

Table of Contents

State Auditor

<i>Agency Profile</i>	1
Agency Expenditure Overview	3
Agency Financing by Fund	4
Agency Change Summary	5
<u>Change Item(s)</u>	6
<i>Operating Adjustment</i>	6
<i>Administrative Support</i>	8
<i>Technology Staffing</i>	11
<i>Electronic Auditing Tools</i>	13
<i>Township Specialist</i>	15
<i>Legal/Special Investigations Staffing</i>	17
<u>Program</u>	19
State Auditor	19
<u>Activity</u>	19
Audit Practice	19
<i>Activity Narrative</i>	19
Activity Expenditure Overview	22
Activity Financing by Fund	23
Legal/Special Investigations	24
<i>Activity Narrative</i>	24
Activity Expenditure Overview	26
Activity Financing by Fund	27
Government Information	28
<i>Activity Narrative</i>	28
Activity Expenditure Overview	30
Activity Financing by Fund	31
Pension	32
<i>Activity Narrative</i>	32
Activity Expenditure Overview	34
Activity Financing by Fund	35
Operations	36
<i>Activity Narrative</i>	36
Activity Expenditure Overview	38
Activity Financing by Fund	39
Constitution	40
<i>Activity Narrative</i>	40
Activity Expenditure Overview	42
Activity Financing by Fund	43
Tax Increment Financing	44
<i>Activity Narrative</i>	44
Activity Expenditure Overview	46
Activity Financing by Fund	47

<https://www.osa.state.mn.us/>

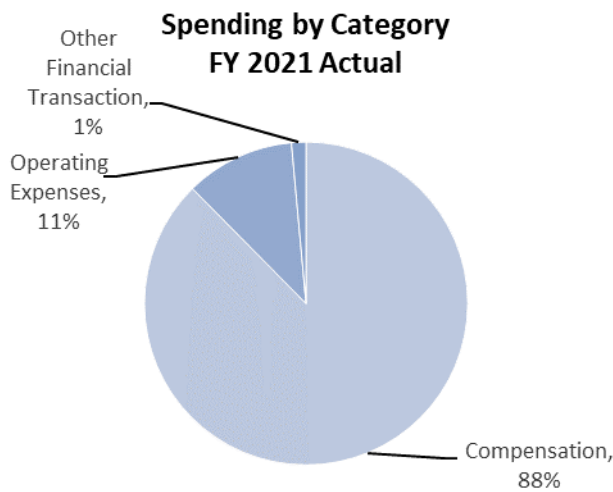
AT A GLANCE

- Oversees the finances of approximately 3,300 local units of government.
- Issues approximately 85 local government financial and compliance audit reports annually as well as the State’s single audit for Minnesota Management and Budget and various agreed-upon procedures reports.
- Reviews approximately 440 single audit reports in a typical year and approximately 700 single audit reports annually due to COVID and recovery-related funding.
- Investigates allegations of unlawful use of public funds and property.
- Conducts continual outreach and provides educational resources to state and local elected officials, local government finance professionals, and the public.
- Reviews investment and financial reporting and compliance of approximately 600 local public pension plans.
- Reviews expenditures and compliance of approximately 1,650 tax increment financing (TIF) districts.
- Maintains financial reporting database on local government entities.
- Supports service by the State Auditor on six state boards and Executive Council and provides senior management to the Office.
- Publishes educational resources and provides ongoing training opportunities on local government finance and legal compliance issues.

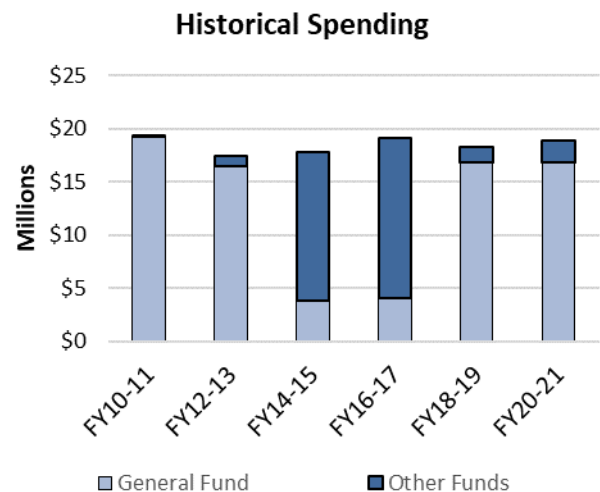
PURPOSE

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

BUDGET



Source: Budget Planning & Analysis System (BPAS)



FY 14 – 17 the Audit Practice Division funds were moved the State Auditor’s Enterprise Fund

Source: Budget Planning & Analysis System (BPAS)

The OSA is organized into seven divisions: Audit Practice, Government Information (GID), Legal/Special Investigations (SI), Operations (OPM), Pension, Tax Increment Financing (TIF), and Constitution. There are approximately 70 employees in six offices. We are primarily funded by a general fund appropriation, with the TIF Division being funded by a statutory appropriation. Audit fees collected by the Audit Practice Division for auditing services are deposited in the general fund as non-dedicated receipts.

STRATEGIES

The OSA oversees over \$40 billion in annual local government finances by auditing local government financial statements and reviewing documents, data, reports, and reported complaints. The financial information collected from local governments is analyzed and serves as the basis of the statutory reports we issue.

Primary statutory citations regarding the State Auditor's office are in Chapter 6 of Minnesota Statutes (<https://www.revisor.mn.gov/statutes/cite/6>).

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
<u>Expenditures by Fund</u>								
1000 - General	8,481	8,946	8,682	15,422	12,093	12,099	13,865	14,254
2000 - Restrict Misc Special Revenue	747	834	823	916	957	986	957	986
Total	9,228	9,780	9,505	16,338	13,050	13,085	14,822	15,240
Biennial Change				6,835		292		4,219
Biennial % Change				36		1		16
Governor's Change from Base								3,927
Governor's % Change from Base								15

Expenditures by Program

State Auditor	9,228	9,780	9,505	16,338	13,050	13,085	14,822	15,240
Total	9,228	9,780	9,505	16,338	13,050	13,085	14,822	15,240

Expenditures by Category

Compensation	8,144	8,562	8,498	14,605	11,639	11,659	13,331	13,754
Operating Expenses	993	1,079	974	1,176	1,192	1,207	1,272	1,267
Capital Outlay-Real Property		2		380	100	100	100	100
Other Financial Transaction	91	138	33	177	119	119	119	119
Total	9,228	9,780	9,505	16,338	13,050	13,085	14,822	15,240

Full-Time Equivalent

	75.97	77.24	75.53	94.15	96.46	91.97	107.46	102.97
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(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
1000 - General								
Balance Forward In		1,857		3,339				
Direct Appropriation	10,338	10,604	12,021	12,083	12,093	12,099	13,865	14,254
Transfers In	100	35	20	31				
Transfers Out	100	35	20	31				
Cancellations	0	3,515	0					
Balance Forward Out	1,857		3,339					
Expenditures	8,481	8,946	8,682	15,422	12,093	12,099	13,865	14,254
Biennial Change in Expenditures				6,677		88		4,015
Biennial % Change in Expenditures				38		0		17
Governor's Change from Base								3,927
Governor's % Change from Base								16
Full-Time Equivalents	70.41	70.86	69.04	87.48	89.72	85.23	100.72	96.23

2000 - Restrict Misc Special Revenue

Balance Forward In	3,088	3,129	3,250	3,269	3,100	2,892	3,100	2,892
Receipts	43	34	40	47	49	54	49	54
Transfers In	745	921	803	700	700	700	700	700
Balance Forward Out	3,129	3,250	3,269	3,100	2,892	2,660	2,892	2,660
Expenditures	747	834	823	916	957	986	957	986
Biennial Change in Expenditures				158		204		204
Biennial % Change in Expenditures				10		12		12
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	5.56	6.38	6.49	6.67	6.74	6.74	6.74	6.74

