



Audit & Reporting Group

Agenda: May 28, 2025

- I. Call to Order**
Chair Auditor Blaha.
- II. Attendance**
Roll call.
- III. Review and Approval of Minutes**
Meeting Minutes April 20, 2025.
- IV. Session 2025**
Final Status of Local Government Audit Threshold bills
Discussion of Materials and Information for Legislators
- V. Summer Tour**
Updated Survey Results
Summer Tour Questions
- VI. Next Steps**
Discuss Focus for Future Meetings
- VII. Next Meeting**
June 25, 9:00am – 11:00am
In-Person/Virtual Hybrid Format
- VII. Adjournment**

The OSA appreciates your participation in the Audit and Reporting Group. Your participation is optional, but without it we would lack your expertise. The Audit and Reporting Group meeting will be recorded, and by participating you consent to being included. The recording will be accessible to the public upon request for a limited time.

Individuals with disabilities who need reasonable accommodation to participate in this event, please contact Nadine Kottom-Dale at (612) 391-7000 or (800) 627-3529 (TTY) by July 30, 2024.



Meeting Minutes

April 30, 2025 Draft Minutes

Members Present

Julie Blaha, State Auditor
Lisa Sova, League of Minnesota Cities
Joel Stencel, Minnesota School Boards Association
Kelly Gutierrez, Minnesota Charter Schools Association
Sharon Provos, Association of Metropolitan Municipalities
E.J. Moberg, Minnesota Government Finance Officers Association
Chris Knopik, Minnesota Government Finance Officers Association
Andi Johnson, Minnesota Association of School Business Officials
Jennifer Smith, Minnesota Association of School Business Officials
Andy Berg, Minnesota Society of CPAs
Miranda Wendlandt, Minnesota Society of CPAs
Jamie Fay, CPA, and Stakeholder
Martha Burton, Department of Revenue
Charles Selcer, Minnesota Board of Accountancy
Jake Sieg, Association of Minnesota Counties

Members Excused

State Senator Heather Gustafson
Representative Patti Anderson
Representative Bjorn Olson
David Frame, Minnesota Association of Townships
Cap O'Rourke, MN Association of Small Cities
Wilfredo Roman-Catala, Minnesota Inter-County Association
Cristen Christensen, MN Inter-County Association
Paul Moore, Department of Management and Budget
Cathy Erickson, Department of Education
Jake Rossow, Minnesota Board of Water and Soil Resources

Office of the State Auditor and Legislative Support Present

Chad Struss, Deputy State Auditor
Ramona Advani, Deputy State Auditor and General Counsel
Nadine Kottom-Dale, Communications Director, and Lead Staffer
Lisa Young, Director of Standards and Procedures
Kathy Docter, Government Information
John Jernberg, Government Information
Christy John, Government Information
Burke Spizale, Executive Aide

I. Call to Order

Auditor Blaha called the meeting to order at 9:01 a.m.

II. Attendance

Nadine Kottom-Dale called the role.

III. Review and Approval of Minutes

Members reviewed the Friday, March 7, 2025, meeting minutes that had been provided in advance. The meeting minutes were accepted with no changes at 9:06 a.m.

IV. Legislative Update

Auditor Blaha presented a threshold legislation update to group members, which focused on Municipalities and Municipal Liquor Stores.

For municipalities, the bill increasing audit requirement thresholds for cities, towns, and special districts to \$1,000,000 is in both the Minnesota House of Representatives and the Minnesota Senate's State and Local Government Omnibus Bills. In addition, a requirement for townships to report in order to receive township aid was added to both bills.

For Municipal Liquor Stores, in the Minnesota House of Representatives State Government Omnibus Bill there's a change in audit requirement threshold from \$350,000 to \$750,000. Both Chairs have agreed to add language requiring the audit be a GAAP audit and include an annual inflation adjustment to the threshold.

OSA Government Information Director Kathy Docter noted that the threshold in the Omnibus Bills is for cities and townships with a population below 2,500 that have a combined Clerk/Treasurer role. In addition, when the threshold is increased, more than 240 cities/townships/special districts move toward AUP's rather than Cash or Regulatory Basis Audits. Docter also highlighted that many of these smaller entities are experiencing difficulties in finding an auditor.

Members discussed the potential of exploring 2,500 in population cut-off for whether GAAP or Regulatory Based Audits are required.

V. Legislative Best Practices

Auditor Blaha presented an Areas of Agreement Draft. The presentation focused on topics including: The shortage of public finance staff, expanding the metrics for considering audit and reporting thresholds, engagement, type of thresholds, the Clerk/Treasure structure and Agreed Upon Procedures (AUP's).

