



**Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Members of the Minnesota State Legislature

The Honorable Mark Dayton, Governor

Mr. Myron Frans, Commissioner, Minnesota Management and Budget

We have audited the basic financial statements of the State of Minnesota, as of and for the year ended June 30, 2017, and have issued our report thereon dated December 15, 2017.¹ The financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, and the related notes to the financial statements, collectively comprise the state's basic financial statements. We conducted our audit in accordance with the 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.

Our report includes a reference to other auditors who audited the financial statements of the Minnesota State Colleges and Universities, Housing Finance Agency, Metropolitan Council, University of Minnesota, Office of Higher Education, Public Facilities Authority, and Workers' Compensation Assigned Risk Plan, as described in our report on the state's financial statements. The financial statements of the Housing Finance Agency and Workers' Compensation Assigned Risk Plan were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Controls Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the state's internal controls over financial reporting to determine the 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 state's internal controls. Accordingly, we do not express an opinion on the effectiveness of the state's internal controls.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal controls that might be

¹ Our audit report on the financial statements was included in the state's comprehensive annual financial report. Access to the report is available at the following website: <http://www.mn.gov/mmb/accounting/reports/>.

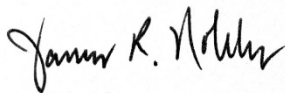
material weaknesses or significant deficiencies.² Therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal controls that we consider to be material weaknesses or significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the state's internal controls or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the state's internal controls over financial reporting and compliance as part of our financial statement audit. Accordingly, this communication is not suitable for any other purpose.



James R. Nobles
Legislative Auditor



Scott Tjomsland, CPA
Audit Director

December 15, 2017
Saint Paul, Minnesota

² A deficiency in internal controls 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the state's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.