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Direct				
Fund: 1000 - General				
FY2023 Appropriations	12,083	12,083	12,083	24,166
Base Adjustments				
Current Law Base Change		10	16	26
Forecast Base	12,083	12,093	12,099	24,192
Change Items				
Operating Adjustment		572	937	1,509
Administrative Support		395	409	804
Technology Staffing		251	260	511
Electronic Auditing Tools		80	60	140
Township Specialist		113	116	229
Legal/Special Investigations Staffing		361	373	734
Total Governor's Recommendations	12,083	13,865	14,254	28,119
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	916	957	986	1,943
Forecast Base	916	957	986	1,943
Total Governor's Recommendations	916	957	986	1,943
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	47	49	54	103
Total Governor's Recommendations	47	49	54	103
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	6,500	6,500	6,500	13,000
Change Items				
Operating Adjustment		290	576	866
Total Governor's Recommendations	6,500	6,790	7,076	13,866

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	572	937	951	961
Revenues	290	576	584	589
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	282	361	367	372
FTEs	6.95	9.70	9.70	9.70

Recommendation:

The Governor recommends an increase in the Office of the State Auditor (OSA) General Fund Direct Appropriation for an operating adjustment. Since 88 percent of the Office’s expenditures are related to salaries and benefits, this request will allow us to retain current staff. Projected compensation cost increases continue to put pressure on our ability to keep all current staff within the base budget, and all current staff are essential to meet our mission. This request represents a 6.3 percent increase in the General Fund Direct Appropriation for the 2024/2025 biennium.

Rationale/Background:

The State Auditor oversees local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities. Eighty-eight percent (88%) of the proposed General Fund Direct Appropriation pays the salaries and benefits of staff who review documents and financial data, issue financial reports, and review complaints related to the finances and legal compliance of local government entities. Staff also provides essential training and support to accounting staff in local governments to help them properly complete their financial reporting requirements, establish proper internal controls to safeguard assets, and investigate reports of financial misfeasance, malfeasance and nonfeasance by local government employees and officials.

Projected increases in salary and benefit costs put pressure on our ability to retain all essential staff. This request will allow us to retain the necessary qualified staff to meet our mission.

Proposal:

The Governor recommends an increase of \$1,509,000 in our General Fund Direct Appropriation for the 2024/2025 biennium. These funds will be used to pay salaries, benefits and related operating costs of current staff and allow us to avoid reducing staff by approximately 10 full time equivalents (FTE).

Impact on Children and Families:

Children and families, particularly those who face financial challenges, depend on local government to work well. Minnesota implements most of its safety net, health and human services, and other everyday infrastructure work through local government entities. The largest users of those services are children and families. A basic component of ensuring the effectiveness of local government is oversight of local funds. Funds used well go further and the examinations the OSA performs support that goal. The work of the OSA ensures transparency, integrity, and accuracy in the use of funds that so many children and families depend.

Equity and Inclusion:

Accurate data is essential to uncovering, understanding, and eradicating discrimination and disparities. The OSA is increasing its focus on analyzing local government data related to race and class in particular. We are advocating for increased demographic data collection and highlighting the disparities we find in our current data to a larger degree.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

Results

Currently, we complete about 85 audits per year, along with overseeing the financial data of over 4,000 local governmental units. Without an operating adjustment, we project needing to cut our work products by approximately 12.5%, due to the loss of 10 FTE.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Number of Financial Audits Conducted by the OSA	85	2022	73	85	2024
Quality	Number of Financial Audits Completed by Federal, State, or Local Deadlines	98%	2022	90%	100%	2024
Quality	Time Needed to Respond to Public Requests for Data and Advice	1-4 Weeks	2022	2-8 Weeks	1-4 Weeks	2024

State Auditor

FY 2024-25 Biennial Budget Change Item

Change Item Title: Administrative Support

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	395	409	409	409
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	395	409	409	409
FTEs	5	5	5	5

Recommendation:

The Governor recommends an increase of the Office of the State Auditor (OSA) General Fund Direct appropriation to fund the filling of four administrative support positions and one accounting clerk position. This request represents a 3.4 percent increase in the General Fund Direct Appropriation for the 2024/2025 biennium.

Rationale/Background:

The State Auditor serves on seven boards, performs approximately 85 financial audits local governments each year, collects and reports on information from over 4,000 local governments, and provides oversight for approximately 600 local pension plans and approximately 400 development authorities. The addition of five administrative support staff will help us meet our mission effectively and efficiently.

The administrative support staff will work as a team to provide the following:

Constitution Division

The administrative support staff would assist the State Auditor in day-to-day operations of the office, including, but not limited to, scheduling, responding to constituents' inquiries, monitoring email, arranging travel for the State Auditor to meet with local government officials throughout the state, and working on larger projects like the annual State of Main Street listening sessions and presentation.

Currently, there is no executive assistant or other support personnel for the State Auditor in the general fund budget, meaning that legislators have more support staff than the State Auditor. As a result, the State Auditor is spending time on activities that do not warrant such a high-level of attention.

Audit Practice Division

The administrative support staff would assist with maintaining required CPE and independence records; staff training plans and preparation; new staff orientation preparation; tracking single audit reports and communications by collecting audit reports from the federal clearinghouse, naming and filing them, and following up on related emails; scanning projects; and technical subscription orders.

Legal/Special Investigations Division

The administrative support staff would assist with the time-consuming duties of scanning documents, organizing the electronic files and archives, and assisting with data requests, as well as the preliminary preparation of legal or investigative correspondence (reports, memoranda, etc.).

Tax Increment Finance Division

The administrative support staff would assist with the time-consuming duties of scanning documents, organizing the electronic files and archives, and assisting with data requests to better serve municipalities using Tax Increment Financing.

Pension Division

The administrative support staff will assist with scanning documents organizing the electronic files and archives, answering basic questions from fire relief associations, assisting with data requests and other general administrative tasks.

Government Information Division

The administrative support staff will assist with the annual updates to the CTAS (City, Town Accounting System) manual. The position would also assist with the substantial amount of website postings and email communications that take place routinely throughout the year.

Accounting Department

An accounting clerk would support the accounting function of the office by creating purchase orders, processing payments, depositing payments, reviewing and entering business expense reimbursements and entering payroll. This position would allow current staff to update our continuation of operations plan (COOP), review and update our policies and procedures, and complete other tasks that would benefit from more dedicated attention.

Proposal:

The Governor recommends an increase of \$804,000 in our General Fund Direct Appropriation for the 2024/2025 biennium. These funds will be used to pay the salary and benefits of four administrative support staff and one Account Clerk/5 full time equivalent (FTE).

Impact on Children and Families:

Children and families, particularly those who face financial challenges, depend on local government to work well. Minnesota implements most of its safety net, health and human services, and other everyday infrastructure work through local government entities. The largest users of those services are children and families. A basic component of ensuring the effectiveness of local government is oversight of local funds. Funds used well go further and the examinations the OSA performs support that goal. The work of the OSA ensures transparency, integrity, and accuracy in the use of funds that so many children and families depend.

Equity and Inclusion:

Accurate data is essential to uncovering, understanding, and eradicating discrimination and disparities. The OSA is increasing its focus on analyzing local government data related to race and class in particular. We are advocating for increased demographic data collection and highlighting the disparities we find in our current data to a larger degree.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

Results

Currently, we complete about 85 audits per year, along with overseeing the financial data of over 4,000 local governmental units. As hiring challenges persist, we will need to stretch our hard to hire staff like auditors and lawyers further and further. We project that with increases in administrative staff, we will be able to maintain current work levels despite those hiring challenges.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Number of Financial Audits Conducted by the OSA	85	2022	80	85	2024
Quality	Time Needed to Respond to Public Requests for Data and Advice	1-4 Weeks	2022	2-6 Weeks	1-4 Weeks	2024

State Auditor

FY 2024-25 Biennial Budget Change Item

Change Item Title: Technology Staffing

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	251	260	260	260
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	251	260	260	260
FTEs	2	2	2	2

Recommendation:

The Governor recommends an increase in the Office of the State Auditor (OSA) General Fund Direct Appropriation to hire a Chief Information Officer and a new computer/network administrator. This request represents a 2.1 percent increase in our General Fund Direct Appropriation for the 2024/2025 biennium.

