

# *Office of the State Auditor Overview*

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*House State Government Finance Committee*

*February 15, 2017*



*Rebecca Otto  
State Auditor*

# *Office of the State Auditor*

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**The Office of the State Auditor  
(OSA) generally oversees over \$20  
billion in spending per year by local  
governments**



# *Follow the Money: Transparency*

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- OSA is the *only* entity that collects, reviews, publishes & maintains long-term comparable financial data on all local governments (except schools)
- Used by taxpayers, legislature, governor, media, researchers, State agencies, and more
- Transparency & accountability for taxpayers



# Follow the Money



Other Minnesota State and Local Government sites | Employment Opportunities | Home



## Minnesota Office of the State Auditor

Rebecca Otto



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Comparison tools

### Welcome

Towns  
Cities  
Counties  
School Districts  
Special Districts  
Performance Measurement Reports  
State-wide Single Audit  
Audit Reports  
Tax Increment Financing (TIF) Reports  
Pension Reports  
Best Practices Review  
Municipal Liquor Store Operations  
Local Government Lobbying Services  
Criminal Forfeitures  
Special Studies

Tel (651) 296-2551  
Fax (651) 296-4755  
TDD (800) 627-3529  
525 Park Street, Suite 500, Saint Paul, Minnesota 55103

### What's New at the Office

- Posted: [Steele County Review](#)
- Released: [2016 Minnesota Local Government Financial Performance Report](#)
- Posted: [2017 Tax Tables for Counties](#)
- State Auditor's E-Update - 1/27
- [Avoiding Pitfalls: Written Contracts](#)

### Meeting Notices and Materials

- [Collaborative Governance Council](#)
- [Investment Study Group](#)
- [Fire Relief Association Working Group](#)
- [Council on Local Results and Innovation](#)
- [Joint Powers Subgroup](#)

### Training Opportunities

- [Recording: How to Use SAFES](#)

### INFRASTRUCTURE STRESS TRANSPARENCY TOOL



Office of the State Auditor

### Calendar

- **January 31** – **GID: City Summary Budget Data Financial Reporting Form** due.
- **January 31** – **TIF: County TIF Information Forms** e-mailed to county auditors by this date.
- **January 31** – **GID: County Summary Budget Data Financial Reporting Form** due.
- **January 31** – **GID: Local Government Lobbying Costs Reporting Form** due.
- **January 31** – **GID: Associations of Local Government Lobbying**

# *Follow the Money*



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[search](#)

## Comparison Tools

The tools listed below will allow you to search for revenue and expenditure data for towns, cities, and counties. The information available includes revenue and expenditure categories with their total amounts, per capita amounts, and ranking. The tools also allow you to compare information for the same entity for two different years, or to compare one entity to a similar type of entity.

- [Town Financial Data Search and Comparison](#)
- [City Financial Data Search and Comparison](#)
- [County Financial Data Search and Comparison](#)

School District Data is available on the [Minnesota Department of Education Web site](#).

# City Financial Data Search and Comparison

[Notes and Glossary of Categories for Search Tool \(pdf, 17k\)](#)

SPECIAL NOTE ABOUT "RANK": The "rank" is of the per capita amount. A rank of one means the highest dollar amount. Rankings are broken up between cities above 2500 in population (large cities) and cities below 2500 in population (small cities). Further, rankings are only done among cities that have revenues or expenditures for a given category. For example, if there are 117 large cities that have "Sanitation" expenditures, then the rank would be "x" of 117.

N/A - In the ranking column this means there was no rank because there were no expenditures in this category. N/A in other categories means the data is unavailable, or does not apply.

