



OFFICE OF THE STATE AUDITOR

E-Update

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**State Auditor
Rebecca Otto**

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1. GID Update: GAAP Reporting Forms Now Available

The financial reporting form for cities reporting on a GAAP basis is now available on our website at <https://www.auditor.state.mn.us/safes/>. Click on this link and then enter your username and password to access the spreadsheet. The spreadsheet is a Microsoft Excel spreadsheet. You will need to have Microsoft Excel installed on your computer to use the spreadsheet. The username and password used to submit your 2008 summary budget information is valid for accessing the GAAP reporting form. Cities will receive a letter next week outlining the details of submitting both the reporting form and the audited financial statements. Both the form and statements are due June 30.

If you have any questions concerning the completion of the form, please contact GID Supervisor Dave Kazeck at (651) 297-3682 or Dave.Kazeck@state.mn.us. If you have questions about your username and/or password, please contact Jessica Schwartz at (651) 282-6115 or Jessica.Schwartz@state.mn.us.

2. Pension Update: Working Group Bill and Training Thank-You

Working Group Bill

On Tuesday, April 8, the Legislative Commission on Pensions and Retirement (LCPR) heard HF 3938 (Murphy, M., by request), which includes the Office of the State Auditor Volunteer Fire Relief Association Working Group recommendations.

State Auditor Rebecca Otto and Pension Director Rose Hennessy Allen were joined by Dave Ganfield, a member of the Working Group, in testifying on the bill.

After discussion on 10 amendments proposed by the LCPR, HF 3938 was recommended to pass and laid over for inclusion in the omnibus pension bill.

The following amendments were adopted:

- **1A:** (technical amendment) which renumbers various clauses within a paragraph of Section 3 of the bill to make the provision read more clearly.
- **2A:** (technical amendment) which corrects a grammatical error in Section 3 of the bill.
- **4A:** which enhances the requirement for “excess SIPC insurance.”
- **7A:** which eliminates the local option in the surviving spouse definition and redefines a “surviving spouse” as the spouse who is legally married to the member at the time of death.
- **10A:** which repeals nonconforming local ancillary benefit laws, with local approval. This provision would be effective June 30, 2009, and affects a very small number of relief associations that we will be in contact with this summer.

For the LCPR memo explaining the amendments in detail, see <http://www.commissions.leg.state.mn.us/lcpr/documents/mtgmaterials/2008/h3938-sxxxx.pdf>

We will keep you updated as the bill makes its way through the legislative process.

Training Thank-You

The Office of the State Auditor would like to thank all of the relief association officers, trustees and consultants who attended one of our training sessions this spring. Our Pension staff had the chance to connect face-to-face with nearly 450 training participants. We appreciate having the opportunity to discuss your questions and concerns, and encourage you to contact our office anytime questions arise. If you have suggestions for future training sessions, please contact Rose Hennessy Allen at (651) 296-5985 or Rose.Hennessy-Allen@state.mn.us.

3. Avoiding Pitfalls: Contracts and Conflicts of Interest

Generally, a public officer authorized to make a sale, lease, or contract in an official capacity must not have a personal financial interest in that sale, lease, or contract, or personally benefit financially from it. *See* Minn. Stat. § 471.87. A “public officer” includes at least:

1. elected officers;
2. town supervisors and town board members;
3. county officials, county deputies, county clerks, and employees of such officials; and
4. school board members.

For the complete scope of who is included in this prohibition, consult with your legal counsel.

Under an exception to the general rule, a governing body, by unanimous vote, may contract for goods or services with an interested public officer if the contract is one for which competitive bids are not required by law. Minn. Stat. § 471.88, subs. 1 and 5.

To use this broad exception, however, the governing body and the interested officer must follow the procedures set forth in Minn. Stat. § 471.89. First, the governing body must authorize the contract in advance of its performance by adopting a resolution setting out the essential facts and determining that the contract price is as low as or lower than the price at which the commodity or services could be obtained elsewhere. Second, before claims are paid on the contract, the interested officer must file with the clerk of the governing body an affidavit providing, among other things, an itemization of the commodity or services furnished, the interest of the officer in the contract, and a statement that to the best of the officer's knowledge and belief the contract price is as low as, or lower than, the price at which the commodity or services could be obtained from other sources. Minn. Stat. § 471.89 also describes the steps that must be taken in an emergency, when the contract cannot be authorized in advance.

Sample resolutions and affidavits may be found on

(1) the League of Minnesota Cities’ website at:
<http://www.lmnc.org/pdfs/LMCRResearchMemos/OfficialConflictofInterest.pdf> (see pages 39-41), and

(2) on the Minnesota Association of Townships’ website at:

<http://www.mntownships.org/vertical/Sites/{D45B3299-B0BE-4D08-8A42-B7053B4AE74F}/uploads/{1499DB52-6F53-4246-9062-BD408939B163}.PDF> (see pages 9-11).