Rationale/Background:

Currently, the Operations Director is acting as the chief financial officer and the chief information officer, in addition to overseeing the day-to-day operations of the OSA. The addition of a separate chief information officer would allow this position to focus solely on the office’s technology needs and the ever-growing cyber-security risks associated with data. The State Auditor increasingly relies on technology and electronic tools to accomplish its mission. The office collects information from thousands of visitors each year; staff use electronic tools to communicate with Minnesota residents and co-workers; and the office maintains databases and other software to help accurately manage and report on the information we collect from local governments. Additionally, as cyber-security risks continue to increase and change in nature, our oversight needs to be vigilant and up to date. The State Auditor is responsible for overseeing the financial data of over 4,000 local governments and collecting information required by the legislature. Our ability to accurately collect and protect this electronic information will be an ongoing challenge. The addition of a chief information officer is an essential part of protecting this data.

In addition, the State Auditor uses electronic audit tools to perform approximately 85 financial audit reports of local governments including, but not limited to, counties, cities, towns, schools, special districts, joint ventures, and pension funds that provide transparency and accountability to taxpayers, the State of Minnesota, federal agencies, and other stakeholders. An additional computer/network administrator position who could troubleshoot audit software issues would help us accomplish our mission and meet the increasing demands on our audit staff.

Proposal:

The Governor recommends an increase of \$511,000 in our General Fund Direct Appropriation for the 2024/2025 biennium. These funds will pay the salary and benefits of a chief information officer position and a computer/network administrator position/two full time equivalent (FTE).

Impact on Children and Families:

Children and families, particularly those who face financial challenges, depend on local government to work well. Minnesota implements most of its safety net, health and human services, and other everyday infrastructure work through local government entities. The largest users of those services are children and

families. A basic component of ensuring the effectiveness of local government is oversight of local funds. Funds used well go further and the examinations the OSA performs support that goal. The work of the OSA ensures transparency, integrity, and accuracy in the use of funds that so many children and families depend.

Equity and Inclusion:

Accurate data is essential to uncovering, understanding, and eradicating discrimination and disparities. The OSA is increasing its focus on analyzing local government data related to race and class in particular. We are advocating for increased demographic data collection and highlighting the disparities we find in our current data to a larger degree.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

Results:

Currently, we complete about 85 audits per year, along with overseeing the financial data of over 4000 local governmental units. As hiring challenges persist, we will need to rely more on technology to maintain our workload in the absence of a proportional increase in staffing. We project that with increases in technology staff, we will be able to maintain current work levels. In addition, we know that cybersecurity risks are increasing and without additional staffing we anticipate loss of time and funds due to responding to security breaches.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Number of Financial Audits Conducted by the OSA	85	2022	80	85	2024
Quality	Time Needed to Respond to Public Requests for Data and Advice	1-4 Weeks	2022	2-8 Weeks	1-4 Weeks	2024

State Auditor

FY 2024-25 Biennial Budget Change Item

Change Item Title: Electronic Auditing Tools

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	80	60	60	60
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	80	60	60	60
FTEs	0	0	0	0

Recommendation:

The Governor recommends an increase of the Office of the State Auditor (OSA) General Fund Direct appropriation to fund the purchase of electronic auditing tools for the Audit Practice Division. This request represents a 0.6 percent increase in the General Fund Direct Appropriation for the 2024/2025 biennium.

Rationale/Background:

The State Auditor’s Audit Practice Division performs approximately 85 financial audits of local governments including, but not limited to, counties, cities, towns, schools, special districts, joint ventures, and pension funds that provide transparency and accountability to taxpayers, the State of Minnesota, federal agencies, and other stakeholders. We already use some electronic tools to help perform this work. The addition of a tool that will allow us to analyze large data sets and a tool that will allow us to manage scheduling of audit work and staff would allow us to complete these audits more efficiently and effectively. Increasing efficiency and effectiveness will help us contain costs and meet deadlines for the local government entities we serve.

Proposal:

The Governor recommends an increase in our General Fund Direct Appropriation by \$140,000 for the 2024/2025 biennium to purchase electronic auditing tools. These funds will pay for annual subscription fees and initial training on a data analysis tool and a project/staff scheduling tool.

Impact on Children and Families:

Children and families, particularly those who face financial challenges, depend on local government to work well. Minnesota implements most of its safety net, health and human services, and other everyday infrastructure work through local government entities. The largest users of those services are children and families. A basic component of ensuring the effectiveness of local government is oversight of local funds. Funds used well go further and the examinations the OSA performs support that goal. The work of the OSA ensures transparency, integrity, and accuracy in the use of funds that so many children and families depend.

Equity and Inclusion:

Accurate data is essential to uncovering, understanding, and eradicating discrimination and disparities. The OSA is increasing its focus on analyzing local government data related to race and class in particular. We are advocating for increased demographic data collection and highlighting the disparities we find in our current data to a larger degree.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

Results:

Currently, we complete about 85 audits per year, along with overseeing the financial data of over 4,000 local governmental units. As hiring challenges persist, we will need to rely more on technology to maintain our workload in the absence of a proportional increase in staffing. We project that with new audit tools, we will be able to maintain current work levels.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Number of Financial Audits Conducted by the OSA	85	2022	73	85	2024
Quality	Number of Financial Audits Completed by Federal, State, or Local Deadlines	98%	2022	90%	100%	2024

Change Item Title: Township Specialist

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	113	116	116	116
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	113	116	116	116
FTEs	1	1	1	1

Recommendation:

The Governor recommends an increase of the Office of the State Auditor (OSA) General Fund Direct appropriation to fund the filling of a Township Specialist position in the Government Information Division. This request represents a 1.0 percent increase in the General Fund Direct Appropriation for the 2024/2025 biennium.

Rationale/Background:

The Government Information Division collects financial information from over 3,300 local governments in Minnesota. Townships make up 1,781 of these entities with fifty-three percent of townships having a population of 300 or less. This position would help townships to meet their legal reporting requirements by following up on outstanding reports, answering reporting questions, and reviewing reported information.

We currently have a significant number of townships that regularly fail to complete reporting requirements. Often, lack of reporting indicates that a township needs support in their financial practices. It’s not surprising that there is a high correlation between townships that do not report and townships that eventually need to be investigated by the OSA for financial mismanagement.

When we personally connect with township staff, we often find and can assist with a number of issues both related and unrelated to their reporting problems. The more we can directly connect with township officials, the better the data we collect and as a bonus, the more related problems we are able to help townships solve. A dedicated specialist who can build long term relationships with township staff and leaders will help strengthen the financial practices of townships on a number of levels.

Proposal:

The Governor recommends an increase of \$229,000 in our General Fund Direct Appropriation for the 2024/2025 biennium. These funds will be used to pay the salary and benefits of a township specialist position/one full time equivalent (FTE).

Impact on Children and Families:

Children and families, particularly those who face financial challenges, depend on local government to work well. Minnesota implements most of its safety net, health and human services, and other everyday infrastructure work through local government entities. The largest users of those services are children and families. A basic component of ensuring the effectiveness of local government is oversight of local funds. Funds used well go further and the examinations the OSA performs support that goal. The work of the OSA ensures transparency, integrity, and accuracy in the use of funds that so many children and families depend.

Equity and Inclusion:

Accurate data is essential to uncovering, understanding, and eradicating discrimination and disparities. The OSA is increasing its focus on analyzing local government data related to race and class in particular. We are advocating for increased demographic data collection and highlighting the disparities we find in our current data to a larger degree. This position will increase not only the volume of data we receive from townships but will give us insight into how we can increase the quality of the data to help us understand disparities in rural areas.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

Results:

We analyzed the townships that are the subject of our investigations and found a high correlation between those who do not complete their required reporting and those who end up being investigated for financial problems. We project that virtually all townships will complete reports on time each of the first two years after the establishment of this provision.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quality	Percent of township audits submitted will all required elements	90%	2022	85%	99%	2024

State Auditor

FY 2024-25 Biennial Budget Change Item

Change Item Title: Legal/Special Investigations Staffing

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	361	373	373	373
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	361	373	373	373
FTEs	3	3	3	3

Recommendation:

The Governor recommends an increase of the Office of the State Auditor (OSA) General Fund Direct appropriation to fund a Paralegal position and two Special Investigator positions in the Legal/Special Investigations Division. This request represents a 3.1 percent increase in the General Fund Direct Appropriation for the 2024/2025 biennium.

