



OFFICE OF THE STATE AUDITOR

E-Update

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**State Auditor
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1. Pension Updates: Working Group & Fire Aid Certification

Volunteer Fire Relief Association Working Group

The Volunteer Fire Relief Association Working Group held its second meeting of the season on Thursday, November 6. Group members agreed on a slate of topics to be discussed this year. The group also began work on three suggestions that had been forwarded for consideration by the Defined Contribution Plan Sub-Group: requiring that interest be paid to deferred members of defined contribution plans; allowing for an exemption to the prohibition of employing minors for explorer programs; and eliminating the requirement that a designated beneficiary be a natural person. These topics will be revisited at a future meeting to give Working Group members time to solicit feedback from their constituents.

The Working Group also revisited the Sub-Group draft legislation and discussed some technical and grammatical changes. The next Working Group meeting is on Tuesday, November 18. Meeting materials are available on our website at:

<http://www.auditor.state.mn.us/default.aspx?page=reliefworkinggroup>.

If you have questions regarding the Working Group, please contact Rose Hennessy Allen at (651) 296-5985 or Rose.Hennessy-Allen@state.mn.us.

Second Certification for 2008 Fire State Aid

The Office of the State Auditor is pleased to announce that 163 volunteer fire relief associations were certified as eligible for receipt of their 2008 fire state aid for the second round of aid disbursements. This brings the total number of relief associations and other pension plans that have been certified as eligible for 2008 state aid to 708. State aid will

be disbursed on or about November 15 for those relief associations certified as eligible for the second round. Listings of the fire and police state aid amounts are available on our website at:

<http://www.auditor.state.mn.us/list.aspx?type=frm&div=pen>.

2. Released: CTAS Fall Newsletter

The fall edition of the CTAS News and Notes newsletter has been released. The newsletter includes reports on the recent CTAS Upgrade Survey and on upcoming trainings for the CTAS system. You can view the newsletter by going to:

http://www.auditor.state.mn.us/Other/ctas/newsletters/ctasNewsletter_0803.pdf.

3. Avoiding Pitfalls: The “Fraud Triangle”

When reviewing the risk of fraud, auditors often use the “Fraud Triangle”, first identified by sociologist Donald Cressey. There are three factors present for fraud that make up the “points” of the Fraud Triangle:

- 1) Incentive/Pressure. Pressure, such as a financial need, is the “motive” for committing the fraud. One common pressure is a gambling problem.
- 2) Rationalization. The person committing the fraud frequently rationalizes the fraud. Rationalizations may include, “I’ll pay the money back”, “They will never miss the funds”, or “They don’t pay me enough.”
- 3) Opportunity. The person committing the fraud sees an internal control weakness and, believing no one will notice if funds are taken, begins the fraud with a small amount of money. If no one notices, the amount will usually grow larger.

In any organization, the risk of fraud can be reduced. Internal control procedures can particularly diminish the “opportunity” point of the Fraud Triangle.

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