OFFICE OF THE STATE AUDITOR

E-Update

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State Auditor
Rebecca Otto

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1. <u>Pension Update: Omnibus Pension Bill</u>

The Legislative Commission on Pensions and Retirement adopted the omnibus pension bill this week. The Working Group proposals, as amended, are contained in this bill. The bill will be heard next in both the House Governmental Operations, Reform, Technology and Elections Committee and the Senate State and Local Government Operations and Oversight Committee.

To view the updated omnibus pension bill and to track the bill's status in both bodies, visit the Pension Commission's website at: http://www.commissions.leg.state.mn.us/lcpr/omnibus.htm.

We will continue to keep you updated on the bill's progress as it moves through the legislative process.

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2. <u>Released: Minnesota Town Finances Report</u>

State Auditor Rebecca Otto released a report this week that analyzes the financial operations of Minnesota's 1,789 towns for calendar year 2006.

For the report's highlights, please see the press release announcing the report at http://www.auditor.state.mn.us/Press/2008/tnFinances_08_press.pdf.

The complete report, which includes tables and graphs, can be accessed at http://www.auditor.state.mn.us/Reports/gid/2006/tnFinances/tnFinances_06_report.pdf.

3. Audit Update: 2007 Annual Revenue Levels at Which Towns and Smaller Cities 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 2007 if its annual revenue is greater than $178,000. A city with a combined clerk/treasurer and annual revenue of $178,000 or less must have an audit 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 2007 annual revenue greater than $794,000 must have an annual audit.

Towns with Combined Clerk/Treasurers – A town with a combined clerk/treasurer must have an annual audit for 2007 if its annual revenue was greater than $178,000. A town with annual revenue of $178,000 or less must have an audit once every five years.

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4. Avoiding Pitfalls: Petty Cash (Imprest) Funds – Part I

Petty cash funds are called "imprest funds" in Minnesota's statutes. Because these are cash funds (that is, currency in the form of coins and bills), they are susceptible to loss. As a result, extra security precautions should be taken to safeguard these funds.

Petty cash funds are authorized for school districts, towns, counties, and cities. Each petty cash fund must be established by the governing body, and a "custodian" of the fund must be appointed. Meeting minutes should document the creation and amount of any petty cash fund. Periodically, the governing body should review these funds to determine whether they are still necessary.

Petty cash funds are not separate checking accounts. Rather, by law, these funds are cash (currency). They are allowed for the payment of claims if "it is impractical" to pay the claims in any other manner. The statutes prohibit their use for salaries or personal expenses of an officer or employee. Counties and school districts have additional statutory authority to use an imprest fund for certain travel advances.

A claim itemizing all disbursements from the petty cash fund must be presented to the governing body at its next meeting. If the governing body approves the claim, the fund's custodian should be given payment to replenish the fund. If the governing body fails to approve the claim in full, the fund's custodian is personally responsible for the difference.

The laws governing imprest cash funds are: Minn. Stat. §§ 123B.11 (school districts), 366.01, subd. 12 (towns), 375.162 (counties), and 412.271, subd. 5 (cities).
