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Town Fire Department Accounts and Fire Relief Association Accounts

By Rebecca Otto, Minnesota State Auditor

The Office of the State Auditor has been working for some time to make sure municipal (town and city) fire department funds are handled appropriately. Most fire departments in Minnesota are municipal fire departments, not separately incorporated nonprofit firefighting corporations. Separate fire department checking accounts outside the control of the city council or town board of supervisors have been a particular concern. This article will help town officials address this problem for town fire departments.

Because the lines between the finances of a town fire department and the related fire relief association are sometimes blurred, a discussion of fire relief association finances is included as well.

Town Fire Department Checking Accounts

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

Minnesota law allows towns to charge fees for fire protection services provided by the town fire department. Payments by another town, a city or a property owner for fire protection services provided by a town fire department belong to the town. Likewise, a donation to the town fire department is really a donation to the town for fire department purposes. The town board of supervisors must pass a resolution by a two-thirds majority to accept the donation. The resolution may state that the donation is for fire department purposes. All town funds must be received and accounted for by the town treasurer.

Town expenditures are subject to the discretion of the town board of supervisors. Checks written to pay town expenditures must be signed by the town board chair, the town clerk and the town

treasurer. Firefighters, as such, are not authorized to approve town expenditures or to sign town checks.

Despite these legal requirements, some town fire departments have their own checking accounts. Money in these checking accounts is often not accounted for by the town treasurer. Expenditures are not approved by the town board of supervisors, and checks are not signed by the board chair, clerk and treasurer. These town fire department checking accounts must be closed.

Towns should determine whether the town's fire department maintains its own checking account. If this type of account exists, the town board should pass a resolution requiring that the account be closed and the money turned over to the town treasurer. Once the money is under control of the treasurer, the town should maintain proper documentation to show its auditor that the transfer of funds was completed. Improper accounts and payments of claims are issues of legal compliance. Auditors should examine the proper use and control of public funds and finances. If a town's fire department maintains a separate checking account, the town's auditor should comment that the town is in non-compliance with Minnesota's public finance laws.

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."

Relief Association Accounts

A volunteer fire relief association is a governmental entity separate from the town. It receives and manages public money to offer retirement benefits for those providing firefighting and emergency first response services. Towns generally contribute to the relief association's special fund, which exists to pay pension benefits. Once money is in the relief association's special fund, it can only be spent by the relief association as provided by law. A relief association may also have a general fund and/or a gambling fund. Money received from a town cannot be placed into these fire relief association funds.

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 town accounts.

Volunteer fire relief associations are governed by a board of trustees. The board of trustees for a fire relief affiliated with a town fire department consists of nine members. Six trustees are elected from the relief association's membership. The other three are town officials – one elected official and one elected or appointed official designated by the town board, and the fire chief. The board's activities include determining plan benefits and funding requirements/contributions, maintaining necessary administrative records, approving expenditures, and investing pension plan assets.

Volunteer fire relief associations also have a treasurer who is the custodian of the relief association's assets. As a result, the relief association treasurer may have a checkbook. Depending on the relief associations' needs, there may be more than one bank account. Relief association bank accounts should only contain relief association funds, however, not town funds.

Conclusion

Maintaining proper control over public funds is a responsibility of all town officials. While volunteer relief associations should exercise control over their funds, the town needs to control all town 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. Additional information on volunteer fire relief associations is also available on our website, www.auditor.state.mn.us, or email us at pension@osa.state.mn.us.