Select a City and Year:

PLYMOUTH (HENNEPIN) 2015 Go

PLYMOUTH (HENNEPIN) 2014 Go

Entity: Plymouth  
 County: Hennepin  
 Year: 2015  
 Population: 74,592

Entity: Plymouth  
 County: Hennepin  
 Year: 2014  
 Population: 73,633

Description	Amount	Per Capita	Rank	Amount	Per Capita	Rank
Taxable Tax Capacity	\$98,288,902	\$1,317.69	26 of 230	\$104,312,465	\$1,416.65	25 of 229
Net Tax Levy	\$27,370,511	\$366.94	116 of 230	\$27,370,511	\$371.72	118 of 229
<b>Revenues</b>						
Property Taxes	\$30,823,128	\$413.22	119 of 230	\$29,753,557	\$404.08	114 of 229
Franchise Taxes	\$2,630,711	\$35.27	39 of 191	\$839,312	\$11.40	118 of 194
Gambling Taxes	\$0	\$0.00	N/A	\$0	\$0.00	N/A
Gravel Taxes	\$0	\$0.00	N/A	\$0	\$0.00	N/A
Hotel/Motel Taxes	\$0	\$0.00	N/A	\$0	\$0.00	N/A
Sales Taxes	\$0	\$0.00	N/A	\$0	\$0.00	N/A
Tax Increment	\$900,683	\$12.07	129 of 188	\$794,058	\$10.78	143 of 190
<b>Total Taxes</b>	<b>\$34,354,522</b>	<b>\$460.57</b>	<b>124 of 230</b>	<b>\$31,386,927</b>	<b>\$426.26</b>	<b>139 of 229</b>
Special Assessments	\$36,096	\$0.48	218 of 223	\$75,650	\$1.03	218 of 223
Licenses and Permits	\$5,953,696	\$79.82	10 of 230	\$5,078,336	\$68.97	15 of 229
Federal Grants	\$2,413,136	\$32.35	51 of 167	\$2,075,783	\$28.19	55 of 170
State Grants	\$8,800,214	\$117.98	145 of 230	\$12,302,345	\$167.08	113 of 229
Local Grants	\$4,096,019	\$54.91	21 of 184	\$1,859,643	\$25.26	42 of 181
<b>Total Intergovernmental Revenues</b>	<b>\$15,309,369</b>	<b>\$205.24</b>	<b>115 of 230</b>	<b>\$16,237,771</b>	<b>\$220.52</b>	<b>105 of 229</b>

# ***Follow the Money: Accountability***

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- **We receive mandatory reports on alleged misuse/theft of public funds/assets:**
  - **609.456 reporting**
    - **Local officials must report evidence of theft or misuse of public funds**
  - **6.67 reporting**
    - **Private CPA firms are required to report evidence of theft or misuse of public funds**
  - **Taxpayers report concerns and make inquiries**



# *Follow the Money: Accountability*

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- **OSA serves as the deterrent:**
  - **Conducts investigations**
  - **Assists law enforcement/others with investigations**
  - **Trains/educates local officials to prevent/detect fraud**
  - **Refers cases to County Attorneys for possible criminal proceedings**





# *Follow the Money: Accountability*

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Summary of Special Investigations Resulting in Criminal Charges.....3

- St. Paul Public Schools - Independent School District # 625 (Restitution of \$86,078.02) (pg. 3).
- Aitkin County Planning and Zoning Department (Charges pending) (pg. 3).
- Norman County East Independent School District # 2215 (Restitution amount yet to be determined) (pg. 3).
- City of Henning (Restitution of \$18,460.66) (pg. 4).
- Koochiching Economic Development Authority (KEDA) (Civil judgment of \$341,742.40) (pg. 4).
- Winnebago Firemen’s Relief Association (Restitution of \$2,987.00) (pg. 4).

# *Follow the Money: Accountability*

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- **Certify cities to receive local government aid from DOR (\$519 million LGA available for 2017)**
- **Accountability: aid received if requirements are met**
  - **Annual audit**
  - **Fulfill annual reporting requirement**
- **Important source of revenue for many cities**



# *Follow the Money: Accountability*

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- **Certify Volunteer Fire Relief Associations for fire state aid (\$34 million aid in 2016)**
- **Accountability: aid received if requirements are met**
  - **Audit or AUP Engagement**
  - **Annual reporting requirement, compliance**
- **Safeguard pensions, provide transparency**
- **Support our cost-effective statewide volunteer firefighting system**



# *Follow the Money: Accountability*

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- **Tax Increment Financing (TIF) is an economic development tool**
  - **Housing, economic development, redevelopment, and more**
- **Oversee the use of TIF to help ensure that:**
  - **Used in compliance with state law**
  - **TIF Districts are decertified in a timely manner**
  - **Any excess tax increments collected are returned to property tax stream for redistribution**



