



OFFICE OF THE STATE AUDITOR

E-Update

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State Auditor
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1. CD Investment Alert
 2. Pension Update & Reporting Reminder
 3. Users of CTAS: Helpful Hint
 4. Avoiding Pitfalls – Report Evidence of Wrongdoing
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1. CD Investment Alert

At least one Minnesota city used a firm called Rate Search, Inc., out of St. Louis, Missouri, to purchase FDIC-insured certificates of deposit. We have learned of a possible problem with Rate Search, Inc., and a related St. Louis entity called Clayton Analytical Services. We understand that some funds may be at risk.

Any public entity that has used the services offered by Rate Search or Clayton Analytical Services should check on the status of its deposits or investments. We also remind you to notify our office if you discover any problems with these funds.

We have a Statement of Position on Custodial Credit Risk and Investment Policy Considerations. This might be a good time to review it. It can be found at:

http://www.osa.state.mn.us/other/Statements/custodialcreditrisk_0703_state ment.pdf.

2. Pension Update & Reminder

Pension Update – State Fire Aid Correction

The Department of Revenue has notified the Office of the State Auditor that the state fire aid amounts calculated last week were incorrect for some relief associations. The Department of Revenue has provided an updated list of the 2007 state fire aid amounts, which is now posted on the Office of the

State Auditor's website at http://www.auditor.state.mn.us/forms/pen/pensionFireAid_07.pdf . The changes affect smaller relief associations that receive an additional allocation to maintain at least a minimum amount of aid. On average, the state fire aid for 2007 still decreased by about 13 percent, as mentioned in last week's E-Update.

Pension Reporting Reminder

There are 89 volunteer fire relief associations that have yet to submit some or all of their 2006 reporting year forms to the Office of the State Auditor. If your relief association has not yet submitted all of its reporting forms, two important deadlines are soon approaching that have the potential to impact your association.

First, the next certification deadline for state fire aid is November 1. To be eligible for the next round of state fire aid payments, reporting forms must be submitted as soon as possible so that the information can be reviewed and any identified issues resolved before the deadline. The review process does take some time, so please submit forms by October 15 to ensure that they will be reviewed before the deadline. Relief associations that do not meet the eligibility requirements to be certified on November 1 will see a delay in receipt of their state fire aid until at least March of 2008.

Second, state law requires forfeiture of state fire aid for relief associations that do not submit their 2006 reporting information by November 30. Forfeiture has occurred for several relief associations over the past few years. If you have questions about reporting requirements or missing forms, please contact Gail Richie with the Pension Division at (651) 282-6110 or Gail.Richie@state.mn.us.

3. Users of CTAS: Helpful Hint

If you received error number 3464 when trying to search by check number, this indicates at least one disbursement transaction does not have a check number. In order to find the transaction(s) without a check number, you will need to search all of your disbursements.

In the Disbursements section, enter the dates 01/01/2000 to 12/31/2007 in the Search by Date fields. Then, click the Search button. Scroll through the list box until you find a transaction without a check number. Edit the

transaction and add a check number. When all transactions have a check number, the search by check number option will work.

4. Avoiding Pitfalls – Report Evidence of Wrongdoing

Local government employees and officials must notify the Office of the State Auditor whenever evidence of theft, embezzlement, or the unlawful use of public funds or property is discovered. Under Minn. Stat. § 609.456, a detailed description of the alleged incident(s) must be made “promptly” and in writing. The description may include information that is classified as not public data. “Prompt” reporting means that the Office of the State Auditor should be contacted when the evidence is first discovered.

The required reports should be sent to: Office of the State Auditor, Legal/Special Investigations Division, 525 Park Street, Suite 500, St. Paul, Minnesota 55103. Information that could reasonably be used to determine the identity of an individual providing the required notice is classified as private. If you have questions about whether a report should be made, feel free to contact one of our attorneys, Nancy Bode, at 651-297-5853 or Nancy.Bode@state.mn.us.