



# RESPONSE TO FY 2019 AUDIT FINDINGS & MANAGEMENT LETTER

Prepared by Gama.K Services, LLC for  
the Town of Wilton

## **SUMMARY**

This is a working document that serves as an outline of correction actions to address and mitigate audit findings. This outline will guide the action steps identified by the Town of Wilton throughout the coming year to improve the fiscal health of the Town through policy, process and procedure development.

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## TOWN OF WILTON

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# Response to Audit Findings for FY19 Audit

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## **Introduction:**

A financial audit is an examination of the financial records of a governmental unit that is conducted in accordance with generally accepted auditing standards. The result of the audit is a report rendered by an independent auditor of how appropriately a government's financial statements depict its financial condition and results of its operations. An independent audit is one performed by persons not in any way affiliated with the government being audited in order to insure complete objectivity and professionalism. In addition to financial audits, auditors often perform compliance audits in which the auditor reviews operations in terms of compliance with various laws and regulations regarding financial operations. Compliance audits have always been a vital part of governmental audits.

There are several more fundamental reasons why a local government should have an independent audit:

- The audit provides a professional opinion of the financial condition of your government unit.
- Audited financial statements provide reliable financial information to evaluate the financial health and stability of your governmental unit.
- The auditor should provide recommendations to strengthen and improve the management and efficiency of your governmental unit.
- The audit will insure that the local government is in compliance with all applicable legal provisions.

## **Management Letter & Findings:**

The auditor's report of comments and recommendations is a letter containing their observations about any weaknesses found in the municipality's internal controls—that is, in its methods of safeguarding assets, ensuring accounting accuracy and promoting adherence to municipal policies and legal requirements. This is the type of information that the auditors obtain during the course of their audit. The letter also contains the auditor's recommendations for correcting any problems or weaknesses that were located during the audit process. The report can help a municipality reduce expenditures and improve revenues.

## **The Town of Wilton's Independent Auditor provides the Town with a Control Deficiency Comment and Management Point Development Worksheet.**

The worksheet indicates "the specific condition noted, the cause of the condition, the potential effect of the condition, a recommendation to correct the condition, the client's response, and other information (such as mitigating factors)."

Each comment contains the following:

- a. CONDITION:
- b. CRITERIA (Required for financial audits performed under Government Auditing Standards):
- c. CAUSE OF CONDITION
- d. POTENTIAL EFFECT OF CONDITION:
- e. RECOMMENDATION:
- f. CLIENT RESPONSE (Indicate name and title of person discussed with and date.):
- g. OTHER INFORMATION: Nothing additional.
- h. INITIAL EVALUATION AS TO TYPE OF POINT:
  - Significant Deficiency
  - Control Deficiency

- Material Weakness Deficiency related to Federal Award
- Program
- Other Matter

Each audit comment will be discussed by Town management, and mitigating steps will be outlined in this response along with corrective actions. The Town of Wilton has identified polices, processes and procedures that will be reviewed, developed adopted and introduced for the overall fiscal health and long term strategic benefit of the community.

## **GENERAL FINANCIAL GOALS**

Establishing the general financial goals for the Town of Wilton as they relate to accounting standards, internal controls, budget, taxation and quality of life for Wilton Residents.

An example may include:

- To provide a financial base sufficient to sustain municipal services to maintain the social wellbeing and the physical conditions of the Town.
- To be able to withstand local and regional economic trends, adjust to changes in service requirements and respond to other changes as they affect the community.
- To maintain an excellent credit rating for overall fiscal health and the ability to assure taxpayers that the Town of Wilton can maintain levels of service, infrastructure and capital needs.

**Please find the policy guide developed for the Town of Wilton as a supplement to this document.**

**The policy guide will assist in the development of policies identified in the audit to mitigate:**

- ✓ **Significant Audit Findings**
  - ✓ **Deficiencies in Internal Controls**
  - ✓ **Material Weakness**
  - ✓ **potential Financial Misstatements**
- 
- ✓ *Corrective action for Significant Audit Findings can be found in the supplemental policy guide as polices and corresponding procedures will be developed to address the findings.*
  
  - ✓ *An internal controls checklist has been developed for the Town of Wilton (see Appendix E). This document is meant to be used by municipal officials whose responsibilities include oversight and handling of municipal assets as well as accounting for municipal finances. Ideally, this guide will be used by all such officials, working together to assess and improve the accuracy, transparency, and security of municipal finances and assets.*
    - *When combined with policy and procedure efficiency in operations, reliability of financial reporting and compliance with laws and best practice will result.*

**Each comment will be discussed by Town management, and mitigating steps will be outlined in this response along with corrective actions.**

**POINT No. 1:**

*“a. CONDITION: While performing walkthroughs over payroll, it was noted that one of the two employees did not have an I-9 form in their personnel file. Both employees had timesheets not signed by their supervisor.*

*It is also noted that documentation related to the employee election to the 457 plan the Town has is not*

*retained to support the percentage of pay withheld.*

*b. CRITERIA (Required for financial audits performed under Government Auditing Standards): In accordance with regulations, any employee hired after 1986 should have a completed and signed I-9 form on file. Timesheets should be signed by the employee’s supervisor in order to verify their hours noted. Support for any employee deductions should be retained in their personnel file.*

*c. CAUSE OF CONDITION: It is unknown why the supervisor did not sign. Could be a result of the selected employees being department heads and a feeling that since they are department heads that an additional signature is not needed. All the 457 plan withholding information is forwarded to the plan advisor and not retained by the Town.*

*d. POTENTIAL EFFECT OF CONDITION: Not in accordance with regulations. Time is not verified by management. There is no support for employee 457 plan withholdings.*

*e. RECOMMENDATION: We recommend that the Town make sure that all employees hired after 1986 have a completed I-9 on file. We also recommend that if a timesheet is completed, they be signed by the employee’s supervisor. In addition, all support for any employee payroll deductions should be retained in their personnel files.*

*f. CLIENT RESPONSE (Indicate name and title of person discussed with and date.):*

*g. OTHER INFORMATION: Nothing additional.*

*h. INITIAL EVALUATION AS TO TYPE OF POINT:*

*Control Deficiency X*

*Other Matter X”*

**The Town of Wilton’s response to address**

**Point No. 1:**

**Corrective Actions:**

1. All Personnel files have been audited to identify missing documentation.
2. A Personnel File Checklist has been created to insure all documents are contained therein. (see Appendix A)
3. A Personnel File Retention Policy has been introduced. The purpose of this Policy is to establish guidelines on the retention, maintenance and access to the personnel files of Town employees as a basis for personnel decisions regarding payroll, benefits, transfers, promotions, disciplinary actions, termination, demotions, training, attendance monitoring, leave, and other personnel matters. (see Appendix B)
4. Time Sheet Verification:  
Specific areas of non-compliance have been identified and discussed with Management. Management is reviewing and adopting payroll procedure to mitigate errors in compensation & reporting and to avoid penalties.
5. This procedure includes the checklist below that will be added to the “FINANCIAL PROCEDURES/COMMUNICATION POLICY as an Appendix .

This checklist has been created for payroll processing:

- A section in the employee handbook will outline Department Head and Management’s role in signing off on time cards, correcting errors, and verifying time worked by subordinates. It will clearly define who has what role in the payroll process for reporting time worked to the Payroll Clerk.
- Confirm that payroll information submitted is accurate and errors are corrected *BEFORE* submission.
- Insure that proper payments and employee contributions are being made.
- Establish ongoing compliance for accounting and record-keeping.
- Review and reconcile your banking activity.
- Verify pay rates with PAF forms
- Compare time-card to time and attendance records.
- Check overtime hours, sick days, holiday pay etc.
- Check independent contractors and vendor status.

\*A Human Resources flow chart has been created for the Town of Wilton to outline responsibilities at all levels. (See Appendix C). This will be added as an Appendix to the Employee Handbook.

**POINT No. 2:**

*“a. CONDITION: It was noted that although the Select Board did sign off on a request to the trustees of the trust funds as agents to expend there was no formal documentation of a vote in the Board meeting minutes.*

*The item was only included in the consent agenda.*

*b. CRITERIA (Required for financial audits performed under Government Auditing Standards): In order to show appropriate approval amounts voted to be spent as agents should be voted on by the board in a public meeting and the minutes of the meetings should reflect such approval.*

*c. CAUSE OF CONDITION: Approval was given but not documented in public meeting minutes.*

*d. POTENTIAL EFFECT OF CONDITION: The Town may miss items that should be documented in the meeting minutes.*

*e. RECOMMENDATION: We recommend that the Town make sure that any amounts voted as agents to expend to formally voted on by the Selectmen and noted in the applicable meeting minutes.*

*f. CLIENT RESPONSE (Indicate name and title of person discussed with and date.):*

*g. OTHER INFORMATION: Nothing additional.*

*h. INITIAL EVALUATION AS TO TYPE OF POINT:*

*Control Deficiency X*

*Other Matter X “*

**The Town of Wilton’s response to address Point No. 2:**

**Corrective Actions:**

6. The Wilton Select Board has a policy “SELECT BOARD GUIDELINES AND PROCEDURES” this policy will be reviewed and updated if necessary, to ensure operational guidelines and procedures pertaining to the functions of the Board are clearly outlined.
7. The Select Board is reviewing and adopting internal controls and an internal policy under RSA 41:9- NH that provide reasonable assurance that receipts and expenditures of the Town are being made only in accordance with authorization and oversight of management and governing body approval and are properly recorded through a majority vote and signed documentation.
8. See attached Select Board “INTERNAL CONTROLS” sample policy (see Appendix D) and the procedural checklist (see Appendix E) for the all levels Town management. This policy and procedure are currently being developed and reviewed.

**POINT No. 3**

*a. CONDITION: It was noted that there are several properties with property tax liens which should have been deeded by the Town in prior years, however they have not been deeded due to missing and incomplete files.*

*b. CRITERIA (Required for financial audits performed under Government Auditing Standards): State statutes require properties to be deeded by the Town after a certain amount of time has passes since lien or a deed waiver should be completed if the board does not wish to deed the property.*

*c. CAUSE OF CONDITION: Lack of adequate procedures and processes over tax leaning and deeding are in place.*

*d. POTENTIAL EFFECT OF CONDITION: The Town will receive less property tax revenues and cannot re-sell the properties to get them back on the tax roll.*

*e. RECOMMENDATION: We recommend that the Town implement better processes and procedures over the leaning and deeding of properties to insure that these are in line with state statutes.*

*f. CLIENT RESPONSE (Indicate name and title of person discussed with and date.):*

*g. OTHER INFORMATION: Nothing additional.*

*h. INITIAL EVALUATION AS TO TYPE OF POINT:*

*Control Deficiency X*

*Other Matter X”*

**The Town of Wilton’s response to address Point No. 3:**

**Corrective Actions:**

9. The office of the Tax Collector will develop a process and procedure for liens and tax deeding property consistent with NH Statute and industry best practice.
10. This procedure should include a checklist and a calendar of predetermined dates to be used as benchmarks.
11. See the attached statement of corrective action from the Tax Collectors Office (see Appendix F)
12. A system for maintaining property tax files should be implemented by the tax office.
13. 2010 and 2014 files will be located, updated and processed in accordance with the established procedure.

**BASIC STEPS OF THE PROPERTY TAX LIEN PROCESS RSA 76:11-b**

- Notice of Arrearage RSA 80:60
- Notice of Impending Lien RSA 80:61
- Affidavit of Execution of Real Estate Tax Lien RSA 80:64
- Report of Tax Lien RSA 80:65
- Notice by Lienholder to Mortgagee RSA 80:66
- How Notice Shall Be Given RSA 80:69
- Redemption RSA 80:70
- Notice of Redemption RSA 80:71
- Partial Payments in Redemption RSA 76:11-b.
  - RSA 76:11-b. Notice of Arrearage.
- Notice of Arrearage. • The Tax Collector shall provide to the owner as of April 1 or current owner, if known, a summary of all uncollected and unredeemed taxes on the property. This summary may be included on or with the tax bill, or may be sent by separate mailing within 90 days of the due date of the final tax bill.

**DEED PROCESS**

- RSA 80:77 Notice of Impending Tax Deed
- RSA 80:77-a Notice to Mortgagees of Impending Tax Deed
- RSA 80:76 Tax Deed (After 2 Years)
- RSA 80:89 Notice to Former Owner and Opportunity for Repurchase
- RSA 80:88 Distribution of Proceeds from the Sale of Tax Deeded Property

**Steps Prior to Tax Deeding**

- 1) Establish Deed Date – 2 years from lien date
- 2) Notice of Intent to Deed to Property owners and mortgagees (RSA 80:77 and 80:77
  - a) No notice to property owners in Bankruptcy Duplicate letters to multiple owners (RSA 80:73)
- 3) Notify the Governing Body of Impending Tax deeding and Deed Waivers (RSA 80:76)

**POINT No. 4**

*“a. CONDITION: While reviewing disbursements in the Library it was noted that two invoices did not have evidence of invoice approval or coding. Two disbursements reviewed also were lacking supporting documentation.*

*b. CRITERIA (Required for financial audits performed under Government Auditing Standards): Payments should be approved and coded prior to recording and disbursement of the funds. No payments should be made without support and support should be retained in the Library’s records.*

*c. CAUSE OF CONDITION: The Director may email the Bookkeeper approval of invoices for payment along with coding, but this documentation is not retained. The missing support for the two payments may have been misplaced.*

*d. POTENTIAL EFFECT OF CONDITION: Invoices may be paid that are not appropriate and posted to the wrong accounts.*

*e. RECOMMENDATION: We recommend that the Director either sign and code each invoice or that if email approval and coding is performed that the email is attached to the invoice. Support should be retained for each payment and retained.*

*f. CLIENT RESPONSE (Indicate name and title of person discussed with and date.): Discussed with Library Director on 3/4/2020, she will now have Bookkeeper print any email approvals and coding and attach to approved invoice.*

*g. OTHER INFORMATION: Nothing additional.*

*h. INITIAL EVALUATION AS TO TYPE OF POINT:  
Control Deficiency X  
Other Matter X”*

**The Town of Wilton’s response to address Point No. 4:**

The Library Director and Trustees under RSA 202-A will respond to Point No. 4 as Library Governance and Internal Controls are governed separately by the Trustees of the Library.

**POINT No. 5**

*“a. CONDITION: While performing testing of the monthly ambulance revenue it was noted a Trip Date report was run for the month of March, once in April 2019, then in January 2020 and again today, March 5, 2020 and the reported “Net Charges” was different on all 3 reports which resulted in the revenue on the general ledger for the month of March to be understated by \$30,409. Copies of these reports are located at #230.0051.*

*b. CRITERIA (Required for financial audits performed under Government Auditing Standards): Reliance should be able to be placed on the billing company’s software to produce accurate numbers and consistent reporting.*

*c. CAUSE OF CONDITION: Unknown as to why this is happening. Client is unsure as to why this is occurring as well.*

*d. POTENTIAL EFFECT OF CONDITION: Revenue could be materially misstated.*

*e. RECOMMENDATION: The Ambulance Director and Finance Officer should contact the billing company to find out why this is occurring and how to prevent it from happening in the future.*

*f. CLIENT RESPONSE (Indicate name and title of person discussed with and date.):*

*g. OTHER INFORMATION: Nothing additional.*

*h. INITIAL EVALUATION AS TO TYPE OF POINT:*

*Significant Deficiency X “*

**The Town of Wilton’s response to address Point No. 5:**

**Corrective Action:**

14. The Ambulance director has taken steps to address issues with the billing company.
15. The Ambulance Director and Finance Officer are exploring billing options and services.
16. The Finance officer will address the regular and timely reconciliation of the accounts and billing inconsistencies closer to real time to mitigate misreporting and billing errors.

