



Exhibit G

Audit Threshold

Topic:

In 1986, an audit threshold of \$200,000 for relief associations was set in statute. A relief association that exceeded \$200,000 in either special fund assets or liabilities was required to file with the Office of the State Auditor (OSA) audited financial statements. Relief associations with assets and liabilities both below the threshold were required to file a financial report with the OSA that had been certified by a CPA.

In 2013, the threshold was increased to \$500,000 in either special fund assets or liabilities.

The question the Working Group has been asked to consider is whether the \$500,000 threshold is still appropriate, or whether it should be changed. If the threshold was changed annually based on inflation, for example, it would be at \$605,843 for 2021.

Background:

Information is provided below that shows the number and percent of relief associations above and below the audit threshold for the current reporting year, and for the reporting years before and after the last threshold change. The percent of relief associations that filed their annual reporting forms with the OSA on time for both categories of relief associations is also provided.

The percentage of relief associations with the annual audit requirement decreased substantially after the threshold change. The percentage has been increasing each year, but is still 20 percent lower than the number with a required audit in 2012. Relief associations with the audit requirement are more likely to file their annual reporting forms on time, while those without the audit requirement have been filing later, on average, each year.

Reporting Year	Total Relief Associations	# With Audit	% With Audit	% Filed On Time	Average Days Late	# Without Audit	% Without Audit	% Filed On Time	Average Days Late
2012	684	487	71%	50%	50	197	29%	18%	99
2014	643	223	35%	53%	48	420	65%	27%	105
2021	527	301	57%	44%	55*	226	43%	27%	117*

*There are 17 relief associations with the audit requirement and 55 without the requirement that have not yet filed their 2021 reports.



Relief associations with the audit requirement have a reporting deadline of June 30, while those without the audit requirement have a reporting deadline of March 31.

For comparison purposes, audit requirements for Minnesota cities and towns is summarized below.

Cities - A city with a population over 2,500 must have an annual audit performed.

Cities with Combined Clerk/Treasurers - A city with a population of 2,500 or less and a combined clerk/treasurer must have an annual audit for 2021 if its annual revenue is more than \$245,000. A city with a combined clerk/treasurer and annual revenue of \$245,000 or less must have an Agreed-Upon Procedures engagement once every five years.

Towns - A town with a population over 2,500 and 2021 annual revenue of \$1,092,000 or more must have an annual audit.

Towns with Combined Clerk/Treasurers - A town with a combined clerk/treasurer must have an annual audit for 2021 if its annual revenue was more than \$245,000. A town with a combined clerk/treasurer and annual revenue of \$245,000 or less must have an Agreed-Upon Procedures engagement once every five years.

Options:

1. Make no change.
2. Increase the threshold on a going-forward basis so that the \$500,000 amount is adjusted each year, based on inflation.
3. Increase the threshold to the current inflation-adjusted value, with adjustments for inflation made each year going forward.
4. Make a change so that audits are required if certain risk factors exist (e.g., fundraising activities, non-SBI expanded list investments, etc.) rather than if an assets/liability threshold is met.
5. Others?