



Budget Proposal 2021

Managing Risk



Focus: Managing Emerging Risks

We at the Office of the State Auditor created our budget proposal to respond to three key risks. We identified the most pressing current challenges for local government fiscal accountability and then compared those to our capacity to support local government in meeting those challenges.

The three most significant risks we see facing local government fiscal integrity are:

- **Budget Shortfalls:** Falling bottom lines often lead to reductions in the staff that manage funds and provide key double checks on financial processes. Fewer eyes on the finance increases the risk of waste and errors. In addition, reductions in funds at a time when demands on those funds are increasing puts pressure on local leaders. Financial stress is a contributing factor to fraud and abuse.
- **Complex COVID-19 Funding:** Complexity increases the risk of errors that lead to waste. COVID-19 has most certainly increased the complexity of local budgets.
- **Small Staff Size:** We consistently see evidence that small units of government face increased risk due to their size. Small staffs struggle to adequately segregate financial duties, and that can lead missing signs of fraud, waste, and abuse.

The five components of our budget proposal shore up where we see gaps in our staffing needed to respond to these risks. Since 2005, staffing of the OSA has dropped by 45%. The following proposals address only the most urgent oversight gaps caused by that dramatic erosion of OSA funding.



Operating Adjustment

To be ready to ensure we are maintaining our current level of oversight, we need to keep up with inflation and refill audit positions as we garner additional fee generating work. 80% of our operating budget is dedicated to people. 70% of our staff works on audits that are funded by fees paid by the entities we examine. This item responds to each of our risk focus areas.

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	547	705	715	721
Revenues	250	358	364	367
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	297	347	351	354



School Accountability Team

Our students deserve schools their communities trust. Financial oversight and accountability are key building blocks of that trust. Currently, we are not performing school audits nor reviewing the work of the private firms performing those audits. Schools are facing budget shortfalls, have highly complex budgets, and there are many small districts. Recent investigations that have uncovered fraud at the school district level, also found holes in policies intended to prevent fraud that should be caught by annual audits. Increasing quality control of school audits across the state will lead to better internal controls that prevent waste, fraud, and abuse.

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2022	FY 2023
General Fund				
Expenditures	743	744	744	744
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	743	744	744	744
FTEs	6	6	6	6



Township Specialist

Minnesota's 1781 townships represent over 900,000 people and deserve the same level of continuity and focus from our office that cities and counties enjoy. Their inherently small staff sizes increase their risk and their need for support. Historically, we see a direct correlation between townships completion of reporting and oversight requirements and the likelihood we need to investigate them for problems. A dedicated, personal connection with our office is likely to save tax dollars by minimizing waste, fraud, and abuse.

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	108	110	110	110
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	108	110	110	110
FTEs	1	1	1	1



Special Investigator

The addition of an investigator position would further the OSA's capacity to respond to reports of local government fiscal impropriety. We also anticipate an increase in the need for the OSA to monitor and respond to concerns about how public dollars are being handled. Investigations can not only save taxpayer dollars by returning misused funds but also by deterring waste, fraud, and abuse.

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	104	106	106	106
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	104	106	106	106
FTEs	1	1	1	1



Security Enhancements and Training

With increases in security issues at and near the State Capitol, it is important that the OSA make improvements to physical security. The OSA's main office is located two blocks from the State Capitol but is not considered part of the Capitol Campus. As a result, the OSA does not benefit from the protections provided by Capitol Security to other state employees located on the Capitol Campus. The planned security enhancements will allow the OSA to quickly alert staff to security events and allow us to lock down our space. The proposed security training will educate staff on what to do when a security event occurs.

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	63	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	0	63	0	0
FTEs	0	0	0	0