**POINT No. 6**

*“a. CONDITION: Auditor noted during [review and update of financial close and reporting procedures] that [a formal policy over financial close and reporting effectively documenting the overall timing, format, methodology, and frequency of financial-related analyses is not implemented by the Town].*

*b. CRITERIA (Required for financial audits performed under Government Auditing Standards): Per best practice, the well-defined process over financial close and reporting and related processes as conducted in the interim should be formally documented, reviewed, and approved on a regular basis (every 3-5 years).*

*c. CAUSE OF CONDITION: Past practice.*

*d. POTENTIAL EFFECT OF CONDITION: The potential for inaccuracies and improper closing balances and procedures is increased if formal procedures over these practices are not documented. In addition, changes in the Town’s financial or management staff environment may not be appropriately addressed if this policy is not reviewed and approved on a regular basis.*

*e. RECOMMENDATION: The auditor recommends that the client document the overall timing, format, methodology, and frequency of financial-related analyses related to both interim processes and financial close and reporting processes and have this approved via policy to insure consistency and accuracy of financials and related reporting period-to-period. In addition, we recommend that this policy be reviewed at least every 5 years or as deemed necessary resulting from changes in the client environment that may affect the conditions as set in the policy.*

*f. CLIENT RESPONSE (Indicate name and title of person discussed with and date.):*

*g. OTHER INFORMATION: [ ]*

*h. INITIAL EVALUATION AS TO TYPE OF POINT:*

*Other Matter X “*

**The Town of Wilton’s response to address Point No. 6:**

**Corrective Action:**

- 17. The Finance Officer will develop Financial Close Governance and Metrics for Financial Closing Processes.
- 18. The Finance Office will proactively manage the challenges of data quality and prepare for regulatory requirements in a concise and predictable manner
- 19. Specific Actions include:

**Establishing a Governance Process** will address the requirements and challenges of the financial close by implementing a well-defined process. The central components of a good governance process include:  
**Policies and Procedures:** Establishing rules and defining requirements for accounting activities can lead to standardized closing processes and help mitigate the risk of accounting errors. Documented processes support knowledge transfer and cross-training.

**Financial Close Calendar:** Developing and communicating a close calendar can provide finance with the ability to identify dependent sources of information for key activities. The calendar can also be used to track progress against milestones.

**Implementing metrics for financial close-**  
Gross Number of Adjusting Entries: Transaction errors can significantly delay the fiscal closing process. Investigating the gross number of adjusting entries can be used to identify the root cause of a potential process weakness or system issue.  
Review Errors: Focus on the types of errors found during the initial review of the financial statements. This information can be used to identify and correct underlying problems that can be prevented during future closing processes. These errors should be documented and discussed during post-close reviews.

**Completion Times by Functional Area-**This metric provides insight into each category of activities that must be completed during the closing process. Examples are included below.

- Time for Departments to forward their results to the Finance Officer
  - Time to close the processing of period-end cash
  - Time to finish processing accounts payable
  - Time to issue bills/credits
  - Time to close payroll and record accrued wages
  - Time to count and value assets
  - Time to issue related management reports. Both single and multiple financial reporting systems require well-defined governance and metrics reporting processes.
- ( see Appendix I- Treasurer’s response )

**POINT No. 7**

*“a. CONDITION: Auditor noted during [review and update of controls over Town Clerk and Tax Collector activities] that [only one login credential is used for the software used by the Tax Collector/Town Clerk and her Deputy].*  
*b. CRITERIA (Required for financial audits performed under Government Auditing Standards): Each employee in the Town Clerk/Tax Collector office should have their own login credentials in each software used to process financial information.*  
*c. CAUSE OF CONDITION: Past practice.*  
*d. POTENTIAL EFFECT OF CONDITION: Misuse or misappropriation of funds processed through the Town Clerk/Tax Collector software would not be able to be easily identifiable to any one individual if only one login credential is known and used.*  
*e. RECOMMENDATION: The auditor recommends that the client [establish a separate login credential for the Deputy Town Clerk/Tax Collector and change the credentials of the Town Clerk/Tax Collector’s so only the Town Clerk/Tax Collector has knowledge and access to her own credentials].*  
*f. CLIENT RESPONSE (Indicate name and title of person discussed with and date.):*  
*g. OTHER INFORMATION:*  
*h. INITIAL EVALUATION AS TO TYPE OF POINT: a , b , c*  
*Other Matter X”*

**The Town of Wilton’s response to address Point No. 7:**

**Corrective Action:**

Identity and access management (IAM) is the process of managing who has access to what information over time. This cross-functional activity involves the creation of distinct identities for individuals and systems, as well as the association of system and application-level accounts to these identities.

- 20. Access will be assigned within the network based upon what resources a user needs to complete their job duties.
- 21. To help ensure individual accountability within the network, each user will have his or her own network account (username and password).
- 22. To help ensure individual accountability within software applications, each user will have his or her own user account (username and password). If users share accounts, accountability is diminished and activity in the system may not be able to be traced back to a single user.
- 23. Users should be able to set their own passwords. If passwords are set for users, there is limited accountability because someone else knows the password.

**Access Controls and IAM procedural checklist:**

- Are unique network accounts created for each computer user?
- Are unique software accounts created for each user where applicable?
- Do any accounts exist that cannot be tied to an authorized user or application?
- Describe the process for disabling terminated employee/vendor accounts:
- Are passwords held to complexity requirements? Describe the complexity requirement:
- Indicate how often passwords are changed and describe how the change is enforced:
- Is sharing user IDs and passwords prohibited?
- Are changes to access rights made on a timely basis (i.e., within three to five days of duty changes)?
- Is a current list of authorized users and their levels of access maintained and periodically reviewed? Review the list of authorized users and their levels of access.

( see Appendix I- Treasurer’s response)

**POINT No. 8**

*“a. CONDITION: During review of the large and unusual payments, auditor noted three checks that were written to cash.*

*b. CRITERIA (Required for financial audits performed under Government Auditing Standards): .Checks should not be payable to cash, but should be written to a certain individual or vendor.*

*c. CAUSE OF CONDITION: Unknown.*

*d. POTENTIAL EFFECT OF CONDITION: Fraud or theft of funds.*

*e. RECOMMENDATION: We recommend that no checks be made payable to cash due to the high risk that someone could obtain these funds.*

*Checks should be paid to the order of a specific individual or to a specified vendor.*

*f. CLIENT RESPONSE (Indicate name and title of person discussed with and date.):*

*g. OTHER INFORMATION: Nothing additional.*

*h. INITIAL EVALUATION AS TO TYPE OF POINT:*

*Other Matter X”*

**The Town of Wilton’s response to address Point No. 8:**

**Corrective Action:**

The town of Wilton will no longer write or release any check payable to cash. Because the check is not payable to a particular person or organization, anybody who has possession of the check can cash or deposit the check. This practice does not meet accountability standards surrounding the use of tax dollars.

- 24. An Anti-Fraud Policy and an Employee Reimbursement Policy are being developed. ( see Appendix D & E and the supplemental policy guide)
- 25. The Finance Officer will no longer process any payable without a vendor name or individual name and all source documents.
- 26. The Treasurer and Select Board will no longer approve and release any check payable to cash.
- 27. The Finance Officer ‘s procedure: A Cash disbursement voucher will be prepared for each invoice or request for reimbursement that details the date of check, check number, payee, amount of check, description of expense account GLcode to be charged, authorization signature, and accompanying receipts

**Identifying Risk:**

- Part of the process of writing a check is listing who should receive the funds. That step makes checks safer than cash because the named payee is the only person allowed to deposit or handle the check (although it can be signed over to somebody else, which we’ll discuss below). A check payable to “Bearer” works the same way: Anybody bearing (or “carrying”) the document can cash it.
- A check payable to cash is (more or less) similar to cash—anybody can use it, assuming the check doesn’t bounce. If the check gets lost, whoever finds it can cash it or deposit it unless you stop payment on the check first. Likewise, the recipient can give the check to somebody else.
- **Risk of loss:** It is best to avoid writing a check to cash because you don’t have any control over who deposits or cashes the check. If the check gets lost or stolen, you and your bank will have to watch for a fraudulent transaction.
- **Hesitant banks:** Banks may refuse to honor them altogether or place a longer hold on the funds. Banks can also refuse to provide official checks payable to cash.
- **Paper trail:** A check without a payee makes it harder to keep records and document transactions. It’s still possible to keep notes and track expenses, but a payee’s name in writing makes the payment official.

**POINT No. 9**

*“a. CONDITION: During review of the bidding policy, auditor noted that the policy is vague and does not support the Town’s current operations and procedures.*

*b. CRITERIA (Required for financial audits performed under Government Auditing Standards): The town should amend the bidding policy to agree to the actual procedures performed by the Town.*

*c. CAUSE OF CONDITION: Past practice.*

*d. POTENTIAL EFFECT OF CONDITION: Town not abiding by Town rules.*

*e. RECOMMENDATION: We recommend that the Select Board review and revise the Town’s bidding policy to be more in line with the actual practices of the Town.*

*f. CLIENT RESPONSE (Indicate name and title of person discussed with and date.):*

*g. OTHER INFORMATION: Nothing additional.*

*h. INITIAL EVALUATION AS TO TYPE OF POINT:*

*Other Matter X”*

**The Town of Wilton’s response to address Point No. 9:**

**Corrective Action:**

- 28. The Select Board with recommendations from the Management Team will review the current purchasing policy and bidding policy for the Town of Wilton. Necessary changes will be adopted and reintroduced to align with best practice and current practices within the Town of Wilton.
  
- Officials are often required to publicly disclose prices paid, as well as the reasoning and justification for choosing a particular vendor or contractor. The use of taxpayer dollars—along with citizens’ demands for maximum value, fair and ethical selection criteria, and efficient and timely delivery of goods and services—spotlights the public procurement process. The primary objective for adopting purchasing and bidding policy is to promote public confidence in the municipal procurement process by addressing these accountability demands.

**Purchasing and bidding policies will address:**

- Definitions
- Purchasing methods – purchase order, oral/written quotes, competitive bidding
- Dollar thresholds
- Assignment of approval authority
- Exceptions
- Special provisions for emergencies, professional services, public works projects, sole-source contracts
- Preference provisions
- Ethics/conflict of interest statement

*Purchasing and Bidding policy when separate will be cross referenced. ( See supplemental policy guide)*

**POINT No. 10**

*a. CONDITION: While performing testing of ambulance billings it was noted that there is a lack of evidence of approval for write offs of uncollectible ambulance receivables. A total of \$xx,xxxx was written off by the Town's contracted ambulance billing provider during 2019 and there is no evidence that these were approved by the Board of Selectmen or Ambulance Department.*

*b. CRITERIA (Required for financial audits performed under Government Auditing Standards): The write off of accounts receivable directly impacts the financial status of the Town's ambulance fund. Any decisions on write offs should be reviewed and formally approved by those in charge of governance.*

*c. CAUSE OF CONDITION: Lack of adequate policies and procedures over Ambulance runs.*

*d. POTENTIAL EFFECT OF CONDITION:*

*Revenue could be materially misstated*

*. e. RECOMMENDATION: We recommend that the Town establish a policy of the write off of ambulance accounts receivable. This policy should include the parameters for when an account can be considered for write off and should include information about what level of approval is needed and how documentation of such approval will be maintained.*

*f. CLIENT RESPONSE (Indicate name and title of person discussed with and date.):*

*g. OTHER INFORMATION: Nothing additional. h. INITIAL EVALUATION AS TO TYPE OF POINT: Significant Deficiency X*

**The Town of Wilton's response to address Point No. 10:**

**Corrective Action:**

The Town of Wilton has adopted an AMBULANCE WRITE OFF POLICY (see Appendix G)

The purpose of this policy is to outline the procedures that will be used to write off ambulance receipts that have not been collected.

- Ensure that fees for emergency medical services are collected and costs are recouped from individuals and/or their insurer(s) for such medical services being provided; Establish regular processes and procedure for the appropriate administration of uncollectable amounts; Provide an appropriate and consistent policy and procedure for processing hardship requests for relief from billing for ambulance services.
- The Ambulance write off policy includes:
  - Quarterly reconciliation of outstanding balances, confirm receivables, review uncollected receivables that the billing company recommends to be written off.
  - Review claims of financial hardship
  - Formulate a final billing communication to parties who maintain an uncollected balance.
  - Regular review all unpaid accounts over 180 days due and determine which if any should be recommended to the Select Board to write-off. The aggregate amount would be a public record.
  - The Select Board should maintain, on an annual basis a list of such abatements, including the recipient of the abatement, the amount of such abatement and a summary description of the reason for the abatement. The aggregate amount would be a public record.

**Auditors Follow up to prior years comments and response:**

<b>Description</b>	<b>Repeated in 2019</b>	<b>Wilton's Response and Corrective Action:</b>
<i>Lack of policy over write-off procedures for ambulance accounts receivables.</i>	Yes	Ambulance Write Off Policy Approved & Introduced See POINT #10 and Appendix G
<i>Adjusting journal entries performed by Finance Officer are not reviewed or approved.</i>	Yes	Governing Body Internal controls and Financial Close Governance and Metrics for Financial Closing Processes for year end, quarterly as well as month end will be developed to address the adjustment and approval of journal entries. SEE POINT #2.
<i>Lack of policy over budget adjustment procedures and oversight</i>	Yes	<p>29. A budget adjustment procedure will be developed. A budget transfer form and a budget adjustment justification form will be created. Encumbrances and overrides will be addressed in this process.</p> <p>The adopted budget is the main internal control document used to monitor and manage the Town's financial position.</p> <p>The budget is a flexible document that provides a comprehensive framework of resource allocations for implementation of the Town's goals, priorities and activities for the fiscal year.</p> <p>Adjustments to the budget may be made throughout the fiscal year. Transfers between lines and funds require formal action through the Governing Body. Transfers within departments/accounts may be made at the administrative level. All adjustments should be recorded, documented, and approved.</p> <ul style="list-style-type: none"> <li>• A budget policy is being developed-see supplemental policy guide that will address the audit findings.</li> </ul>
<i>Property Tax Warrant overstated by amount of first half warrant. Warrant incorrectly stated as amount to be committed annually, rather than semi-annually, as is practiced.</i>	Yes	<p>30. The warrant will reflect the amount of the semiannual collection. The July Tax Bill is an estimate based on 50% of the prior year's tax rate. Once the State Department of Revenue sets the Tax Rate, the December bill covers the balance of the property tax owed for the tax year. The Warrant should reflect the sum of the semiannual commitment. The Warrant is generated and confirmed by the Tax Collectors office and signed off upon by a majority of the Select Board twice yearly.</p>

<p><i>Recycling:</i>                  [1] Monies held for deposit are being maintained in Manager's residence                  [2] No receipt is issued for revenues brought to Town Clerk for deposit.                  [3] Recycling Center Manager does not receive reports from Financial Assistant to reconcile collections to revenues posted to GL                  [4] Lack of procedures in place for sale of scrap metal. No slip issued for metal taken.</p>	<p>Yes</p>	<p>31. A cash and cash receipts policy are being developed to address 1,2,3,4 and other cash receipt deficiencies. (see Appendix D &amp; E and the supplemental policy guide)</p>
<p><i>Tax Collector:</i>                  [1] Town-owned properties are included on the tax roll                  [2] Property Tax receivables per Tax Collector's system are not being reconciled to GL.                  [3] Tax Collector is recording liens in the tax collection system for those property owners who are receiving welfare benefits from the town.                  [4] Lack of appropriate support and clarity over elderly and welfare liens.</p>	<p>(1) Corrected (2) Not corrected (3) Not corrected (4) Corrected</p>	<p>31. #2.A Reconciliation Procedure is being developed. (See Appendix H)</p> <p>32. #3. RSA 165:28 is designed to help municipalities recover in these situations. Applicants who own real estate should be told that a notice of lien will be recorded in the registry of deeds. The notice of lien is, of course, a limited exception to the laws requiring confidentiality of welfare records. It is simple to prepare and may be filed with the register of deeds with no fee. The notice must state its purpose, the assisted person's name and an adequate description of the property subject to the lien. No amounts or other details of the case should be stated. A welfare lien should not be recorded on the tax collection software; however, records of a welfare lien should be maintained confidentially and files documented properly.</p>
<p><i>Impact Fees:</i>                  [1] No one is accepting responsibility for or tracking impact fee funds collected.                  [2] Impact fees totaling \$5,409 were paid in cash and deposited those funds immediately, which contradicts the deposit procedures.                  [3] Proper documentation of above noted deposit reaching impact fee fund not maintained.                  [4] Impact Fee receivable is noted on prior auditor's report but no employee can identify from whom it is owed.                  [5] Impact Fee Fund assets, liabilities, revenues, and expenditures are not being tracked in Town's GL.</p>	<p>(1) Corrected; Finance Officer; (2) Corrected, see #505.0110 and #612.0110; (3) Corrected; (4) Corrected; (5) Repeat, while maintained appropriately on Excel spreadsheet, should still be input into general ledger system.</p>	<p>33. #5. Impact fee fund assets will be moved to the General Ledger.</p>
<p><i>Treasurer is not reviewing reconciliations prepared by Finance Officer or preparing reconciliations of their own.</i></p>	<p>Yes.</p>	<p>See # 31. A reconciliation policy and procedure are being developed. ( See Appendix H)</p>

