



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 these:

- **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 four components of our budget proposal shore up where we see gaps in our staffing needed to respond to these risks.



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. 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 = (Expenditures – Revenues)	297	347	351	354
FTEs	8.35	8.35	8.35	8.35



School Accountability Team

Our students deserve schools their communities trust. Financial oversight and accountability is a key building block 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.

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.

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.

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