Members discussed: The trade-offs for AUP's (such as less accurate reporting), the high turnover rate of Clerk/Treasurer's, the value of consistency of audit types across entities, linking information from financial statements into reporting forms and ways to accomplish that and UFARS.

VI. Surveys

Auditor Blaha shared early results from the Audit Firm survey. The survey had 45 responses from private firms, with a diversity in size, services provided and geography.

The top reasons why firms said they do or are considering providing services to Minnesota local government included: Strong client relationships, steady demand and stability, personal interest and specialization, geographic fit, less compressed deadlines and mission and civic pride. The top reasons why firms said they don't or aren't considering providing services to Minnesota local governments included: Staffing shortages, complex and growing regulatory burden, low profitability, travel challenges and frustration with government operations.

When asked what would make conducting AUP's more attractive to your firm, the top reasons included: Scheduling and deadlines, frequency and recurrence, simplification and recourses, client changes and profitability.

Members discussed the opportunities and challenges with two different distinct year-ends, 630 and 1231. Members also discussed the benefits of moving away from the 150 hours required to be a certified public accountant (CPA), local government auditing is niche and can contribute to challenges of private firms taking the business and potential ways to encourage students to the field of public auditing/accounting to address the public finance staff shortage.

VII. Preview Next Meeting Topics

Members discussed potential topics for the May meeting, which included: Expanding on the Areas of Agreement Draft, AUP's, how to encourage consistency in the chart of accounts and how to raise the exposure of government accounting to students.

VIII. Next Meeting

The next meeting will be held on Wednesday, May 28, 2025 from 9 – 11 a.m. as an in-person/virtual hybrid format.

IX. Adjournment

The meeting was adjourned at 10:39 a.m.



Audit and Reporting Group *Legislation Summary 2025*

Bills

Senate File 564 / House File 2083

- Raised the threshold for combined clerk-treasurer cities & towns, and special districts for an annual GAAP audit to \$1,000,000
- Added a requirement that townships complete annual reporting to receive Township Aid

Senate File 3072 / House File 1956

- Raised threshold for annual GAAP audit for municipal liquor stores from \$350,000 to \$750,000
- Included an inflationary adjustment
- Included requirement for a GAAP audit where required

Key Messages

There was little disagreement with the above bills, but questions of risk were common.

- The shortage of public finance staff requires us to focus audits where they will be most effective
- Current thresholds have not been recalibrated for decades in some cases
- Revenue is a good proxy for risk when deciding where audits should be focused
- Considering the level of total revenue under audit is a good indicator of how much a change affects risk
- Reporting is a backstop for entities that do not need an audit
- The asks for changes came from front line local government staff and officials
- Stakeholder groups and the OSA supported the changes

Discussion

What information do legislators need to consider changing audit and reporting requirements?

Which messages are most helpful?

What data and tools could legislators use going forward?



Audit and Reporting Group

State Auditor's Summer Tour 2025

Rationale

Instead of a formal summer tour of government units, I'd like to connect with stakeholder groups and private audit firms who do Agreed Upon Procedures. This is an outgrowth of the work we are doing with AaRG and a response to legislation passed this year that will shift the types of reporting local governments do, particularly as it relates to AUPs.

The goal of the meeting is to understand how the private market views taking on Agreed Upon Procedures (AUP) engagements. For private firms, we'd like to meet with the people who decide what business a firm takes on. With the organizations, we'd like to meet with someone who understands what local government staff and officials are dealing with as they try to get AUPs done.

Logistics

Organizations:

- League of Minnesota Cities
- Small Cities Association
- Coalition of Greater Minnesota Cities
- Minnesota Association of Townships

Audit Firms Recently Doing AUPs:

- Miller McDonald
- Pierce Accounting and Tax Services
- CLA
- BradyMartz
- Brian Koehn
- Hometown Tax & Acct.
- Katie M. Jacobson
- Drealan Kvilhaug Hoefker & Co
- CDS
- Hoffman, Philipp, & Martell, PLLC
- Clasen & Schiessl
- CarlsonSV

Discussion

What questions should I ask at these meetings?

Are there other people and firms that I should meet with?

Are there other logistical considerations we should think about?



