

LEGAL COMPLIANCE MANUAL

EXAMPLES OF AUDITOR'S REPORTS ON COMPLIANCE

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Auditor's legal compliance report for local governmental units *other than school districts*. Includes separate paragraphs for cities and counties or other local governments; use just one of the two. (Note: This paragraph should be eliminated from the auditor's report.)

AUDITOR'S REPORT ON LEGAL COMPLIANCE

(Governing Body)
(Entity)

We have audited the financial statements of _____ as of and for the year ended _____ and have issued our report thereon dated _____.

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 Local Government*, 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.

[Paragraph to be used in audits of cities and counties]

The *Minnesota Legal Compliance Audit Guide for Local Government* covers 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 that we did not test for compliance in (identify area not tested) because (state reasons for excluding any areas from audit).

[Paragraph to be used for other governmental entities]

The *Minnesota Legal Compliance Audit Guide for Local Government* contains five categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. Our study included all of the listed categories, *except that we did not test for compliance in (identify area not tested) because (state reasons for excluding any areas from audit).

The results of our tests indicate that for the items tested, the _____ complied with the material terms and conditions of applicable legal provisions, except as described below (or in the Schedule of Findings).

This report is intended solely for the information and use of the _____ and is not intended to be, and should not be, used by anyone other than those specified parties.

(Signature)

(Date)

Note: This report on compliance may be issued as a separate letter or combined with the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*" (see example on page 6-6).

* If the rest of the sentence does not apply, put a period here and continue to the next paragraph.

Auditor's legal compliance report for *school districts*. (Note: This paragraph should be eliminated from the auditor's report.)

AUDITOR'S REPORT ON LEGAL COMPLIANCE

(Governing Body)
(Entity)

We have audited the financial statements of _____ as of and for the year ended _____ and have issued our report thereon dated _____.

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 Local Government*, 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 Local Government* covers six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and uniform financial accounting and reporting standards for school districts. Our study included all of the listed categories, *except that we did not test for compliance in (identify area not tested) because (state reasons for excluding any areas from audit).

The results of our tests indicate that for the items tested, the _____ complied with the material terms and conditions of applicable legal provisions, *except as described below (or in the Schedule of Findings).

This report is intended solely for the information and use of the _____ and is not intended to be, and should not be, used by anyone other than those specified parties.

(Signature)

(Date)

Note: This report on compliance may be issued as a separate letter or combined with the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*" (see example on page 6-6).

* If the rest of the sentence does not apply, put a period here and continue to the next paragraph.

Auditor's legal compliance report for *charter schools*. (Note: This paragraph should be eliminated from the auditor's report.)

AUDITOR'S REPORT ON LEGAL COMPLIANCE

(Governing Body)
(Entity)

We have audited the financial statements of _____ as of and for the year ended _____, and have issued our report thereon dated _____.

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 Local Government*, 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 Local Government* covers two categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards, and charter schools. Our study included the listed categories, *except that we did not test for compliance in (identify areas not tested) because (state reasons for excluding any areas from audit).

The results of our tests indicate that for the items tested, the _____ complied with the material terms and conditions of applicable legal provisions, *except as described below (or in the Schedule of Findings).

This report is intended solely for the information and use of the _____ and is not intended to be, and should not be, used by anyone other than those specified parties.

(Signature)

(Date)

Note: This report on compliance may be issued as a separate letter or combined with the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*" (see example on page 6-6).

* If the rest of the sentence does not apply, put a period here and continue to the next paragraph.

Auditor's legal compliance report for police and fire relief associations. (Note: This paragraph should be eliminated from the auditor's report.)

AUDITOR'S REPORT ON LEGAL COMPLIANCE

(Governing Body)
(Entity)

We have audited the financial statements of the _____ Relief Association as of and for the year ended _____, and have issued our report thereon dated _____.

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 Local Government*, 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 Local Government* covers three categories of compliance to be tested in audits of relief associations: deposits and investments, conflicts of interest, and relief associations. Our study included all of the listed categories, *except that we did not test for compliance in (identify areas not tested) because (state reasons for excluding any areas from audit).

The results of our tests indicate that for the items tested, the _____ Relief Association complied with the material terms and conditions of applicable legal provisions, *except as described below (or in the Schedule of Findings).

This report is intended solely for the information and use of the _____ Relief Association and is not intended to be, and should not be, used by anyone other than those specified parties.

(Signature)

(Date)

* If the rest of the sentence does not apply, put a period here and continue to the next paragraph.

Auditor's compliance and internal control report based on an audit of financial statements performed in accordance with *Government Auditing Standards* and the *Minnesota Legal Compliance Audit Guide for Local Government*. (Note: This paragraph should be eliminated from the auditor's report.)

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

(Governing Body)
(Entity)

We have audited the financial statements of _____ as of and for the year ended _____, and have issued our report thereon dated _____. 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.

Compliance*

As part of obtaining reasonable assurance about whether _____'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting*

In planning and performing our audit, we considered _____'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Minnesota Legal Compliance (includes separate paragraphs for local government, school districts, or charter schools; use just one of them.)

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 Local Government*, 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.

[Paragraph to be used for counties or cities.]

The *Minnesota Legal Compliance Audit Guide for Local Government* 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 that we did not test for compliance in (identify area not tested) because (state reasons for excluding any areas from audit).

[Paragraph to be used for other local governments.]

The *Minnesota Legal Compliance Audit Guide for Local Government* contains five (six) categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. Our study included all of the listed categories, **except that we did not test for compliance in (identify area not tested) because (state reasons for excluding any areas from audit).

[Paragraph to be used for school districts.]

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and uniform financial accounting and reporting standards for school districts. Our study included all of the listed categories, **except that we did not test for compliance in (identify area not tested) because (state reasons for excluding any areas from audit).

[Paragraph to be used for charter schools.]

The *Minnesota Legal Compliance Audit Guide for Local Government* contains two categories of compliance to be tested: uniform financial accounting and reporting standards and charter schools. Our study included the listed categories, **except that we did not test for compliance in (identify area not tested) because (state reasons for excluding any areas from audit).

The results of our tests indicate that for the items tested, _____ complied with the material terms and conditions of applicable legal provisions, **except as described in the Schedule of Findings and Questioned Costs as items (list related finding reference numbers).

This report is intended solely for the information and use of the _____, ***and is not intended to be, and should not be, used by anyone other than those specified parties.

(Signature)

(Date)

* See AICPA Statement of Position 98-3: *“Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards”* for report modifications required for material instances of noncompliance or reportable conditions in internal control.

** If the rest of the sentence does not apply, put a period here and continue to the next paragraph.

*** For Single Audits, distribution should include “federal awarding agencies and pass-through entities.”