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# Minnesota State High School League Brooklyn Center, Minnesota

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Management and Compliance Report

Year Ended July 31, 2025

Audit Practice Division



**STATE OF MINNESOTA**  
**OFFICE OF THE STATE AUDITOR**  
State Auditor Julie Blaha

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**Minnesota State High School League  
Brooklyn Center, Minnesota**

**Table of Contents**

	<u>Page</u>
Communication of Significant Deficiencies and/or Material Weakness in Internal Control Over Financial Reporting and Other Matters	1
Schedule of Findings and Recommendations	3



## Communication of Significant Deficiencies and/or Material Weaknesses in Internal Control Over Financial Reporting and Other Matters

Board of Directors  
Minnesota State High School League  
Brooklyn Center, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Minnesota State High School League (MSHSL) as of and for the year ended July 31, 2025, and the related notes to the financial statements, which collectively comprise the MSHSL's basic financial statements, and have issued our report thereon dated April 2, 2026. Our report includes a reference to other auditors who audited the financial statements of Regions 3A, 6A, 7A, 8A, 7AA, and 8AA, as described in our report on the MSHSL's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the MSHSL'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MSHSL's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MSHSL'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 a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a 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 identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as items 2025-001 through 2025-003, that we consider to be significant deficiencies.

The MSHSL's response to the internal control findings identified in our audit is described in the Schedule of Findings and Recommendations, included in items 2025-001 through 2025-003. The MSHSL's response was not subjected to

the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

*/s/Julie Blaha*

Julie Blaha  
State Auditor

April 2, 2026

*/s/Lisa Young*

Lisa Young, CPA  
Deputy State Auditor

# Minnesota State High School League Brooklyn Center, Minnesota

## Schedule of Findings and Recommendations For the Year Ended July 31, 2025

### Financial Statements

#### 2025-001 Internal Control/Segregation of Duties – Regions

**Prior Year Finding Number:** 2024-001

**Year of Finding Origination:** 2007

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

**Criteria:** Each Region has an administrative secretary who is responsible for the accounting functions. Adequate segregation of duties is a significant internal control in an organization's accounting system.

Management of each Region and the MSHSL is responsible for the accuracy and completeness of all financial records and related information. Management is responsible for controls over the period-end financial reporting process, including controls over procedures used to enter transactions into the general ledger and initiate, authorize, record, and process journal entries into the general ledger.

**Condition:** Due to the limited number of staff, the Regions lack proper segregation of duties. Regions generally have one staff person who is responsible for recording transactions in the general ledger, depositing receipts, reconciling bank statements, and preparing reports.

**Context:** The size of the Regions and their staffing limits the internal control that management can design and implement into the organizations.

**Effect:** Inadequate segregation of duties could adversely affect the ability of the Regions' employees, in the normal course of performing their assigned functions, to detect misstatements in a timely period.

**Cause:** Due to the small staff size at each Region, it is difficult to properly segregate duties. This arrangement is not unusual for organizations the size of the Regions.

**Recommendation:** We recommend each Region Committee, in addition to the Board and management of the MSHSL, be mindful that limited staffing causes inherent risks in safeguarding the organization's assets and the proper reporting of its financial activity. We further recommend the Region Committees, as well as the Board and management of the MSHSL, continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

**Client's Response:** *The segregation of duties will continue to be an issue when only one or two individuals are involved. The League's Director of Finance has reviewed oversight procedures with the Region Secretaries of each Region Committee annually, and the League office will ensure that League employees are fully aware of their responsibilities to collect, disperse, reconcile, and report Region funds to each Region Committee for their official approval.*

# Minnesota State High School League

## Brooklyn Center, Minnesota

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### 2025-002 Tournament Reports – Regions

**Prior Year Finding Number:** 2024-002

**Year of Finding Origination:** 2009

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

**Criteria:** The MSHSL and Regions require the tournament managers to complete tournament reports to account for tickets sold, tournament revenue, and tournament expenses. The tournament managers should record tournament location, activity, date, beginning and ending ticket numbers, and tickets used on the tournament reports. The tournament managers sign and submit the reports to the Region Secretaries. The Region Secretaries collect, record, and deposit all tournament revenue.

