

Chapter 17

What's Broken and How to Fix It-- Part 1

Chapter 1 was an introduction to my candidacy for State Auditor. Chapters 2 through 5 gave some history of the politics behind the Office of the State Auditor (OSA). Chapters 6 through 13 outlined the problems facing the OSA, and Chapters 14 and 15 detailed the vision and motivation behind my Mission Statement and Plan for the OSA. Chapter 16 discussed how to eliminate a political *welfare* check by combining the State Auditor's Office with the Legislative Auditor's Office and eliminating the elected position of State Auditor. Chapter 17 will start to outline related problems that the Legislature needs to address in order to maintain prudent and effective governmental oversight of taxpayer funds.

We begin by examining the qualifications for the State Auditor by considering what qualifications are statutorily required of other Minnesota office holders. Minnesota Statute 204B.06, Subdivision 8, states,

“A candidate for judicial office or for the office of county attorney shall submit with the affidavit of candidacy proof that the candidate is licensed to practice law in this state. Proof means providing a copy of a current attorney license. A candidate for county sheriff shall submit with the affidavit of candidacy proof of licensure as a peace officer in the state. Proof means providing a copy of a current Peace Officer Standards and Training Board license.”



The State Auditor has no such requirement. While the Legislature requires professional qualification at the county level, the Minnesota Constitution has no standards for State Auditor or, for that matter, Attorney General. To conservatives, this may sound ominous, even alarming, but there simply are no such requirements for State Auditor or Attorney General. An individual could be a High School dropout or simply politically ambitious and be elected State Auditor or Attorney General.

According to auditing standards issued by the Comptroller General of the United States, an individual must be a Certified Public Accountant to opine on a set of financial statements (i.e., express an opinion, sign an Auditor's Report, etc), which is 65% of the job

responsibilities of State Auditor. It is required that each person who opines on a set of financial statements in Minnesota shall possess an active CPA license.

Past State Auditors have used a classical technique to circumvent these requirements. The dubious tradition is to hire a Deputy State Auditor (Deputy Czar) who is a CPA to manage the Audit Practice Division. The Deputy State Auditor then provides legitimacy by co-signing the Auditor's Report. This is a serious internal control weakness. To make a bad situation considerably worse, opining on internal controls is among the functions of the State Auditor.

Let me reiterate the problem. The elected head of the Constitutional office of the OSA cannot perform the duties of his or her job without getting the permission of his or her deputy in order to fulfill his or her duties. The deputy serves at the beck and call of the elected official upon whose goodwill his or her job depends.

From the standpoint of an auditor and a CPA, this is an obvious, substantial and unacceptable internal control weakness. The elected official cannot do his or her job without an active CPA license or without compromising internal controls. Once internal controls are compromised, the system is susceptible to political fraud and public accountability is surrendered.

The people can implement an immediate *de facto* solution to this internal control problem by voting for only candidates who fulfill the most obvious requirement for the State Auditor position; endorse and vote for only a CPA to fill the slot.

Over a medium time frame, there may be the possibility of Legislative mitigation of the internal control shortcoming. Although the State Auditor is a Constitutional Office, the State Legislature has had considerable conversance with extra-constitutional meddling in the past; most notably the Reorganization Act of 1973 (Chapter 2, *Strange But True*). The Legislature can pass a law requiring that candidates for both the State Auditor and the State Attorney General present proof of respective professional credentials along with their affidavit of candidacy.

The long-term solution to the internal control inadequacy is to transfer the audit functions to the Legislative Auditor's Office, who is appointed, and seek a Constitutional amendment where the people can eliminate the elected position of State Auditor (*eliminating a political Welfare check*); just the way it should be. The traditional dependence of the State Auditor on his or her Deputy Czar would end; along with the attendant internal control problem.

Ask Jeff A Question

This chapter's selected question is from Bob in Moorhead. Bob asks, "What was the Revolving Fund?"

Jeff's Answer: The Revolving Fund was an Enterprise Fund (Proprietary Fund) where audit fees collected for services rendered were deposited. It was established by Laws 1947, Chapters 634, Section 24.

An Enterprise Fund has much more autonomy than a department in the General Fund. It was budgeted by the Constitutional Officer (State Auditor), not the State Legislature. The unobligated balance in the Revolving Fund in excess of \$350,000, as of June 30 of each fiscal year was deposited into the General Fund.

The 1989 State Legislature took the Revolving Fund away for the State Auditor and required all receipts from reimbursable examinations to be deposited directly into the General Fund giving them control of the budget of the OSA (more political politics in an office that should be "independent in fact and in appearance").

1989 c 335 art 4 s 2

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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Blog Spot Links related story on my campaign by

Speed Gibson

Endorsement

Terry Stone, BPOU Chair of Koochiching County

Family Vacation (Brussels continued)

The second memorable event in Brussels, Belgium, includes a Canadian couple on our bus tour. Imagine this. We have been off the cruise ship for two days. We have been sightseeing in Copenhagen and Amsterdam before taking a bus tour to Brussels. And, to our surprise, we met a Canadian couple that was on the same Princess cruise ship on the Baltic Sea. And, now we were all sitting on benches in a park in Brussels waiting for our tour bus to arrive so that we could go back to Amsterdam.

I asked the couple what part of the Baltic Cruise they enjoyed most. I was expecting them to say the quaint medieval village in Tallinn, Estonia. I was surprised when he said Peterhof Palace. But, it wasn't just Peterhof that surprised me. It was what he said next. He said, "As American Capitalists you must have loved Peterhof."



A long flight back to America

I said, "*What?*" He said, "Yes, you must have been able to relate with all of the wealth that was accumulated from around the world."

My jaw must have hit the ground. I was completely surprised by the comment.

I said, "How can you equate "Free Market" Capitalism to a Czar (Peter the Great) who forced peasants to fill in a swamp (the spoils of a war with the King of Sweden), with limestone hauled in baskets carried on their backs, so that he could have a warm water port (St. Petersburg) for his Navy?"

"The Czars contributed nothing to society and accumulated wealth by force. All they did was build palaces and religious shrines to their patron saints before being elevated to sainthood."

"Peterhof Palace was not Bill Gates' Mansion. Bill Gates voluntarily sold a valuable product (Microsoft) to free individuals. He made my job and life easier. This is the ultimate form of public service."

I just shook my head, and he just stared at me. No more was said.

A Socialist Canadian getting a “Free Market” civics lesson from an American Capitalists in Brussels, Belgium. How else would you want to conclude a European family vacation?

The time for government accountability has come.

Sincerely,

Jeff Wiita, CPA

Prepared and paid for by Jeff Wiita, CPA for State Auditor
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Contact Jeff