# *Follow the Money: Accountability*

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- **In 2015:**
  - **Approximately \$194 million in tax increment was generated**
  - **Development authorities returned approximately \$25 million in tax increment revenue to county auditors for redistribution as property taxes to cities, counties, and school districts**
  - **About 64 percent of TIF Districts are located in Greater Minnesota**



# ***Follow the Money: Accountability***

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- **We conduct annual financial & compliance audits, including the Single Audit**
  - **Audited financial statements are used by taxpayers, bondholders, rating agencies, governing bodies, and more**
  - **Single Audits are used by federal/ State departments for consideration when awarding grants & funds to local governments**



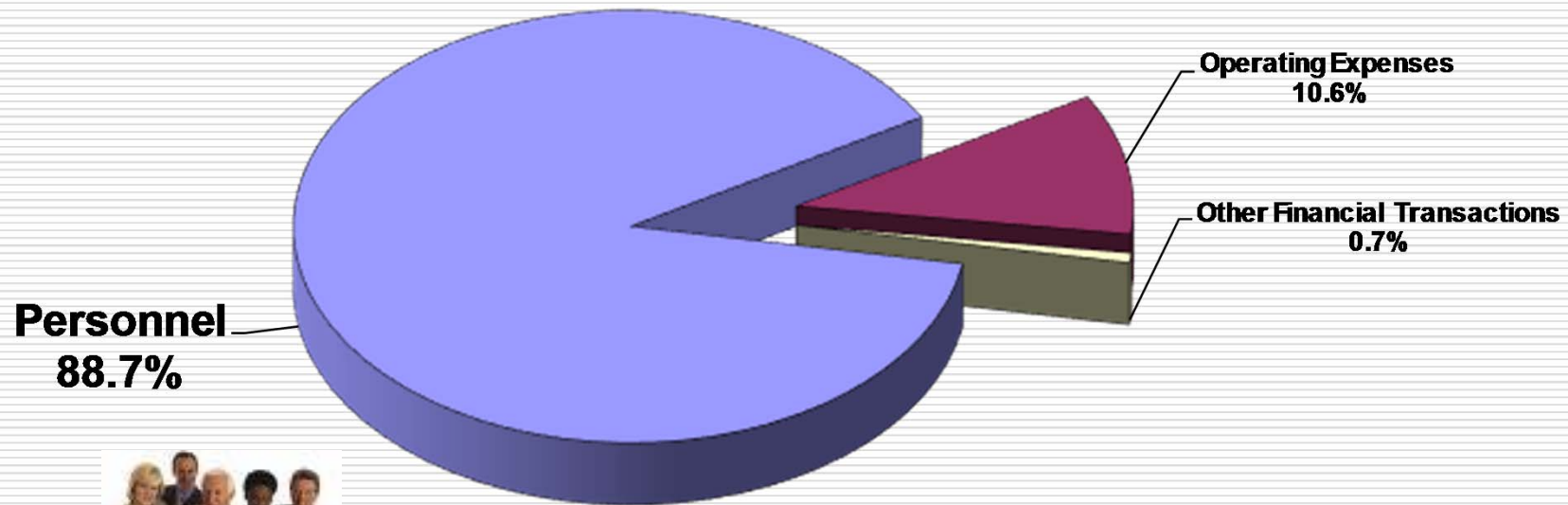
# *Budget*

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# *FY 2018-19 Base Budget: Expenditures by Cost Group*

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The State Auditor's Office is people.





