

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT
PREPARED AS A RESULT OF THE AUDIT OF THE

CAPITOL REGION WATERSHED DISTRICT
SAINT PAUL, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2013

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.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

**CAPITOL REGION WATERSHED DISTRICT
SAINT PAUL, MINNESOTA**

For the Year Ended December 31, 2013



Management and Compliance Report

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

This page was left blank intentionally.

**CAPITOL REGION WATERSHED DISTRICT
SAINT PAUL, MINNESOTA**

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Findings and Recommendations	1
Independent Auditor's Report on Minnesota Legal Compliance	3

This page was left blank intentionally.

**CAPITOL REGION WATERSHED DISTRICT
SAINT PAUL, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013**

**I. FINDINGS RELATED TO FINANCIAL STATEMENT AUDITED IN
ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS**

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

Documenting and Monitoring Internal Controls (2012-001)

During our previous audit, we noted that changes were made to the operation of the internal controls which were not reflected in the documentation and the risk assessment of the District's internal controls.

Resolution

The District management has updated policies and procedures for accounts payable, payroll approval, and the usage of the district credit card which were adopted by the Board of Managers on January 8, 2014.

II. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

Contracts (2012-002)

During our previous audit, the District did not provide documentation demonstrating its compliance with Minn. Stat. § 471.425, subd. 4a, by adding wording from the statute regarding payment of subcontractors to its bid specifications and contracts.

Resolution

The District has added the wording regarding payment of subcontractors from Minn. Stat. § 471.425, subd. 4a, to its bid specifications and contracts and is now fully compliant.

IC-134 Withholding Affidavit (2012-003)

During our previous audit, the District did not provide documentation demonstrating its compliance with Minn. Stat. § 290.92 requiring the District to obtain a certificate by the Commissioner of Revenue before releasing the final payment on applicable contracts.

Resolution

The District has obtained IC-134 Withholding Affidavit forms for all contracts completed within the fiscal year ended December 31, 2013, and is now fully compliant.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Managers
Capitol Region Watershed District

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities and each major fund of the Capitol Region Watershed District as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 5, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the District's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the Capitol Region Watershed District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 District's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of the Board of Managers and management of the Capitol Region Watershed District 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 5, 2014