



State Auditor
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OFFICE OF THE STATE AUDITOR

E-Update

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June 15, 2012

1. Meeting: Collaborative Governance Council
2. Deadline: Pension Reporting Forms
3. Revised: Statement of Position for Fire Relief Associations
4. Released: TIF Newsletter
5. Avoiding Pitfalls: Phantom Vendors

1. Meeting: Collaborative Governance Council

The next meeting of the Collaborative Governance Council will be held on Wednesday, June 20 at 1:00 p.m. in the League of Minnesota Cities building, 145 University Avenue West, St. Paul. Council meetings are open to the public. To access meeting materials, go to:

<http://www.auditor.state.mn.us/default.aspx?page=20120614.000>.

2. Deadline: Pension Reporting Forms

The 2011 reporting-year forms for volunteer fire relief associations with assets or liabilities of at least \$200,000 are due by June 30, 2012. Reporting forms for relief associations with assets and liabilities of less than \$200,000 were due by March 31.

Relief associations with the June 30 reporting deadline are required to submit audited financial statements in addition to the reporting forms. Once a relief association's assets or liabilities exceed 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.

The 2011 reporting-year forms can be accessed through the State Auditor's Form Entry System at:

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

3. Revised: Statement of Position for Fire Relief Associations

The Statement of Position entitled Volunteer Fire Relief Member's Return to Service has been revised to reflect changes enacted during the 2012 legislative session. The changes accommodate the unique needs of defined contribution plans, and allow firefighters who do not meet resumption of service requirements to receive credit for time served after returning from a break in service.

To view the complete Statement, go to:

<http://www.auditor.state.mn.us/default.aspx?page=20110527.010>.

4. Released: TIF Newsletter

The June **TIF Newsletter** has been released. The newsletter includes information on the 2011 TIF reporting forms and a plan submission reminder for new and modified districts. To view the newsletter, go to:

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

5. Avoiding Pitfalls: Phantom Vendors

One method of fraud involves payments to fictitious companies for goods never delivered or services never provided. To protect against this, public entities need procedures in place to determine if new vendors which are added to their 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, the vendors should be reviewed by someone outside the accounts payable system. 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 to occur when a public entity has 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; and
 - Companies with only P.O. Box addresses, companies lacking taxpayer identification numbers, or vendor identification numbers that match an employee’s social security number.
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