# *FY 2018-19 Base Budget: Expenditures by Cost Group*

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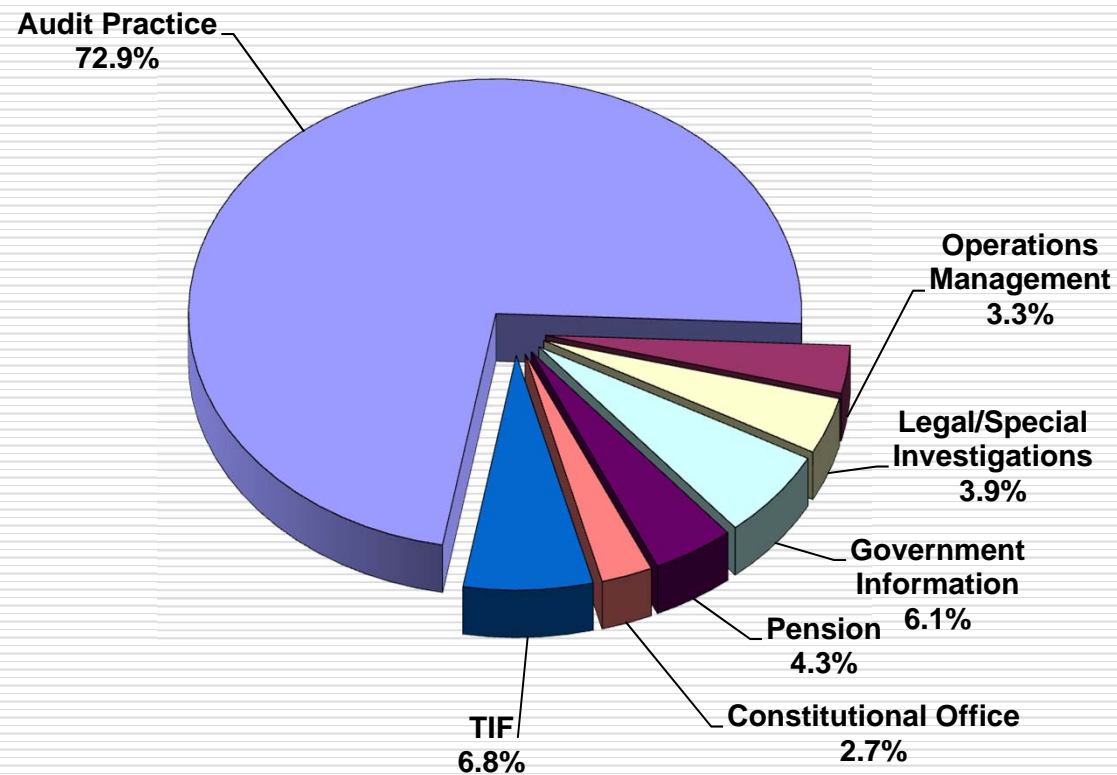
- OSA overhead expense as a % of revenues at **13.5%**; Average for private firms is **20-25%**
- OSA administrative personnel as a % of total headcount at **6%**; **20%** considered good number for private firms
- OSA overhead expenses per person at **\$6,643**; **\$35,000 to \$40,000** considered good number for private firms
- OSA is very efficient at serving taxpayers!