Rationale/Background:

The Legal/Special Investigations Division provides legal guidance for all divisions within the office. The Division performs reviews and investigations of local government financial issues, reviews statutorily required reports of possible misuse of public funds, provides targeted training on legal compliance and on the prevention and detection of fraud, annually updates and publishes the Minnesota Legal Compliance Audit Guides, and researches, writes, revises, and publishes Statements of Position and Avoiding Pitfall articles on a variety of topics. With the division's current staffing, the division must strictly triage matters brought to it, meaning that some inquiries that fall within the OSA's authority must wait for examination while other matters in progress are addressed. Moreover, attorneys are forced to spend time on activities that do not require high-level legal analysis, taking away from the time they are able to spend on such analysis and slowing down the progress of the division's work. The addition of a paralegal would free up that time, making the division more efficient and able to address more issues.

In addition, the Legal/Special Investigations Division, receives, assesses, and investigates (when appropriate) concerns of possible misuse or mishandling of public funds by local government entities and employees. Each year, the division receives hundreds of inquiries and reports of such concerns from citizens, local government employees, and various mandated reporters. The addition of two investigator positions that would focus on intake and preliminary work-up of matters would improve the Division's ability to address multiple matters simultaneously, and more expeditiously. We anticipate an increase in the need for the OSA to monitor and respond to concerns about how public dollars are being handled.

Proposal:

The Governor recommends an increase of \$734,000 in our General Fund Direct Appropriation for the 2024/2025 biennium. These funds will be used to pay the salary and benefits of a paralegal position and two special investigator position/three full time equivalent (FTE).

Impact on Children and Families:

Children and families, particularly those who face financial challenges, depend on local government to work well. Minnesota implements most of its safety net, health and human services, and other everyday

infrastructure work through local government entities. The largest users of those services are children and families. A basic component of ensuring the effectiveness of local government is oversight of local funds. Funds used in accordance with financial standards and legal requirements go further, and the examinations the OSA performs support that goal.

Equity and Inclusion:

As legislators create new policy solutions to address systemic racism and other forms of discrimination, they are (wisely) including oversight mechanisms right from the start. An increasingly common and efficient oversight mechanism is access to investigations to respond to concerns about misuse of the funds related to a particular policy solution. Expanding our investigations team will allow us to be ready for those investigations, which will ultimately increase the success of the solutions.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

Results:

With the increase of two investigators and a paralegal, we project we would be able to nearly double the breadth of our investigative work while improving our response times to increasing levels of public inquiries.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Number of Hours of Investigation Work Conducted Per Year	1,800 Hours	2022	1,800 Hours	5,400 Hours	2024
Quality	Time Needed to Respond to Public Requests for Data and Advice	1-4 Weeks	2022	2-8 Weeks	1-4 Weeks	2024

Program: State Auditor

Activity: Audit Practice

<https://www.osa.state.mn.us/>

AT A GLANCE

- Serves the State and its citizens by performing financial and compliance audits of local governments with the highest level of independence and transparency of how public funds are used.
- Supports accountability of local government finances with unbiased and objective oversight.
- Promotes quality standards in local government audits.
- Performs the State's single audit for Minnesota Management and Budget.
- Shares education and technical assistance with local governments, state officials, and other auditors.

PURPOSE AND CONTEXT

We have the legal authority to act in the public's best interest in auditing local government finances, including counties, cities, and other political subdivisions of the state. We also have the authority to audit local governments that have been audited by other auditors if we determine that it is in the public's best interest. This unique authority gives taxpayers and other stakeholders confidence in the integrity of local government finances. To meet our responsibilities, we provide audit staff with the necessary training to achieve excellence and proficiency in their field.

We are committed to helping local government work at its best and to maintain public trust. To this end, we strive to expand our outreach. We have done this by establishing a working group consisting of representatives from the OSA Audit Practice Division, counties, and CPA firms that audit counties to work together toward consistent treatment in applying accounting principles and other regulations. We also participate with national, federal, state, and local officials to address the accounting, auditing, and accountability issues surrounding COVID-19.

We are funded by a general fund appropriation. Audit fees collected for auditing services are deposited in the general fund as non-dedicated receipts.

SERVICES PROVIDED

We work to maintain accountability in local government finances by providing the following services:

- Issue approximately 85 financial audit reports of local governments including, but not limited to, counties, cities, towns, schools, special districts, joint ventures, and pension funds that provide transparency and accountability to taxpayers, the State of Minnesota, federal agencies, and other stakeholders;
- Review approximately 440 single audit reports in a typical year and approximately 700 single audit reports annually due to COVID and recovery-related funding;
- Ensure professional, unbiased, objective assessments of whether public resources are reasonably managed, appropriately reported, and administered in compliance with laws and regulations;
- Report on the fair presentation of local governments' financial statements, comment on irregularities and deficiencies in local governments' internal controls, identify issues of legal and federal grant noncompliance, and recommend changes for improvements in local government accounting practices and procedures;
- Perform procedures required for a specific purpose and report on the results;
- Share knowledge and experience with audit clients to make the audit process as efficient and effective as possible;

- Provide annual continuing professional education training for Audit Practice Division staff to maintain proficiency and meet required industry standards, and provide training for local government accounting professionals on new accounting principles and compliance issues;
- Conduct periodic desk reviews of county audit reports and work paper reviews of county audits performed by private CPA firms to determine that the quality standards for reporting and for performing audit procedures in conformance with auditing standards are met;
- Participate in the local working group to promote consistency in county accounting and auditing;
- Collaborate with representatives from all levels of government in addressing emerging issues;
- Coordinate technical accounting and auditing to support the other divisions within the Office of the State Auditor, further promoting efficiency and effectiveness.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Peer Review Quality Standards Met (See note 1)	Yes	Yes	2018/2021
Quantity	Total Number of Audit Hours	57,657	59,683	2020/2021
Quality	Audits Issued Within 12 Months of Auditee Year-End	93%	96%	2020/2021
Results	Available Training Slots Filled by State and Local Government Accounting Professionals (See note 2)	100%	100%	2020/2021

Notes:

1. We participate in the National State Auditor’s Association Peer Review Program. Maintenance of an appropriate internal quality control system is essential to performing effective audits that comply with professional standards. The results of the two previous Peer Reviews concluded that we met professional requirements. The Peer Review is performed every three years with the last ones being performed in 2018 and 2021.
2. The Available Training Slots refers to the annual training provided by us.

The following provisions of Minnesota law are the primary legal authority for these activities¹:

- Minn. Const., art. 5, §§ 1 and 4 (Executive branch).
- Minn. Stat., ch. 6 (State Auditor).
- Minn. Stat. § 6.46 (Powers to State Auditor).
- Minn. Stat. § 6.47 (Prescribes Accounting and Budgeting Systems).
- Minn. Stat. § 6.481 (Audits of Counties).
- Minn. Stat. § 6.49 (Audits of Cities of the First Class).
- Minn. Stat. § 6.495 (Audits of Relief Associations).
- Minn. Stat. § 6.50 (Audits of Cities of the Second, Third, or Fourth Class).
- Minn. Stat. § 6.51 (Audits of Other Political Subdivisions).
- Minn. Stat. § 6.515 (Audits of Federal Money).
- Minn. Stat. § 6.54 (Petition Audits).
- Minn. Stat. § 6.55 (Request Audits).
- Minn. Stat. § 123B.77 (Standards for School District Audits).

¹ This list is intended to identify the main sources of legal authority, but it is not intended to be all-inclusive.

Minn. Stat. § 124E.16 (Audits of Charter Schools).
Minn. Stat. § 367.36 (Audits of Towns).
Minn. Stat. § 375.17 (Prescribes Form of County's Financial Statements).
Minn. Stat. §§ 412.02, 412.591 (Prescribes Audit Standards for Certain Cities).
Minn. Stat. § 465.719 (Audits for Corporations created by political subdivisions).
Minn. Stat. § 469.43 (Audit of nonprofit agency contracting with Destination Medical Center).
Minn. Stat. § 469.100 (Compliance Examinations of Economic Development Authorities).
Minn. Stat. § 471.697 (City and Town Audits/Financial Reports, Audits of 1st Class Cities).
Minn. Stat. § 471.698 (Prescribes Form of Certain City Financial Statements).
Minn. Stat. § 471.6985 (Prescribes Form of Municipal Liquor Store Financial Statements).
Minn. Stat. § 471.699 (Enforcement of Reporting Requirements).
Minn. Stat. § 473.13 (Audits of Met Council).
Minn. Stat. § 477A.017 (Prescribes Uniform Financial Accounting and Reporting Systems).
Minn. Stat. § 477A.0175 (Determine fees collected by unauthorized diversion program).

