

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE MINNESOTA OFFICE OF THE STATE AUDITOR
AND
THE MINNESOTA BOARD OF WATER AND SOIL RESOURCES

This Memorandum of Understanding (MOU) is between the Minnesota Office of the State Auditor (OSA) and the Minnesota Board of Water and Soil Resources (Board) (collectively, the Parties). It outlines the audit guidelines for Soil and Water Conservation Districts (SWCDs) that the Parties agree shall apply to fulfill the requirements of Minnesota Statutes §103C.325, Subd. 2. This MOU replaces and supersedes all previous agreements between the parties and previous audit guidelines established by the OSA and the Board with respect to SWCD audits.

Background

Minn. Stat. § 103C.325, Subd. 2, requires the state auditor to annually audit the books of the SWCDs, or, at the request of the district board, the state auditor can allow for a certified public accountant (CPA) to perform the annual audit. Further, the state auditor may determine that an annual audit is not necessary. In 1993, an understanding was reached between the OSA and the Board to establish guidelines for the audits of SWCDs. The agreement allowed a SWCD to hire a private CPA to conduct the audit; it also set a threshold for the frequency of the audit. Based on the 1993 agreement, a SWCD was required to have an audit of its financial records when its accumulated revenues since the last audit reached \$300,000, but not less frequently than once every four years. Over the years, at the Board's request, the accumulated revenues threshold was changed to \$500,000, and no less frequently than once every three years.

In 2019, a working group, consisting of staff from the Board, SWCDs and the OSA, was formed to look at various issues regarding financial activities of SWCDs, including issues relating to financial reporting and frequency of audits. The guidelines in this MOU were developed from the discussions of the working group.

Responsibilities

1. SWCDs are required to have an *annual* financial audit regardless of revenue.
2. For the purposes of fulfilling the audit requirement, SWCDs may contract directly with a Certified Public Accountant (CPA) with experience in auditing governmental entities and in good standing with the Minnesota State Board of Accountancy.
3. All SWCD annual financial statements must be prepared according to Generally Accepted Accounting Principles (GAAP) as issued by the Governmental Accounting Standards Board (GASB).

4. Whether audited by the OSA or a private CPA firm, the audit must be conducted in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minnesota Legal Compliance Audit Guide for Other Political Subdivisions.
5. The OSA retains oversight of the audit process for SWCDs, whether the OSA performs the audit or a private CPA firm is used.
6. If, in the opinion of either the Board or the OSA, the financial activities or condition of an SWCD warrant special attention, the OSA may perform such audit as it determines to be in the public interest.
7. All audited draft financial reports must be presented to the Office of the State Auditor annually by October 31 of the year following the fiscal year for which the audit is being performed. The OSA will review one third of the private CPA audits of SWCDs per year prior to issuance or more frequently if requested by the Board. The OSA will issue a letter identifying the results of this review to the private CPA firm, the SWCD, and the Board. All final audited financial reports must be issued for the SWCDs by December 31 of the year following the year for which the audit is being performed.
8. In accordance with Minnesota Statutes §6.56, the OSA must bill the SWCD for the total cost of the review, which will not exceed 15% of the total cost of the audit. If the Board requests or the OSA determines it is necessary for the OSA to review the CPA firm's workpapers for the audit of an SWCD, the OSA will charge the SWCD for the additional hours required for the workpaper review, even if the total charge exceeds 15% of the total cost of the audit.
9. Copies of the final audit will be sent to the OSA, the Board's Chief Financial Officer, and other parties having interest in the SWCD operation as identified by the SWCD, the Board or the OSA.


Effective Date and Signatures

This MOU shall be effective upon the signature of the OSA and the Board authorized officials. It shall be in force for audits of fiscal years ending December 31, 2019 and beyond, unless superseded by agreement of the parties, or by applicable law, or unless terminated by either party upon 60 days written notice.

The OSA and the Board indicate agreement with this MOU by their signatures.

Signatures and dates

Minnesota Office of the State Auditor

By: 
Title: State Auditor

Date: 11-4-19

Minnesota Board of Water and Soil Resources

By: 
Title: Executive Director

Date: 11/4/19