

Chapter 9

Consequences to Missing the Deadline— Yeh, Right

Currently, there are no consequences for missing the Single Audit deadline. Yeh, that's right. Then, why have a deadline? I ask that question all the time and a good answer seems to be evolving. There is talk in Washington about withholding stimulus money if a state or local government does not meet the Single Audit deadline. Before the American Recovery and Reinvestment Act of 2009 (ARRA aka the Stimulus), I would have said that the chances for any consequences were slim, but today there's movement.

For Minnesota counties, the Single Audit cognitive agent (responsible party) is the Minnesota Department of Human Services (DHS) Internal Audits Office (IAO) because most federal money received by counties pass through the DHS. A cognitive agent is responsible for monitoring the resolution of any material findings connected with federal funding and the Single Audits.

Here are the Single Audit players.

The (DHS IAO) contact person is Margaret Brotherton, Single Audit Coordinator, at (651) 431-3622. The Internal Audits Director is David Ehrhardt, (651) 431-3619. Their address is Minnesota Department of Human Services, 444 Lafayette Road, St. Paul, Minnesota 55155-3864.

Nineteen counties and one Health Board will have their 2008 audit reports issued late (after December 1, 2009). Thus, DHS issued the following letter to the 19 counties and one Health Board dated November 23, 2009 ([Click here for Letters to Counties from DHS](#)) ([Click here for Letter to Health Board from DHS](#)).

This extraordinary DHS letter warns of possible sanctions. These sanctions can include withholding a percentage of federal grant dollars; withholding or disallowance of overhead costs; suspension of federal funds; or termination of federal grants. If any of these threatened sanctions end up actually being enforced, watch for the counties to quickly insist that they be released from the unfunded OSA mandate so that they can get timely audits (as you recall, many OSA audits are done well past accepted standards). If that happens, there will be no government oversight of first class cities and counties. They will go the way of school districts; a nightmare for the conservative governing principles of accountability.

The most likely sanction will be withholding or disallowing overhead costs. The federal government reimburses the county for direct and indirect overhead costs. Direct overhead costs include items like human services and social services salaries and rent. Indirect overhead costs include items like a percentage of salaries (in the County Attorney's Office and in the County Auditor/Treasurer's Office), heating,

electricity, audit costs, etc. The counties will have to absorb this lost revenue if they want to continue receiving federal grants. This is why we can expect these entities to pressure the OSA for release from the unfunded OSA mandate for audits; the current OSA late audits will be too costly to bear.

Remember, as I pointed out in Chapter 8, The Single Audit-- The Audit Evolves, the Single Audit deadline is moving from 9 months to 6 months by 2012. If the OSA cannot meet the current 9-month deadline, how would it meet the 6-month deadline? The answer is *even more poorly* in view of this greater risk of *sanctions*. It is very possible that these letters are CYA letters issued by DHS IAO. The intent of the letters is, however, irrelevant; the problem has to be addressed. Here is the list of 19 counties and one Health Board that received letters:

Aitkin County	Itasca County	Pope County
Carlton County	Kandiyohi County	Redwood County
Cottonwood County	McLeod County	Sibley County
Dodge County	Nobles County **	Stearns County
Douglas County	Otter Tail County	Traverse County
Faribault County	Pine County	Carlton-Cook-Lake-St. Louis
Grant County	Pipestone County	Community Health Board

** It should be noted that one county, Nobles County, has been released from the unfunded OSA mandate. LarsonAllen performed that audit. The opinion date on the financial report is 8/26/2009 and the federal Data Collection Form was completed 9/11/2009. Further inquiry revealed that the County Auditor/Treasurer forgot to email a copy of the financial statements to DHS. Therefore, excluding Nobles County, all remaining clients that received the delayed notice from DHS were OSA clients.

The take home message here is that the OSA consistently does slow work for which, now it appears, the counties are going to start paying a substantial price. This means the local taxpayers will pay. My Plan to privatize the unfunded OSA mandate will solve this problem, save counties both money and time while bringing the OSA to a more proper role for government. No less important is that the size of government will be reduced.

Ask Jeff A Question

This chapter's selected question is from Lisa in Long Lake.

Lisa asks, "Jeff, your Mission Statement focuses on first class cities and counties. There is much more inefficiency in school districts. Why are you not focusing on school districts?"

Jeff's Answer: The Office of the State Auditor (OSA) has no statutory authority to examine the accounting and budgeting systems of school districts and bill the school district for any such examination; therefore, school districts *do not* fall under the unfunded OSA mandate. Private CPA firms audit them. The OSA does not even have statutory authority to *examine* the work papers of the private CPA firms who audit school districts.

There is no government oversight of school districts. School audits are peer reviewed by the CPA profession. Any inference or statement to the contrary is flatly unsupported pretense that violates campaign standards and belittles the Constitutional Office of the State Auditor.

right from the horse's mouth

The OSA in Statute

Minnesota State Statute 6.47 allows the State Auditor to *inquire* into the accounting and budgeting systems of all political subdivisions and to *prescribe* suitable systems of accounting and budgeting, but that does not mean *examine*. Examine means to express an opinion on a set of financial statements. School districts, which are a political subdivision, are allowed to go into the free market and get bids (request for proposal, known as an RFP) for their examination services. It is noteworthy that the RFP from a private sector CPA firm costs far less than any RFP from the OSA.

Minnesota State Statute 6.48 allows the State Auditor to examine counties. It also states, "The county receiving any examination shall pay to the state general fund ... the total cost and expenses of such examinations, including the salaries paid to the examiners while actually engaged in making such examination."

Minnesota State Statute 6.49 allows the State Auditor to examine cities of the first class. It also states, "The state auditor shall bill said cities monthly for services rendered, including any examination ..."

The last two statutes (6.48 and 6.49) create the unfunded OSA mandate described in my "Mission Statement." This unfunded OSA mandate binds counties and cities of the first class to the OSA, but not the OSA to the counties and cities of the first class.

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



Yes, it is true. Female overachievers surround me. My youngest daughter, Kayti (12) is an accomplished pianist. She also plays the guitar and flute and sings. This will be Kayti's third year in *Scrooge: A Musical* at the Minnetonka Theatre. She is also studying Spanish and American Sign Language. Kayti's full name is Kateriina Jo Wiita. Yes, you see two "ii" in her first name. Double vowels are common in Finnish names. Kayti was born on March 16. For those of Finnish decent, you will recognize that day as St. Urho's Day. St. Urho is the patron saint that drove

the grasshoppers out of ancient Finland and saved the grape vineyards. That obviously happened during the Medieval Warm Period (MWP) for climate change enthusiasts.

Campaign note

All campaigns soon discover that 130 BPOUs are a logistical nightmare. I pledge to do my very best to visit as many BPOUs as possible. If you have an event that you feel would benefit from my presence, let me know and I will do my best to coordinate an appearance.

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