Audit & Reporting Group School Survey

Responses Overview

Active

Responses

29



Average Time

05:21



Duration

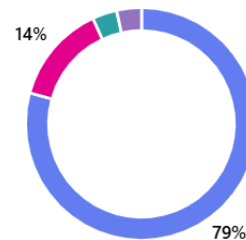
68 Days



1. Which type of entity are you representing in this survey?

[More details](#)

School District	23
Charter School	4
Other District	1
Other	1



2. Please enter the name of your school or district:

Aitkin ISD #1 | Barnum Public Schools | Cloquet Public Schools | Cook County Schools | Cromwell-Wright School | Cyber Village Academy | Deer River Public School District, ISD #317 & ISD #6080 (MN Infinity Online) | East Central | Ely Public Schools | Esko Public School District | Greenway Public School District | Hennepin Schools | Hiawatha Academies | ISD #701 Hibbing Public Schools | ISD #712 - Mountain Iron-Buhl Public School | ISD 002 Hill City School | ISD 578 Pine City Schools | Independent School District No 97 - Moose Lake | Lakes International Language Academy 4116 | Littlefork Big Falls ISD 362 | McGregor ISD 4 | Mesabi East Schools, ISD 2711 | Nashwauk Keewatin | Northland Community Schools | Northern Lights Academy Cooperative | Rock Ridge Public Schools | Twin Cities Academy | Willow River Area School | Wrenshall ISD 100

3. Is your current auditor working outside the United States?

[More details](#)

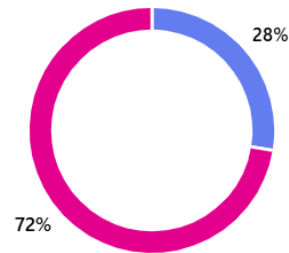
Yes	0
No	29



4. Have you ever experienced a problem meeting an audit deadline?

[More details](#)

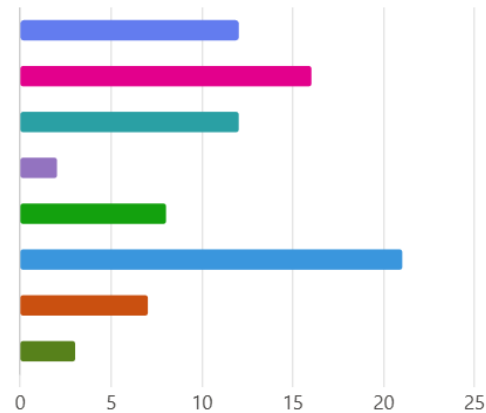
- Yes 8
- No 21



5. Which problems have you experienced in completing your audit?

[More details](#)

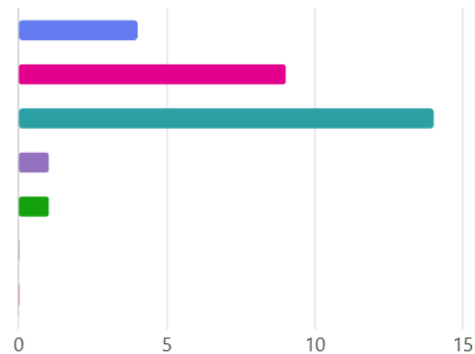
- Cost of the audit 12
- Capacity of your auditor to complete audit work in a timely fashion 16
- Capacity of school or district staff to complete audit prep work in a timely fashion 12
- Lack of response to requests for proposals (RFPs) for an audit engagement 2
- Being dropped by current auditor 8
- Additional work required due to new Audit requirements (GASB, Single Audit, etc.) 21
- School staff has limited financial expertise 7
- Other 3



6. What has happened the cost of your audit over the past five years?

[More details](#)

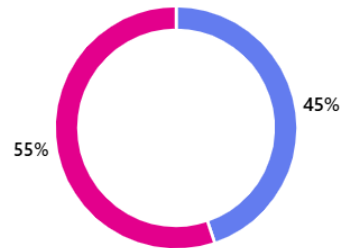
- Major increase in cost (40% or greater) 4
- Moderate increase in cost (21-40%) 9
- Minor increase in cost (3-20%) 14
- No real change in cost (0-3%) 1
- Minor decrease in cost (3-20%) 1
- Moderate decrease in cost (21-40%) 0
- Major decrease in cost (40% or greater) 0



7. Have you done an RFP (request for proposal) for an audit within the last five years?

[More details](#)

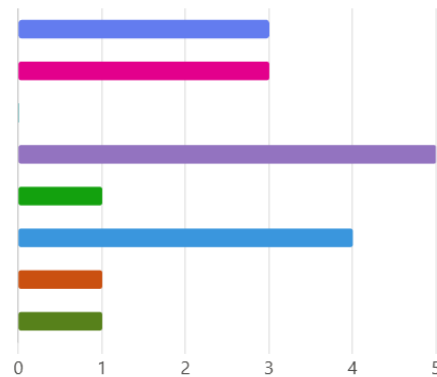
- Yes 13
- No 16



8. If yes, please select the reason for the RFP?

[More details](#)