**Condition:** In the sample of three tournaments selected for testing at each of the ten Regions, the following issues were noted:

- five Regions had tournament reports with missing beginning and ending ticket numbers, or improper ticket numbers that did not equate to the number of tickets sold or ticket revenue received, and no documented explanation was included for the differences;
- three Regions had tournament reports that were missing the online ticketing sales support;
- five Regions had tournament revenue amounts or activities incorrectly recorded in the general ledger;
- three Regions had funds received from the tournament host schools beyond the reported tournament revenue that was not refunded back or was refunded back in the incorrect amount;
- two Regions had tournament reports that were not signed by the site manager; and
- one Region paid sales tax related to tournament revenue collected, however, the revenue collected by the related school was never remitted to the Region.

**Context:** The tournament revenue testing population consisted of tournaments held for approximately 28 activities at each of the ten Regions.

**Effect:** The issues resulted in inaccurate tournament records and incorrect reporting of tournament revenue and related expenses.

**Cause:** Tournaments are held at many sites statewide and staffed with workers who have no prior tournament experience. Due to the volume of activity, tournament workers and Region Secretary reviews and reconciliations are often overlooked, resulting in incomplete or inaccurate reporting and lack of documentation.

**Recommendation:** We recommend the Region Secretaries more closely monitor site personnel and tournament managers to ensure that tournament reports are complete, accurate, signed, and submitted for all tournaments. If alternative methods of ticket sales are used, we recommend including the online ticket sales reports with the tournament reports. We recommend the Regions include explanations on the tournament reports to support missing or improper ticket numbers, accurately record ticket sales in the general ledger, and any refunds for overpayment be remitted back to schools. Furthermore, reviews of tournament reports should be performed to ensure all revenue is remitted to the Regions.

# Minnesota State High School League

## Brooklyn Center, Minnesota

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**Client's Response:** *The League's Director of Finance has reviewed proper tournament reporting of financial activity with the Region Secretaries. In some cases, Regions used the school sites' "Online Ticket Application" where no hard tickets were issued, but rather tickets were on the patron's phones. Region Secretaries will be instructed to document the method used for ticket sales and to return incomplete forms to each tournament manager and to accept them only when all the required documentation is complete, including documented explanations for the method of ticket sales.*

### **2025-003      Tournament Expenses – Regions**

**Prior Year Finding Number:** 2024-004

**Year of Finding Origination:** 2024

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

**Criteria:** The MSHSL's Board of Directors Policy Manual and Guidelines and Region Handbook requires Regions to keep accurate records of receipts and disbursements, that all expenses be accompanied by proper documentation, and officials must submit a signed independent contractor form to the tournament manager prior to the tournament.

**Condition:** During review of expenses paid by each Region, the following issues were noted:

- one Region did not retain support for a payment to a school for fair share expenses;
- four Regions had paid expenses that did not match the support;
- one Region did not obtain independent contractor forms for two officials paid; and
- one Region had two instances where the payments made by the payroll processor and recorded in the general ledger did not reconcile to the supporting documentation or tournament reports.

**Context:** A combination of 25 written checks, payroll transactions processed through Paychex, and payments to officials processed through Arbiter were selected for testing at each of the ten Regions.

**Effect:** The inability to provide support for or reconcile between tournament reports and the amounts paid and recorded in the general ledger could result in inaccurate payments and financial statement reporting of tournament expenses by activity.

**Cause:** Supporting documentation was misplaced or included in an email that has since been deleted, explanations for differences between the tournament report and general ledger were not properly documented at the time of the tournament or payment, and W-9 forms were completed and obtained in lieu of independent contractor forms.

**Recommendation:** We recommend Region Secretaries more closely monitor expenses to ensure the proper amounts are being paid, expenses are supported by proper documentation, explanations for differences paid be documented on the tournament reports, and independent contractor forms be obtained for all officials paid.

## Minnesota State High School League Brooklyn Center, Minnesota

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**Client's Response:** *The League's Director of Finance has consistently reviewed the need for proper documentation of all expenditure submissions with the Region Secretaries. The Director will continue to make this a focus of the seasonal meetings with our Region Secretaries to closely monitor all expenditures and payroll submissions, verifying accuracy and maintaining all documentation necessary to reflect those expenditures and payroll registers.*