

**EXAMPLES OF AUDITOR'S REPORTS ON
COMPLIANCE**

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 (list opinion units) 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 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 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 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).

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 below (or in the Schedule of Findings).

This report is intended solely for the information and use of _____ 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 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*" (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 (list opinion units) 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 seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts, 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).

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 below (or in the Schedule of Findings).

This report is intended solely for the information and use of _____ 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 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*" (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 (list opinion units) 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, _____ 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 _____ 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 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*" (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 internal control and compliance 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 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***

(Governing Body)
(Entity)

We have audited the financial statements of (*list related opinion units*) 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered _____'s internal control over financial reporting as a basis for designing our auditing procedures 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 _____'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the _____'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the _____'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the _____'s financial statements that is more than inconsequential will not be prevented or detected by the _____'s internal control. We consider the deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting. (List deficiency reference numbers here.)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the _____'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness. *

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the _____'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 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 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 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* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts, 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 audits of charter schools]

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*).

[Paragraph to be used for other local governments]

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*).

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 items (*list related finding reference numbers*).

_____’s written response to the significant deficiencies, material weaknesses, and legal compliance findings (*adjust as necessary for what they responded to*) identified in our audit has not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the _____ (governing body), management, others within _____, **** and should not be, used by anyone other than those specified parties.

(Signature)

(Date)

- * If conditions believed to be material weaknesses are disclosed, the report should identify the material weaknesses that were identified by the auditor. The last sentence of this paragraph should be replaced with language such as the following: “However, of the significant deficiencies described above, we consider items [list the reference numbers of the related findings] to be material weaknesses.”
- ** If instances of noncompliance were identified, replace the last sentence with: “The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items [list finding reference numbers].
- *** 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.”