## Ask Jeff A Question

This chapter's selected question is from Robert in Minneapolis.

Robert asks, "What do you think about having the State Auditor's Office take over the internal audit function of the City of Minneapolis?"

Jeff's Answer: The State Auditor is an elected partisan office holder, and from my point of view, that is a problem in itself. The internal audit function is a local issue. The injection of statewide partisan politics into a local internal audit department is bad governance. I am trying to get politics *out* of local governmental audits, not increase political influence of local governments.

If the internal auditor can show that he or she has independence, the external auditors can use that internal auditor to help cut audit costs. External auditors have to look at whom the internal auditors report to. If the internal auditors report to the auditee then there is no independence. If the internal auditors report to the City Council or a Board established by the City Council, then there is independence.

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)

*Taxpayers are rightly demanding ever-increasing accountability and transparency from the U.S. government. It is essential that the comptroller general have the education, skills, background, training, and discipline of a CPA. ---Barry Melancon*

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

Speed Gibson

## Endorsement

Terry Stone, BPOU Chair of Koochiching County

## Family Vacation

Our next “port of call” was Gdansk, Poland (Home of the Solidarity Movement). Sandy has a knack of always picking the most interesting tour. This time she chose the “Journey to Freedom.”



The Polish people are very proud people and they have a lot to be proud of. They do not want the world to forget what they suffered during the Soviet occupation. We visited a couple of museums and they all had a common theme. From their point of view, it was the Solidarity Movement and Pope John Paul II that brought down the Soviet Union.

I agree, they were major players in the fall of the U.S.S.R. It's also important to consider President Reagan's Strategic Defense Initiative (SDI) at the Reykjavik Summit, Margaret (*Iron Lady*) Thatcher, Charlie Wilson's (CIA) War in Afghanistan, and the Saudi Royal Family flooding the world market with cheap oil. But, I was not in Iceland, England, Afghanistan, the Middle East, or the USA. I was in Poland, so I listened to what they said, and I was glad that I did.



In the U.S., it is not widely understood that Solidarity was

an anti-Communist trade union that wanted a free market economy and opposed a government-controlled economy. What appears to confuse Americans is that American trade unions appear to support the exact opposite position. American trade unions want more government-control over the economy. If that gets you confused, you are not alone.

During World War II, Gdansk was completely destroyed. Today, it has been completely restored. They rebuilt the old buildings from historical pictures from before the war. It is amazing to see what the Poles have done to erase WW II, and it is equally amazing how they are dedicated to historical awareness.

Today's Poland is a shrine to fighting and surviving government oppression. The further we let our country slide, the harder it will be to take it back.

Our next day was a train ride to Berlin, Germany, where on June 12, 1987, Reagan said, "Mr. Gorbachev, tear down this wall."



**Tear down this wall. (wsj)**

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)

***Contact Jeff***