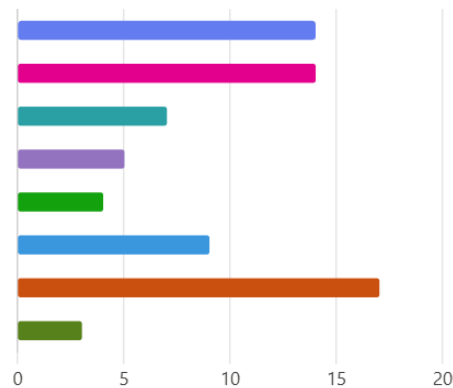
- Audit costs 3
- Capacity of your auditor to complete the audit on time 3
- Need more support for your staff to complete audit prep work 0
- Dropped by auditor 5
- Policy of rebidding audit every so many years 1
- Wanted to explore options 4
- Change in audit needs (ex: new single audits, more complex budget, ect.) 1
- Other 1



9. Which parts of your audit are challenging for you and your staff?

[More details](#)

- Understanding Government Accounting Standards Board (GASB) standards 14
- Implementing Government Accounting Standards Board (GASB) standards 14
- Accounting for federal grants 7
- Accounting for state grants 5
- Accounting for local grants 4
- Complying with procurement processes 9
- Staff capacity 17
- Other 3



10. What supports do you wish you had to help you complete an audit? (summary AI generated)

- **Standardization and Clear Guidance**
 - Desire for standardized forms, checklists, and plain-language summaries of audit and GASB requirements.
 - Frustration with variability in requirements when changing auditors.
- **Increased Staffing and Expertise**
 - Need for more business office staff due to reductions.
 - Additional in-district expertise and training for non-business staff.
 - Reliance on external support (e.g., ARCC, auditors, regional computing consortiums).
- **Time and Workflow Improvements**
 - Requests for extended timelines or more flexible deadlines due to tight audit schedules.
 - Comments on needing more time between receiving financials and audit due dates.
- **Tools and Systems**
 - Transition to SMART Finance for better audit responsiveness, despite increased costs.
- **Audit Burden Sharing**
 - Suggestion that auditors assist with complex tasks, especially in small districts where capacity is limited.

11. Is there anything else you'd like to tell us about your audit experiences or situation? (summary AI generated)

- **Positive Auditor Relationships**
 - Many respondents praised their auditors as helpful, patient, thorough, and timely.
 - Appreciation was shown for auditors who offered strong support, especially to new business managers or when switching firms.
- **Rising Audit Costs**
 - Significant increases in audit fees over recent years — in one case, a 100% increase since 2020.
 - Added costs due to office staff turnover and the resulting errors auditors had to correct.
- **Staffing and Learning Challenges**
 - New or inexperienced staff expressed the steep learning curve in managing audits.
 - High staff turnover and reduced audit team size from firms create added burdens.
 - Concerns about burnout, knowledge loss, and limited time for training or reflection due to audit pressures.
- **Operational Complexity**
 - Rural and/or small schools with many programs face a high number of single audits, increasing workload.
 - Transition to remote work for audits (e.g., uploading files, fewer in-person days) has become more common.
- **Audit Process Strain**
 - Audit demands are perceived as overly complex and taxing ("death by a thousand cuts"), especially with limited resources.
 - There is value in audits for process improvement, but the current model is described as overwhelming and unsustainable.



Audit & Reporting Group

Audit Firm Survey

Responses Overview

Active

Responses

46



Average Time

26:28



Duration

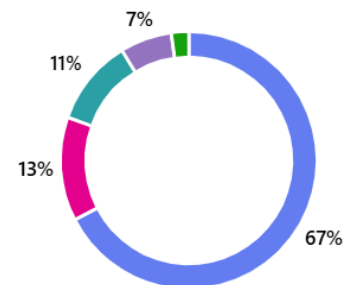
48 Days



1. Your role at your firm:

[More details](#)

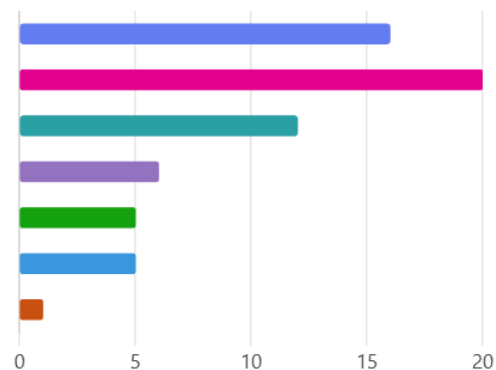
Owner/Partner	31
Auditor/Accountant with 1-10 years of experience	6
Auditor/Accountant with 11-20 years of experience	5
Auditor/Accountant with 20+ years of experience	3
Other	1



