

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

**MEEKER COUNTY ECONOMIC
DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF MEEKER COUNTY)**

YEAR ENDED DECEMBER 31, 2011

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**MEEKER COUNTY ECONOMIC
DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF MEEKER COUNTY)**

Year Ended December 31, 2011



Management and Compliance Report

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**MEEKER COUNTY ECONOMIC DEVELOPMENT AUTHORITY
LITCHFIELD, MINNESOTA**

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**MEEKER COUNTY ECONOMIC DEVELOPMENT AUTHORITY
LITCHFIELD, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011**

INTERNAL CONTROL OVER FINANCIAL REPORTING

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-2 Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: Several of the Meeker County Economic Development Authority's (EDA) accounting functions lack proper segregation of duties.

Context: Due to the limited number of office personnel, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the EDA; however, the EDA's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the EDA's ability to detect misstatements of the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The EDA does not have the economic resources needed to hire additional staff in order to segregate duties.

Recommendation: We recommend that the EDA's elected officials and management be aware of the lack of segregation of duties of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

Client's Response:

Meeker County EDA management and Board of Directors remain aware that limited staff within the EDA office does not allow for adequate segregation of internal accounting controls as required under Government Auditing Standards. Checks and balances have been implemented to the process where possible. When pragmatic and fiscally responsible, the Board and management will continue to review and implement practices and policies for the improvement of internal accounting controls and duties of the organization.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Economic Development Authority Board
Meeker County Economic Development Authority

We have audited the financial statements of the Meeker County Economic Development Authority (EDA), which are part of Meeker County's financial statements, as of and for the year ended December 31, 2011, and have issued our report on Meeker County's financial statements dated September 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Meeker County EDA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Meeker County EDA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the EDA's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the EDA's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified a deficiency in internal control over financial reporting, described in the Schedule of Findings and Recommendations as item 96-2, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Meeker County EDA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except we did not test for compliance in deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions because they were tested in conjunction with the audit of the financial statements of Meeker County. We also did not test for contracting and bidding because the Meeker County EDA did not enter into any contracts that were subject to legal requirements as stipulated by Minnesota statutes.

The results of our tests indicate that, for the items tested, the Meeker County EDA complied with the material terms and conditions of applicable legal provisions.

The Meeker County EDA's written response to the internal control finding identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the EDA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Economic Development Authority Board, management, and others within the Meeker County EDA and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

/s/Greg Hierlinger

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GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 27, 2012