



OFFICE OF THE STATE AUDITOR

E-Update

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State Auditor
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1. Avoiding Pitfalls: Small Entities - Review of Checks
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1. Avoiding Pitfalls: Small Entities - Review of Checks

In small entities with a limited number of office personnel, the Office of the State Auditor sometimes discovers evidence of theft that occurred because no oversight procedures were developed to counteract the lack of segregation of duties.

A timely review of bank statements and check images (or original checks, if returned by the bank) needs to be performed to detect problem checks. Specifically, the bank statements and check images should be compared to the claims list approved for payment at the prior board/council meeting(s). This brief review should be performed on a monthly basis by someone who is not involved in the writing of checks. For example, in small entities, it could be performed by a town supervisor or city council member.

The review could disclose bank encoding errors, but it can also help detect theft of public funds, such as the issuance of unauthorized checks, the alteration of the payee, and/or the amount of the check.

If an entity's financial institution charges high fees to provide optical images of checks with each month's bank statement, the public entity should try to negotiate lower fees, or consider a bank or credit union that charges lower fees.

We can't stress enough how important these steps are to ensure good stewardship of public funds, as well as to avoid the pain and embarrassment of potential theft in your community. These few steps done on a monthly basis can protect everyone.

2. Pension FAQ

Each summer, volunteer fire relief associations and municipalities work together to calculate and certify contribution requirements for the upcoming year. During this budget process relief associations oftentimes seek municipal approval of a benefit increase. The Pension Division receives numerous inquiries regarding the financial impact of proposed benefit increases and the process for determining an appropriate benefit level. To assist relief association and municipal representatives during this process, the Office of the State Auditor will be preparing an informational document to answer common questions about benefit increases and financial requirements, and to also provide background information about the history and structure of volunteer fire relief associations in Minnesota. If your community has questions or topics that you would like considered for the informational document please email pension director Rose Hennessy Allen at Rose.Hennessy-Allen@state.mn.us.
