

# Legislative Audit Commission

October 29, 2024

**OLA** | OFFICE OF THE  
LEGISLATIVE AUDITOR



## Agenda

- Commission topic-selection policy
- Legislative Auditor performance review
- Audit of OLA
- OLA year in review
- OLA budget proposal
- OLA language proposals

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State of Minnesota

## Proposed Topic-Selection Policy

- Codifies topic-selection criteria
- Requires one small board or similar
- Requires one follow-up (ten years or older)

### Topic Selection Criteria

*Used by the Legislative Audit Commission to Choose Evaluation Topics*

1. **State Resources.** What state government resources are involved? (E.g., how much state money goes to this program?)
2. **State Control.** How much control does the state have over this program or activity? (E.g., do state, federal, or local laws regulate this program?)
3. **Impact.** Are significant social and/or economic impacts involved? (E.g., how many people are affected by this program and how deeply?)
4. **Timeliness.** Is this an appropriate time for an evaluation? (E.g., is this program changing or have new procedures recently been implemented?)
5. **Feasibility.** Are data and resources available for an evaluation?
6. **Balance.** Would the topic contribute to a balanced work agenda? (E.g., has our office recently conducted an evaluation of this program?)

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State of Minnesota



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## Minnesota Office of the Legislative Auditor (OLA)

Years Ending June 30, 2022, and June 30, 2023

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## Agenda



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## Required Communications

- Audit provides reasonable, but not *absolute* assurance.
- Significant accounting estimates
  - The most sensitive estimate affecting the financial statements were:
    - Management's estimate of the proportionate share of Minnesota State Retirement System State Employees Retirement net pension liability and related deferred inflows and outflows of resources.
    - Management's estimate of the other post employment benefits liability.
    - Management's estimate of the useful lives of property, plant, and equipment.



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## Required Communications (Continued)

- Accounting policies
  - GASB Statement No. 87, Leases was implemented. This resulted in the OLA capitalizing lease assets and corresponding liabilities for long-term lease agreements.
  - GASB Statement No. 96, Subscription-Based Information Technology Arrangements was implemented. This resulted in the OLA capitalizing subscription-based information technology arrangement assets and corresponding liabilities for long-term subscription agreements.
- Uncorrected misstatements
  - None
- Corrected misstatements
  - None



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## Required Communications (Continued)

- Difficulties performing the audit
  - None
- Disagreements with management
  - None



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## Audit Results

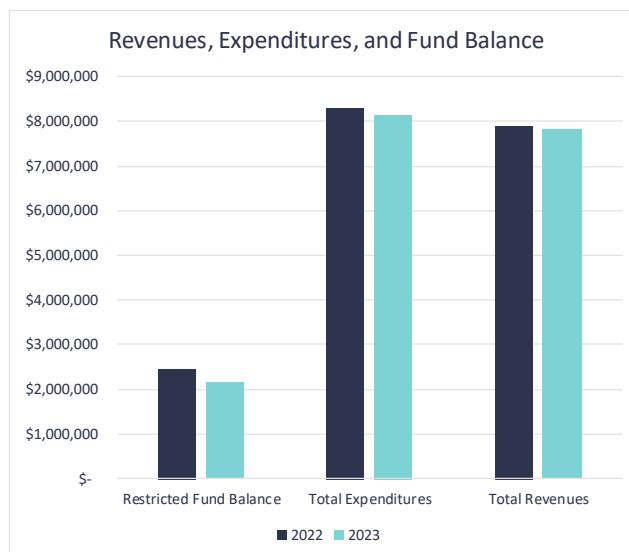
- Audit Opinion
  - The OLA has an unmodified (clean) opinion for the June 30, 2022 and June 30, 2023 financial statement audits.



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## General Fund Financial Results



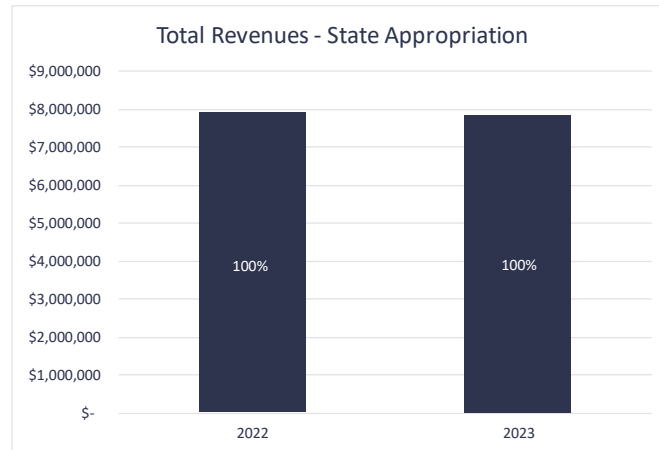
- Revenues - \$72k (1%) decrease from the prior year.
- Expenditures - \$140k (2%) decrease from the prior year.
- Restricted Fund Balances as a % of Total Expenditures:
  - 6/30/2023: 26%
  - 6/30/2022: 30%
- Restricted Fund Balance due to entities outside of the OLA restricting the way the funds are able to be utilized.