2. Where are the bulk of your clients located?

[More details](#)

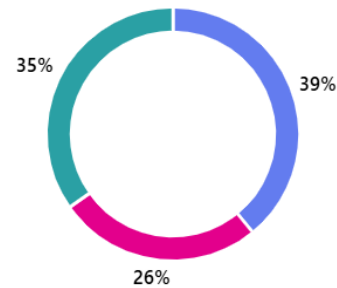
Metro Area	16
Central Minnesota	20
Northwest Minnesota	12
Northeast Minnesota	6
Southwest Minnesota	5
Southeast Minnesota	5
Other	1



3. What is the size of your firm?

[More details](#)

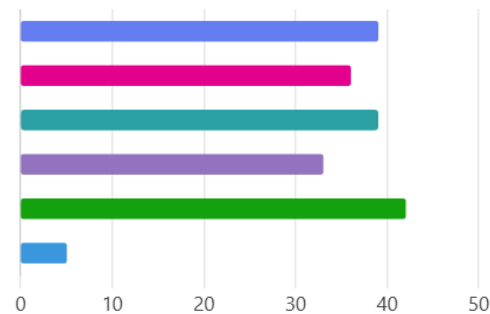
1-50 Staff	18
51-100 Staff	12
Over 100 staff	16



4. What services does your firm provide in Minnesota? Select all that apply.

[More details](#)

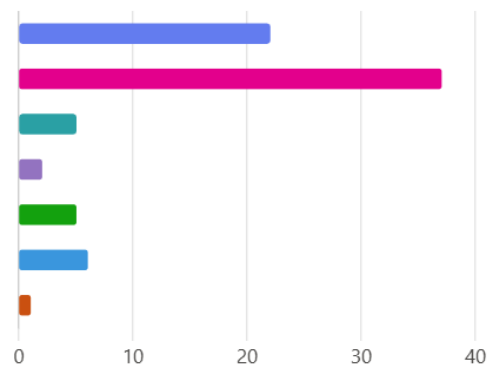
Tax	39
Consulting	36
Accounting Services	39
Payroll Services	33
Audits	42
Other	5



5. Does your firm provide services to Minnesota local government (ex: school districts, cities, counties, townships, joint powers, port authorities, local housing development authorities, park boards, etc.)? Select all that apply.

[More details](#)

Our firm does provide accounting services to Minnesota local government	22
Our firm does provide auditing services to Minnesota local government	37
Our firm does not but is considering providing accounting services to Minnesota local government	5
Our firm does not but is considering providing auditing services to Minnesota local government	2
Our firm does not and is not considering providing accounting services to Minnesota local government	5
Our firm does not and is not considering providing auditing services to Minnesota local government	6
Other	1



Question 6. What are some reasons why your firm does, does not, or is considering providing services to Minnesota local government? Another way to think of it: What makes Minnesota local government work attractive or unattractive to your firm? **(summary AI generated)**

Top Reasons Why It's Attractive:

- **Strong Client Relationships:** Many firms cited long-term relationships and positive, trusting partnerships with local governments.
- **Steady Demand and Stability:** Government audits are seen as reliable, consistent work — audits are required even in downturns.
- **Personal Interest and Specialization:** Some individuals have a passion for public service or politics, and firms have chosen to specialize exclusively in government audits.
- **Geographic Fit:** For firms located in Minnesota, local governments are conveniently within their footprint.
- **Less Compressed Deadlines:** Compared to private business audits (like 4/15 tax deadlines), local government audits spread out work over the year.
- **Mission and Civic Pride:** A few responses expressed civic duty, transparency goals, and helping governments navigate complex standards.

Top Reasons Why It's Unattractive:

- **Staffing Shortages:** Difficulty hiring qualified staff — both internally and within the client governments — is a major concern.
- **Complex and Growing Regulatory Burden:** Constant changes in standards (e.g., GAAP, GASB 68) have made audits more complicated and burdensome, with little perceived benefit for small governments.
- **Low Profitability:** Fee pressure is intense; governments choose low bids, making it less profitable compared to commercial work.
- **Travel Challenges:** Serving rural Minnesota areas can be tough due to travel time and costs, especially without strong technology.
- **Frustration with Government Operations:** Some view small government entities as poorly managed, with too much regulation and internal inefficiencies.

