NH DRA
SEGREGATION OF DUTIES

Municipal & Property Division

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For the current status of any tax law, practitioners and taxpayers should consult the source documents (i.e., Revised Statutes Annotated, Rules, Case Law, Session Laws, etc.) for independent verification.

Overview

- Segregation of Duties Definition
- SOD Classifications/Categories
- Duties and Processes
- Audit Finding Examples

Segregation of Duties (SOD) Definition

Segregation of duties is also known as the *"Separation of duties"*

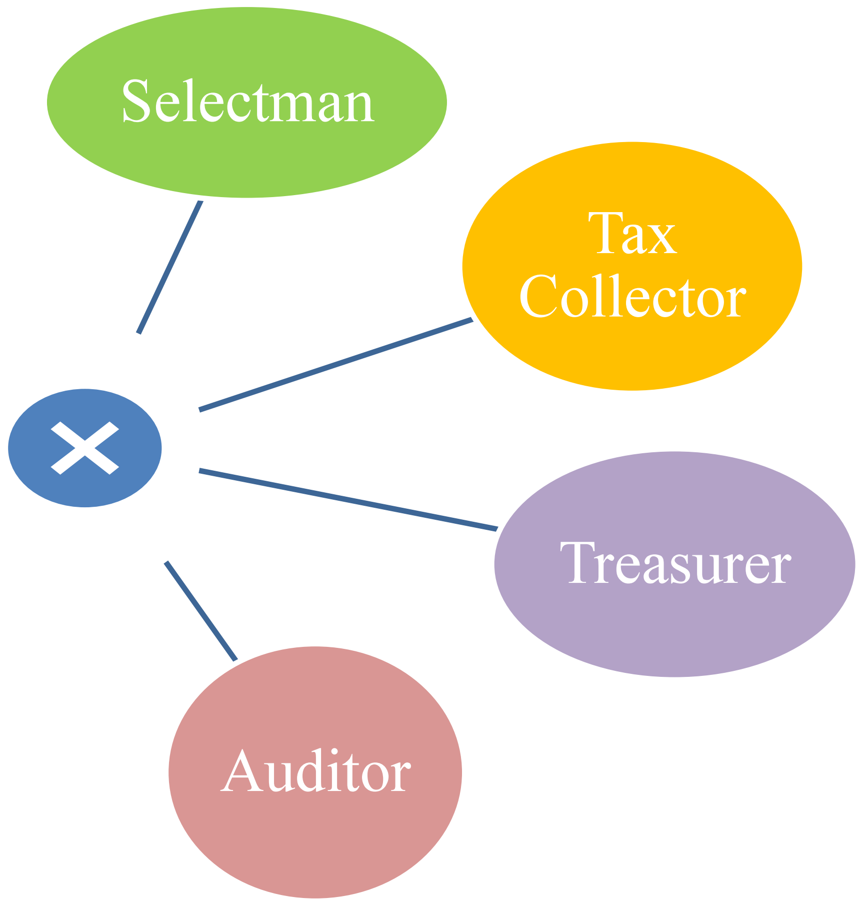
Dividing tasks and responsibilities among different individuals or departments to reduce risk, errors and security breaches.

Local Government

Incompatibility of Offices

RSA 669:7 (states in part)

No person shall at the same time hold any two of the following offices:

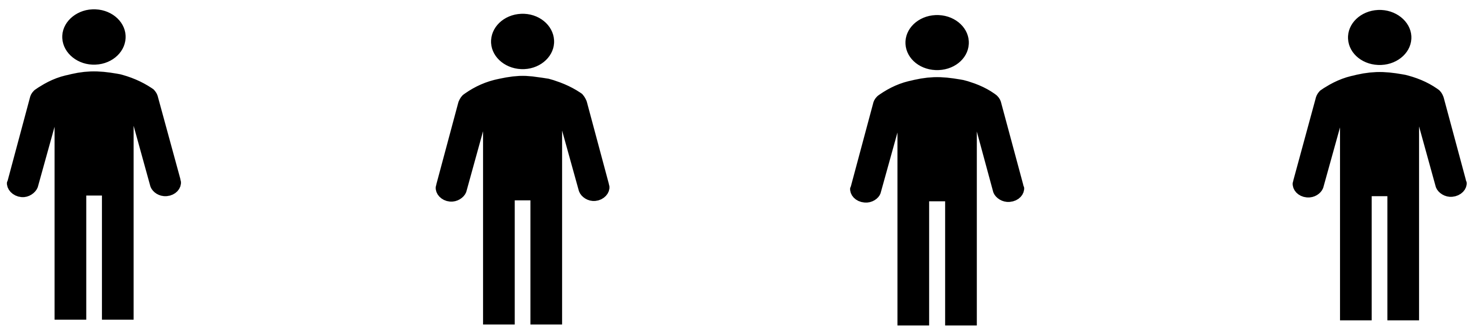


Questions to Ask

- What duties should be segregated?
- How do you measure if segregation is being done properly currently?
- What if there is not enough staff to properly segregate all duties?

Duties and Processes

Authorization Custody Recording Reconciliation



No single employee should have complete control over all four aspects of a process.

Small Town Vulnerabilities

- One person handles cash & records
- Limited staff for reconciliation
- No segregation in software
- Delayed deposits
- No rotation of duties
- No Audit Trail
- Trust Culture

Example Compensating Controls

- Use dual sign-off or spot checks
- Rotate duties/have periodic reviews by the Selectboard or Finance office
- Keep written logs of who authorized what and when
- Contract for an external review
- Restrict system access so no one can change records without a second person involved
- Set written deposit policy and monitor

Common Segregation of Duties Breakdowns

1) Cash handling
2) Tax Collection
3) Payroll
4) Assessing
5) Vendor Payments

Tax Collector Visit Questionnaire

Do you have a Deputy?

Do any of the software interfaces have more than "read-only" abilities?

Who prints the warrant?

Who enters the property valuations?

What is your policy for petty cash?

Where are cash and checks stored prior to depositing?

Tax Collector Visit Questionnaire

Do you obtain written abatements?

Are they signed by a majority of the selectmen/assessors?

Who prepares the deposits? Is that position bonded?

Has the authority to make deposits been delegated to any town officials other than the treasurer?

How often do you reconcile with the treasurer?

How often do you reconcile with the finance office?

Example Audit Findings

Access to General Ledger - Treasurer

FINDING:

Treasurer has full, unrestricted access to the general ledger, including the ability to modify employee pay rates.

Issue:

Treasurer or any individual with access to the bank accounts, ***should not*** have access to the general ledger.

Lack of Documented Oversight - Treasurer

FINDING:

The Treasurer's office lacked written policies for reconciliation review and ledger adjustments.

Issue:

Even if reconciliations were performed, there was no proof of supervisory review, making it hard to detect or prevent errors.

Access to General Ledger – Tax Collector

FINDING:

Tax Collector is responsible for *preparing* and *collecting* tax bills, taking all Town *deposits to the bank*, and *posting revenue* to the general ledger.

Issue:

Tax Collector that prepares, collects revenue and makes deposits ***should not*** have access to the general ledger.

Non–Compliance to Statutes – Tax Collector

FINDING:

Tax Collector is not completing or submitting the annual Tax Commitment Verification form.

Issue:

Tax Collector not completing the form the town is not verifying the taxes committed fall within the high and low acceptable limits of the commitment, taxes could either be over or under committed.

Non–Compliance to Statutes – Treasurer

FINDING:

Treasurer is not performing town deposits. The Tax collector and town clerk are taking all Town *deposits to the bank.*

Issue:

The delegation procedures to convey deposit, recordkeeping and reconciliation authority to Tax Collector or Town Clerk has not been completed.

In Summary

- Separate Duties
- Use Oversight when Staffing is Limited
- Limit System Access
- Deposit Promptly
- Review Controls Regularly

Questions?