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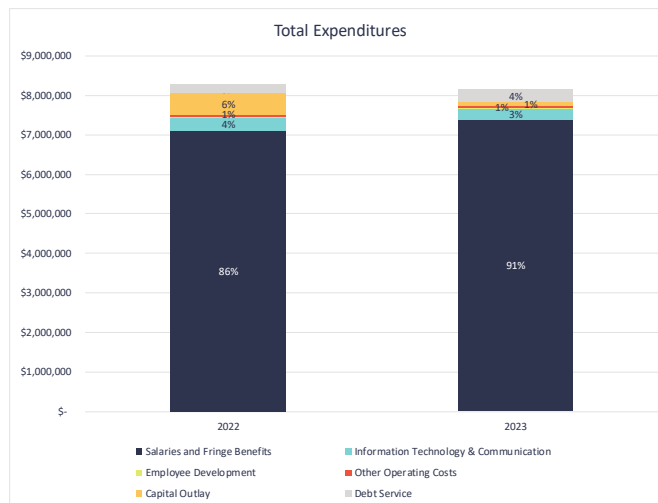
## General Fund Financial Results



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## General Fund Financial Results



- Expenditures decreased \$140k, or 1.7%, as compared to 2022.
- Capital outlay decreased 82.6%.
- Information technology and communication decreased 26.2%.
- Debt service increased 31.2%.
- Other operating costs increased 29.8%.
- Employee development increased 13.2%.
- Salaries and fringe benefits increased 4.2%.
- Capital Outlay
- Debt Service



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*Thank you to all for helping to get this audit completed timely and for allowing us to serve you!*

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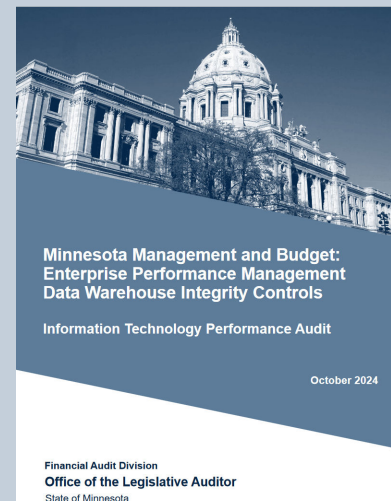
## OLA Accountability

- Peer Reviews
- Financial Audit



## OLA Year in Review

- Eight performance audits
- Five program evaluations
- Two special reviews
- Financial statement audits for:
  - State of Minnesota
  - MSRS, PERA, TRA





## What does the special reviews unit do?

**Receive**  
allegations and  
reports

**Assess**  
to determine  
nature and  
impact

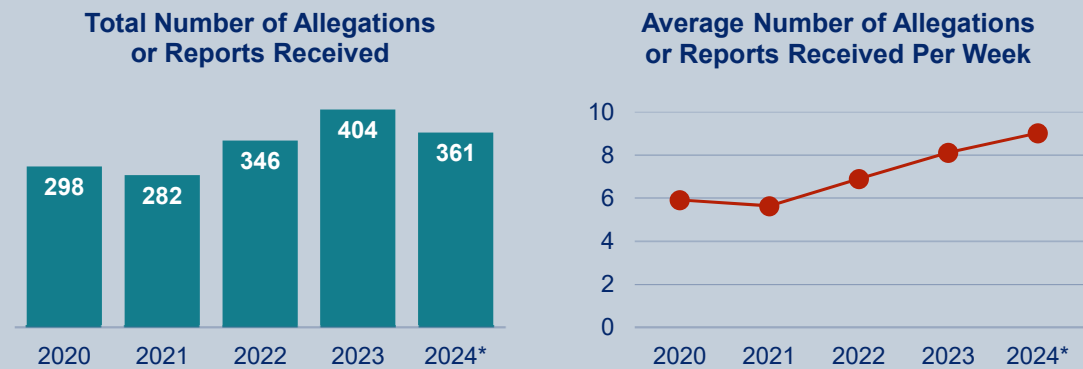
**Examine**  
through special  
reviews and  
other means

**Communicate**  
results

## Example of Our Work

- Complainant contacted OLA with concerns about conflicts of interest involving senior leaders of a state board
- OLA requested and reviewed information from the board
- Letter to the board included recommendations to strengthen its practices
- Notified the complainant of the result of their complaint

## Increase in Numbers



\*Data on allegations and reports received in 2024 are current through October 15, 2024.