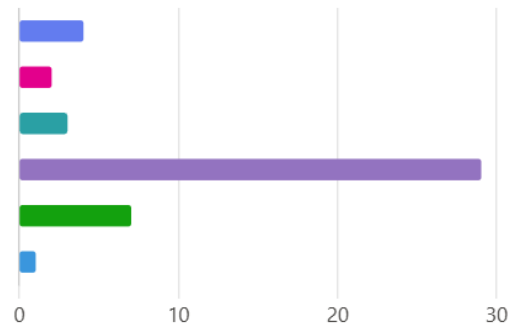
Other Interesting Points:

- **Niche Dominance:** Some firms do only government audits to become true specialists.
- **Future Risk:** A few small firms mentioned they may exit the market within 3–5 years due to regulatory costs and retirements.
- **Desire for Simpler Standards:** Calls for audits on a regulatory basis instead of full GAAP — especially for small governments.

7. What portion of your firm's business involves Minnesota local government?

[More details](#)

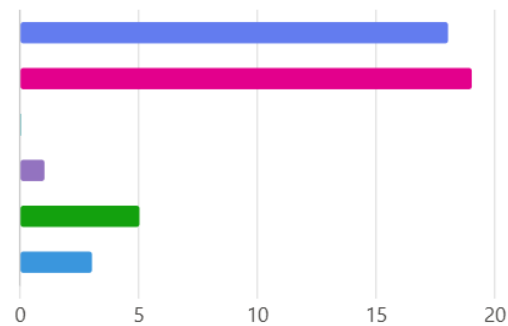
● All of our business	4
● Most of our business	2
● About half of our business	3
● Some of our business	29
● None of our business	7
● Other	1



8. If your firm provides services to Minnesota local government, do you plan to change the volume of that work?

[More details](#)

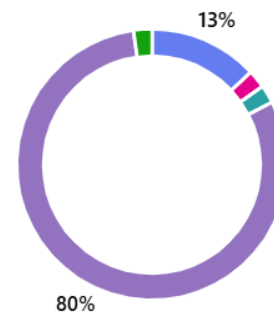
● Our firm plans to do more work with Minnesota local government in the next fe...	18
● Our firm plans to do about the same amount of work with Minnesota local...	19
● Our firm plans to do less work with Minnesota local government in the next fe...	0
● Our firm plans to stop doing work with Minnesota local government in the next fe...	1
● Our firm does not currently or does not plan to work with Minnesota local...	5
● Other	3



9. About how long has your firm been providing, or did provide in the past, services to Minnesota local Government?

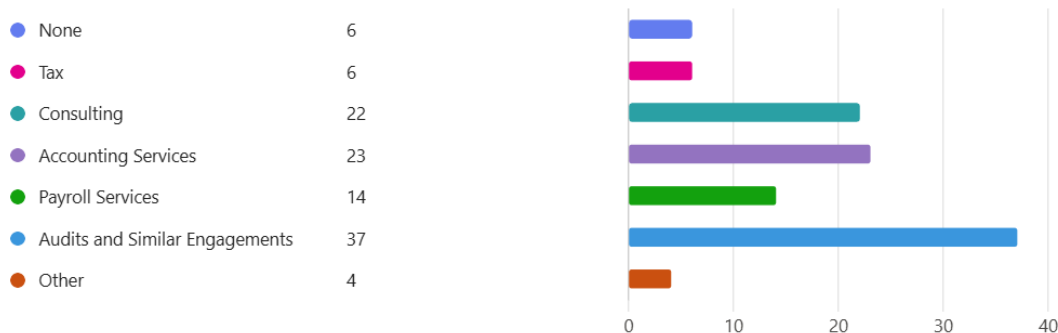
[More details](#)

● 0 years	6
● 0-5 years	1
● 5-10 years	1
● Over 10 years	37
● Other	1



10. Which specific services does your firm provide to Minnesota local government? Select all that apply.

[More details](#)



Question 11. Are there specific services provided to local governments, your firm hopes to increase providing or plans to discontinue providing? Please add a reason for the change if known.

(summary AI generated)

Firms Hoping to Increase Services:

- **Audit Services:** Most common — firms want to expand the number of audits they perform (cities, counties, school districts), if they can find enough staff.
- **Consulting and Advisory Services:** Many firms hope to grow consulting services — like finance director roles, process improvements, audit preparation, and accounting support — especially for small governments struggling with internal expertise.
- **Accounting Services:** Some want to offer more accounting help directly, including fractional finance director services.
- **Municipal Advisor Services:** One firm specifically mentioned entering or expanding into municipal advising.

