

**Office of State Auditor Rebecca Otto**  
**State Auditor's E-Update – 3/9/2007**

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**1. Avoiding Pitfalls: Segregation of Duties**

Due to the limited number of personnel in smaller cities and towns, the segregation of accounting functions necessary to ensure adequate internal control is not always possible. In those situations, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a single individual is not desirable from an accounting point of view. Examples of incompatible duties that should be performed by separate individuals include: receipting collections, posting collections to registers, and making bank deposits; and signing checks and reconciling the bank accounts. To put it another way, a person should not be in a position to commit an irregularity and to cover it up.

Where the segregation of accounting functions is not possible, management may wish to consider some of the following procedures to strengthen controls: 1) minutes should include the claim number of bills approved for payment; 2) a formal, numbered receipt book should be used for all receipts; 3) invoices should be canceled to ensure they are not paid twice; 4) town supervisors or city council members should determine that reports are submitted promptly, and are in agreement with cash balances and grant expenditures; and 5) the town board or city council should adopt a formal conflicts of interest policy.

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**2. 2007 City Summary Budget Reporting**

Cities can still submit their 2007 budget information on-line until March 23, 2007. The initial deadline for filing the budget information was February 16, 2007. To enter your budget data, follow this link: <https://www.auditor.state.mn.us/budgetform>. The username and password contained in the letter requesting your 2006 lobbying costs is also valid for submitting your budget information.

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**3. Pension Training Update**

The April 12 relief association training session in St. Cloud has been filled. Due to the overwhelming response for training in this location, an additional training session in St. Cloud has been added for Thursday, April 19, from 6 to 9 p.m. The free training sessions

being offered by the Pension Division focus on bylaws, investments, pension benefit calculations, reporting requirements and reporting forms. If you would like to register for the new St. Cloud session, or any of the other sessions, please contact Gail Richie at (651) 282-6110 or [Gail.Richie@state.mn.us](mailto:Gail.Richie@state.mn.us).