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
<u>Expenditures by Fund</u>								
1000 - General	6,311	6,479	6,255	12,121	9,278	9,284	9,930	10,281
2000 - Restrict Misc Special Revenue	41	23	23	41	46	51	46	51
Total	6,351	6,502	6,279	12,162	9,324	9,335	9,976	10,332
Biennial Change				5,587		218		1,867
Biennial % Change				43		1		10
Governor's Change from Base								1,649
Governor's % Change from Base								9

Expenditures by Category

Compensation	5,692	5,849	5,710	11,168	8,467	8,467	9,039	9,404
Operating Expenses	597	562	567	694	707	718	787	778
Capital Outlay-Real Property				225	75	75	75	75
Other Financial Transaction	63	91	2	75	75	75	75	75
Total	6,351	6,502	6,279	12,162	9,324	9,335	9,976	10,332

Full-Time Equivalents

	52.37	50.84	49.37	66.08	67.82	65.02	67.82	65.02
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(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
1000 - General								
Balance Forward In		1,544		2,884				
Direct Appropriation	7,955	8,166	9,159	9,268	9,278	9,284	9,930	10,281
Transfers Out	100	35	20	31				
Cancellations		3,196						
Balance Forward Out	1,544		2,884					
Expenditures	6,311	6,479	6,255	12,121	9,278	9,284	9,930	10,281
Biennial Change in Expenditures				5,586		186		1,835
Biennial % Change in Expenditures				44		1		10
Governor's Change from Base								1,649
Governor's % Change from Base								9
Full-Time Equivalent	52.31	50.77	49.35	66.02	67.76	64.96	67.76	64.96

2000 - Restrict Misc Special Revenue

Balance Forward In	3	0	0	7	10	10	10	10
Receipts	38	23	30	44	46	51	46	51
Balance Forward Out	0	0	7	10	10	10	10	10
Expenditures	41	23	23	41	46	51	46	51
Biennial Change in Expenditures				1		33		33
Biennial % Change in Expenditures				1		51		51
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalent	0.06	0.07	0.02	0.06	0.06	0.06	0.06	0.06

Program: State Auditor

Activity: Legal/Special Investigations

<https://www.osa.state.mn.us/>

AT A GLANCE

- Provides legal expertise to all divisions within the office.
- Responds to inquiries from the public, local government officials and employees, and policymakers on issues related to legal compliance that are within the OSA's purview.
- Investigates allegations of unlawful use of public funds and property, working with law enforcement when requested.
- Annually publishes the Minnesota Legal Compliance Audit Guides by entity type.
- Publishes and updates Statements of Position to provide guidance on legal compliance, finance, and internal controls for local government officials and employees, and other interested parties.
- Provides training to assist local government officials and employees in protecting public assets.
- General Counsel serves as liaison to the Governor's office.
- General Counsel serves as proxy for the State Auditor on the following boards: State Board of Investment, Minnesota Housing Finance Agency.

PURPOSE AND CONTEXT

We work to help Minnesota's approximately 3,300 local units of government, 600 local pension plans, and 400 development authorities that receive and use public funds, do so in compliance with state law. Our work is relied upon by local governments, members of the public, auditors, law enforcement, statewide local government associations, and attorneys. We receive and respond to statutorily required reports of theft, embezzlement, and unlawful uses of public funds or property involving local governments. When requested by law enforcement, we work with them on financial investigations. We use specialized financial investigative and legal expertise to respond to questions and concerns. We meet our statutory duty to publish a legal compliance audit guide for use in auditing local governments. In addition, we support all divisions within the office by providing legal expertise and by conducting legal reviews of all audits performed by the Audit Practice Division. We are funded by an appropriation from the general fund.

SERVICES PROVIDED

We work to improve legal compliance in the use of local government funds by providing the following services:

- Perform reviews and investigations of local government financial issues, as appropriate, based on concerns that we receive; provide corrective recommendations to local governments;
- Review statutorily required reports of possible misuse of public funds to ensure that appropriate investigations have been performed, appropriate referrals to law enforcement have been made, and internal control modifications have been implemented as warranted;
- Provide targeted training on legal compliance and on the prevention and detection of fraud to local government officials and employees, private and public sector auditors, and other interested parties;
- Update and publish annually seven Minnesota Legal Compliance Audit Guides, which set the current minimum legal compliance procedures and scope for local government audits; and
- Research, revise, and publish Statements of Position on a variety of topics related to local government legal compliance, finance, and internal controls and publish weekly Avoiding Pitfalls items on issues we identify during audits, inquiries, reviews, and investigations.

RESULTS

Our work improves legal compliance and transparency in the use of local government funds and serves as a deterrent against misuse of public funds.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Average Monthly ¹ Views of Avoiding Pitfalls on Website	5,153	5,340	2020/2021
Quantity	Average Monthly Views of Legal/SI Statements of Position on Website	4,815	3,848	2020/2021
Quantity	Average Monthly Views of Investigative Reports and Review Letters on Website	4,3566	3,895	2020/2021

The following provisions of Minnesota law are the primary legal authority for these activities²:

Minn. Const., art. 5, §§ 1 and 4 (Executive branch).

Minn. Stat., ch. 6 (State Auditor).

Minn. Stat. § 6.52 (Subpoena Power).

Minn. Stat. § 6.53 (Penalty for Failure to Cooperate with OSA).

Minn. Stat. § 6.65 (Legal Compliance Audit Guides).

Minn. Stat. § 609.456 (Mandatory Reporting to OSA for Public Employees and Officials).

Minn. Stat. § 6.67 (Mandatory Reporting to OSA for Public Accountants).

¹ The average monthly numbers have been calculated based on the first three months of each comparison year (i.e., 2020 and 2021). This has been done for comparability purposes, since we implemented a new website in April 2021, which uses a new content management system (CMS). The new CMS records document and page views differently than the previous CMS. Consequently, for purposes of this document, we opted to rely upon data that was collected in both years prior to the switch in CMS so as to ensure that the numbers being compared year-over-year reflected the same data recording technology/methodology.

² This list is intended to identify the main sources of legal authority, but it is not intended to be all-inclusive.

Legal/Special Investigations

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	350	379	413	569	496	496	857	869
Total	350	379	413	569	496	496	857	869
Biennial Change				254		10		744
Biennial % Change				35		1		76
Governor's Change from Base								734
Governor's % Change from Base								74

Expenditures by Category

Compensation	311	329	364	513	440	439	801	812
Operating Expenses	38	44	49	53	53	54	53	54
Other Financial Transaction		6	0	3	3	3	3	3
Total	350	379	413	569	496	496	857	869

Full-Time Equivalents

	2.36	2.38	2.63	2.61	2.88	2.77	5.88	5.77
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Legal/Special Investigations

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
1000 - General								
Balance Forward In		76		73				
Direct Appropriation	426	434	486	496	496	496	857	869
Cancellations		132						
Balance Forward Out	76		73					
Expenditures	350	379	413	569	496	496	857	869
Biennial Change in Expenditures				254		10		744
Biennial % Change in Expenditures				35		1		76
Governor's Change from Base								734
Governor's % Change from Base								74
Full-Time Equivalents	2.36	2.38	2.63	2.61	2.88	2.77	5.88	5.77

Program: State Auditor

Activity: Government Information

<https://www.osa.state.mn.us/>

AT A GLANCE

- Collects, reviews, compiles, and analyzes financial information on approximately 3,300 local units of government.
- Issues 10 to 12 reports annually on local government finances.
- Certifies to the Department of Revenue all cities eligible to receive Local Government Aid and Small Cities Assistance.
- Responds to financial questions from local government employees and officials daily.
- Issues Best Practices Reviews of local government operations periodically.
- Provides ongoing training on Small Cities and Towns Accounting System (CTAS) to local government officials and employees throughout the state.
- Works with CTAS users on annual technology updates to continue to improve the program.
- Certifies to the Department of Revenue additional local government aid for cities and counties participating in the Performance Measurement Program.

