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*****PRESS RELEASE*****

State Auditor Otto Releases Report Assessing the Adequacy of County Audits Performed by CPA Firms

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ST. PAUL (4/3/2017) – State Auditor Rebecca Otto has released a new report, “Assessing the Adequacy of 2015 County Audits Performed by Private CPA Firms”. The report presents the results of the Office of the State Auditor’s (OSA) review of the audit documentation for audits performed by certified public accounting (CPA) firms of Minnesota counties as required by national auditing standards. These standards apply to all government audits. This report presents the OSA’s findings and conclusions of the review.

Audited financial statements are vital as they are relied upon by bond rating agencies, bondholders, Federal and State agencies that award funds, taxpayers and the governing body, which in this case is the County Board. National standards require specific work be completed and documented by an auditor. Audit documentation is the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached. In the audit industry, if procedures performed, support obtained, and conclusions reached are not documented, then the presumption is they were not done.

For the 2015 county audits, 26 counties were audited by six private CPA firms. The OSA conducted high level desk reviews of all 26 audit reports. Additionally, OSA staff did a deeper dive and assessed the adequacy of the auditor’s documentation for eight of those audits for compliance with national standards. The county audits that received the assessment were Le Sueur, Marshall, Douglas, Mower, Fillmore, Hubbard, Roseau and Hennepin counties.

The report contains the OSA’s key findings, conclusions, and a table of the detailed findings for the eight audits reviewed for documentation assessment.

The report cites over 130 instances in which the auditors failed to comply with the standards. OSA staff identified material misstatements totaling millions of dollars for two of the counties’ audits. Of the eight county audits OSA staff reviewed, five counties will require additional work be performed by the auditors and reissuance of reports, and two counties will be required to have new audits performed for 2015.

“I am deeply concerned about the numerous issues identified within this review,” said State Auditor Rebecca Otto. “I’ve heard Legislators and various County Commissioners state that the private CPA firms’ audits of counties are lower in cost and meet the same standards and

are of the same quality as audits conducted by the Office of the State Auditor. This report shows something very different – staff identified over 130 instances where the private CPA firms failed to follow the standards that we are all required to comply with. Facts matter.”

“We have communicated the issues identified to the affected counties, the private CPA firms and to State agencies who award Federal funds to these counties. We’ve also notified the 48 counties considering hiring private CPA firms for their 2017 audits to be conducted in 2018. In the event the 2015 county audit law is not struck down as unconstitutional, it is imperative that counties and the taxpayers have all the facts to help them make prudent decisions about future audits.”

Government auditing is essential in providing accountability to legislators, oversight bodies, County Boards, and the public. Auditors are required to maintain the highest level of independence, accept only work that the audit organization is competent to perform, achieve high-quality work, and follow applicable auditing standards cited in the auditors’ reports.

To download the complete report, go to:

http://www.auditor.state.mn.us/reports/aud/2017/Assessing_Adequacy_of_2015_County_Audits_Performed_by_Private_CPA_Firms.pdf.

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The Office of the State Auditor is a constitutional office that is charged with overseeing more than \$20 billion spent annually by local governments in Minnesota. The Office of the State Auditor does this by performing audits of local government financial statements, and by reviewing documents, data, reports, and complaints reported to the Office. The financial information collected from local governments is analyzed and is the basis of statutory reports issued by the Office of the State Auditor.

Rebecca Otto is Minnesota’s 18th State Auditor. A high-resolution official photo is available for download at http://www.auditor.state.mn.us/images/otto_hires.jpg. To learn more about State Auditor Otto, see <http://www.auditor.state.mn.us/default.aspx?page=bio>.