



**State Auditor
Rebecca Otto**

OFFICE OF THE STATE AUDITOR

E-Update

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April 28, 2017

1. Released: Local Government Lobbying Report
 2. Released: Financial and Investment Report
 3. Released: Pension Newsletter & TIF Newsletter
 4. Avoiding Pitfalls: The "Fraud Triangle"
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1. Released: Local Government Lobbying Report

State Auditor Rebecca Otto has released the 2016 Local Government Lobbying Services Report. The report shows the expenditures by local governments and their associations for lobbyists and lobbying services.

To view the complete report, which includes an executive summary, tables and graphs, go to:

<http://www.auditor.state.mn.us/default.aspx?page=20170425.000>.

2. Released: Financial and Investment Report

The OSA has released the Financial and Investment Report of Volunteer Fire Relief Associations for the year ended December 31, 2015. The report summarizes and evaluates the finances, basic benefit structure, and investment performance of Minnesota's volunteer fire relief associations.

To view the complete report, which includes and Executive Summary, tables, and graphs, go to:

<http://www.osa.state.mn.us/default.aspx?page=20170424.000>.

3. Released: Pension Newsletter & TIF Newsletter

Pension Newsletter

The April **Pension Newsletter** has been released. The Newsletter provides information about internal controls for volunteer fire relief associations and about a change made during the 2015 legislative session that requires multiple signatures on relief association checks. Information about establishing multi-year benefit level proposals is also included.

The complete Newsletter can be accessed at:

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

TIF Newsletter

The April **TIF Newsletter** is now available. The Newsletter provides information on TIF and GASB 77. The Newsletter also contains information on the Annual TIF Legislative Report and the updated TIF Plan Collection form and instructions.

To view the complete Newsletter, go to:

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

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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