\*CPA Practice Advisor, Mark Rosenberg, CPA

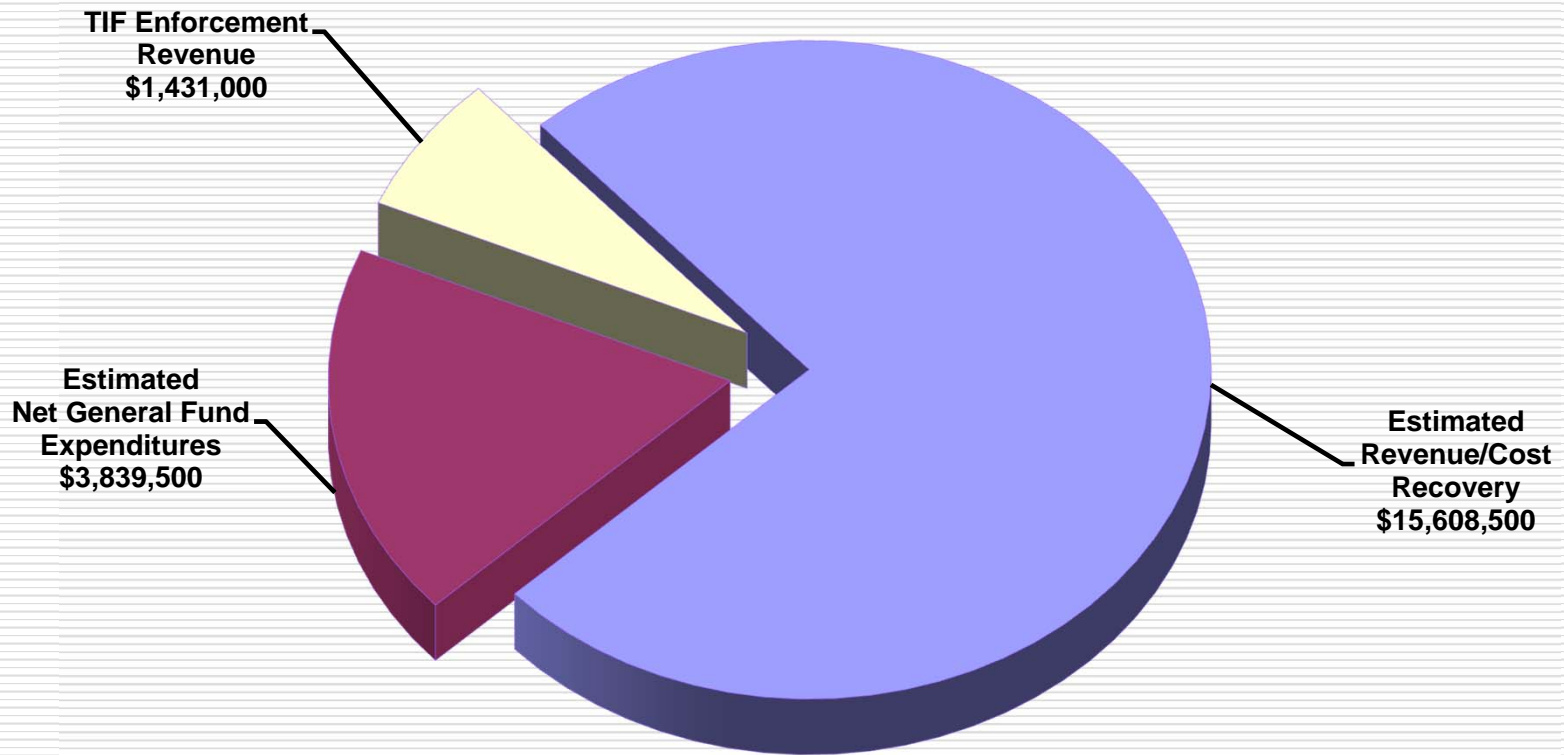
# *FY 2018-19 Base Budget: Where the money goes*

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# *FY 2018-19 Base Budget: Over 80% recovered by fees/reimbursements*

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# *FY 2018-19 Base Budget*

	<u>FY 2018</u>	<u>FY 2019</u>	<u>2018-19 Biennium</u>
<b>Base Budget by Division</b>			
Audit Practice	103	120	223
Legal/Special Investigations	404	415	819
Government Information	621	648	1,269
Pension	460	435	895
Operations Management	331	361	692
Constitutional Office	280	288	568
<b>Total General Fund Appropriation</b>	<b>2,199</b>	<b>2,267</b>	<b>4,466</b>



# *Proposed FY 2018-19 Change Items*

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- **Staff Retention**
- **Technology Staffing**