<p>[1] Town Clerk disburses mail in absence of Administrative Assistant                  [2] Purchase Orders are not used by the Town                  [3] Invoices that bypass regular approval process have no one approving them                  [4] For purchases over \$5,000 there is no documentation of a bid or contract                  [5] Contracts and bids reviewed did not have backup documentation due to previous Administrator shredding documents.</p>	<p>[1] Repeat                  [2] Repeat                  [3] No                  [4] Repeat                  [5] Repeat</p>	<p>34. #1. The Town Administrator’s Office will oversee the receipt and disbursement mail in a centralized system. (see Appendix D&amp;E)                  35. #2. The Town Purchasing Policy will be revisited, revised and reintroduced.                  36. #4. The Town Bid Policy will be reviewed, updated and reintroduced. See POINT 9. (see supplemental policy guide)                  37. #5. Files should be recreated and backup documentation requested for any current contract.</p>
<p>[1] Various departments do not reconcile revenues to the General Ledger.                  [2] Treasurer does not receive copies of deposits and related deposit supporting documentation. Only a summary spreadsheet is received.                  [3] Lack of Deputy Treasurer.                  [4] Impact Fees are not being kept up-to-date by Treasurer                  [5] Treasurer is not maintaining separate cash books to compare to Town's general ledger</p>	<p>(1) Repeat (2) Corrected (3) Corrected (4) Correct (5) Repeat</p>	<p>See #31 1. A reconciliation policy and procedure are being developed.( See Appendix H)                  38. #5. The treasurer has developed a reporting system to track and record town financials. ( see Appendix I- Treasurer’s response)</p>
<p>No IT controls were in place and policies required were not adopted                  Auditors note: Several key IT policies (Data Retention and Security, Change Management, ect) have not been implemented. In additional, physical controls over Town technology is not properly designed.</p>	<p>Yes, See notes</p>	<p>See POINT #7 Identity and access management (IAM) ( see Appendix I- Treasurer’s response)</p>
<p>Several funds noted to have low fund balances and are not effectively monitored by Board of Selectmen</p>	<p>Yes</p>	<p>39. Ambulance and Recycling revolving funds will have monthly and quartley Financial Reporting combined with budget analysis occurring on a regular scheduled basis.</p>
<p>Payroll Files not up-to-date or complete</p>	<p>Yes</p>	<p>A Personnel File retention policy has been introduced. See POINT#1. ( see Appendix A &amp; B)</p>
<p>Lack of policy and procedure over off-site improvement fees</p>	<p>Yes</p>	<p>40. Land Use, Building and Accounting department collection of fees will be fully examined and policy and procedures will be put in place surrounding tracking these fees. Under RSA 674:21, V . Rates, Collection, Cash Receipting, Financial Reporting and Internal Controls and procedures will be established.</p>
<p>Special Revenue Funds held by the Town are not maintained on the General Ledger</p>	<p>Yes; the Conservation, Heritage and Impact Fee Funds maintained on Excel spreadsheets</p>	<p>41. The Conservation, Heritage and Impact Fee Funds will be maintained on the general ledger</p>

APPENDIX A  
Procedure



## TOWN OF WILTON

42 Main Street

PO Box 83

Wilton, NH 03086

Town Office: phone (603) 654-9451/ fax (603) 654-6663

<https://www.wiltonnh.gov>

### Employee Personnel File Records for Retention

- job description for the position
  - job application and/or resume
  - offer of employment
  - IRS Form W-4 (the Employee's Withholding Allowance Certificate)-use updated edition
  - I-9 Employment Eligibility Verification-use updated edition
  - Personnel Action Form
  - Background Check
  - DMV Driving record-if applicable
  - Direct Deposit Form
  - Forms providing next of kin and emergency contacts and procedures
1. receipt or signed acknowledgment of employee handbook
    - o signature page
  2. ambulance personnel receipt of Ambulance and EMS Service Policy Procedure Handbook
    - o signature page
  3. forms relating to employee benefits/enrollments
  4. Requests for Vacation/Extended Leave for FMLA
    - o Written and approved request
  5. performance evaluations
    - o Standardized form used department or organization wide
  6. complaints from customers and/or coworkers
  7. awards or citations for excellent performance
  8. records of attendance or completion of training programs
  9. warnings and/or other disciplinary actions
  10. notes on attendance or tardiness
  11. any contract, written agreement, receipt, or acknowledgment between the employee and the employer (such as a noncompete agreement, an employment contract, or an agreement relating to a company-provided car), and
  12. documents relating to the worker's departure from the company (such as reasons why the worker left or was fired, unemployment documents, insurance continuation forms, and so on).
- This file shall not contain:**
13. Any workers compensation or unemployment claims
  14. Medical files relating to specific medical or health issues shall be maintained in a separate file and are not part of an employee's personnel file. Under HIPPA medical files are confidential and must be maintained in a secure location within the Human Resources / Finance Office apart from other employee files.
  15. EEO and OSHA-related files shall be maintained in a separate file and are not part of an employee's personnel file.
  16. Indiscreet entries that do not directly relate to an employee's job performance and qualifications



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### **Policy for Employee Personnel Files**

The Town of Wilton (“Town”) recognizes that the retention and maintenance of employee personnel files for all Town employees is vital to compliance and essential for management decisions made by Department Heads and the Governing Body.

#### **I. PURPOSE**

The purpose of this Policy is to establish guidelines on the retention, maintenance and access to personnel files of Town employees as a basis for personnel decisions regarding transfer, promotions, disciplinary actions, termination, demotions, training, attendance monitoring, benefits, leave, and other personnel matters.

#### **II. SCOPE**

This Policy applies to all employees and individuals involved in the Town ’s operations, including, but not limited to, full-time and part-time employees, stipend, appointed and elected officials’, temporary employees, probationary employees, seasonal employees, and contractual employees.

#### **III. TYPE OF FILES**

##### **A. Official Personnel File**

The Human Resources / Finance Office shall be the custodian of official personnel files, which is the property of the Town. There shall only be one (1) official personnel file per employee. The Town ’s decision on the use, maintenance, and dispersion of personnel files is final, subject to Federal, State, and Local laws and regulations.

Refer to Appendix A for a Personnel File Guide

Refer to Appendix B for Important Information from the Department of Labor and

Refer to Appendix C for Relevant State of New Hampshire Laws

The Human Resources / Finance Office shall compile the official personnel file containing:

1. Employee application that resulted in the appointment, reappointment, promotion, transfer, or demotion;
2. Employers are required to notify employees, in writing, of their wages and the day and place of payment at the time the employee is hired. The employer is required to maintain a copy of the written notice, signed by the employee.

In addition, if an employer makes changes to an employee’s wages or the time or place of payment, an employer must inform its employee, in writing, *before* any change goes into effect. The employee must sign the notification and the employer must maintain a signed copy of the notification in its records.

3. Employers must also notify employees, in writing or by posting notice, of its policies regarding vacation pay, sick leave, and other fringe benefits.

4. Employment history, including personnel action documents affecting appointment, reappointment, promotion, transfer, demotion, salary change, or other personnel action;
5. Employee identifying information and emergency contact information;
6. Payroll withholding and payroll related documents; Driving and Background checks; enrollments in benefits
7. Documents submitted by the employee with the employee’s application for employment or promotion to show that the employee has a degree, license, or certificate required for the current or desired job;
8. Performance evaluations for the last five (5) years;
9. Commendations; and
10. All disciplinary actions within the last three (3) years, excluding oral reprimands.

##### **B. Supervisory File**

Supervisors within the Town shall maintain a file for each employee they supervise that contains documents related to the employee. A supervisor may maintain a supervisory file in an electronic format. The supervisor may include in the file:

1. Copies of records contained in the department operating record;
2. Commendations and complaints from concerning the employee’s job performance or conduct;
3. Notes made by the supervisor during a performance review or other counseling sessions with the employee;
4. Copies of the employee’s completed work assignments, draft documents, or work in progress; and
5. Written communications between the employee and the supervisor concerning performance or conduct issues.

A supervisor may maintain informal notes regarding performance or other information about an employee under the supervision of that supervisor. Supervisory notes are not considered part of the employee's official personnel file and are not subject to review under the Right to Know Law unless in the course of litigation against the Town.

#### C. Medical File

Medical benefit or plan enrollment documentation and employee contribution is part of the official personnel file for the purpose of processing payroll deductions. Medical files relating to specific medical or health issues shall be maintained in a separate file and are not part of an employee's personnel file. Under HIPPA medical files are confidential and must be maintained in a secure location within the Human Resources / Finance Office apart from other employee files.

#### D. EEO/OSHA Files

EEO and OSHA-related files shall be maintained in a separate file and are not part of an employee's personnel file.

### **IV. FILE RETENTION**

Employee personnel files should be retained for at least three (3) years after the employee's separation. Arrangements should be made to store records after the three (3) year retention date is passed. Documents may have different retention requirements. In cases where an employee personnel file contains reference documents for an EEO case, relevant documents should be retained for one (1) year from the final disposition of the charge or action for Title VII. Records of environmental monitoring of exposure to hazardous materials should be retained for three (3) years after exposure for the Occupational Safety and Health Act.

### **V. CONFIDENTIALITY**

All employee files are confidential. Anyone handling employee files shall maintain confidentiality of the material at all times, including during the course of file transmission.

Any disclosure of information maintained in the employee's personnel file must comply with the Privacy Act of 1974 and Federal and State Freedom of Information Acts

#### A. Privacy Act of 1974

According to the Privacy Act, information should be collected and used for a specific purpose only. Employees must have access to any personal files about them and be permitted to review and respond to any information in their files.

To protect the Town against libel and slander suits, the following are recommended:

1. Inform employees of the types and instances of disclosure;
2. Obtain authorization from the employee before disclosing any information required by law; and
3. Refer only to dates of employment for responding to reference checks and not disclose information of a subjective nature.

#### B. Public Information under Federal Freedom of Information Act (FOIA) NH Right to Know RSA 91-A:5

The Town may provide information on Town employees upon receipt of a written inquiry.

The inquiry must be written, identifying the employee, and contain precise information.

The following information may be supplied as public information under the law based on

1. Positions held;
2. Employment dates;
3. Department;
4. Types of Appointment; and
5. Salary.

The following information is **not** public information, and is therefore restricted:

1. Any information contained on an application, including Social Security Number, Date of Birth, address, telephone number, previous employment history, scholastic history, race, and sex;
2. Medical information;
3. Inter- or intra-agency memorandums
4. Leave balances;
5. Payroll deductions;
6. Letters of reference or verification;
7. Performance appraisals;
8. Grievance history, including findings of hearings;
9. Letters, warnings, and commendations given to the employee;
10. Documents containing justification for personnel actions; and
11. Financial disclosure information.

#### C. Verification of Employment

All requests for verification of employment for current or former employees must be directed to the Human Resources / Finance Office. Information about former employees shall be limited to dates of employment and job classification. Responses to written requests should be communicated in writing.

### **VI. SOCIAL SECURITY IDENTIFICATION**

The Federal Privacy Act places various restrictions on Federal, State, and Local Governments request for an employee's social security number. Any governmental Agency which asks disclosure of the social security number must:

- State whether the disclosure is mandatory or voluntary;
- State what law or authority gives approval to solicit; and
- How the number will be used.

#### **VII. TRANSFERRING EMPLOYEE PERSONNEL FILES**

The employee personnel file for an employee who is transferred or promoted to a position in another Department must be given to the receiving Human Resources / Finance Office. All informational requests should be addressed to the employee's current Department.

#### **VIII. EMPLOYEE'S ACCESS TO PERSONNEL FILES (see also V. CONFIDENTIALITY)**

At the request of an employee or designee of the employee, the Human Resources/ Finance Office must allow the employee or designees to review and/or receive a copy of the official personnel file, supervisory file, or medical file.

To review and/or receipt a copy of the official personnel file, supervisory file, or medical file, the employee or designee of the employee must schedule an appointment with the Human Resources / Finance Office.

Under New Hampshire law, employees have the right to review their "personnel file." New Hampshire RSA 275:56 states: Employee Access to Personnel Files

1. Except as provided in paragraph 3, every employer shall provide a reasonable opportunity for any employee who so requests to inspect such employee's personnel file and further, upon request, provide such employee with a copy of all or part of such file. An employer may only charge the employee a fee reasonably related to the cost of supplying the requested documents.

2. If, upon inspection of his personnel file, an employee disagrees with any of the information contained in such file, and the employee and employer cannot agree upon removal or correction of such information, then the employee may submit a written statement explaining his version of the information together with evidence supporting such version. Such statement shall be maintained as part of the employee's personnel file and shall be included in any transmittal of the file to a third party and shall be included in any disclosure of the contested information made to a third party.

3. The provisions of this section shall not require the disclosure of:

- (a) Information in the personnel file of a requesting employee who is the subject of an investigation at the time of his request if disclosure of such information would prejudice law enforcement; or
- (b) Information relating to a government security investigation.

#### **IX. COMPLIANCE**

The Human Resources / Finance Office shall review the record periodically to assure compliance with this Policy. Violations of this Policy may result in disciplinary action, including termination of employment.

#### **X. AUTHORITY**

This Policy was issued pursuant to the Personnel Policies Manual for the Town of Wilton wherein the Department of Human Resources recommended adopting policies in accordance with their roles and responsibilities with the Select Board approval.

#### **XI. INTERPRETATION**

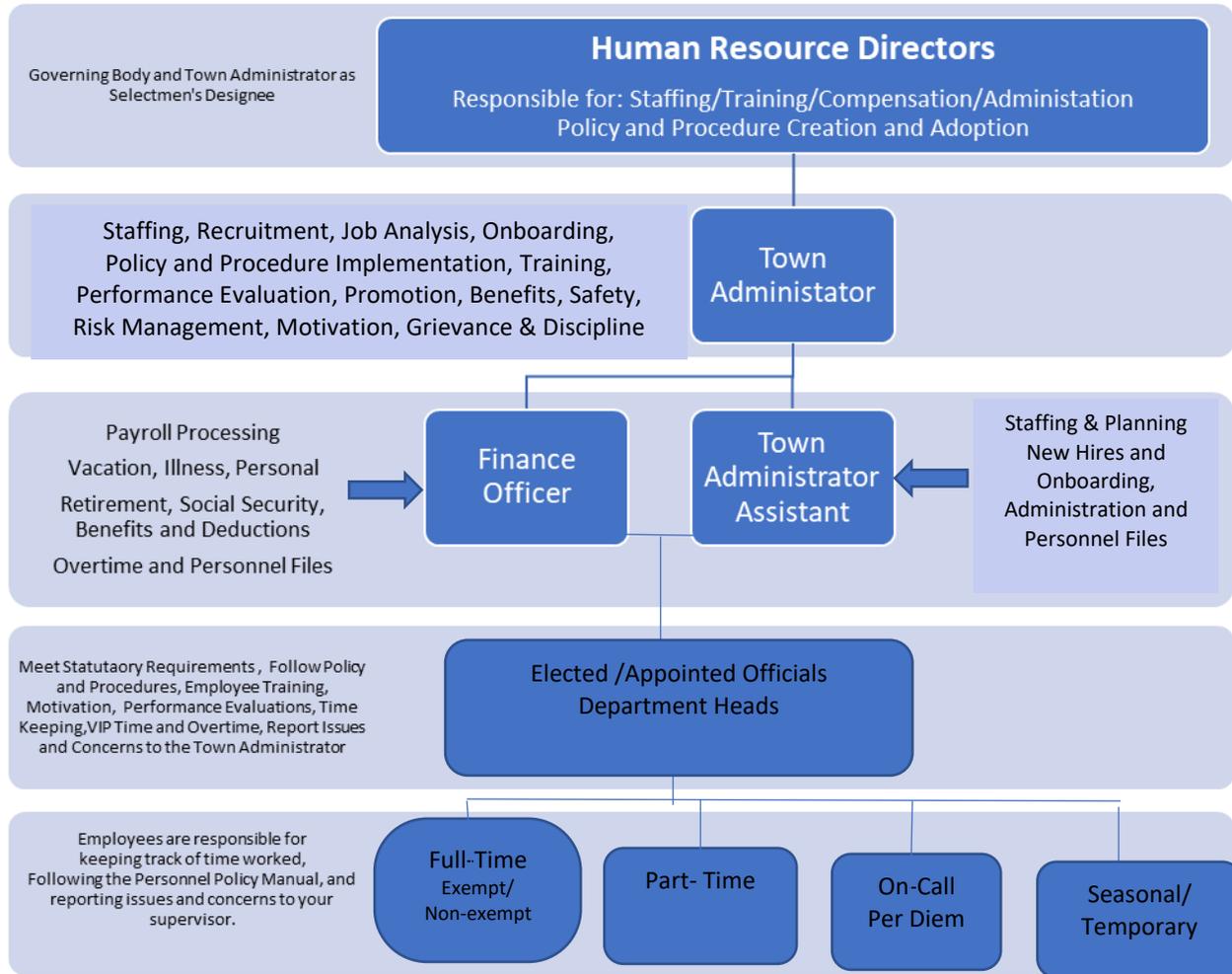
The Department of Human Resources reserves the right to revise or eliminate this Policy at any time. The Town's Select Board reserves the right to approve proposed policy revisions or eliminations as determined by the Department of Human Resources.

