



State Auditor  
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# OFFICE OF THE STATE AUDITOR

## *E-Update*

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October 1, 2010

1. Posted: 2010 Fire/Police State Aid Amounts
2. Released: Pension Newsletter & TIF Newsletter
3. Avoiding Pitfalls: Employee Fraud

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### **1. Posted: 2010 Fire/Police State Aid Amounts**

The 2010 fire and police state aid amounts from the Minnesota Department of Revenue have been posted to the OSA website. In addition, we have posted listings of the 2009 and 2010 supplemental benefit reimbursement amounts for volunteer fire relief associations. The information can be found at:

<http://www.auditor.state.mn.us/default.aspx?page=20070105.001>.

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### **2. Released: Pension Newsletter & TIF Newsletter**

#### **Pension Newsletter**

The September **Pension Newsletter** was released this week. It provides updates on the Investment Study Group and the Volunteer Fire Relief Association Working Group. The Newsletter also contains helpful hints for common compliance issues and reminders about multiple signatures on checks and the importance of internal controls. The Newsletter can be viewed at:

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

#### **TIF Newsletter**

The September **TIF Newsletter** has been released. The newsletter contains a reporting reminder and information on county administrative expenses and on the four-year knockdown rule. To view the complete Newsletter, go to:

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

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### **3. Avoiding Pitfalls: Employee Fraud**

Studies have found a number of patterns in employee fraud. One finding has been that the fewer employees who are involved with financial transactions, the greater the risk for fraud or misuse of public funds. In addition, when fraud occurs, studies have shown a direct correlation between the length of time an employee has been employed by an entity and the size of the loss. An employee's tenure is likely related to both trust and opportunity. The more trust an entity places in an employee, the greater the person's opportunity to commit fraud. Long-term employees may also be the most familiar with gaps in the entity's operations and controls.

Segregation of duties and oversight are essential to deterring fraud. Public entities need to spread accounting and banking duties among multiple employees. When that is not possible due to the size of the public entity, elected officials may need to become involved in the process. For example, someone other than the person writing checks should receive and review unopened monthly bank statements. In a small entity, an elected official may need to perform that function.

For more information about employee fraud, see the Association of Certified Fraud Examiners' (ACFE) "Report to the Nations", found on the AFCE website at:

<http://www.acfe.com/rtn/2010-rtn.asp>.

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