



# OFFICE OF THE STATE AUDITOR

## *E-Update*

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**State Auditor  
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**October 5, 2007**

1. Pension Update – Volunteer Fire Relief Association Working Group
  2. New Statement of Position
  3. Avoiding Pitfalls – “Phantom Vendors”
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### **1. Pension Update - Volunteer Fire Relief Association Working Group**

The Office of the State Auditor will be reconvening the Working Group this fall. The purpose of the Working Group is to bring together volunteer fire relief association stakeholders to develop relationships, facilitate communication, and work on relief association issues, with the goal of making the pension process easier and more effective.

The proposed schedule for the Working Group is as follows:

Tuesday, October 23  
Thursday, November 1  
Tuesday, November 13  
Thursday, November 29  
Thursday, December 6

All meetings will be held from 11:00 am to 1:00 pm in our main office at 525 Park St. in Saint Paul and are open to the public.

We would like to identify and work through current and pressing relief association issues. Relief association trustees throughout Minnesota have forwarded suggested topics for the group to consider. If members in your community have suggested topics, please forward them to Rose Hennessy Allen at (651) 296-5985 or [Rose.Hennessy-Allen@state.mn.us](mailto:Rose.Hennessy-Allen@state.mn.us). Please forward the ideas as soon as possible, so that we can prepare meeting agendas and conduct background research if necessary.

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## **2. New Statement of Position**

A new Statement of Position is now available on our website. Meeting Minutes, 2007-1024, discusses what items must or should be included in the meeting minutes of a governing body. It can be found at [http://www.auditor.state.mn.us/other/Statements/meetingMinutes\\_0710\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/meetingMinutes_0710_statement.pdf).

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## **3. Avoiding Pitfalls – “Phantom Vendors”**

One method of fraud involves payments to fictitious companies for goods never delivered or services never provided. To protect themselves, public entities need procedures in place to determine if new vendors added to the accounts payable system are legitimate vendors.

The ability to set up new vendors on the accounts payable system should be limited to those individuals with a logical need for this function. When new vendors are added to the system, someone outside of the accounts payable system should review the vendors. The outside reviewer should verify that the new vendor is legitimate. Finally, the vendor list should be reviewed periodically, and unused vendors should be removed from the system.

This fraud is more likely in an entity with a large number of vendors.

Warning signs of a potential “phantom vendor” include:

- sequentially numbered invoices from the vendor;
  - invoice amounts just below the amount needing additional approval for payment;
  - companies with only P.O. Box addresses; and/or
  - companies lacking taxpayer identification numbers, or vendor identification numbers that match an employee’s social security number.
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