#### **XII. RELATED POLICIES**

**Reference:** Personnel Policies Manual for the Town of Wilton  
Wilton Ambulance & EMT Policies and Procedures Handbook

**APPENDIX C**  
**Process- Introduced**

Human Resources Management System in the Town of Wilton, NH



The role human resource management has two basic functions: overseeing department functions and managing employees. The management of departmental functions and employees occur at each level within the Town of Wilton. The diagram above outlines what role each valuable member of the Town of Wilton is responsible for as it relates to Human Resources.

APPENDIX D  
Policy- Developing



## TOWN OF WILTON

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### SELECT BOARD INTERNAL CONTROLS POLICY

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Under RSA 41:9 (VI) The Selectmen shall be responsible for establishing and maintaining appropriate internal control procedures to insure the safeguarding of all town assets and properties.

#### Purpose:

Internal controls are tools that help the Select Board, appointed managers, department heads and elected officials be effective and efficient while avoiding serious problems such as overspending, operational failures, and violations of law. Specifically, internal controls are the structure, policies, and procedures put in place to provide reasonable assurance that management meets its objectives and fulfills its responsibilities.

#### Principals and Guidelines:

##### A. The Control Environment

1. The Select Board has adopted this policy as evidence of their commitment to safeguarding the Town's assets. The expectation of integrity and ethical values is the foundation for all other components of managerial control.

2. Integral to the organizational culture of the Town is a commitment to competence. A sound Personnel Plan, continual review of job descriptions, background checks, job qualifications, and performance evaluations are some of the tools used to demonstrate this commitment. In addition to competence, a clear line of authority and responsibility is established and documented throughout the Policy, the Personnel Plan, job descriptions and departmental procedures.

##### B. Risk Assessment

1. All levels of administration and management must be aware of the potential risks that could hinder Town operations. Always be aware of what could go wrong and what assets need to be protected.

2. Some indications of increased risk include;

- a. High turnover in personnel.
- b. Changes in operations (economic or political).
- c. Periods of rapid growth.
- d. Establishment of new services provided.
- e. Complex programs or activities.
- f. Cash transactions.
- g. Off-book accounts.
- h. Uncorrected prior problems.

### C. Control Activities

1. These are the tools that minimize risk and enhance effectiveness. They are designed to increase productivity, not bureaucracy. Primarily, this consists of specific departmental or town-wide policies and procedures that describe what the Town's objectives are and how to achieve those objectives.

2. Preventive controls utilized include; Accounting systems and financial reporting, authorizations, documentation, segregation of duties, sequential numbering of checks, receipts and forms, controlled access, physical security, confidentiality, computer passwords, and disaster recovery.

3. Detection controls include;

a. Reconciliations.

b. Periodic verifications (inventory).

c. Exception reports.

d. Supervisory reviews.

e. The Municipal Checklist for Internal Controls, is a tool that can be used and is a key component of determining appropriate financial control activities

### D. Information and Communication

1. Supervisors must communicate duties and responsibilities to employees and employees must be able to alert management to potential problems. Communication of this policy must be ongoing between various levels and departments of the Town. This information must be communicated both within the Town's operations and externally to vendors, taxpayers, and other committees.

### E. Monitoring

1. The effectiveness of all control policies and procedures shall be periodically reviewed. Ongoing review will assess the continued adequacy of policies and identify problems that need to be corrected.

Adopted:

# INTERNAL FINANCIAL CONTROLS PROCEDURE FOR THE TOWN OF WILTON

## **Internal Financial Controls Checklist for the Town of Wilton, NH**

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\*Table includes hyperlinks to chapter sections

## Introduction

This guide was created to help the Town assess internal financial controls. This document is meant to be used by municipal officials whose responsibilities include oversight and handling of municipal assets as well as accounting for municipal finances. Ideally, this guide will be used by all such officials, working together to assess and improve the accuracy, transparency, and security of municipal finances and assets. Please read this introduction (pages 2-6) before using the guide that appears at pages 7-30 of this document. It includes important information.

### ***What are Internal Controls for Finance?***

Internal controls for finance are systems and processes that are designed to insure that the financial statements of an organization accurately present the operating results and financial position of that organization. In the municipal context, internal controls help to assure that public funds are administered and expended in compliance with applicable statutes and regulations; that funds are used for purposes for which they were authorized and intended; and that there is accurate reporting regarding the use of those funds. The basic principles of internal control are routinely used in business and government accounting.

According to the Committee of Sponsoring Organizations<sup>1</sup> (COSO), a joint initiative of five private sector accounting and financial management organizations:

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Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in three fundamental categories:

- Effectiveness and efficiency of operations,
  - Reliability of financial reporting, and
  - Compliance with applicable laws and regulations.
- 

One of the primary goals of internal controls is to create a separation of accountability and custodianship, i.e. to assure that municipal officials or employees who have responsibility for keeping records of municipal finances are not also the same individuals who have custody of its assets. In the accounting world, the principle of separation of accountability and custodianship dictates that a person who handles bank deposits or keeps cash books, should not also receive bank statements or make bank reconciliations. In addition, the same individual should not disburse payment and also confirm receipt of or authorize payment (sign Select Board's order) for merchandise.

### ***Are Municipalities Legally Required to Adopt Internal Controls?***

State law does not mandate the implementation or use of specific policies for internal financial controls.<sup>2</sup> As such, internal controls may vary significantly from municipality to municipality. Controls in small towns with few employees will naturally be different from controls in larger towns that have more employees in the financial function. However, the standards of any internal control system are generally the same.

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<sup>1</sup> The members of COSO are the American Accounting Association, the American Institute of CPAs, the Financial Executives International, the Institute of Management Accountants, and the Institute of Internal Auditors.

<sup>2</sup> It should be noted however, that the State or Federal government require that municipal use of State or Federal grant funds requires certain internal financial controls.

NH RSA 41:9 requires the governing body to be responsible for establishing and maintaining internal control procedures to insure the safeguarding of all town assets and properties.

### ***Why are Internal Controls Important?***

From an accounting and risk management standpoint it is considered best practice for each municipality to have an internal control system to help assure the dependability of the town's financial record keeping and reporting. Internal control consists of all the methods and measures used by a municipality to monitor assets, prevent fraud, minimize errors, verify the correctness and reliability of accounting data, promote operational efficiency, and insure that established managerial policies are followed. Internal control extends to functions beyond the accounting and financial departments. It is a process used by management to provide reasonable assurance regarding the achievement of their goals and objectives and to meet their responsibilities. One of the most understood reasons for a policy for internal control procedures is to protect assets, cash being the most obvious. Other objectives are to insure the effectiveness and efficiency of operations, to insure the reliability of financial reporting, and to insure compliance with applicable laws and policy objectives.

An internal control system can be implemented through the adoption of written financial policies. Such policies can have a number of benefits for municipalities:

- a. **Education.** Financial policies help educate those municipal officials who may not have a background in government financial management. In general, elected and appointed municipal officials do not have to have a background or expertise in government finance. Nevertheless, these officials may be responsible for the administration of municipal budgets comprising hundreds of thousands or even millions of dollars. Written financial policies can help inform officials, regardless of their educational or professional background, of good financial practice, making it more likely that these good practices will be implemented and followed.
- b. **Prevention and Resolution of Conflicts.** Financial policies may help prevent and resolve conflicts in local government. The responsibilities of municipal officers frequently overlap and clear lines of authority can be hard to identify. As a result, the administration of local government can seem complex, even in the smallest town. The key to effectively navigating this complexity is effective communication and cooperation among local officials. Financial policies can clarify both the responsibilities of local officials and lines of authority. The process of adopting written financial policies can also afford local officials the opportunity to engage in communication and develop common financial goals for their municipalities. Active participation in the process makes it more likely that all the parties involved in financial decision-making will abide by a common set of rules.
- c. **Continuity and Efficiency.** Financial policies can provide continuity and efficiency in the town's financial operations. Elected officers often serve relatively short terms and new officers may not be experienced in dealing with financial issues. Financial policies can eliminate the need to reinvent responses to recurring situations, thereby increasing efficiency by standardizing operations and retaining institutional knowledge built up over the years.
- d. **Guidance.** Financial policies can fill some of the gaps in the State's municipal finance laws. Municipal officials often turn to state statutes for guidance when questions arise. Unfortunately, municipal finance statutes have not kept pace with modern financial practices and often fail to provide local officials adequate guidance on the finance issues they commonly face. Well-crafted local financial policies can overcome some of these shortcomings in municipal finance laws.
- e. **Transparency and Confidence.** The adoption of financial policies can foster confidence in local government by increasing transparency, accountability, and consistency in municipal decision-making. The policies can help local officials make more informed decisions about providing services, acquiring and

managing capital assets, safeguarding a town's resources, and promoting financial stewardship, all of which may result in a more stable tax rate.

### ***Who has the Authority to Adopt Internal Controls?***

There are multiple municipal officials with varying degrees of authority to adopt policies regarding financial controls. The Select Board (or other legislative body) of the municipality only has the authority to adopt financial controls that apply to municipal officials *who are appointed or hired* by the legislative body. The legislative body does not have authority to dictate the use of financial controls by officials who are independently elected such as clerks, treasurers, and tax collectors. Elected clerks, treasurers, and tax collectors are legally independent from the legislative body and from one another, and therefore have authority to adopt their own financial controls and to dictate the use of financial controls by their statutorily appointed assistants. However, the Select Board has oversight over all municipal finances and polices adopted by the Select Board should work in conjunction with all elected and appointed positions statutory requirements.

Therefore, despite this legal independence, it is to the advantage of the municipality as a whole when elected officials work together to see that there is a comprehensive system of internal financial controls that is adopted and adhered to. Working cooperatively on these matters is also logical since the respective responsibilities of elected officials frequently overlap. In many instances, several boards or officers may be involved in a particular financial transaction or function. In that case, it is recommended that the applicable policy or procedure should be adopted jointly by all of the officials involved. For example, the law provides that money received by the treasurer on behalf of the town may be invested and reinvested by the treasurer with the approval of the Select Board. Accordingly, a town's investment policy should be jointly crafted and adopted by the treasurer and Select Board. On the other hand, the purchase of goods and services is the sole responsibility of the Select Board, and therefore the Select Board would adopt a purchasing policy addressing such things as prior authorization of certain purchases and bidding requirements. Municipal officers are not required to follow any special procedure when adopting financial policies, except that a policy adopted by a municipal board (e.g., Select Board, board of auditors) may only be adopted by a majority of board members at a meeting held in accordance with New Hampshire's Open Meeting Law. Technically the voters of the municipality have no authority to demand or to refuse financial policies. Unlike ordinances, there is no permissive referendum process for municipal policies.

It should be noted that the town treasurer has an independent obligation to report on internal controls pursuant NH RSA 41:29. III. The town treasurer shall keep in suitable books provided for the purpose a fair and correct account of all sums received into and paid from town treasury, and of all notes given by the town, with the particulars thereof. At the close of each fiscal year, the treasurer shall make a report to the town and to the department of revenue administration, giving a particular account of all his or her financial transactions during the year and account balances at year end. The treasurer shall furnish to the selectmen statements from the treasurer's books, and submit the books and vouchers to them and to the town auditors for examination, whenever so requested. The treasurer may delegate deposit, investment, recordkeeping, or reconciliation functions to other town officials or employees provided such delegation is in writing and includes written procedures acceptable to the selectmen, or in the case of a town operating under RSA 37, to the town manager, and is agreeable to all parties involved. However, any such delegation shall only be made to a town official or employee bonded in accordance with RSA 41:6 and rules adopted by the commissioner of revenue administration under RSA 541-A. Such delegation shall not eliminate the responsibility of the treasurer to comply with all statutory duties required by law.

### ***The Five Elements of Internal Control***

The Committee of Sponsoring Organizations (COSO) identifies five elements of internal control which are briefly described below.

1. The **Control Environment** in a municipality should be one in which the elected officials and appointed managers support strong financial controls and show a commitment to maintaining competence through good hiring practices and training. In addition, the municipality should have a clear and unambiguous organizational structure with appropriate policies and procedures. The GFOA and the NHMA recommend five policies particularly applicable to internal controls: Model Accounting, Auditing, and Financial Reporting Policy; Model Purchasing Policy; Model Cash Receipts, Petty Cash, and Returned Check Policy; Model Credit Card Policy; and

Model Fraud Policy. The Model Fraud Policy explains fraudulent activities and the role of employees who discover them. In addition, the Model Conflict of Interest Policy, sometimes found in the Personnel Policy can help municipal officials manage conflicts of interest that may arise in the context of financial transactions and financial management.

2. **Risk Assessment** is the process of identifying potential weaknesses in the way finances are managed and accounted for. Risk Assessment helps to identify the activities carried out by municipal officers and employees that may create a risk of mistake, misrepresentation, fraud, or embezzlement. Once those risks are identified municipal officials will have a better handle on what internal control activities are needed to eliminate or mitigate those risks.
3. **Control Activities** are specific actions municipalities can take to prevent or mitigate the risks that have been identified in their operations. The Municipal Checklist for Internal Controls, which follows this guide, is a key component of determining appropriate financial control activities.
4. **Information and Communication** is critical to internal control, and by extension, critical to the proper functioning of all the other activities in the municipality. Effective and timely communication of relevant and accurate financial information helps insure that the municipality is able to meet its objectives and comply with laws and regulations. In addition, it assures that elected officials and voters have accurate information about municipal finances and are able to make informed decisions based on that information. For these same reasons, it is also important that financial policies and procedures are documented and accessible and that financial control efforts are transparent.
5. The final element, **Monitoring**, is the review of the effectiveness of all five elements of internal control. This requires looking at the municipality's activities and transactions to assess the quality of performance over time and to determine whether controls are effective. Any financial policy that is adopted should be reviewed annually to insure that it remains current. This may involve minor edits or major revisions resulting from economic or legislative changes. Of course, a policy adopted by one board or officer can be rejected or modified by the next officer or board. But annual review will help insure that all officials subject to the policy agree with its terms.

## Internal Financial Controls Checklist for Municipalities

Before you start working on the checklist, please read the introduction (pages 2-6). The checklist is broken down into four distinct parts.

PART 1 are general, overarching controls to be reviewed by the Select Board

PART 2 to be completed by Finance Department Head and Treasurer independently

PART 3 to be completed by the Town Administrator or Finance Department Head and Treasurer

PART 4 to be completed by the Town Administrator

Guidance and additional information are included with the checklist questions to help you complete it.

References:

"Evaluating Internal Controls, A Local Government Manager's Guide", S. Gauthier, Government Finance Officer's Association (GFOA), Chicago, 01., 1996.

