



State Auditor
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OFFICE OF THE STATE AUDITOR

E-Update

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1. Released: 2011 Revenue Thresholds for Audit Requirements
2. Released: Tax Increment Financing (TIF) Legislative Report
3. Available: Local Government and Association Lobbying Reporting Forms
4. Deadline: Supplemental Benefit Reimbursement Forms
5. Released: Pension Division Newsletter
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7. Avoiding Pitfalls: Segregation of Duties 2

1. Released: 2011 Revenue Thresholds for Audit Requirements

The following are the 2011 annual revenue levels at which towns, cities and special districts are required to have audits performed:

Smaller Cities with Combined Clerk/Treasurers - A city with a population of 2,500 or less and a combined clerk/treasurer must have an annual audit for 2011 if its annual revenue is greater than \$198,000. A city with a combined clerk/treasurer and annual revenue of \$198,000 or less must have an Agreed-Upon Procedures engagement once every five years.

Larger Cities - A city with a population over 2,500 must have an annual audit performed.

Larger Towns - A town with a population over 2,500 and 2011 annual revenue greater than \$882,000 must have an annual audit.

Towns with Combined Clerk/Treasurers - A town with a combined clerk/treasurer must have an annual audit for 2011 if its annual revenue was greater than \$198,000. A town with annual revenue of \$198,000 or less must have an Agreed-Upon Procedures engagement once every five years.

Special Districts - A special district must have an annual audit for 2011 if its annual revenue was greater than \$198,000. A special district with annual revenue of \$198,000 or less must

have an Agreed-Upon Procedures engagement once every five years.

The Office of the State Auditor has developed minimum procedures and a reporting format for Agreed-Upon Procedures engagements of cities and towns that have combined the offices of clerk and treasurer, and special districts, with annual revenues less than the audit threshold. The minimum procedures and reporting format for Agreed-Upon Procedures engagements can be found on the OSA website at:

<http://www.auditor.state.mn.us/default.aspx?page=20111222.001>.

2. Released: Tax Increment Financing (TIF) Legislative Report

The Office of the State Auditor released the 2010 Tax Increment Financing (TIF) Legislative Report. The report summarizes the data received from approximately 1,886 unaudited TIF reports for the year ended December 31, 2010, and provides a summary of the violations cited in the limited-scope reviews concluded by the Office of the State Auditor in 2011. To view the complete report, which includes an Executive Summary, tables, and graphs, go to:

<http://www.auditor.state.mn.us/default.aspx?page=20120201.003>.

3. Available: Local Government and Association Lobbying Reporting Forms

The 2011 Local Government and Association Lobbying Reporting Forms are available for download from our website. The forms can be found at:

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

4. Deadline: Supplemental Benefit Reimbursement Forms

The deadline is quickly approaching for relief associations seeking reimbursement of any supplemental benefits paid during 2011. Supplemental Benefit Reimbursement (SBR) Forms are due to the Minnesota Department of Revenue by February 15, 2012, to receive reimbursement on or about March 15, 2012. Relief associations that submit reimbursement forms to the Department of Revenue after the February 15 filing deadline will be eligible for reimbursement in March 2013.

Copies of the SBR Form, instructions, and a sample form are available on the Department of Revenue's website at:

http://taxes.state.mn.us/property_tax_administrators/pages/sbrmainpage11.aspx.

5. Released: Pension Division Newsletter

The January **Pension Newsletter** was released this week. It contains information on calculating and reporting breaks in service. The Newsletter also provides reminders about annual broker certification requirements and supplemental benefit reimbursements.

The complete Newsletter can be viewed at:

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

6. Meeting: Fire Relief Association Working Group

The final 2011/2012 Volunteer Fire Relief Association Working Group meeting will be held on Tuesday, February 7, from 11:00 am to 1:00 pm at our office in Saint Paul. Meetings are open to the public, and those interested are encouraged to attend.

Working Group meeting materials are available at:

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

7. Avoiding Pitfalls: Segregation of Duties 2

When the segregation of accounting functions is not possible due to the size of the entity, management should constantly be aware of this condition. The concentration of duties and responsibilities in a single individual is not desirable from an accounting point of view. Additional internal control policies and procedures should be used to compensate for the lack of segregated duties.

Additional policies and procedures could include:

1. Minutes that include the claim number of bills approved for payment;
 2. Use of a formal, numbered receipt book for all receipts;
 3. Cancellation of invoices to ensure they are not paid twice;
 4. Reviews by town supervisors or city council members to determine that reports are submitted promptly, and are in agreement with cash balances and grant expenditures; and
 5. The adoption of a formal conflicts-of-interest policy.
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