PURPOSE AND CONTEXT

We provide comprehensive, comparable financial information from over 3,300 local governments to assist state and local policymakers with policy and spending decisions and to help the public make informed decisions about its local government. We collect and analyze local government financial data and publish regular reports provided to the legislature and to the public. We also conduct best practices reviews of local government operations as resources allow. We are funded by an appropriation from the general fund.

SERVICES PROVIDED

We work with local governments to collect and analyze their financial information on a timely basis. We provide transparency of local government finances by providing the following services:

- Respond to local government financial questions;
- Create and provide electronic reporting forms to collect statutorily required data and update forms and instructions as funding sources/uses and statutes change;
- Follow up with entities to improve accuracy and timeliness in statutorily required reporting;
- Provide on-demand online training to help local governments successfully complete electronic reporting forms;
- Review data submitted through electronic reporting for consistency and reporting;
- Maintain, support, and upgrade the Small Cities and Towns Accounting System (CTAS) software, user manual, and web resources used by over 1,400 small cities and towns throughout Minnesota;
- Provide basic accounting and CTAS training to local government officials and employees throughout the state;
- Prescribe the chart of accounts and reporting requirements for cities, towns, and special districts;
- Partner with local government associations to provide training and outreach to members;
- Maintain an extensive database of local government financial data;
- Evaluate entities' governance structure to special district statutory requirements to help entities report when required;
- Provide a user-friendly comparison tool of local government financial information;

- Compile and issue 10 to 12 annual reports each year;
- Prepare and compile customized data for use by legislative researchers and the media; and
- Conduct special studies as requested by the legislature.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Local Governments Meeting Reporting Requirements	92.7%	94.7%	2019/2020
Quality	Average Monthly ¹ Views of Local Government Finance Reports on Website	2.908	3.263	2020/2021
Quantity	Views of Comparison Tools on Website	10,207	11,445	2020/2021
Results	CTAS Users Reporting with Exported Files	902	905	2020/2021

The following provisions of Minnesota law are the primary legal authority for these activities²:

- Minn. Const., art. 5, §§ 1 and 4 (Executive branch).
- Minn. Stat., Ch. 6 (State Auditor).
- Minn. Stat. §§ 6.47, 6.475 (CTAS).
- Minn. Stat. §§ 6.74, 6.75 (Collection of Local Government Data, Report).
- Minn. Stat. § 6.745 (Summary Budget reports).
- Minn. Stat. § 6.756 (Special Districts reports).
- Minn. Stat. § 6.76 (Lobbying reports).
- Minn. Stat. § 6.78 (Best Practices reports).
- Minn. Stat. § 6.91 (Performance Measures reports).
- Minn. Stat. § 367.36 (Towns Make Financial Report to OSA).
- Minn. Stat. § 471.697 (Cities, Towns, Municipal Hospitals and Nursing Homes, Liquor Stores and Public Utility Commissions Make Financial Reports to OSA).
- Minn. Stat. §§ 471.698, 412.02, 412.591 (City Financial reports).
- Minn. Stat. § 471.6965 (Prescribes Summary Budget Statement for Cities).
- Minn. Stat. § 471.6985 (Municipal Liquor Stores Report to OSA).
- Minn. Stat. § 471.70 (Annual Reports to OSA of Municipalities' Outstanding Obligations).
- Minn. Stat. § 609.5315 (Forfeiture reports to OSA and OSA to Legislature).

¹ The average monthly numbers have been calculated based on the first three months of each comparison year (i.e., 2020 and 2021). This has been done for comparability purposes, since we implemented a new website in April 2021, which uses a new content management system (CMS). The new CMS records document and page views differently than the previous CMS. Consequently, for purposes of this document, we opted to rely upon data that was collected in both years prior to the switch in CMS so as to ensure that the numbers being compared year-over-year reflected the same data recording technology/methodology.

² This list is intended to identify the main sources of legal authority, but it is not intended to be all-inclusive.

Government Information

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	640	679	670	935	792	792	905	908
2000 - Restrict Misc Special Revenue	2	3	14	15	17	15	17	15
Total	642	682	684	950	809	807	922	923
Biennial Change				310		(18)		211
Biennial % Change				23		(1)		13
Governor's Change from Base								229
Governor's % Change from Base								14

Expenditures by Category

Compensation	569	609	617	860	715	711	828	827
Operating Expenses	73	65	67	85	89	91	89	91
Other Financial Transaction	0	8	0	5	5	5	5	5
Total	642	682	684	950	809	807	922	923

Full-Time Equivalent

	6.13	6.23	6.30	7.33	7.23	6.23	8.23	7.23
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Government Information

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
1000 - General								
Balance Forward In		36		143				
Direct Appropriation	676	697	813	792	792	792	905	908
Cancellations	0	54	0					
Balance Forward Out	36		143					
Expenditures	640	679	670	935	792	792	905	908
Biennial Change in Expenditures				286		(21)		208
Biennial % Change in Expenditures				22		(1)		13
Governor's Change from Base								229
Governor's % Change from Base								14
Full-Time Equivalents	6.11	6.22	6.14	7.23	7.13	6.13	8.13	7.13

2000 - Restrict Misc Special Revenue

Balance Forward In	72	74	82	77	65	51	65	51
Receipts	5	11	10	3	3	3	3	3
Balance Forward Out	74	82	77	65	51	39	51	39
Expenditures	2	3	14	15	17	15	17	15
Biennial Change in Expenditures				24		3		3
Biennial % Change in Expenditures				432		10		10
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.02	0.01	0.16	0.10	0.10	0.10	0.10	0.10

Program: State Auditor

Activity: Pension

<https://www.osa.state.mn.us/>

AT A GLANCE

- Monitors approximately 600 local public pension plans with assets of over \$678 million and membership of nearly 16,000. The majority of these plans provide pensions to volunteer and paid on-call firefighters.
- Responds to thousands of phone calls and emails yearly from firefighters, local government officials, pension plan trustees, and pension plan auditors and advisors.
- Issues an annual financial and investment performance report.
- Certifies individual public pension plans for state aid distributions totaling over \$24 million.
- Convenes the Volunteer Fire Relief Association Working Group, a stakeholder group that identifies ongoing issues and forwards suggested legislative changes to the Legislative Commission on Pensions and Retirement.
- Called upon for guidance and input in various ad-hoc government workgroups on pension issues.
- Serves as sole authoritative source of local public pension plan information.

PURPOSE AND CONTEXT

There are approximately 600 volunteer fire relief associations and other types of local public pension plans in Minnesota. We oversee compliance by these plans with various state laws governing plan administration and investment activity. We also provide guidance and information to the plans to support their compliance efforts.

The pension plan data collected, analyzed and reported on by us is relied upon by pension plan boards, plan members, municipal representatives, auditors, investment professionals, policy makers, and the public. We are funded by an appropriation from the general fund. Pension state aid is used to reduce the appropriation.

SERVICES PROVIDED

We promote the consistent interpretation and application of state laws and local pension plan bylaws by providing the following services:

- Monitor pension plan operations and the administration of pension benefits;
- Collect and review annual reporting forms;
- Issue Statements of Position, monthly newsletters, and legislative updates to inform and educate pension plan trustees;
- Create and publish Sample Bylaw Guides and an annual Selected Relevant Statutes booklet to assist pension plan trustee in meeting statutory requirements;
- Convene the Volunteer Fire Relief Association Working Group annually bringing together stakeholders to identify and discuss pressing pension issues and to suggest legislative changes; and
- Publish an annual report on pension plan finances, investments, and administration.

We also have been increasingly called-upon to provide expertise and input on other, ad-hoc committees and workgroups convened at the request of the legislature to address specific public pension issues.