Firms Planning to Discontinue or Exit:

- **Retirement and Staffing Challenges:**
A few firms (especially small ones) plan to exit the government market in the next 3–5 years due to:
 - Retirement of partners.
 - Inability to recruit and retain qualified staff.
 - Difficulty offering competitive salaries/benefits.
 - Younger staff are less interested in government work due to long hours, political challenges, and heavy regulation.

Major Barriers and Limitations:

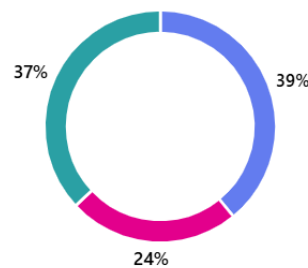
- **Staffing Shortages:** Firms across the board said they would grow if they could find and keep good people.
- **Independence Rules:** Providing accounting services is tricky for audit firms because of independence conflicts.
- **Client Fit:** Some firms emphasized they only want to expand with good-fit clients — firms are willing to move on from difficult or uncooperative ones.

Overall Tone:

- Firms **want to grow** their local government services, particularly in auditing, consulting, and accounting.
- Staffing** is the **single biggest constraint**.
- A few firms are **preparing to wind down** their services due to demographic and economic realities.

12. The Minnesota State Legislature is considering changing audit thresholds for cash/regulatory basis audits, potentially leading to a higher demand for agreed-upon procedures engagements (AUPs) that are conducted every five years. Would your firm be interested in performing more AUPs? [More details](#)

Yes	18
No	11
Not Sure	17



Question 13. What would make conducting AUP's more attractive to your firm? For instance, are there resources or support that could make you more likely to take on this work? Are there scheduling or deadline structures that would make it easier to take on AUPs? **(summary AI generated)**

Scheduling and Deadlines:

- Firms strongly prefer later deadlines (like August 15 or September 30) rather than spring deadlines (March–May) that clash with tax season.
- Flexibility and longer windows would help firms fit AUPs into their schedules.

Frequency and Recurrence:

- Annual AUPs would be far more attractive than once every five years.
 - 5-year gaps cause huge inefficiencies: harder to build client relationships, price services, and manage risk.
 - Firms lose familiarity with the client's operations over five years.

Simplification and Resources:

- Firms want:
 - Clear checklists and templates for procedures.
 - Training (initial and ongoing) on how to perform Minnesota AUPs properly.
 - Online tools to complete AUPs easily, maybe even online reporting forms.
 - Clarified risk and independence expectations.

Client Challenges:

- Many small government clients have poor accounting records and untrained staff, making AUPs harder and riskier.
- If the local staff were stronger in accounting, AUPs would be much more manageable.

Profitability:

- Fees are lower for AUPs, but the work can still be complex and risky.
- Unless AUPs become more frequent or easier to perform, many firms will avoid them for business reasons (low margin, scheduling conflicts).

Other Ideas or Suggestions:

- Increase AUP thresholds so more small governments can qualify and justify the service.
- Electronic access to client information to save time.
- Reduce or adjust YellowBook or peer review implications if applicable.
- Encourage small governments to train their staff better in basic accounting.

Overall Tone:

- AUPs could be attractive, but only if deadlines are realistic, procedures are simple, training is available, and firms can perform them more consistently (not just every five years).

Question 14. What would make providing auditing services (GAAP and cash/regulatory audits) to the Minnesota local government more attractive to your firm? **(summary AI generated)**

Deadline Flexibility:

- Many firms strongly support later deadlines (August 15, September 30, or even end of 3rd quarter) especially for smaller entities and cash/regulatory audits.
- Moving deadlines away from busy tax season (Feb–April) made audits more manageable.

Client Preparedness and Staffing:

- A huge issue is poor recordkeeping and untrained local government staff.
- **Firms suggested:**
 - More bookkeeping help (like “Regions” for schools).
 - Standardized accounting systems (e.g., a uniform chart of accounts).
 - Assistance programs to help governments recruit qualified staff.

Simplification of Requirements:

- Legal Compliance Guides are too detailed and feel like legal work rather than accounting.
- **Requests to:**
 - Simplify compliance testing steps.
 - Reduce the complexity of GASB requirements, especially for small governments.
 - Use regulatory basis rather than GAAP for smaller governments.
 - Limit length and complexity of footnote disclosures.

Profitability and Fees:

- Many firms said audit fees have not kept up with the rising complexity and effort needed.
- Government audits are often less profitable than private work.
- Firms want:
 - Higher fees.
 - Market recognition of increased time and costs (e.g., risk assessment requirements, GASB changes).