## Increase in Numbers

### 1. More preliminary assessments

- Review materials, laws, and policies; analyze financial data; conduct interviews

### 2. More communications

### 3. More work we could do

## Communications

Over  
**450**  
official communications  
for items received since  
January 2024

- Acknowledging receipt
- Closing complaints and providing resources
- Referring issues to local, state, and federal agencies and to law enforcement
- Requesting information from state agencies

## Limited-Scope Projects

- A majority of the complaints and reports we receive do not rise to the level of a full special review
- Some issues warrant an inquiry or limited special review
- Commonly results in a written response and involves standard audit and evaluation methods
- Over 20 limited-scope projects in 2024

## Special Reviews

### Released in 2024:

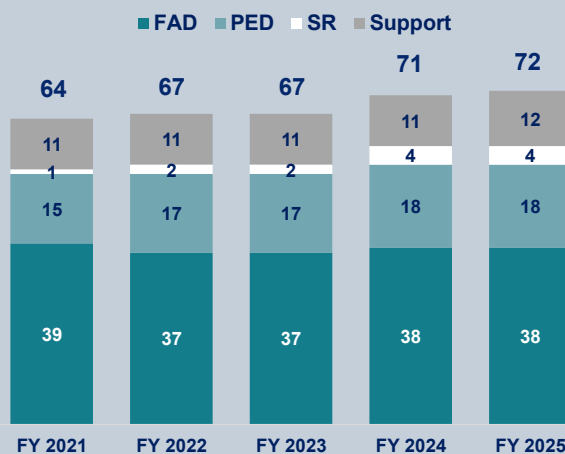
- Law Enforcement Compensation: 2022 Wage and Benefit Review
- Minnesota Department of Education: Oversight of Feeding Our Future

### Ongoing:

- Department of Natural Resources Wildlife Habitat Management

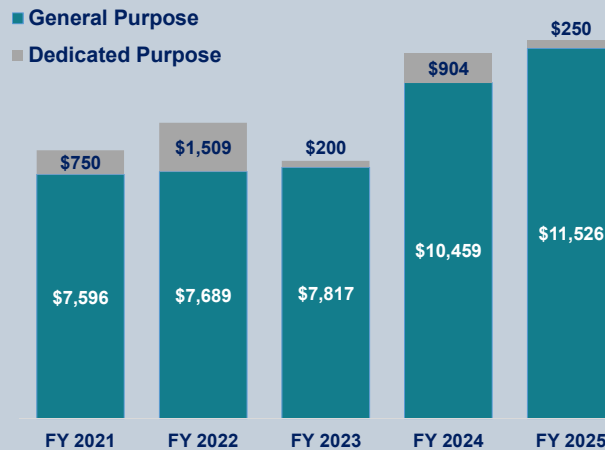
## OLA Staff, Fiscal Years 2021-2025

- Staff retention
- Special reviews staff
- OLA support



## OLA Appropriations, Fiscal Years 2021-2025 (in thousands)

- DHS funding
- Increased staff
- Data security account



## OLA Budget Options

Option Number	Staffing Change	Total Staff	FY 2026 (000)	FY 2027 (000)
1	Current Staff (no change)	72	\$11,526	\$11,798
2	Add 4 Special Reviews Staff	76	\$12,131	\$12,448
3	Add 4 Financial Audit or Program Evaluation Staff	76	\$12,131	\$12,448
4	Add 4 Special Reviews and 4 Financial Audit/Program Evaluation Staff	80	\$12,736	\$13,098

## Proposed Language Revisions: Special Reviews

- Establish a Special Reviews Division
- Authorize OLA to conduct special reviews to:
  - Review compliance with any legal requirement
  - Conduct a follow-up to a previous special review

## Proposed Language Revisions: Data Access and Classification

- Under specific circumstances, facilitate access to e-mails maintained by MNIT
- Ability to classify information from legislators as not public

## Proposed Language Revisions: Clarification

- Clarify requirements to notify OLA of possible misuse of public resources
  - Who is required to report
  - Level of evidence required to report
- Repeal [16B.45](#) (1984 law related to IT audits)

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