



State Auditor  
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# OFFICE OF THE STATE AUDITOR

## *E-Update*

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March 25, 2011

1. Deadline: Pension Reporting Forms
  2. Deadline: City Financial & Special District Reporting Forms
  3. Meeting: Council on Local Results and Innovation
  4. Avoiding Pitfalls: The "Fraud Triangle"
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### **1. Deadline: Pension Reporting Forms**

March 31 is the deadline for 2010 reporting year forms from volunteer fire relief associations with assets and liabilities of less than \$200,000. Forms for relief associations with assets or liabilities of \$200,000 or more are due by June 30.

Once a relief association's assets or liabilities have reached the \$200,000 statutory threshold, the relief association maintains the June 30 reporting deadline and audit requirement even if the association's assets and liabilities subsequently drop below the threshold. Relief associations with the June 30 reporting deadline are also required to submit audited financial statements with the reporting forms.

The 2010 reporting year forms can be accessed through the State Auditor's Form Entry System at:

<https://www.auditor.state.mn.us/safes/>.

Information about the reporting forms, with helpful hints for completing them, can be found at:

[http://www.auditor.state.mn.us/forms/pen/ReportingForms/pensionrf\\_infoandhelpfulhints.pdf](http://www.auditor.state.mn.us/forms/pen/ReportingForms/pensionrf_infoandhelpfulhints.pdf).

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### **2. Deadline: City & Special District Financial Reporting Forms**

#### **City Financial Reporting Form**

Next Thursday, March 31st, is the deadline for cities using the cash basis of accounting to submit financial reporting forms and audited or unaudited financial statements to the Office of the State Auditor. The Financial Reporting Form can be found at:

<https://www.auditor.state.mn.us/safes/>.

### **Special District Financial Reporting Form**

Special District Financial Reporting Forms and financial statements are due next Thursday, March 31st, for districts whose fiscal year ended September 30, 2010. The Financial Reporting Form can be found at:

<https://www.auditor.state.mn.us/safes/>.

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### **3. Meeting: Council on Local Results and Innovation**

The Council on Local Results and Innovation will meet on Thursday, April 7, at 1:00 p.m. in the League of Minnesota Cities building, 145 University Avenue West, Saint Paul. Council meetings are open to the public. The Council will begin the second phase of their work, which is to develop a performance benchmark system. Meeting materials are available at:

<http://www.auditor.state.mn.us/default.aspx?page=20100916.000>.

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### **4. Avoiding Pitfalls: The "Fraud Triangle"**

When reviewing the risk of fraud, auditors often refer to the "Fraud Triangle", first identified by sociologist Donald Cressey. The "points" of the Fraud Triangle are made up of three factors which are present for fraud:

- Incentive/Pressure Pressure, such as a financial need, is the "motive" for committing the fraud. One common pressure is a gambling problem.
- 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."
- 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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