Internal Control Guidebook 2010, National Association of State Comptrollers [http://www.sao.wa.gov/EN/ClientSupport/AccountabilityFraud/Documents/Prevention\\_IC\\_guidebook.pdf](http://www.sao.wa.gov/EN/ClientSupport/AccountabilityFraud/Documents/Prevention_IC_guidebook.pdf)

The Municipal Checklist for Internal Controls is a modified version of the State Auditor's Best Practice Internal Control Checklist for the State of Vermont.<sup>3</sup>

### A. GENERAL CONTROLS

**Question A.1: Do municipal officials with control over municipal assets and accounts understand their various responsibilities for implementing and following an adequate system of internal controls?**

Yes	No	Unsure
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Question A.1:** *It is important for local officials who have authority over town assets and accounts to establish and follow a system of internal financial controls appropriate for their municipality.*

This system should address all five elements of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring. The adoption of appropriate financial policies regarding accounting, reporting auditing, purchasing, and fraud prevention will help assure that town assets are appropriately expended or preserved and that financial statements are free from accidental or purposeful misstatement. In addition to using this Checklist, a municipality may want to hire a professional auditor to do a full financial assessment.

**Question A.1 Response Notes:**

**Question A.2: Has a system of internal financial controls been adopted and are those controls well-documented? Are the duties of municipal employees who have access to municipal assets and accounts clearly defined and in writing?**

Yes	No	Unsure
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Question A.2:** *A municipality should have proper documentation of its financial policies, procedures, and control practices.*

Such documentation should explain the duties and responsibilities of each employee in the municipality and how they interrelate with one another. Among the policies that a town should consider adopting are an accounting, auditing, and financial reporting policy; a purchasing policy; and a cash receipts policy. When policies, procedures, and control activities are in writing, employees will know what is expected of them as they carry out their duties. In addition, written procedures will be indisputable in the case of employee absences or when a new employee is hired.

**Question A.2 Response Notes:**

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<sup>3</sup> VLCT's Model Financial Policies are available on the VLCT website here: <https://www.vlct.org/resource/model-municipal-financial-policies>

**Question A.3: Are financial policies retained, accessible, and adequately communicated to newly-elected officials and newly-hired staff?**      **Yes**      **No**      **Unsure**  
                                           

**Guidance for Question A.3:** *Newly elected officials should be oriented to financial policies and procedures that are applicable to their position in municipal government.<sup>4</sup> Officials who manage or supervise employees should see that those employees are educated about proper financial management and reporting.* A strong system of internal controls includes a commitment to competence. To make sure that municipal financial systems are functioning properly, it is important that municipal officials and staff are familiar with municipal policies and have the opportunity to get the training they need to maintain and improve their skills. Policies should be retained in a manner that is accessible and should be communicated to newly elected municipal officials and to municipal staff.  
**Question A.3 Response Notes:**

**Question A.4: Has the Select Board adopted a fraud prevention policy and has it been communicated to municipal employees during the last year?**      **Yes**      **No**      **Unsure**  
                                           

**Guidance for Question A.4:** *Municipalities should adopt a fraud prevention policy that outlines what is expected of all employees in terms of their personal conduct, as well as their role and responsibility in reporting suspected inappropriate actions by others.* A fraud prevention policy informs employees that fraudulent acts will not be tolerated and explains that each employee has a duty to report any activity that appears to violate any law, regulation, or policy. The policy should also clearly outline the process that is available to report any suspected violation and assure employees that complaints will be investigated confidentially and without retaliation of any kind.  
**Question A.4 Response Notes:**

**Question A.5: Does the municipality have an independent professional audit done on an annual basis?**      **Yes**      **No**      **Unsure**  
                                           

**Guidance for Question A.5:** *While some town’s continue to support the election of auditors and their work, we recommend that all towns obtain periodic or regular audits from a certified public accountant.* Ideally, a town would have an outside audit conducted annually.  
**Question A.5 Response Notes:**

**Question A.6: Does the Select Board regularly receive and review financial reports from the treasurer regarding actual revenue and expenses as compared with budgeted revenue and expenses?**      **Yes**      **No**      **Unsure**  
                                           

**Guidance for Question A.6:** *The Select Board should regularly receive and review financial reports from the treasurer (or municipal finance officer/ manager) regarding actual revenue and expenses as compared with budgeted revenue and expenses.* Select Boards and municipal managers must make employees aware that they are paying attention to the financial affairs of the municipality. Employees should be properly supervised and their work regularly reviewed. Reports should be regularly prepared and distributed, and managers should review any unusual issues with accounting staff. Employees are less likely to commit fraudulent activities if they think they might be caught. Select Boards and municipal managers should regularly review budgets and projections and compare actual results to expectations. An employee who commits a fraudulent act typically needs to manipulate the accounting records to hide the action. In many cases, a careful review of the accounts will expose that kind of activity.

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<sup>4</sup> Depending on his or her position within municipal government, an independently-elected official may have the authority to revise or reject an existing financial policy or procedure.

**Question A.6 Response Notes:**

<b>Question A.7: Are municipal officials bonded or covered by liability insurance?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Question A.7:** *Elected officials and employees who handle municipal funds should be appropriately bonded or covered by liability insurance to insure that the taxpayers do not absorb the cost of embezzlement if it does occur.*

**Question A.7 Response Notes:**

<b>Question A.8: Are financial and accounting duties segregated so that no individual is able to perform all related elements of a financial transaction?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Question A.9: Are all employees encouraged to take annual vacations, and are their accounting functions performed by other employees when they are on vacation?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Questions A.8 and A.9:** *It is best practice to segregate duties so that no single individual performs all related elements of an individual transaction.* Officials and employees who have responsibility for keeping records of municipal finances should not also be the same individuals who have custody of its assets. Personnel who are involved in the accounting function should be encouraged to take annual vacations, and other employees should perform their functions in their absence. Routine cross training among positions will facilitate this process. It is often when someone else performs an accounting function that an incidence of fraud is discovered.

**Questions A.8 and A9 Response Notes:**

**B. CONTROLS OVER FINANCIAL RECORDS**

<b>Question B.1: Have the Select Board and treasurer jointly adopted an accounting, auditing, and financial reporting policy?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Question B.1:** *An accounting, auditing, and financial reporting policy sets the tone for fulfilling the Select Board's stewardship role over municipal finances. Every town should aspire to establish and maintain high standards for its accounting practices.* Such standards inspire confidence in the financial information produced and presented to voters. They enable the voters, Select Board, and other officials to make sound decisions in preparing and adopting the town budget and managing town finances.

It is strongly recommended that the joint adoption of one single policy by the treasurer and Select Board since each bear some responsibility over the management and reporting of the town's finances.

**Question B.1 Response Notes:**

<b>Question B.2: Does the town have written documentation of the accounting procedures used by the treasurer, the deputy treasurer, and financial or accounting staff?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Question B.2: *Municipalities should maintain written documentation regarding accounting procedures and allows for accurate recording of financial transactions.***

Any systems that are put in place should allow easy retrieval of data for analysis, and generation of timely reports to maintain accountability for the assets of the municipality. The system should include detailed cash receipts and cash disbursements journals, as well as a detailed general ledger and subsidiary ledgers where appropriate. The system should also require that subsidiary ledgers (a detailed list of outstanding taxes receivable, for example) should be regularly reconciled with the general ledger to insure that transactions were recorded properly and that all transactions have been included.

**Question B.2 Response Notes:**

<b>Question B.3: Does the town have a useful and descriptive chart of accounts?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Question B.3: *The use of a chart of accounts is recommended as a best practice in financial management and accounting.*** A chart of accounts is a listing of the names of the accounts that a company has identified and made available for recording transactions in its general ledger. The chart is usually sorted in order by account number, to ease the task of locating specific accounts. The accounts are usually numeric, but can also be alphabetic or alphanumeric. The chart of accounts organizes financial information so that financial reports are organized and easier to read. The use of a descriptive chart of accounts (a chart that assigns a unique number to each type of transaction) will provide a system for recording revenues and expenditures that fits the organizational structure of the municipality.

**Question B.3 Response Notes:**

<b>Question B.4. Does the municipality maintain its financial records using a computerized accounting system?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Question B.5. Does the accounting system allow for timely recording of financial transactions, easy viewing of transaction data, and timely creation of financial reports?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Questions B.4 and B.5: *The use of a computerized accounting system is recommended as a best practice in financial management and accounting.*** A computerized accounting system makes financial operations faster and more accurate and allows for the automatic generation of financial reports. Perhaps most importantly, the use of a computerized accounting system allows officials to see the real-time state of the municipality's financial position.

**Questions B.4 and B.5 Response Notes:**

<b>Question B.6. Are detailed cash receipts journals and cash disbursements journals maintained?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question B.7. Are subsidiary ledgers (e.g., taxes receivable, accounts payable) regularly reconciled with the general ledger?**      **Yes**      **No**      **Unsure**  
           

**Guidance for Questions B.6 and B.7:** *It is best practice for a municipality to maintain detailed cash receipts journals, cash disbursements journals, and subsidiary ledgers (a detailed list of outstanding taxes receivable, for example) which are regularly reconciled with the general ledger to insure that transactions were recorded properly and that all transactions have been included.*

**Questions B.6 and B.7 Response Notes:**

**Question B.8: Are account reconciliations and account analysis regularly performed and reviewed by a knowledgeable person other than the preparer?**      **Yes**      **No**      **Unsure**  
           

**Guidance for Question B.8:** *Although not required by law, it is best practice to segregate duties so that no single individual performs all related elements of an individual transaction. No individual should be able to (a) authorize a transaction, (b) record the transaction in the accounting records, and (c) maintain custody of the assets resulting from the transaction.* For example, individuals responsible for the data entry of accounts payable should not be able to authorize transactions. For a small town with a limited number of staff, this will require that those staff persons alternate certain duties to insure that there is a second set of eyes for each type of transaction. For towns without any staff, this will require that the treasurer allow for another town official to assist with recording or reconciling financial transactions.

Bank reconciliations should be performed by someone who is not involved in the cash receipt or cash disbursement process. For instance, reconciliation may be carried out by an assistant treasurer, if there is one, a hired bookkeeper, or another town official. Reconciliations should be prepared on a timely basis, preferably immediately on receipt. A responsible and knowledgeable official other than the preparer should review the completed bank reconciliation. In addition to the bank reconciliation, other reconciliation procedures should be performed monthly. Regularly reconcile accounts receivable balances to the original invoices and receipts and accounts payable balances with actual invoices. Reconcile payroll withholdings with payroll reports and invoices for benefits, and reconcile property tax receivable balances with property tax bills. These reconciliations will indicate if the subsidiary information contains errors or irregularities.

**Question B.8 Response Notes:**

**Question B.9. Are all adjusting journal entries approved in writing by someone in management?**      **Yes**      **No**      **Unsure**  
           

**Guidance for Question B. 9:** *It is best practice to have adjusting journal entries reviewed and authorized by someone other than the person making the entries.* An "adjusting journal entry" is an accounting term referring to an entry made to correct an account or to book other transactions to the general ledger, usually at the end of a period (month or quarter). An example of an adjusting journal entry would be a reclassification of an expense that was incorrectly coded when the payment was initially booked. Such entries should be reviewed to reduce the risk of fraudulent or incorrect entries being booked.

**Question B.9 Response Notes:**

**Question B.10. Are financial recording documents (checks, receipts, purchase orders) prepared in duplicate and pre-numbered?**      **Yes**      **No**      **Unsure**

**Question B.11. Are all checks, receipts, and purchase orders regularly accounted for as issued or voided?**      **Yes**      **No**      **Unsure**

**Question B.12. Are all accounting records adequately protected against fire, theft and manipulation?**      **Yes**      **No**      **Unsure**  
           

**Guidance for Questions B.10, B.11, and B.12:** *All financial recording documents should be prepared, used, and stored in a way that prevents misuse and allows for clear tracking and safekeeping.* Documents such as checks, receipts, and purchase orders should be pre-numbered, and all forms should be accounted for. Receipts should be issued in duplicate for all cash transactions and a copy of each receipt should be maintained by the municipality. Checks that are voided should be retained rather than destroyed. Accounting records should be safeguarded against fire, theft, and manipulation. Records should remain on town property, preferably in a safe or vault.

**Questions B.10, B.11 and B.12 Response Notes:**

**C. CONTROLS OVER CASH**

"Cash" includes all items that are acceptable for deposit in a bank, such a paper money, coins, checks, and money orders.

**Question C.1: Have the Select Board, treasurer and tax collector(s) jointly adopted a cash receipts policy to be used across all town departments?**      **Yes**      **No**      **Unsure**  
           

**Question C. 2: Has the Select Board specified which of their employees and appointees have authority to accept payments on behalf of the town?**      **Yes**      **No**      **Unsure**  
           

**Guidance for Questions C.1 and C.2:** *The Select Board, treasurer, and tax collector(s) should establish adequate processes for safeguarding cash that is received.* Best practice strongly recommends the joint adoption of one single cash receipt policy by all officials who handle cash. A cash receipt policy should specify at least the following:

- which officials and employees are authorized to accept payments on behalf of the municipality;
- written receipts are prepared in duplicate for all transactions;
- all funds collected by persons other than the treasurer must be remitted to the treasurer promptly;
- no expenditures are made from cash collected;
- checks are restrictively endorsed (“for deposit only”) immediately upon receipt;
- cash is physically safeguarded until deposit;
- deposits are made on a timely basis; and
- checks that are received are not cashed but are deposited intact.

**Questions C.1 and C.2 Response Notes:**

**Question C.3: Does the municipality use a pooled cash account (one bank account) for most receipts?**      **Yes**      **No**      **Unsure**  
           

**Question C.4: Does the municipality allocate monthly interest to the various funds using the pooled cash account? (If the municipality pools its cash, is interest being allocated to various funds that are using that pooled cash account in the accounting records?)**      **Yes**      **No**      **Unsure**  
           

**Guidance for Questions C.3 and C.4:** *If a pooled cash account is used, monthly interest should be allocated to the various funds using the pooled cash account.* In addition, interfund transactions should be reconciled on a regular basis to insure that payables and receivables between funds are accurate and match known transactions.

**Questions C.3 and C.4 Response Notes:**

**Question C.5: Are bank accounts covered by FDIC insurance or otherwise collateralized?**      **Yes**      **No**      **Unsure**  
           

**Guidance for Question C.5:** *All bank accounts should be covered by FDIC insurance or otherwise collateralized.*

**Question C.5 Response Notes:**

**Question C.6: Are receipts issued in duplicate for all cash transactions?**      **Yes**      **No**      **Unsure**  
           

**Question C.7: Are duplicate receipts compared to cash journals during the reconciliation process?**      **Yes**      **No**      **Unsure**  
           

**Question C.8: Are receipts recorded in the accounting system in a timely manner?**      **Yes**      **No**      **Unsure**  
           

**Question C.9: Are copies of receipts turned over to the treasurer daily and recorded in the accounting system in a timely manner?**      **Yes**      **No**      **Unsure**  
           

**Guidance for Questions C.6, C.7, C.8, and C.9:** *Receipts should be issued in duplicate for all cash transactions and should be compared to cash journals during the reconciliation process. Copies of receipts should be turned over to the treasurer daily and receipts should be recorded in the accounting system in a timely manner.*

**Questions C.6, C.7, C.8, and C.9 Response Notes:**

**Question C.10. When funds are received by municipal officials are, they deposited (rather than being cashed) and if so, are they deposited intact (without taking funds out for other purposes)?**      **Yes**      **No**      **Unsure**



<b>Question D.3: Are invoices prepared by various town departments forwarded to the treasurer or finance office for entry into the accounts receivable ledger?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Questions D.2 and D.3:** *Invoices that are prepared by various town departments should be forwarded to the treasurer or finance office for entry into the accounts receivable ledger so that action can be taken on unpaid balances.*

**Questions D.2 and D.3 Response Notes:**

<b>Question D.4: Are all accounts receivable recorded in the general ledger?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Question D.5: Are subsidiary ledgers reconciled to the general ledger control account on a regular basis?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Question D.6: Are accounts receivable reconciled to detailed invoices and receipts on a regular basis?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Questions D.4, D.5, and D.6:**

*All receivables (taxes, utility charges, other miscellaneous receivables) should be recorded in the general ledger. Subsidiary ledgers should be reconciled to the general ledger control account on a regular basis.*

**Questions D.4, D.5, and D.6 Response Notes:**

<b>Question D. 7: Are billing, collection and posting performed by separate employees or departments?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Question D.7:** *Every municipality should establish and maintain a segregation of duties that will insure that account balances are accurate and that opportunities to commit fraud are limited.* Duties involving billing, collection and posting should be performed by separate employees or departments.

