

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

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### **Capitol Region Watershed District Saint Paul, Minnesota**

Management and Compliance Report

Year Ended December 31, 2020

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** – conducts financial and legal compliance audits of local governments;

**Government Information** – collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** – provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** – monitors investment, financial, and actuarial reporting for Minnesota’s local public pension funds; and

**Tax Increment Financing** – promotes compliance and accountability in local governments’ use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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# Capitol Region Watershed District Saint Paul, Minnesota

Year Ended December 31, 2020



**Office of the State Auditor**

Management and Compliance Report

**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

**CAPITOL REGION WATERSHED DISTRICT  
SAINT PAUL, MINNESOTA**

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**COMMUNICATION OF SIGNIFICANT DEFICIENCIES  
AND/OR MATERIAL WEAKNESSES IN INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND OTHER MATTERS**

Board of Managers  
Capitol Region Watershed District  
Saint Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of the Capitol Region Watershed District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 18, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Capitol Region Watershed District's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting described in the accompanying Schedule of Findings and Recommendations as item 2020-001 that we consider to be a significant deficiency.

### **Other Matters**

The Capitol Region Watershed District's written response to the internal control finding identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the District's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Managers, management, and others within the District, and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Dianne Syverson*

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

May 18, 2021



**INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

Board of Managers  
Capitol Region Watershed District  
Saint Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities and each major fund of the Capitol Region Watershed District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 18, 2021.

In connection with our audit, we noted that the Capitol Region Watershed District failed to comply with the provisions of the claims and disbursements section of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as it relates to accounting matters as described in the Schedule of Findings and Recommendations as item 2020-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that the Capitol Region Watershed District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters. Additionally, we tested for compliance with the District's authority to issue public debt.

The Capitol Region Watershed District's written response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Managers and management of the Capitol Region Watershed District and the State Auditor, and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Julie Blaha

JULIE BLAHA  
STATE AUDITOR

May 18, 2021

/s/Dianne Syverson

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

**CAPITOL REGION WATERSHED DISTRICT  
SAINT PAUL, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**I. INTERNAL CONTROL OVER FINANCIAL REPORTING**

Finding Number: 2020-001

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Payroll Documentation

**Criteria:** In accordance with the District's payroll procedures, at the end of each pay period each supervisor receives an itemized listing of each of their respective employees' time in the form of a timesheet. The supervisor is required to review and approve, the hours as presented before payroll is processed.

**Condition:** Of the 26 timesheets tested, four did not have a timely review by a supervisor (with reviews occurring over two months after the employee was paid) and one timesheet did not have a supervisor review and approval. In addition, one timesheet for a pay period in June 2020 could not be located.

**Context:** The District transitioned to electronic timesheets with electronic signatures after March 2020.

**Effect:** Failure to document review and approval of timesheets in accordance with the District's policy increases the possibility of errors or fraud in time reporting.

**Cause:** The payroll process was impacted due to a combination of several technology changes to the payroll system along with the requirement to work remotely due to the restrictions related to the COVID-19 pandemic.

**Recommendation:** We recommend District supervisors review employee timesheets prior to the employee receiving payment for time worked. The timesheets and Supervisor reviews should be documented and retained.



**CAPITOL REGION WATERSHED DISTRICT  
SAINT PAUL, MINNESOTA**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2020

Client's Response:

*The District agrees with the recommendations made by the Minnesota State Auditor's Office.*

**II. OTHER FINDINGS AND RECOMMENDATIONS**

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2020-002

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Prompt Payment of Invoices

**Criteria:** As stated in Minn. Stat. § 471.425, subd. 2, the District is required to make payment on vendor invoices according to the terms of the contract, or within 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later.

**Condition:** Two of 25 invoices tested for compliance with this statute were not paid within the required 35 days.

**Context:** The processing of payments is done after the Board of Manager's approval.

**Effect:** Making payment on invoices after 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later, is in noncompliance with Minnesota law.

**Cause:** There were timing differences between when invoices were received and approved by District staff, and the Board of Manager's meeting schedule where the Managers give their approval for the District to pay the invoice.

**Recommendation:** We recommend the District implement procedures to ensure payments are made in accordance with Minn. Stat. § 471.425.

**CAPITOL REGION WATERSHED DISTRICT  
SAINT PAUL, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Client's Response:

*The District agrees with the recommendations made by the Minnesota State Auditor's Office.*