

7404.0475 AUDIT.

Subpart 1. **Biennial audit.** At the request of the commissioner, an agent shall make available for audit, for each office of an agent, all applications and fees due and owed the commissioner and records for all applications occurring during the state's biennial fiscal cycle. If the commissioner has reasonable cause to believe another audit is necessary in addition to the biennial audit, the commissioner may order that another audit be conducted at cost to the agent to address areas of the agent's biennial audit in which the commissioner was not able to determine compliance.

Subp. 2. **Scope of audit.** The audit must cover the application and reinstatement fees collected by the agent for the previous two years. The audit report must include:

- A. the auditor's opinion as described in subpart 3;
- B. a report on internal controls as described in subpart 4;
- C. a verification of imprest cash as required by subpart 5;
- D. any material weakness as described in subpart 6;
- E. a response to the auditor's report by the agent; and
- F. other information as noted by the auditor.

Subp. 3. **Auditor's opinion; compliance and corrective action; administrative sanctions.** The auditor's opinion must describe areas of compliance, noncompliance, and corrective action and show a timetable for corrective action. Failure to undertake corrective action or to meet timelines is cause for subsequent administrative action, including suspension or revocation.

Subp. 4. **Internal controls.** The internal controls are the internal procedures of the agent designed to ensure compliance with the reporting and depositing requirements of this chapter. The audit of internal controls must assess whether:

- A. applications have been properly recorded and accounted for;
- B. reliable state reports have been prepared; and
- C. control measures are in place that assure that accountability over all application and reinstatement fees is maintained by the agent.

Subp. 5. **Verify imprest cash.** The audit must include a verification of the proper use of imprest cash as specified in part 7404.0500, subpart 8, and report any discrepancies.

Subp. 6. **Material weakness.** The audit report must state whether any material weaknesses were detected. Material weaknesses include:

- A. inadequate safeguarding of state inventory, fees, or other state assets;
- B. repeated overages or shortages;

- C. delinquent fees or reports due to the state;
- D. failure to maintain proper reports and records;
- E. material underreporting or overreporting of application or reinstatement fees;
- F. failure to report the loss of equipment, inventory, or fees due and owed the state; and
- G. inattention to or lack of correction to previously reported material weaknesses.

Statutory Authority: *MS s 14.06; 171.06; 373.35*

History: *32 SR 1283*

Published Electronically: *February 18, 2008*