RESULTS

The degree of compliance of local public pension plans with state laws and local bylaws, as measured annually, is excellent, as evidenced by the percentage of pension plans certified for fire state aid shown below.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Pension Plans Certified as Eligible to Receive Fire State Aid	99.8%	99.6%	2020/2021
Quantity	Average Monthly ¹ Views of Pension Newsletter on Website	4,117	4,010	2020/2021
Quantity	Average Monthly Views of Sample Bylaw Guides on Website	376	481	2020/2021
Quantity	Average Monthly Views of Pension Statements of Position on Website	1,824	858	2020/2021

The following provisions of Minnesota law are the primary legal authority for these activities²:

Minn. Const., art. 5, §§ 1 and 4 (Executive branch).

Minn. Stat., ch. 6 (State Auditor).

Minn. Stat. § 6.495 (Audits of Relief Associations, Report to Commissioner of Revenue).

Minn. Stat. § 6.496 (Provides Investment Performance Results to Relief Associations).

Minn. Stat. §§ 6.65, 424A.014 (Minimum Audit Procedures for Relief Associations).

Minn. Stat. § 6.72 (Provides Annual Report of Relief Associations to Legislature).

Minn. Stat. § 353G.17 (Filings by Relief Associations to OSA for Transfer of Records, Assets, and Liabilities).

Minn. Stat. § 356.216 (Filings by Relief Associations to OSA of Actuarial Valuations).

Minn. Stat. § 356.219 (Public Pension Funds Investment Reporting).

Minn. Stat. § 356A.06 (Prepares Acknowledgment Forms for use by Pension Plans and Brokers).

Minn. Stat. § 424A.014 (Filings by Relief Associations to OSA of Audited Financial Statements).

Minn. Stat. § 424A.016 (Certifications by Relief Associations to OSA of Individual Account Allocations, Filings by Relief Associations to OSA of Bylaws and Amendments).

Minn. Stat. § 424A.02 (Determines Compliance with Financial Requirements by Relief Associations).

Minn. Stat. § 424A.05 (Authority to Approve Correction of Erroneous Deposits).

Minn. Stat. § 424A.091 (Determines Compliance with Financial Requirements by Relief Associations).

Minn. Stat. § 424A.092 (Determines Compliance with Financial Requirements by Relief Associations).

Minn. Stat. § 424A.093 (Determines Compliance with Financial Requirements by Relief Associations).

Minn. Stat. § 424A.095 (Investments)

Minn. Stat. § 471.6175 (OPEB Trust Reports to OSA).

Minn. Stat. § 477B.042 (Filings by Relief Associations to OSA of Aid Allocation Agreements).

¹ The average monthly numbers have been calculated based on the first three months of each comparison year (i.e., 2020 and 2021). This has been done for comparability purposes, since we implemented a new website in April 2021, which uses a new content management system (CMS). The new CMS records document and page views differently than the previous CMS. Consequently, for purposes of this document, we opted to rely upon data that was collected in both years prior to the switch in CMS so as to ensure that the numbers being compared year-over-year reflected the same data recording technology/methodology.

² This list is intended to identify the main sources of legal authority, but it is not intended to be all-inclusive.

Pension

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25

Expenditures by Fund

1000 - General	502	504	501	698	606	606	606	606
Total	502	504	501	698	606	606	606	606
Biennial Change				194		13		13
Biennial % Change				19		1		1
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Compensation	419	438	444	614	526	525	526	525
Operating Expenses	83	60	56	81	77	78	77	78
Other Financial Transaction		5	1	3	3	3	3	3
Total	502	504	501	698	606	606	606	606

Full-Time Equivalents

	4.49	4.69	4.61	5.37	5.22	4.94	5.22	4.94
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Pension

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
1000 - General								
Balance Forward In		13		92				
Direct Appropriation	515	530	593	606	606	606	606	606
Cancellations		40						
Balance Forward Out	13		92					
Expenditures	502	504	501	698	606	606	606	606
Biennial Change in Expenditures				194		13		13
Biennial % Change in Expenditures				19		1		1
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	4.49	4.69	4.61	5.37	5.22	4.94	5.22	4.94

Program: State Auditor

Activity: Operations

<https://www.osa.state.mn.us/>

AT A GLANCE

- Provides accounting services, facilities management, technology support, and human resources services for approximately 70 employees in six offices, two worksites, and client sites.
- Prepares and maintains the biennial budget for the Office.
- Updates and maintains the Small Cities and Towns Accounting System (CTAS) that helps small local governments follow standard accounting practices and maintain accurate accounting records.
- Updates, collects, and processes local government electronic reporting forms submitted to the Office.
- Maintains the central database for the Office.
- Hosts and maintains a website to increase transparency in local government finances that serve approximately 10,000 unique visitors each month.

PURPOSE AND CONTEXT

We support all activities within the office by providing the accounting, facilities management, technology support, and human resource services for all divisions. We are funded by a general fund appropriation. The Tax Increment Financing (TIF) Division funding is accounted for in the Miscellaneous Special Revenue Fund, and costs related to supporting the TIF division are allocated directly to that appropriation.

SERVICES PROVIDED

We support all divisions within the office enabling each division to pursue identified strategies and to achieve desired results by providing the following services:

- Prepare and maintain the office's biennial budget;
- Process payroll for approximately 70 employees;
- Prepare purchase orders and pay invoices;
- Bill for and deposit payments for audit services;
- Maintain furniture and equipment inventory;
- Coordinate the lease renewals for and maintenance of six offices;
- Manage all the technology needs of the office;
- Maintain an integrated database for all divisions;
- Update and maintain the Small Cities and Towns Accounting System for local governments;
- Work with each division to collect, process, and improve electronic reporting forms;
- Provide research and strategic planning support on technology issues;
- Provide network and personal computer installation, support, and maintenance;
- Purchase common network equipment;
- Coordinate the hiring of employees;
- Educate employees on benefit options; and
- Work to ensure the office follows state bargaining agreements.

RESULTS

We leverage technology to help the office perform its work more effectively and efficiently.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Actions performed in the State Auditor's Form Entry System (SAFES)	96,469	105,064	2020/2021
Quality	Average Monthly ¹ Views of Website documents and pages	249,420	295,918	2020/2021

The following provisions of Minnesota law are the primary legal authority for these activities²:

Minn. Const., art. 5, §§ 1 and 4 (Executive branch).

Minn. Stat., ch. 6 (State Auditor).

Minn. Stat. § 6.475 ((Electronic) CTAS).

Minn. Stat. § 6.496 (Provides Electronic Performance Results to Relief Associations).

Minn. Stat. § 6.72 (Relief Associations Report to OSA/OSA Reports to Legislature).

Minn. Stat. § 6.74 (Electronic Collection of Local Government Data).

Minn. Stat. § 367.36 (Towns Make Electronic Financial Reports to OSA).

Minn. Stat. § 469.175 (Electronic TIF Districts reports to OSA).

Minn. Stat. § 471.6175 (Electronic OPEB Trust Reports to OSA).

Minn. Stat. § 471.697 (Cities, Towns, Municipal Hospitals and Nursing Homes, Liquor Stores and Public Utility Commissions Electronic Financial Reports to OSA).

Minn. Stat. § 471.698 (Cities Make Electronic Financial Reports to OSA).

Minn. Stat. § 471.6985 (Municipal Liquor Stores Electronic Report to OSA).

Minn. Stat. § 471.70 (Annual Electronic Reports to OSA of Municipalities' Outstanding Obligations).

Minn. Stat. § 609.5315 (Electronic Forfeiture reports to OSA).

¹ The average monthly numbers have been calculated based on the first three months of each comparison year (i.e., 2020 and 2021). This has been done for comparability purposes, since we implemented a new website in April 2021, which uses a new content management system (CMS). The new CMS records document and page views differently than the previous CMS. Consequently, for purposes of this document, we opted to rely upon data that was collected in both years prior to the switch in CMS so as to ensure that the numbers being compared year-over-year reflected the same data recording technology/methodology.

² This list is intended to identify the main sources of legal authority, but it is not intended to be all-inclusive.