General Sentiment:

- A few firms say they already enjoy doing government audits and find the work meaningful.
- Others are frustrated that despite all the work and training, local governments and residents often don't fully understand or value the final audit reports.
- There's growing concern that without change, some firms may stop offering these services, especially small to mid-sized firms.

Overall Tone:

- Positive but cautious. Firms enjoy the work, especially if clients are strong and deadlines are manageable, but frustrations with fees, staffing, complexity, and timing are putting pressure on their ability and willingness to continue.

Question 15. How are staffing shortages among your firm's clients or your firm itself affecting you? **(summary AI generated)**

Main Themes:

- **Client staffing issues:**
 - Many local governments are losing experienced staff through retirement or turnover.
 - New hires often lack governmental accounting expertise.
 - Clients are less prepared for audits, causing delays and additional work for firms.
- **Firm staffing challenges:**
 - Firms are struggling to hire and retain experienced auditors, especially at supervisory and management levels.
 - Many firms can hire entry-level staff but face difficulties finding experienced professionals.
 - Staffing shortages limit the ability to expand services and accept new clients.
- **Workload and capacity:**
 - Existing staff (especially managers and partners) are overworked, leading to burnout.
 - Firms are forced to turn away potential new clients and proposals.
 - Lack of qualified staff reduces efficiency and increases stress during busy seasons.
- **Financial and business impacts:**
 - Additional training needs and audit delays sometimes result in fee pressure or write-downs.

- Some firms are intentionally staying small or reducing their government audit work due to the difficulty and cost of staffing.
- **Industry-wide concerns:**
 - General concern over a "retirement cliff" — a large number of experienced government accountants nearing retirement.
 - Some fear that lowering CPA requirements would worsen quality instead of solving staffing shortages.
 - There's a perception that younger generations may not stay long in local government positions, leading to ongoing instability.

Question 16. What else do you think we need to know to understand the local government accounting and auditing landscape in Minnesota? **(summary AI generated)**

Main Themes:

- **Regulatory Burden:**
 - Many respondents feel that government accounting and auditing is becoming overly complex.
 - Constant GASB changes are overwhelming for both clients and auditors, especially smaller governments.
 - There's frustration with the amount of legal compliance work versus the value it brings.
- **Small Government Challenges:**
 - Smaller entities struggle with staffing, training, and maintaining strong financial controls.
 - Many local governments rely heavily on auditors for basic accounting help, creating independence concerns.
 - Lack of internal expertise at cities and towns delays audits and increases audit complexity.
- **Sustainability of Services:**
 - Some firms are considering exiting the government audit space due to high regulatory demands, staffing challenges, and lower profitability compared to other industries.
 - There is fear that in the next 5–10 years, fewer firms will offer these services, especially to smaller or rural governments.
- **Audit Firm Capacity:**

- Even firms committed to local government work are stretched thin.
- It's getting harder to maintain quality while meeting deadlines with reduced experienced staff.
- **Need for Structural Changes:**
 - Suggestions include:
 - Simplifying reporting and auditing standards for small governments.
 - Better training and onboarding for new city clerks and finance staff.
 - Reevaluating the necessity of some compliance requirements for smaller entities.
- **Commitment to Public Service:**
 - Despite challenges, many firms take pride in supporting transparency and accountability in government finance.
 - However, this civic commitment is being tested by financial and staffing pressures.



Audit and Reporting Group

Next Steps 2025

So Far

AaRG has helped the OSA respond to legislation regarding local government audit and reporting requirements. The ideas from the group led to:

- Audit threshold adjustments for cities, towns and special districts
- Requirement that will increase reporting compliance for townships
- Clearer requirements for the basis of accounting for municipal liquor stores
- Improvements in tools to help legislators set thresholds and requirements
- Increased awareness of public finance staff shortage and complexity of local government oversight structure

Next Steps

AaRG is well positioned to begin deeper discussions into key areas that could lead to wider ranging changes to local government oversight.

Options

Here are some topics for consideration and prioritization:

- Larger scale changes to local government reporting and audit requirements
- Data needs for changes to thresholds
- Potential changes to Agreed Upon Procedures (AUP) engagements
- Potential changes to requirements regarding basis of accounting
- Tools and metrics to help legislators set requirements
- Technology options to support local government accounting
- Ways to increase standardization of local government accounting systems
- Recruitment and retention of public finance staff
- Recruitment and retention of local government audit firms
- Increase public awareness of staff shortages
- Others?