

# Pension Division Newsletter

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## Financial and Investment Report

The State Auditor’s Financial and Investment Report of Volunteer Fire Relief Associations for the year ended December 31, 2015, is now available. The Report summarizes and evaluates the finances, basic benefit structure, and investment performance of Minnesota’s volunteer fire relief associations. Annual benefit levels, municipal contribution amounts, fire state aid amounts, and rates of return for each relief association are included in the Report.

To view the complete Report, which includes an Executive Summary, tables, and graphs, go to the Office of the State Auditor (OSA) website at:

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

## Establishing Multi-Year Benefit Level Proposals

Many relief associations review their benefit levels in the spring when completing their annual reporting forms. We understand that occasionally relief association trustees have an interest in seeking municipal ratification to increase the relief association’s benefit level over multiple years. Such a proposal is not consistent with established law unless the municipality ratifies each incremental benefit level before it becomes effective.

For example, if a relief association would like to increase its benefit level from \$2,000 to \$3,000 per year of service over a five-year period, the \$2,000 benefit level would need to be ratified by the municipality in year one, and the \$2,200 benefit level would need to be separately ratified in year two and so on.

Annual ratification of any benefit level change is required by law. Annual ratification also ensures that each incremental benefit level does not exceed the relief association’s maximum allowable benefit level, which can fluctuate from year to year.



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**What’s Ahead:**

**June 30:**

Reporting forms for relief associations with assets or liabilities of at least \$500,000 are due to the Office of the State Auditor.

**August 1:**

The 2017 Schedule Form must be certified to the municipality or independent nonprofit firefighting corporation.

**September 15:**

First certification deadline for 2017 fire state aid. To be certified as eligible, all 2016 information must be submitted to the OSA, the OSA review must be completed, and any issues resolved.

## Internal Controls

Internal controls are procedures designed to protect a relief association from loss or misuse of its assets. Sound internal controls help ensure that transactions are properly authorized and the information contained in the financial reports is reliable.

Segregation of duties is an important internal control intended to prevent unauthorized transactions. Recommendations for segregating duties include having an individual other than the relief association’s treasurer receive and review unopened bank statements, reconcile the bank accounts, and review cancelled checks for unusual activity.

Reconciling the bank accounts means that a relief association trustee, such as the secretary, reviews the income and expenses the bank has recorded on its statements and compares them with what the treasurer has recorded in the relief association’s checkbook or accounting program.

Examples of “red flags” that would merit further review include any discrepancies between bank statements and the checkbook or accounting program, receipts not matching deposits, disbursements to unknown or unapproved vendors, one signature on checks or presigned blank checks, and gaps in receipt or check numbers.

Another important component of a strong control environment is the prohibition of the use of relief association funds for any personal reason—even in an emergency. It is not acceptable for relief association members or trustees to “borrow” funds temporarily from relief association funds. No “I.O.U’s” should be allowed—ever.

Relief association members and trustees are required by law to promptly report evidence of theft or misuse of public funds to law enforcement and to the OSA.

A relief association should discuss internal controls with its auditor, who may have additional helpful suggestions based on his or her experience with the specific association.

A Statement of Position is available on the OSA website that provides more information on the importance of internal controls. The Statement can be viewed at:

<http://www.auditor.state.mn.us/default.aspx?page=20110607.013>.

## Multiple Signatures on Checks

**Statements of Position:**

Minnesota law generally requires multiple signatures on checks written by cities, towns, and counties. A law change enacted during the 2015 legislative session now requires relief associations to follow this practice.

Retention of Records

In addition to being required by statute, multiple signatures are part of a relief association’s system of internal controls. When more than one person signs a check, each person is verifying that the relief association’s board of trustees has approved the check for payment.

Records Management

Minnesota law requires special fund disbursements paid by check to be signed by the relief association treasurer and by at least one other trustee who is designated as a signer by the board of trustees.

Firefighter Service Credit Determinations

Electronic or wire funds transfers are also permitted if internal control policies and procedures are established and approved by the board of trustees. The policies and procedures must provide for authentication of the electronic disbursements by the relief association treasurer and at least one other trustee.

Considerations When Making Benefit Changes

The OSA’s Sample Bylaw Guides include language referencing these new statutory requirements (see the bylaw Article entitled “Funds.”) The Guides are provided in both MS Word and PDF versions on the OSA website at:

<http://www.auditor.state.mn.us/default.aspx?page=20120208.000>.

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