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NH DRA SEGREGATION OF DUTIES

Municipal & Property Division

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Page

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This presentation is intended for informational purposes only and is not a substitute for seeking professional advice or for reviewing the applicable laws and rules. This presentation represents some positions of the Department on the limited issues discussed herein, based on the law in effect at the time of the presentation and Department interpretation thereof, as well as the opinions and conclusions of its presenter.

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.

Page 2

Municipal and Property Divisi

Overview

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

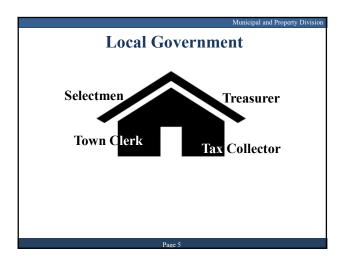
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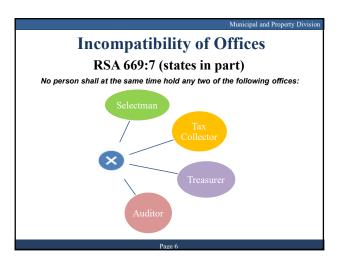
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Segregation of Duties (SOD) Definition

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.





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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?

Page

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Duties and Processes

Authorization Custody Recording Reconciliation









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

Page 8

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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

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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

Page 10

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Common Segregation of Duties Breakdowns

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

Page 11

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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?

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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?

Page 13

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Example Audit Findings



Page 14

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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. Municipal and Property Division **In Summary** • Separate Duties • Use Oversight when Staffing is Limited • Limit System Access • Deposit Promptly • Review Controls Regularly **Questions?**