**Question D.7 Response Notes:**

<b>Question D.8: Are penalties and interest assessed on overdue taxes and water and sewer charges as allowed by law?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Question D.8:** The assessment of penalties and interest on overdue taxes is controlled by NH RSA.

**Question D.8 Response Notes:**





<b>Question E.5: Are all expenditures supported by original invoices and other related supporting documentation?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Questions E.4 and E.5:** *The municipality's purchasing policy should mandate the use of a purchase order system to document purchasing details and demonstrate that policies were adhered to. A copy of every purchase order and all receiving documents for payment should be maintained in the municipal files.*

**Questions E.4 and E.5 Response Notes:**

<b>Question E.6: Are orders drawn on the treasurer prepared for all purchases and approved in writing by the appropriate elected official or specifically authorized employees before payment is made?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Question E.6:** *All invoices must be approved by the appropriate authority before payment is made by the treasurer.* In most cases, the appropriate authority is the Select Board (or other legislative body). The Select Board may delegate some purchasing authority to other municipal officials, although this delegation should be documented in the municipality's written purchasing policy.

**Question E.6 Response Notes:**

<b>Question E.7: Are all disbursements, except for small petty cash items, made by check or direct deposit?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Question E.8: Are checks produced using an automated accounting system?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Question E.9: Are checks pre-numbered and used consecutively?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Question E.10: Are unused checks controlled and adequately protected from misuse or theft?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Question E.11: Are voided checks accounted for?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Questions E.7, E.8, E.9, E.10, and E.11:** All disbursements, except for occasional small petty cash items, should be made by check or direct deposit transactions. Checks should be pre-numbered, unused checks should be stored in a secure location, unused checks controlled and adequately protected from misuse or theft, and voided checks accounted for. Checks should be made payable to a specific individual, never to "cash."

**Questions E.7, E.8, E.9, E.10 and E.11 Response Notes:**





valuation of taxable property. Other systems should assure that the listers or assessor receive prompt notice of decisions from the board of civil authority, State of NH, or Superior Court that relate to valuation of property.

**Questions G.1 and G.2 Response Notes:**

<b>Question G.3: Have the Select Board, treasurer, and tax collector(s) established adequate processes for collecting and recording tax payments?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Question G.3:** *The Select Board, treasurer, and tax collector(s) should establish adequate processes for collecting and recording taxes.*

**Questions G.3 Response Notes:**

<b>Question G.4: Are decisions of the board of abatement regarding the abatement of taxes communicated to the treasurer and collector(s) of taxes in a timely manner?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Question G.4:** A system should be in place to make certain that the treasurer and tax collector(s) receive timely notice of decisions of the board regarding the abatement of taxes and that those adjustments are made to the appropriate tax accounts upon notification.

**Question G.4 Response Notes**

<b>Question G.5: Are receipts issued in duplicate for all tax payments that are received?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Question G.6: Are checks received for the payment of taxes restrictively endorsed upon receipt ("for deposit only by the town of___")?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Question G.7: Are cash receipts for tax payments deposited daily to a financial institution or retained in a secure location until they can be deposited?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Questions G.5, G.6, and G.7:**

*Paper receipts should be issued in duplicate for all tax payments that are received. Checks should be restrictively endorsed upon receipt and all funds received for tax payments should be deposited daily to a financial institution or retained in a secure location until they can be deposited.*

**Questions G.5, G.6 and G.7 Response Notes:**

<b>Question G.8: Are tax receipts reconciled to tax receivables, and are tax receivables reconciled to the property list on a regular basis by someone other than the collector of taxes?</b>	<b>Yes</b>	<b>No</b>	<b>Unsure</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Guidance for Question G8:** *Tax receipts and billing should be reconciled to tax receivables, and tax receivables reconciled to the property list on a regular basis. Where possible, an individual other than the tax collector (current and/or delinquent) should reconcile taxes.*

**Question G.8 Response Notes:**



accidental or intentional changes to data, access to financial records should be limited to those who require specific access. Passwords should be used to protect all financial information and those passwords should be changed regularly and not shared with other officials or employees.

**Questions I.1 and I.2 Response Notes:**

**Question I.3: Are computer records regularly backed up, and are back up**      **Yes**      **No**      **Unsure**  
**copies stored off site?**                 

**Guidance for Question I.3:** *Financial computer records should be backed up daily, and the back-up copies should be stored off-site in different secure locations.*

**Question I.3 Response Notes:**

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**This Internal Controls Checklist was completed by:**

---

**Name**

---

**Date**

## **Supporting Documents**

The documents listed below are referenced in the checklist. It may be helpful to gather them (if applicable in your municipality) before starting to work on the checklist.

### **Municipal Policies**

Financial Reporting  
Purchasing /Bidding  
Cash Receipts  
Fraud Prevention  
Personnel  
Delinquent Tax Collection  
Conflict of Interest

### **Other Resources**

Audit Report  
Accounting Procedures  
Chart of Accounts  
Vendor List

**Please complete the four-part internal controls checklist annual review:**

**Part 1 to be completed by Select Board**

**Part 2 to be completed by Finance Officer and Treasurer independently**

**Part 3 to be completed by the Town Administrator or Finance Officer and Treasurer**

**Part 4 to be completed by the Town Administrator**

**PART 2- A Municipal Checklist for Internal Controls-Financial Operations**

**Part 2 to be completed by Finance Department and Town Administrator and Treasurer independently.**

After completing the questionnaire, scan down your answers in the "Response" column, noting whether they are aligned to the left or right side of the column. The questions that you have been able to answer on the left side indicate the internal control is in place. Your answers on the right side indicate an internal control weakness. This checklist should give you a good indicator of the number and type of internal controls that might need attention in your operation. Response Comments can be recorded separately.

GENERAL	Comments:	
1. Is town management aware that internal control is their responsibility?	Y	N
2. Does town management show commitment to establishing and maintaining controls?	Y	N
3. Do town offices have an organizational chart defining the activities and person responsible for them?	Y	N
4. Are the duties of officials and employees clearly defined in the personnel policy and job descriptions?	Y	N
5. Does town management consistently exhibit high ethical and professional standards in its conduct, setting the standard for the entire organization?	Y	N
6. Are personnel involved in accounting functions and or revenue and expense collection and disbursement required to take an annual vacation?	Y	N
7. Are accounting functions performed by other personnel during the vacation of accounting personnel?	Y	N
8. Is other staff trained in the accounting functions to provide backup in the case of vacation or other absence of the primary bookkeeping employees?	Y	N
9. Is responsibility for accounting duties ever rotated among staff?	Y	N
10. Is the town in compliance with state statutes covering incompatible offices and segregation of duties?	Y	N
11. Is a current, accurate and accessible policy and procedures manual in place., including an official code of conduct or an official set of policies governing employee, management and elected official's conduct?	Y	N
12. Are the policies governing employee conduct communicated in an effective way to all staff and reviewed with them periodically?	Y	N
13. Is confidential or sensitive material maintained separately from non-confidential records?	Y	N
14. Is insurance coverage reviewed periodically by qualified individuals to determine adequacy?	Y	N
15. Does the comprehensive liability policy include liability coverage for all officials and employees?	Y	N

**FINANCIAL RECORDS**

16. Is a budget system (including monthly or quarterly budget reports) used for monitoring income and expenses?	Y	N
17. Are cash projections made and periodically compared by management	Y	N

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	to the operational accounting information?		
18.	Do surety and/or performance bonds cover all employees/officials who handle town funds?	Y	N
19.	Are authorizations for all bank accounts and check signers updated annually	Y	N
	20. Is any single individual able to:		
	a) authorize a transaction,	Y	N
	b) record the transaction in the accounting records and	Y	N
	c) maintain custody of the assets resulting from the transaction until deposited at the bank?	Y	N
21.	Is an accounting system in use that allows management to record financial transactions, view the data by category, and create timely reports to maintain accountability for the government's assets?	Y	N
	22. Are detailed cash receipts journals maintained?	Y	N
	23. Are detailed cash disbursement journals maintained?	Y	N
24.	Are all records under the control of the Select Board, reconciled with treasurer's records monthly?	Y	N
25.	Are the general ledger and its subsidiary ledgers kept up to date and reconciled monthly?	Y	N
26.	Are records properly? Guarded from fire, theft and manipulation?	Y	N
27.	Is computerized data backed up daily and source documents retained as per file retention policies and mandates??	Y	N
28.	Are all financial recording documents (receipts, purchase orders) sequentially prenumbered, retained, and accounted for, including spoiled or voided forms?	Y	N
29.	Are automatic duplicates of certain forms (receipts & purchase orders) provided to individuals (ex: vendors, taxpayers etc.)?	Y	N
30.	Is the person who does the bank reconciliation authorized to sign checks?	N	Y
	31. Is the bank reconciliation procedure documented?	Y	N
	32. Are bank statements reconciled monthly?	Y	N
	- Within 15 Days?		
	-Within 30 Days?		
	-Other?		
33.	Does a responsible official, other than the preparer, review completed bank reconciliations?	Y	N
34.	Is the completed bank reconciliation initialed and dated by both the preparer and the reviewer?	Y	N
	35. Are the following monthly procedures currently performed:		
	- Reconcile cash accounts?	Y	N
	- Reconcile accounts receivable to the detail invoices?	Y	N
	- Reconcile payroll withholdings to the payroll reports?	Y	N
	- Reconcile accounts payable subsidiary ledger to actual invoices?	Y	N
	- Reconcile property tax receipts to property tax receivables?		
36.	Are all adjusting entries to the financial statements approved in writing by management?	Y	N

CASH RECEIPTS

37.	Is receipt of currency adequately controlled until deposited or remitted to the treasurer?	Y	N
38.	Is a copy kept of the treasurer's signed and dated endorsement of the	Y	N

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- tax collector's receipts, payments?
39. Have safeguards been provided to prevent officials or employees from cashing checks payable to the town? Y N
40. Does the Town ever write checks made out to cash? Y N
41. Are monies received by one employee/official, documented and then deposited by another employee /official? Y N
42. Are all monies received by the town turned over and deposited within the limits of RSA 41:29 VII  
*The treasurer shall insure that all moneys remitted shall be deposited at least on a weekly basis, or daily whenever funds remitted from all departments collectively totals \$1,500 or more. Such deposit function may be delegated pursuant to paragraph VI.*
43. Does the treasurer keep separate accounts of all money received when prescribed by DRA as per the legislative body authority for the creation of specific accounts? Y N
44. Does the person who handles cash (receipts, bank deposits, purchases) keep the cashbooks and accounting" records? N Y
45. Are funds received over the counter/in person counted by sequentially numbered receipts throughout the organization? Y N
46. Are all funds collected kept in a secure locked area on town property until the deposit can be made? Y N
47. Is the petty cash drawer regularly reconciled and documented? Y N

PURCHASING

48. Are Select Board orders:
- a. Required for any level of purchases as per policy? Y N
- b. Signed by a majority of the board and dated? Y N
- c. Voted upon in a public meeting and recorded in the minutes? Y N
49. Does the treasurer approve, record and keep a file of all pay orders and manifests? Y N
50. Are the functions of purchasing of goods, receipt of goods, and cash payments for goods performed by separate employees? Y N
51. Are:
- Checks pre-numbered? Y N
- Unused checks controlled? Y N
- Checks prepared and signed by the separate employees? N Y
- Checks ever written to "Cash"? N Y
- Check signature stamps secured and not provided for staff use? Y N
52. Are there adequate procedures for controlling the receipt of all goods and services purchased? Y N
- Are deliveries made to a centralized or secure location on town property? Y N
- Are packing slips checked and signed? Y N
- Are materials and supplies inspected for condition and counted when received?
53. Does invoice processing include a mathematical check for accuracy, terms, extensions and discounts? Y N

CASH DISBURSEMENTS

54. Are all cash disbursements, except petty cash items, made by check Y N

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	or ACH?	Y	N
	- Are pre-numbered checks used?	Y	N
	- Are checks produced on an automated financial system?	Y	N
	-Are ACH controls in place for secure transfer?		
55.	Is all investment and transfer activity by the treasurer approved by the Select Board and documented?	Y	N
	56. Is petty cash handled through a fixed amount account?	Y	N
	- Does petty cash have purchases limits that are reviewed by another individual?	Y	N

PAYROLL

	57. Are personnel records (including wages, salaries and deductions) maintained for all employees?	Y	N
	58. Are salary and wage rates formally approved by the Select Board?	Y	N
	59. Are methods of accumulating time and recording absences satisfactory?	Y	N
	60. Are payroll deductions properly approved and controlled?	Y	N
	61. Are withholding taxes remitted properly?	Y	N
	62. Surrounding collecting delinquent taxes does the town maintain a support schedule showing:		
	- The rate or method of calculation for the payment?	Y	N
	- Compliance with Select Board guidelines on these payments?	Y	N
	-Record retention and annual review of tax delinquencies?	Y	N

PROPERTY AND EQUIPMENT

	63. Are schedules of fixed assets and depreciation maintained?	Y	N
	64. Are periodic inventories taken and compared with the schedules of fixed assets?	Y	N
	65. Is all property and equipment purchased or leased with town funds held in the name of the town?	Y	N
	66. Are invoices maintained to support the purchase or lease of equipment?	Y	N

NOTES AND INVESTMENTS

	67. Are schedules maintained of all borrowing and investing activities?	Y	N
--	---	---	---

TAX COLLECTION AND DELIQUENCY

	68. Is a system used (ideally a tax map) to be certain that all taxable property is included in the warrant?	Y	N
	69. Does the delinquent tax collector turn all receipts over to the treasurer so that the collector's fees can be entered into the town's books wages?	Y	N
	70. Are newly constructed or remodeled structures updated timely in the tax software?	Y	N
	71. Does the town have adequate follow-up policies with delinquent taxpayers?	Y	N
	72. Does someone other than the tax collector (delinquent or current) reconcile taxes?	Y	N
	73. Does the entity maintain adequate records to support tax discounts or tax credits?		

ENTERPRISE FUNDS Water /Sewer, etc.

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*(To be evaluated by the Commissioners if not under the custody of the Select Board/Aldermen or City Council)*

74. Do accounting practices for enterprise funds follow guidelines listed Y N  
above for all other town funds?

75. Is the follow-up on delinquent accounts adequate? Y N

**Approvals**

As a signer below I certify to the best of my knowledge that the answers provided in this self-assessment questionnaire is an accurate representation of the operation of the Town/City of: \_\_\_\_\_.

Preparer: (signature) \_\_\_\_\_ (printed name): \_\_\_\_\_

Title: \_\_\_\_\_

Select Board Chair (signature) \_\_\_\_\_ (printed name): \_\_\_\_\_

Select Board Chair authorized to sign by the Board approval as shown in the board minutes dated: \_\_\_\_\_

**References:**

"Evaluating Internal Controls, A Local Government Manager's Guide", S. Gauthier, Government Finance Officers Association (GFOA), Chicago, 01., 1996.

Internal Control Guidebook 2010, National Association of State Comptrollers  
[http://www.sao.wa.gov/EN/ClientSupport/AccountabilityFraud/Documents/Prevention\\_IC\\_guidebook.pdf](http://www.sao.wa.gov/EN/ClientSupport/AccountabilityFraud/Documents/Prevention_IC_guidebook.pdf)

**Part 3 to be completed by the Town Administrator or Finance Officer and Treasurer:  
PART 3- A Municipal Checklist for Internal Controls-Operations and Management  
A. Cash Controls**

*Please Answer Yes /No / Don't Know / Explanation*

**General Internal Control & Banking**

1 Is a professional (independent) audit done annually?

2 If you have an annual audit was the most recent opinion unqualified?

3 Are Town officials bonded, or covered by liability insurance?

4 Is a budget system used to monitor revenues and expenses?

5 Did the Town remain within budget last year?

6 If the Town did not remain within budget, do you know why not?

7 Does the Select Board receive monthly financial reports?

8 Do the Select Board members read and understand the financial reports?

9 Has the Town become aware of any fraud, embezzlement, mismanagement or theft?

10 Do you know to whom you would report an incident or request an investigation of possible fraud or abuse?

11 Do you know what is meant by segregation of duties?

12 Are accounting functions performed by other employees during vacations?

13 Do bank balances agree with ledger balances?

14 Do you know who the signers are for the Town's bank accounts?

15 Does the Select Board approve transfers between funds or accounts?

17 Does the Town receive regular reports of the cash balances in all accounts?

18 Does the Town use a pooled cash account (one bank account) for most receipts?

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19 Does the Town receive monthly cash allocation reports if a pooled cash account is used?

