

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

**RAMSEY/WASHINGTON RECYCLING
AND ENERGY BOARD
MAPLEWOOD, MINNESOTA**

YEAR ENDED DECEMBER 31, 2016

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 150 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 650 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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**RAMSEY/WASHINGTON RECYCLING
AND ENERGY BOARD
MAPLEWOOD, MINNESOTA**

Year Ended December 31, 2016



Management and Compliance Report

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

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**RAMSEY/WASHINGTON RECYCLING AND ENERGY BOARD
MAPLEWOOD, MINNESOTA**

TABLE OF CONTENTS

	<u>Page</u>
Communication of Significant Deficiencies and/or Material Weaknesses in Internal Control Over Financial Reporting and Other Matters	1
Independent Auditor's Report on Minnesota Legal Compliance	3
Schedule of Findings and Recommendations	5

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COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS

Ramsey/Washington Recycling and Energy Board
Maplewood, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, and each major fund of the Ramsey/Washington Recycling and Energy Board as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Ramsey/Washington Recycling and Energy Board's basic financial statements, and have issued our report thereon dated May 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the Ramsey/Washington Recycling and Energy Board's basic financial statements, we considered the Ramsey/Washington Recycling and Energy Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ramsey/Washington Recycling and Energy Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ramsey/Washington Recycling and Energy Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control 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, such that there is a reasonable possibility that a material misstatement of the Ramsey/Washington Recycling and Energy Board's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency listed in the Schedule of Findings and Recommendations as item 2016-001 to be a material weakness.

The Ramsey/Washington Recycling and Energy Board'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 Ramsey/Washington Recycling and Energy Board's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Ramsey/Washington Recycling and Energy Board, management, and others within the Ramsey/Washington Recycling and Energy Board, and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 9, 2017



REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Ramsey/Washington Recycling and Energy Board
Maplewood, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, and each major fund of the Ramsey/Washington Recycling and Energy Board as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Ramsey/Washington Recycling and Energy Board's basic financial statements and have issued our report thereon dated May 9, 2017.

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness because the Ramsey/Washington Recycling and Energy Board's only outstanding debt consists of advances from other governments and tax increment financing because the Ramsey/Washington Recycling and Energy Board does not administer any tax increment financing districts. The provisions for deposits and investments and claims and disbursements were tested in conjunction with the audit of Ramsey County.

In connection with our audit, nothing came to our attention that caused us to believe that the Ramsey/Washington Recycling and Energy Board failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Ramsey/Washington Recycling and Energy Board's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of the Ramsey/Washington Recycling and Energy Board and management of the Ramsey/Washington Recycling and Energy Board and the State Auditor, and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

May 9, 2017

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

**RAMSEY/WASHINGTON RECYCLING AND ENERGY BOARD
MAPLEWOOD, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

INTERNAL CONTROL OVER FINANCIAL REPORTING

ITEM ARISING THIS YEAR

Finding Number 2016-001

Audit Adjustment

Criteria: 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 of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, in a timely basis.

Condition: During our audit, we identified a material adjustment which resulted in significant changes to the Ramsey/Washington Recycling and Energy Board's financial statements. The adjustment was reviewed and approved by the appropriate Ramsey/Washington Recycling and Energy Board staff and is reflected in the financial statements.

Context: The inability to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. This adjustment was found in the audit; however, independent external auditors cannot be considered part of the Ramsey/Washington Recycling and Energy Board's internal control.

Effect: The following audit adjustment affected the General Fund and governmental activities: increased due to other governments by \$200,764, increased accounts payable by \$267,843, and increased expenditures by \$468,607 to record liabilities applicable to 2016.

Cause: The payments were made in March 2017, and the client thought expenditures had the same cut-off period as revenues.

Recommendation: We recommend the Ramsey/Washington Recycling and Energy Board implement procedures to identify potential liabilities, such as flagging subsequent year payments or performing a review of subsequent disbursements.

View of Responsible Official: Concur

Client's Response:

The Ramsey/Washington Recycling and Energy Board recognizes the importance of recording all known accounts payables and due to other governments and has made adjustments to properly capture these expenses in the future. The expenses that created this issue were paid after the year-end closing procedure. This issue is a one-time only event and all future invoices will be recorded and identified prior to year-end closing.