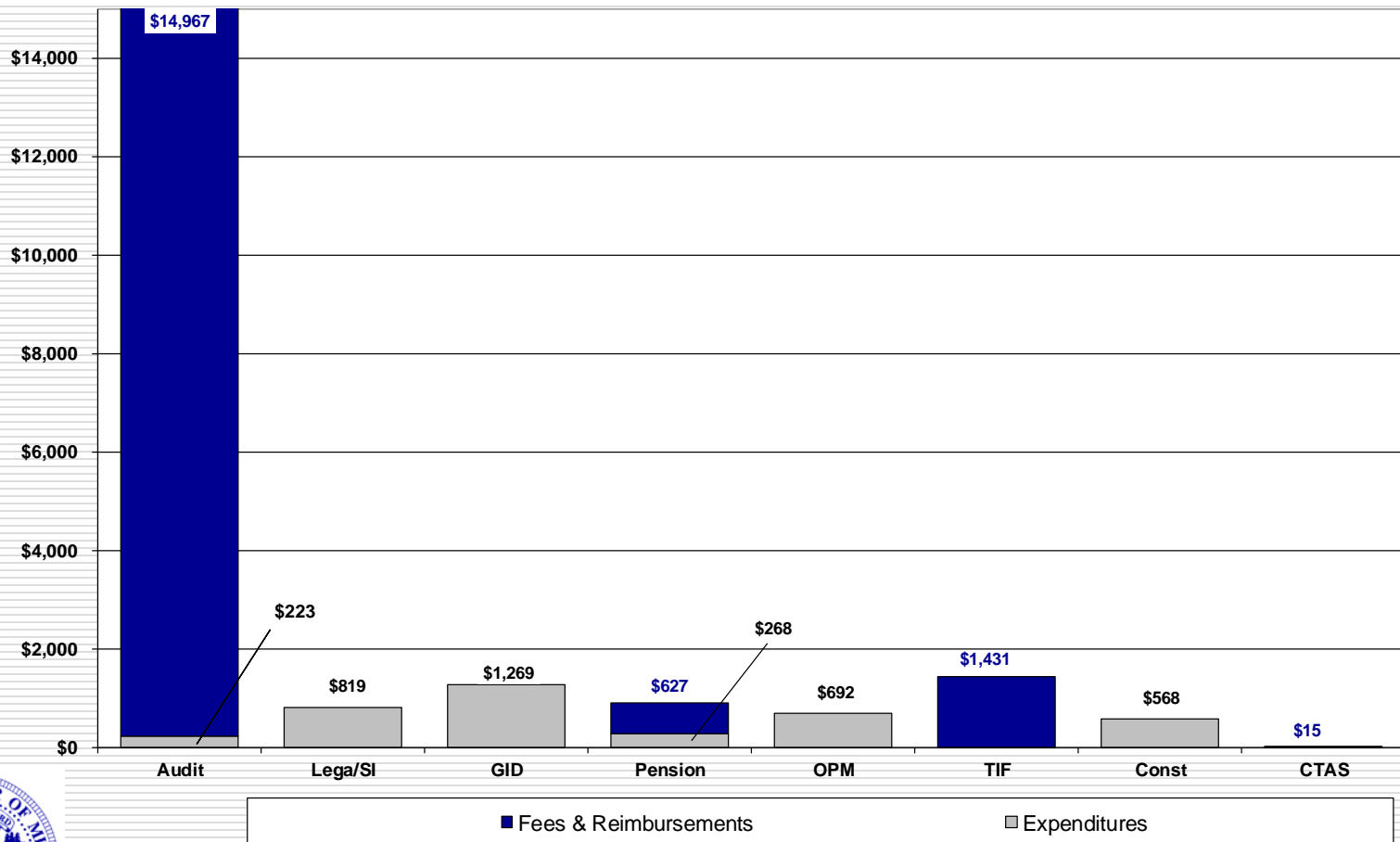


# *Proposed FY 2018-19 General Fund Appropriation*

<u>General Fund Appropriation</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>2018-19 Biennium</u>
<b>Base Budget</b>	2,199	2,267	4,466
<b>Change Items:</b>			
<b>Staff Retention</b>	55	99	154
<b>Technology Staffing</b>	109	103	212
 <b>Total General Fund Appropriation</b>	 2,363	 2,469	 4,832



# Proposed FY 2018-19 Budget: Portion of Expenditures Recovered by Fees and Reimbursements



# *Proposed FY 2018-19 Budget: Change Item: Staff Retention*

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- **The OSA has highly-trained, sought-after specialized staff**
- **The change item allows OSA to maintain current staff**





# *Proposed FY 2018-19 Budget: Change Item: Tech Staff*

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- **Improve processes and systems used to report to the OSA**
  - **Simplify reporting forms for over 4,000 local governments reporting to OSA**
  - **Increase efficiency for OSA staff by building in some automated data analysis**
  - **Improve transparency by updating website**



# *Questions?*

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**651-296-2551**

**www.auditor.state.mn.us**

