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May/June 2009

Article for *Minnesota Fire Chief*

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### **Accounts – Who Has Control?**

*By Rebecca Otto, State Auditor*

The Office of the State Auditor has seen some confusion over the differences between Fire Department accounts and Relief Association accounts. While the handling of them has improved, it is important to take a moment to make sure that your entity is handling its accounts correctly.

A city council or town board of supervisors is required to have full control over all their municipality's financial matters. Most fire departments in Minnesota are municipal fire departments, not separately-incorporated non-profit firefighting corporations. Fire department checking accounts outside the control of a city council or town board of supervisors have been a particular concern both to fire departments and to municipalities.

#### **Fire Department Checking Accounts**

We have found that some municipal fire departments maintain their own checking accounts. These accounts are generally used to handle fire department expenses. They may be funded with fees collected for fire protection services.

Minnesota law allows municipalities to charge fees for fire protection services provided by the municipality's fire department. Payments by another municipality or a property owner for fire protection services provided by a city or town's fire department belong to that department's municipality, not to the fire department. Likewise, a donation to a city or town's fire department is really a donation to the city or town for fire department purposes. To accept the donation, the city council or town board of supervisors must pass a resolution by a two-thirds majority. The resolution may state that the donation is for fire department purposes.

A city or town's expenditures are subject to the discretion of the city council or town board of supervisors. Firefighters, as such, are not authorized to approve city or town expenditures or to sign city or town checks.

Despite these legal requirements, some city and town fire departments have their own checking accounts. Money in these checking accounts is often not accounted for by the city or town's chief financial official. Expenditures from these accounts are not approved by the city council or town board of supervisors and checks are often not signed by the appropriate signatories. Because they

are not in compliance with Minnesota law, these fire department checking accounts must be closed.

Municipal officials should determine whether their fire department maintains its own checking account. If this type of account exists, the city council or town board should pass a resolution requiring that the account be closed. The money should be turned over to the city or town's chief financial official or to the treasurer of the relief association, depending on the source of the funds. Once the money is under the control of the chief financial official, the municipality should maintain proper documentation to show its auditor that the transfer of funds was completed.

For fire departments created through valid joint powers agreements, disbursements may be made according to the joint powers agreement. The method of disbursement, though, must agree "as far as practicable with the method provided by law for the disbursement of funds by the parties to the agreement."

### **Fire Relief Association Accounts**

Different rules apply to volunteer fire relief associations. A relief association is a governmental entity separate from the city or town. It receives and manages public money in order to offer retirement benefits for those people providing firefighting and emergency first response services.

The finances of a volunteer fire relief association are governed by separate statutes, as well as by the relief association's articles of incorporation and bylaws. Because relief associations are required to maintain control of their own funds, they should maintain their own bank accounts separate from the municipality's accounts. Volunteer fire relief associations have a treasurer who is the custodian of the association's assets. Relief association bank accounts should only contain relief association funds, however, not city or town funds.

Municipalities generally contribute to the relief association's special fund, which exists to pay pension benefits. Once money is in the special fund, it can only be used by the relief association as provided by law. A relief association may also have a general fund and, if it has been licensed to conduct charitable gambling, a "gambling fund." Money received from a city or town cannot be placed into a relief association general fund or charitable gambling fund.

Volunteer fire relief associations are governed by a board of trustees. The board's responsibilities include determining plan benefits and funding requirements/contributions, maintaining necessary administrative records, approving expenditures, and investing pension plan assets.

### **Conclusion**

Maintaining proper controls over public funds is critical; volunteer fire relief associations should exercise control over their funds, and municipalities need to control all of their fire department funds.

If you have questions about any of the issues raised in this article, feel free to contact my office at (651) 296-2551 or e-mail us at [pension@auditor.state.mn.us](mailto:pension@auditor.state.mn.us). Additional information on volunteer fire relief associations is also available on our website, [www.auditor.state.mn.us](http://www.auditor.state.mn.us).