20 Does the Town have a policy to be advised by the bank in the event of an account overdraft?

21 Are school funds raised by taxes transferred timely to the school district (based on school payment terms)?

*Please Answer Yes /No / Don't Know / Explanation*

**B. Cash and Accounts Receivable**

1 Is the mail processed by someone other than the person who signs checks and makes deposits?

2 Are numbered or sequential receipts issued for cash transactions?

3 Are all receipts recorded in a book or accounting system in a timely manner?

4 Are all receipts turned over to the treasurer daily?

5 Are deposit endorsements stamped on incoming checks when received?

6 Are funds deposited in a prompt manner (\$1,500 within 48 hours or at least weekly)?

7 When funds cannot be deposited daily are funds stored securely on town property?

8 Does the same employee accept funds, document and/or deposit them?

9 Are all funds deposited to accounts owned by the Town? Any Non-Town funds deposited to Town accounts?

10 Do cash receipts tie directly to bank deposits?

11 Do the employees who handle cash also post the activity?

12 Are all receivables recorded in the general ledger?

13 Do taxpayers or ratepayers receive regular statements for outstanding balances due or overpayments?

14 Are penalties applied to delinquent accounts in a timely manner?

15 Does the same employee send out statements and post payments to accounts?

16 Are accounts receivable reconciled to detailed invoices?

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17 Are tax receipts reconciled to tax receivables, and tax receivables to the database?

18 Do the lister(s) verify the final database to which the cash receipts are proved?

*Please Answer Yes /No / Don't Know / Explanation*

**C. Purchasing, Disbursements & Payroll**

1 Are functions of purchasing, receipt of goods, and payments performed by different people?

2 Does the Town use purchase orders?

3 Is a warrant (*Warrant: A written order to pay that instructs a federal, state, or county government treasurer to pay the warrant holder on demand or after a maturity date*) created for all disbursements?

4 Is the warrant supported by original invoices?

5 Are there records for unpaid invoices or pay orders?

6 Does the Select Board approve all expenditures before disbursement?

7 Does the total of checks paid equal the number of orders for each month?

8 Are all disbursements, except petty cash items, paid by check?

9 Are checks pre-numbered?

10 Are check numbers used consecutively?

11 Are checks prepared by a separate person from the signer?

12 Do checks require more than one signer for all or certain amounts?

13 If a signature stamp is used is it secure when not in use?

14 Are unused checks controlled?

15 Are voided checks recorded?

16 Are checks ever written to CASH?

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- 17 Is petty cash controlled through receipts and regular reconciliation?
- 18 Are payroll withholdings reconciled to payroll reports?
- 20 Are accounts payable reconciled to actual invoices?
- 21 Are salary and wage rates approved by the Select Board?
- 22 Does the Town accurately accumulate time and record absences of employees?
- 23 Are withholding taxes remitted timely?
- 24 Are fees paid to officials disclosed in the town accounting and reported to IRS?

*Please Answer Yes /No / Don't Know / Explanation*

**D. Financial Records & IT**

- 1 Are detailed cash receipts journals maintained?
- 2 Are detailed cash disbursement journals maintained?
- 3 Are general ledger and subsidiary ledgers kept up to date and reconciled monthly?
- 4 Are all adjusting journal entries approved in writing by management?
- 5 Are records protected from fire, theft and manipulation?
- 6 Is computer data backed up daily and source documents retained?
- 7 Are bank statements reconciled each month within 15 days of the statement date?
- 8 Is the reconciliation procedure documented?
- 9 Is interest earned apportioned to each account?
- 10 Does a public official, other than the preparer, review the reconciliations?
- 11 Do the employees who handle cash or prepare checks reconcile the bank statements?
- 12 Are prior outstanding checks and deposits showing as cleared each month?

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**Approvals**

As a signer below I certify to the best of my knowledge that the answers provided in this self-assessment questionnaire is an accurate representation of the operation of the Town/City of: \_\_\_\_\_.

Preparer: (signature) \_\_\_\_\_ (printed name): \_\_\_\_\_

Title: \_\_\_\_\_

Select Board Chair (signature) \_\_\_\_\_ (printed name): \_\_\_\_\_

Select Board Chair authorized to sign by the Board approval as shown in the board minutes dated: \_\_\_\_\_

**Part 4 to be completed by the Town Administrator:**

**PART 4- Municipal Checklist for Internal Control- Governance and Risk Assessment**

*Please Answer Yes /No / Don't Know / Explanation*

**A. Other Controls relating to Cash or Risk**

**General Internal Control**

- 1 Is insurance reviewed periodically to assure adequacy?
- 2 Has the Town established a policy regarding unrestricted fund balances?
- 3 Is internal control the responsibility of management, and specifically the Select Board?
- 4 Are specific duties of personnel who handle financial transactions and records understood by the Select Board?
- 5 Are duties of officials and employees clearly defined?
- 6 Is confidential or sensitive material maintained separately from other records?
- 7 Are personnel records maintained for all employees?
- 8 Is the town in compliance with state statutes regarding incompatible offices?
- 9 Is there an ethics standard for Town officials regarding conflicts of interest?
- 10 Does the Town have an employee manual?
- 11 Are all deposit accounts with balances over the FDIC limit collateralized?
- 12 Does the Town have an investment policy for bank deposits and other investments?
- 13 Have there been significant changes in the Town's bank relationship?

**B Cash and Accounts Receivable: Yes/ No/ Don't Know Explanation**

- 1 Are billing, collection, deposing and posting performed by separate employees or departments?
- 2 Does the Town have a policy regarding uncollectible accounts?

**C. Purchasing, Disbursements & Payroll :Yes/ No/ Don't Know Explanation**

- 1 Does the Town have an approved vendor list including "sole source" vendors and a list of exceptions to the purchasing policy?
- 2 Does the Town have a policy regarding the use of credit cards for purchases?

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3 Does the Town have a policy regarding the use of wire transfers?

4 Does the Town have a policy regarding who can approve and execute wire transfers?

5 Are wire transfers recorded through the accounting system?

6 Are checks produced using an automated financial system?

7 Does the employee who writes checks open the bank statements?

8 Does the employee to prepares and /or makes deposits get the mail?

**D. Financial Records & IT**

1 Does the Town have a useful and descriptive chart of accounts?

2 Does the Town have an approved accounting policy and/or procedure?

3 Is an accounting system in use that allows recording of financial transactions, viewing data by category, and creation of timely reports to maintain accountability?

5 Is there an off-site back up system for electronic records?

6 Does more than one town official or employee have access to view on-line banking?

7 Are electronic banking transfers done with dual controls?

8 Are computers used by any personnel accessible remotely?

9 Does each computer user have a unique ID and password for hardware and software?

10 If the Town has borrowed money, were formal agreements prepared and executed?

11 If the Town has notes receivable, were formal agreements prepared and executed?

**Approvals**

As a signer below I certify to the best of my knowledge that the answers provided in this self-assessment questionnaire is an accurate representation of the operation of the Town/City of: \_\_\_\_\_.

Preparer: (signature) \_\_\_\_\_ (printed name): \_\_\_\_\_

Title: \_\_\_\_\_

Select Board Chair (signature) \_\_\_\_\_ (printed name): \_\_\_\_\_

Select Board Chair authorized to sign by the Board approval as shown in the board minutes dated: \_\_\_\_\_

APPENDIX F  
Tax Collectors Response

“Tax Collector Response to Auditors Points No.3 / No.2 (Numbering reference unclear – to be resolved)

2008-2016 Tax Levy

For the period spanning 2007 through 2016 there are 9 property owners with outstanding tax liens.

Six of these owners have payment agreements with the Select Board.

One property has a “Do Not Deed” letter on file from the Select Board due to concerns of hazardous material on site.

Two properties are overdue to be tax deeded. There is no agreement on file and no known hazardous on site. Deeding action will be initiated the first week of August 2020.

2017 Tax Levy

The tax deeding for these outstanding accounts, as detailed in the 2020 Notice of Delinquencies, was set for 7/10/2020. Per Governor Sununu all foreclosures and deeding was halted until the decree was lifted July 1<sup>st</sup>, 2020.

For this period there are 8 property owners with outstanding tax liens.

One property has a “Do Not Deed” letter on file from the Select Board due to concerns of hazardous material on site.

Six of these owners have payment agreements with the Select Board.

One property owner has three lots that to be sent an official “Intent to Deed Notice”.

Deeding action will be initiated the first week of August 2020.

2018 Tax Levy

The tax deeding for these parcels will be no earlier than 5/24/2021.

Eighteen property owners are on this delinquent list.

One property has a “Do Not Deed” letter on file from the Select Board due to concerns of hazardous material on site.

Eight owners have payment agreements with the Select Board.

The remaining owners make periodic payment towards their balances.

2019 Tax Levy

This lien was originally scheduled for 7/10/2020 but was revised due to the Covid Pandemic and staffing reductions. The revised lien date was 7/20/20. The rescheduled 2019 lien execution was 7/20/2020 and included thirty seven owners and covered forty six properties. The earliest deed date for the 2019 liens will be 7/21/2022.

The issuance of the Intent to Deed Notices, and anticipated Tax Deed to be given to the Select Board, will remove two of the oldest properties from the uncollected tax levies.

Plan going forward is to create a packet of each delinquent account with an agreement for the Select Board to review. During the process the Select Board can decide on a case by case basis whether to require the property owner to come before the Board to review their respective terms and conditions. Collector’s intent is to generate said packets no later than September 30<sup>th</sup>, 2020. The turnaround time is necessary due to the impending September St Primary, staffing reduction and available time.”

**WILTON AMBULANCE WRITE OFF POLICY**  
Administrative Policy and Procedure Policy

**PURPOSE:**

The purpose of this policy is to outline the procedures that will be used to write off ambulance receipts that have not been collected.

**POLICY:**

The policy of the Wilton Ambulance Service and the Town of Wilton is to collect all receivables generated by the Ambulance Department with the exception of cases where payment would create severe financial hardship. It is with this intent that the following billing policy guidelines are established.

**APPLICABILITY:**

This is applicable to the receipt of fees charged for the provisions of ambulance service.

**IMPLEMENTATION PROCEDURE:**

**Background**

The Town of Wilton contracts with Quick Med Claims, LLC (the billing company) to provide ambulance billing and collection for ambulance services provided by Wilton Ambulance. The Town of Wilton, as part of an agreement with the billing company, requires a standard method of pursuing collections that ensures payments are received that are owed to the Town, based on established rates set by the Town as allowed under federal or state medical reimbursement regulations.

**Policies**

**Billing Rates**

Billing rates for ASL, BLS, mileage, and other charges as may be appropriate are set by the Select Board. The rates shall be reviewed at least annually so that they remain relevant and up to date. The Town shall bill the patient for any portion of the total cost of services not covered by medical insurance. The Town will only seek payment for services provided when transportation is required. No bill shall be issued if the patient refused treatment and did not require services

- 1) The Town shall receive and review monthly balance of accounts, including all aging and current accounts, provided by the billing company. The Town Administrator and Ambulance Director shall meet on a quarterly basis to reconcile outstanding balances, confirm receivables, review

uncollected receivables that the billing company recommends to be written off, and review claims of financial hardship.

- 2) The Town of Wilton shall meet with the billing company at least biannually, in March and September to discuss aging receivables that have had no activity within the prior 180 days. The process utilized by the billing company to pursue individual uncollected accounts shall be reviewed. The methods of collection that are considered to be fair and reasonable are: correspondence to the insurance company, the patient was insured for their medical transport, or if uninsured, documented phone calls, emails or fax transmissions to the patient or their insurance company. The final step will be to determine if the patient was reimbursed directly from their insurance company for their medical transport and has not reimbursed the Town.
- 3) The Town Administrator, with the recommendation of the Ambulance Director, after confirming that the above policy has been met, will make a determination that an account is to be written off as an uncollected account. This determination does not constitute forgiveness of the debt if at a future date payment is received by the billing company. The determination to write off an account shall be based upon the inability of the billing company, or any agents that they may use, to locate or obtain direct contact with a patient, either by registered letter or some other means. A list of uncollectable accounts that are determined to be written off shall be provided to the Select Board.

### **Collection Agency**

If the patient has ignored all attempts for reconciliation of their account the billing company will enter the account onto a collection report. This report will be sent to the Town on a quarterly basis when it will be reviewed by the Ambulance Director to determine if some or all accounts will go to the collection agency. The Ambulance Director will return the report to Quick Med and provide them with a list of which of the patient accounts will go to a collection agency.

### **Financial Hardship Requests**

- 1) Requests for a waiver of a portion or all of an ambulance bill shall be submitted by the patient to the billing company; on the billing company's approved form for review and determination of financial conditions of the patient and ability to pay. The request may require documentation, such as hospital free confirmation, a letter from a third party such as a social worker, or a letter from the patient attesting to their hardship that has been signed under the pains and penalties of perjury.
- 2) The billing company will review all requests for waivers based upon financial hardship and shall issue a recommendation to the Ambulance Director. The Ambulance Director will then review the recommendation from the billing company and make a recommendation to the Town Administrator. The Town Administrator will make the final determination on waivers or hardship requests.
- 3) The Ambulance Director shall notify the billing company of the decision of the Town Administrator relative to the request for a waiver or financial hardship within five (5) days so that it may be documented in the accounts receivable report issued by the billing company.

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**Note**

All information received as a result of this policy, including patient name, address, medical condition or history, and financial information is protected and may not be used as public record. Patient information is subject to compliance with federal, state, and local regulations relative to medical, personal and financial information for purposes of records retention and public record access.

**APPROVED BY:**

Wilton Select Board,

\_\_\_\_\_  
Matthew S. Fish, Chairman

\_\_\_\_\_  
Kellie-Sue Boissonnault

\_\_\_\_\_  
Kermit R. Williams

Date \_\_\_\_\_

**APPENDIX H**  
**Procedure- Introduced**

**CASH RECONCILIATION & INTERNAL CONTROLS**

A Municipal Treasurer shall (NH RSA 41:29):

- Receive, disburse and serve as custodian of all public money
- Provide for accountability of the entity's cash receipts, deposits and investments of all departments, offices and boards
- Pay all claims or warrants when presented for payment when there are funds in the treasury to pay the warrants/checks
- Require periodic departmental reports of money receipts and their disposition on forms (to governing body)
- The governing body shall direct the municipal treasurer to open separate accounts for receipt of money for the governing body. Only the municipal treasurer may open an account for the receipt of local government money

**RECONCILIATION OF CASH**

A Municipal Treasurer's primary function is to manage the cash by:

- Reconciling bank accounts, investments & cash on hand to the general ledger monthly
  - ✓ As soon as statements arrive preferably
    - At the same time each month

The Municipal Treasurer should verify:

- Deposits made to all bank accounts during the period balance with all deposit/cash receipts
- Payments from each bank account balances with checks & electronic withdrawals paid during the period
- Transfers between bank accounts
- All transactions are posted in records during the period ' Interest should be receipted in the month it is earned.

**RECONCILIATION OF CASH**

Bank Reconciliation is the process of comparing transactions from the accounting records against those presented on the bank statements/records.

- Compare the total of the receipts written for the month to the total of the bank deposits for the month
  - ❖ Ensure interest earned is receipted or a journal voucher is prepared at month-end
- Compare the total disbursements for the month to the total of claims and electronic payment items
  - ❖ Ensure any bank fees are entered in accounting records or a journal voucher is prepared at month-end

**RECONCILIATION OF CASH**

Bank Reconciliation will uncover possible discrepancies caused by:

- Timing Differences
- Data input error or software glitches
- Bank error
- "Automatic" or "Electronic" charges or deposits
- Employee theft

Bank Reconciliation allows for:

- Timely correction of errors
- Timely adjustments for charges or deposits
- Correction of other irregularities

**RECONCILIATION OF CASH – DEFINITIONS**

Cash – Cash balances on hand, bank and investment balances

Cash Equivalents – Temporary investments of cash not required at present time but could be available within three months whereas short-term investments mature within 12 months

Bank Statement – Statement issued by bank to the customer showing current balance

Deposits in Transit – Amounts that the entity has already received and recorded but are not recorded by the bank at the time the statement is presented (it will be on the next statement).