Operations

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	346	551	454	669	534	534	1,180	1,203
Total	346	551	454	669	534	534	1,180	1,203
Biennial Change				226		(55)		1,260
Biennial % Change				25		(5)		112
Governor's Change from Base								1,315
Governor's % Change from Base								123

Expenditures by Category

Compensation	249	343	333	333	386	386	1,032	1,055
Operating Expenses	76	193	100	108	108	108	108	108
Capital Outlay-Real Property		1		150	20	20	20	20
Other Financial Transaction	20	14	20	78	20	20	20	20
Total	346	551	454	669	534	534	1,180	1,203

Full-Time Equivalents

	2.74	4.12	3.66	3.60	4.48	4.25	11.48	11.25
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Operations

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
1000 - General								
Balance Forward In		142		135				
Direct Appropriation	488	495	589	534	534	534	1,180	1,203
Cancellations		86						
Balance Forward Out	142		135					
Expenditures	346	551	454	669	534	534	1,180	1,203
Biennial Change in Expenditures				226		(55)		1,260
Biennial % Change in Expenditures				25		(5)		112
Governor's Change from Base								1,315
Governor's % Change from Base								123
Full-Time Equivalents	2.74	4.12	3.66	3.60	4.48	4.25	11.48	11.25

Program: State Auditor

Activity: Constitution

<https://www.osa.state.mn.us/>

AT A GLANCE

- Conducts continual outreach and provides educational resources to state and local elected officials, local government finance professionals, and the public.
- Works closely with the legislature and governor on appropriations and policy issues to ensure effective OSA oversight of over \$40 billion and increased transparency of local government finances.
- Maintains contact with statewide media to help Minnesotans better understand the critical role and responsibilities of the OSA and to raise public awareness of local government.
- Provides support to each OSA Division: Audit, TIF, Pension, Government Information and Special Investigations.
- Supports the State Auditor's service on six state boards and the Executive Council.
- Supports General Counsel's work as Liaison to Governor's office and other government entities.
- Supports General Counsel's work as proxy on the following boards: State Board of Investment and Minnesota Housing Finance Authority.

PURPOSE AND CONTEXT

The State Auditor is an independent constitutional officer elected statewide to provide oversight of over 4,300 units of local government. She oversees over \$40 billion in annual local government finances for Minnesota's taxpayers. She helps to ensure financial integrity and accountability in local government financial activities.

The Constitution Division provides senior-level management and leadership, supports the State Auditor on six state boards and the State Executive Council, and ensures that stakeholders and the public are kept updated on our work. We are funded by a general fund appropriation.

SERVICES PROVIDED

We accomplish our goal of providing effective oversight of local government finances by providing the following services:

- Disseminate the extensive knowledge of local government finances and accounting expertise of OSA to policy makers, the media, and the public;
- Provide outreach to stakeholders to proactively address emerging finance and compliance issues;
- Communicate consistently with the public to provide a better understanding of local government and instill confidence in local government finances. The State Auditor maintains an active public schedule to support this effort;
- Propose, pursue, advocate, and testify for legislation that increases accountability, transparency, and the understanding of local government finances;
- Work with statewide media to communicate the work of the OSA and provide transparency of local government finances;
- Improve the public's understanding of the role and responsibilities of the OSA and the State Auditor.

The following provisions of Minnesota law are the primary legal authority for these activities¹:

Minn. Const., art. 5, §§ 1 and 4 (Executive branch).

Minn. Stat., ch. 6 (State Auditor).

¹ This list is intended to identify the main sources of legal authority, but it is not intended to be all-inclusive.

Constitutional

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	333	355	389	430	387	387	387	387
Total	333	355	389	430	387	387	387	387
Biennial Change				131		(45)		(45)
Biennial % Change				19		(5)		(5)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Compensation	292	315	336	358	313	314	313	314
Operating Expenses	41	37	50	69	71	70	71	70
Other Financial Transaction		3	3	3	3	3	3	3
Total	333	355	389	430	387	387	387	387

Full-Time Equivalents

	2.40	2.68	2.65	2.65	2.25	2.18	2.25	2.18
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Constitutional

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
1000 - General								
Balance Forward In		45		12				
Direct Appropriation	278	282	381	387	387	387	387	387
Transfers In	100	35	20	31				
Cancellations		7						
Balance Forward Out	45		12					
Expenditures	333	355	389	430	387	387	387	387
Biennial Change in Expenditures				131		(45)		(45)
Biennial % Change in Expenditures				19		(5)		(5)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.40	2.68	2.65	2.65	2.25	2.18	2.25	2.18

Program: State Auditor

Activity: Tax Increment Financing

<https://www.osa.state.mn.us/>

AT A GLANCE

- Provides compliance oversight of approximately 1,650 Tax Increment Financing (TIF) districts administered by approximately 400 development authorities.
- Collects and reviews approximately 1,650 annual TIF reports, 150 TIF plans, and 200 other filings annually.
- Publishes annual TIF Legislative Report.
- Provides training to local government officials, such as county auditors, city clerks or administrators, and economic development professionals.
- Provide resources to promote TIF compliance through the TIF County Guide, Statements of Position, instructional videos, and articles.

PURPOSE AND CONTEXT

Tax increment financing was created to help businesses and communities redevelop blighted areas, expand tax base, create jobs, construct housing, and assist development that would not otherwise occur “but for the use of tax increment.” Tax increment funding comes from public dollars. We support local government compliance with the Tax Increment Financing (TIF) Act, which provides the parameters and controls around proper handling, use and reporting of tax increment funds. We are the sole source of comprehensive comparable data on TIF activity in Minnesota. Some of this data is used in the annual TIF Legislative Report to inform lawmakers and the public on the uses of TIF. Our oversight work serves as a deterrent to misuse of TIF. We are funded by a special revenue fund statutory appropriation.

SERVICES PROVIDED

We work to support local government compliance with the TIF Act by providing the following services:

- Collect and review financial information annually to identify non-compliance and to help communities come into legal compliance;
- Educate a broad audience, including local officials, lawmakers, financial consultants, state agencies, the public, and the media, on the TIF Act by publishing Statements of Position, articles, and weekly E-updates; providing online training videos; conducting trainings and webinars; speaking at conferences; providing administrative resources; and responding to requests for information;
- Publish a Tax Increment Financing County Guide to assist county officials in meeting their responsibilities under the TIF Act; and
- Consult with local government associations, legislative staff, and others regarding amendments to the TIF Act to ensure ongoing effective oversight.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Non-Compliance Findings Resolved	100%	100%	2020/2021
Quantity	Average Monthly ¹ Views of TIF Statements of Position on Website	526	577	2020/2021
Quantity	Individuals Viewing Online Training Videos and Attending Trainings	1,462	1,298	2020/2021
Quantity	Annual TIF Reports Filed on Time	97%	99%	2020/2021

The following provisions of Minnesota law are the primary legal authority for these activities²:

Minn. Const., art. 5, §§ 1 and 4 (Executive branch).

Minn. Stat., ch. 6 (State Auditor).

Minn. Stat. § 469.175 (TIF Districts Report to OSA).

Minn. Stat. § 469.177 (Enforcement Costs; Correction of Errors).

Minn. Stat. § 469.1771 (TIF Oversight).

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Tax Increment Financing

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
2000 - Restrict Misc Special Revenue	704	808	786	860	894	920	894	920
Total	704	808	786	860	894	920	894	920
Biennial Change				134		168		168
Biennial % Change				9		10		10
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Compensation	611	680	694	759	792	817	792	817
Operating Expenses	85	117	86	86	87	88	87	88
Capital Outlay-Real Property		0		5	5	5	5	5
Other Financial Transaction	8	10	7	10	10	10	10	10
Total	704	808	786	860	894	920	894	920

Full-Time Equivalents

	5.48	6.30	6.31	6.51	6.58	6.58	6.58	6.58
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Tax Increment Financing

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
2000 - Restrict Misc Special Revenue								
Balance Forward In	3,014	3,055	3,168	3,185	3,025	2,831	3,025	2,831
Transfers In	745	921	803	700	700	700	700	700
Balance Forward Out	3,055	3,168	3,185	3,025	2,831	2,611	2,831	2,611
Expenditures	704	808	786	860	894	920	894	920
Biennial Change in Expenditures				134		168		168
Biennial % Change in Expenditures				9		10		10
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	5.48	6.30	6.31	6.51	6.58	6.58	6.58	6.58