Outstanding checks – Checks that have been written and entered in records but have not cleared the bank account.

Redeemed checks – Checks that have been written, entered in records and have cleared the bank account

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NSF Check – Check that was not honored by the bank it was written on because the account did not have enough money to cover the check.

Bank error – An error made by a bank processing the check. The error can be an incorrect amount, wrong account or omission of an item.

Bank Service Charge – Fees deducted by the bank for the processing of checks, overdraft fees, stop payment order, check or deposit printing fees. '

Interest earned – The interest earned and added to the account during the statement cycle.

Cash Receipts – A pre-numbered receipt that is written (or input if using receipting software) for all incoming payments of cash, checks, automatic deposits, interest earned.- A cash receipt should be made immediately.

Petty Cash Account – an account used to make change and pay for small expenditures. This account can be a combination of cash and a checking account with a small balance. Original receipts should be provided to show where expenditures were made. A claim check could be written to the petty cash fund to replenish. The expenditures of the claim would be coded by reviewing the receipts.

### RECONCILIATION OF CASH -Where do I start?

Remember: This is one of the most important aspects of your position as a Clerk/Treasurer.

- Protect yourself and your position by accurately reconciling cash on a consistent basis
- Report problems if you can't resolve it!

#### **Step 1: Start at the beginning – Receipting**

Each time you take in revenue – write a receipt or input it in your receipting software immediately.

- Each receipt should say if the payment was cash, check, credit card, auto deposit
- Stamp or endorse checks immediately
- Keep cash and checks in a secure location

Cash receipts should:

- (If not using software-generated receipting software) :
  - ✓ Be pre-printed and pre-numbered
  - ✓ Have multiple copies
  - ✓ Include date
  - ✓ Amount – numerical or written
  - ✓ Received from ' Fund and revenue account information '
  - ✓ Type of payment received – cash, check, credit card or ACH or other electronic deposit
  - ✓ Be signed by the person who accepted payment

### RECONCILIATION OF CASH ~ SAMPLE RECEIPT RECONCILIATION OF CASH

- Keep control of the cash & cash receipt book
- All cash receipts should be written in numerical order
- The cash and checks should be included in the next bank deposit ~ until then store in a safe location! (any amount over \$1,500 MUST be deposited within 48 Hours per NH RSA)
- All checks received by the Town/City should be made payable to the Town/City/Dept
- All checks received should be stamped or endorsed immediately upon receipt
- If cash is received and a cash receipt is written – do not use this cash to replenish petty cash or cash a personal check for someone
- If you void a cash receipt do not destroy it or its copies – keep all copies with the other cash receipts (Document on the receipt the reason it was voided)

When accepting cash:

- Always keep the cash in view of the customer until you have completed the transaction
- Always count the cash in the presence of the customer
- Separate the bills by denomination all facing one direction – largest denomination on top – stack coins by denomination
- Check each bill to ensure the denomination
- Add up the bills - If your total doesn't agree – repeat the count until it agrees – reverse the order of the denomination – (largest on bottom – face up)
- If a discrepancy still exists – ask a co-worker (if available) to count
- Don't put the cash away until you verify it is correct and the transaction is complete.

Keeping a cash drawer:

- Keep the cash drawer locked – never leave it unlocked or unattended if it is removable

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- Keep it in a consistent manner
- Arrange currency divided by denomination
- Ensure all bills face the same direction
- Have a separate compartment for checks
- Verify the dollar amount of the beginning balance (Petty Cash amount)
- Have periodic & sporadic reviews of the cash drawer by another employee, – keep a log of the reviews

### Step 2: Making the Bank Deposits Cash receipts = Bank deposit slip

When doing a bank deposit – add up all cash receipts and verify they balance with the total of your bank deposit slip.

- Don't take the deposit to the bank until you verify it balances
- Use duplicate bank deposit slips in a book – keep the copy in the book in the order they were written

Internal controls for bank deposits:

- Have a cash management policy:
- It should state how & who handles receipting & deposits
- The person that writes the receipts should not be the one to prepare the bank deposit (not possible in smaller entities)
- Develop other internal controls to compensate ~ such as having another employee spot check the deposits at random intervals by adding the items for deposit and comparing to the cash receipts and to the bank deposit slip.
- Verify efficiency & effectiveness of operations – If it isn't working change how you do it!

### Handling automatic & electronic transactions:

Interest – leave a cash receipt open at month-end to receipt monthly bank and investment interest payments

If you have access to on-line banking:

- Check for ACH deposits periodically – write a cash receipt.
- Watch for notification of auto deposits in your mail.
- Prepare a journal voucher for electronic payments that are not run through the claims or payroll process -Such as monthly loan payments or bank service charges

### RECONCILIATION OF CASH ' TIP: Put it where it isn't!

If an item appears on the bank statement but not in the software:

Put it there by receipt or journal voucher

- Example: interest -If an item is already in the software but not yet on the bank statement:
  - Put it there by making an adjustment to the bank balance
  - Example: deposit in transit

### Step 3: Month-end processing

Ensure all bank statements have arrived

- Review the statements immediately for any transactions that have not been receipted for revenues or journal voucher for expenditures
- Receipt all interest earned in the month
- Journal voucher any services charges or monthly transfers, including monthly inter-fund transfers
- Note that NSF checks that were charged against your bank account have been properly adjusted for in your computer system or on your cards in a manual system
- Redeem checks that have cleared the bank - Put checks in numerical order or Redeem in software using vendor instructions or for a manual system put a check mark to denote the checks that have cleared the bank in the checkbook
- Prepare an outstanding checks list - Run a report on your software – (compare to statement)
  - \*For a manual system – add up checks that are not check marked remember to include prior month's outstanding checks

- Ensure voided checks were handled correctly

If using a computer software system to issue and redeem checks:

- Make sure to post the payroll from the payroll software to the accounting software immediately after each payroll cycle
- Redeem checks in the accounting software for the appropriate accounting period
- Reconcile the claims and payroll clearing funds at month end

The balance should be warrants payable (outstanding) and due to others (accruals of quarterly payments -for payments not yet made)

### Step 4: The Reconciliation

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Total your cash receipts for the month & run a software report – If they balance proceed:

- Verify the total of cash receipts (journal vouchers) to the total of bank deposits on all bank & investment statements
- If this doesn't balance research & correct
  - ✓ Check that all cash receipts or revenue vouchers are posted
  - ✓ Verify interest earned to amount received '
  - ✓ Compare deposits on bank statement to your deposit slips
  - ✓ Check bank statement for ACH deposits

Once this balances move forward with the next step of the reconciliation process

Total all checks written & electronic transactions (payroll & claims) & compare to bank transactions.

- Look for any journal entries made for withdrawals not made by payroll or claims checks (Disregard inter-fund journal vouchers)
- Add any outstanding electronic transactions to the outstanding checks report
- Take the total of all checks & electronic transactions (PERS, Taxes, Auto loan withdrawals) compare to the bank statement

If this doesn't balance check for any bank withdrawals that you did not make in your records. (Remember – put it where it isn't!)

Once this balances move forward with the next step of the reconciliation process

Take the ending bank statement balance:

- + Add any deposits in transit (deposits you have received in but did not make it to the bank at month-end)
- Subtract any outstanding checks & electronic payments that have not cleared the bank account to find adjusted bank balance

Run a Cash Report in your software or add up the total of your cash cards

Compare the ending cash balance of all funds to the adjusted bank balance

- (except claims and payroll clearing funds)

Bank balance – outstanding checks = Cash balance of funds

Step 3: Month-end Processes: Transfers; Interest & Service Charges; Redeem Checks; Outstanding List Step 2: Cash Receipts = Bank Deposits

Step 1: Review Cash Receipts for Accuracy

### **COMMON ERRORS - Check the following for errors:**

- Beginning balance is correct?
- Deposit totals = cash receipts
- All deposits recorded ~ All checks recorded
- Voided items ~ Checks, Claims, Cash Receipts
- Automatic transactions ~ Electronic items
- Transposition (Divisible by 9?)
- Addition or subtraction error
- Amount recorded incorrectly
- Interest earned ~ Service charges
- Bank statement balance correct – right time period?
- Deposit in Transit
- Redeemed a check that is still outstanding
- NSF check amount

### **RECONCILIATION OF CASH – COMMON ERRORS -Tips to finding errors:**

Is the amount you are off a familiar number?

Compare the redeemed checks to the bank statement

- Verify the actual check to the amount it was deducted as on bank statement
  - ✓ Compare your deposit tickets to the bank statement
  - ✓ Review the cash receipts again
- Compare the written amount to the numerical amount
  - ✓ Double-check the bank statement balance you are using
  - ✓ Re-check addition and subtraction
  - ✓ Take a deep breath and a short break from reconciling

**CASH RECONCILIATION EXERCISE TIME!!!!**

Take the information provided and reconcile the cash by fund.

- Step 1: Complete the monthly depository record by the cash transactions that occurred each day.
- Step 2: Review bank deposits to the bank statement. (If you had the receipts you would add up all receipts and compare to the total of your deposits for the month.)

Step 3: Month-end processing – Are all transactions on the bank statement accounted for in the records?

Reconcile the main checking account and determine the balance of cash in the account. Next: Rec. savings acct.

- Step 4: Reconciliation – Reconcile the cash per fund to the cash listed on the depository record. Complete the monthly cash report worksheet.

Hint: Put it where it isn't! ' All interest for this exercise is deposited in the General Fund

**41:29 Duties of Elected and Appointed Town Treasurers. –**

I. The town treasurer shall have custody of all moneys belonging to the town, and shall pay out the same only as follows:

- (a) Upon orders of the selectmen in a public meeting or by a noncontemporaneously signed manifest signed by a majority of the board; or,
- (b) In the case of a conservation fund established pursuant to RSA 36-A:5, upon the order of the conservation commission; or
- (c) In the case of a heritage fund established pursuant to RSA 674:44-d upon the order of the heritage commission; or
- (d) In the case of fees held pursuant to RSA 673:16, II, upon the order of the local land use board or its designated agent; or
- (e) In the case of a recreation revolving fund established pursuant to RSA 35-B:2, upon the order of the recreation or park commission; or
- (f) In the case of fees deposited by the town clerk pursuant to RSA 41:25, upon the invoice of the town clerk, or other board or body designated by the town to expend such a fund.

II. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to RSA 383:22 or in federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, except that funds may be deposited in federally insured banks outside the state if such banks pledge and deliver to a third party custodial bank or the federal reserve bank collateral security for such deposits of the following types:

- (a) United States government obligations;
- (b) United States government agency obligations; or
- (c) Obligations of the state of New Hampshire in value at least equal to the amount of the deposit in each case.

III. The town treasurer shall keep in suitable books provided for the purpose a fair and correct account of all sums received into and paid from town treasury, and of all notes given by the town, with the particulars thereof. At the close of each fiscal year, the treasurer shall make a report to the town and to the department of revenue administration, giving a particular account of all his or her financial transactions during the year and account balances at year end. The treasurer shall furnish to the selectmen statements from the treasurer's books, and submit the books and vouchers to them and to the town auditors for examination, whenever so requested.

IV. Whenever the town treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the town treasurer shall invest the same in accordance with the investment policy adopted by the selectmen under RSA 41:9, VII. The treasurer may invest in the public deposit investment pool established pursuant to RSA 383:22, or in deposits, including money market accounts, or certificates of deposit, or repurchase agreements, and all other types of interest bearing accounts, of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, or in obligations fully guaranteed as to principal and interest by the United States government. The obligations may be held directly or in the form of securities of or other interests in any open-end or closed-end management-type investment company or investment trust registered under 15 U.S.C. section 80a-1 et seq., if the portfolio of the investment company or investment trust is limited to such obligations and repurchase agreements fully collateralized by such obligations.

V. (a) The treasurer shall insure that prior to acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 383-B:3-301(e) shall be eligible to be pledged as collateral.

(b) As an alternative to the option of collateralization for excess funds provided in subparagraph (a), the town treasurer may also invest public funds in interest-bearing deposits which meet all of the following conditions:

- (1) The funds are initially invested through a federally insured bank chartered under the laws of New Hampshire or the

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federal government with a branch within the state, selected by the treasurer.

(2) The selected bank arranges for the redeposit of funds which exceed the federal deposit insurance limitation of the selected bank in deposits in one or more federally insured financial institutions located in the United States, for the account of the treasurer.

(3) The full amount of principal and any accrued interest of each such deposit is covered by federal deposit insurance.

(4) The selected bank acts as custodian with respect to each such deposit for the account of the treasurer.

(5) On the same date that the funds are redeposited by the selected bank, the selected bank receives an amount of deposits from customers of other federally insured financial institutions equal to or greater than the amount of the funds initially invested through the selected bank by the treasurer.

VI. The treasurer may delegate deposit, investment, recordkeeping, or reconciliation functions to other town officials or employees provided such delegation is in writing and includes written procedures acceptable to the selectmen, or in the case of a town operating under RSA 37, to the town manager, and is agreeable to all parties involved. However any such delegation shall only be made to a town official or employee bonded in accordance with RSA 41:6 and rules adopted by the commissioner of revenue administration under RSA 541-A. Such delegation shall not eliminate the responsibility of the treasurer to comply with all statutory duties required by law.

VII. The treasurer shall ensure that all moneys remitted shall be deposited at least on a weekly basis, or daily whenever funds remitted from all departments collectively totals \$1,500 or more. Such deposit function may be delegated pursuant to paragraph VI. However, failure to ensure that funds are being deposited on a timely basis as required by this paragraph shall be cause for immediate removal from office pursuant to RSA 41:26-d. In any municipality where there is either no bank or other depository institution within the municipality the treasurer shall make deposits consisting of funds remitted from all departments and collectively totaling \$1,500 or more on a weekly basis or more frequently as directed by the board of selectpersons in the investment policy adopted pursuant to RSA 41:9, VII.

**Source.** 1869, 26:2-4. GL 40:8. 1883, 111:1. PS 43:20. PL 47:24. 1931, 177:3. 1939, 170:2. RL 59:24. RSA 41:29. 1959, 197:3. 1971, 158:1. 1973, 490:1. 1977, 139:1. 1987, 318:3. 1991, 268:8; 377:6; 383:9. 1992, 64:3. 1993, 161:2. 1996, 209:10. 1997, 208:8. 1998, 40:2. 2003, 100:2. 2007, 35:6; 246:3, 4. 2008, 120:25; 174:5. 2009, 14:1. 2010, 7:3, eff. July 3, 2010. 2013, 97:3, eff. Aug. 19, 2013; 124:1, eff. Aug. 24, 2013. 2015, 272:43, eff. Oct. 1, 2015.

APPENDIX I  
Treasurer's Response

*Submitted by the Wilton Town Treasurer:*

+ I will begin with requiring all ACH transfers to be approved by the FO or Treasurer and not created and completed in the same place. To accomplish this I will create a process which will include the supporting documentation necessary to verify the amount and recipient. It seems that the TC/TC is sensitive to the timeliness of State ACH payments so the procedure will include a confirmation report back to that office.

+ I will request that the TC/TC's Deputy change their login-in credentials for the TD Bank eTreasury Token - and not share it. This will allow us to have appropriate IAM controls in place.

+ I hope to be able to work with TC/TC on a closing process to synchronize the efficiency of the town's financial operation. This was highlighted as a deficiency by the auditors and we should address this with a collective effort.

+ Our handling of the Water and Sewer enterprise fund is completely flawed and violates my duty to taxpayers. Obviously, there are many steps to take in order to correct all the deficiencies with this process, so the only logical step I can take is to write to the Water and Sewer Commissions and request to be added to their agenda to begin initial discussions about the issues with our current process. From what I have seen, they do not provide transparent budgetary, CIP or rate disclosures to subscribers which needs to be addressed. I would also use this meeting to discuss further segregation of subscriber fees and the process in which we collect these monies and the entire relationship between these commissions and the Treasury.”