



# Treasurer Internal Controls

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# Treasurer Duties

- Excerpts from NH RSA Chapter 41:29:
  - “Shall have custody of all moneys belonging to the Town”
  - “Pay out...upon orders of the Selectmen...”
  - “May delegate deposit, investment, recordkeeping, or reconciliation functions to other town officials or employees”
    - Must be in writing
    - Must be bonded
  - “Ensure that all moneys...deposited at least on a weekly basis, or daily...whenever funds remitted...collectively totals \$1,500 or more”

# Internal Controls

- Process that is developed to provide reasonable assurance that the following categories of objectives are achieved:
  - Operate effectively and efficiently
  - Financial reporting will be reliable
  - Comply with applicable laws, regulations, contracts, and grant agreements
  - Safeguard assets and fraud prevention

# The Fraud Triangle



- Experts believe that if one of the three elements is taken away, most fraud would not be committed.
- By taking away the opportunity you are helping an honest employee facing a crisis of need, remain an honest employee.

# How to Dismantle the Triangle

## Opportunity

***Perception of detection  
may be enough to prevent fraud***

# Keys to Great Internal Controls

- Physical security
- Audit trails
- Segregation of duties
- Authorization and approvals
- Security of assets
- Reconciliations
- Review/Monitor

# Physical Security

## Office:

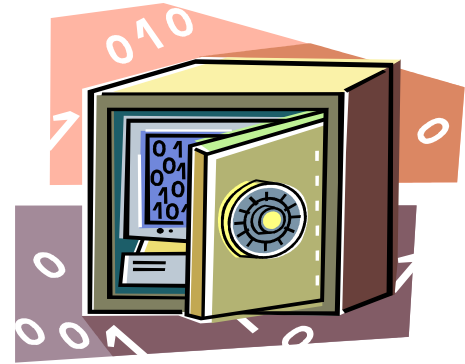
- Locked door
- No unauthorized personnel
- Panic button

## Protect Cash on Hand:

- Daily deposit
- Police escort
- Locked vault (shared with others? locked?)

## Computer:

- Password protected
- Document administrative access
- Offsite backups
- Cyber prevention training



# Audit Trails

- Department turnovers should be signed by Treasurer and departments
- Departmental receipt turnovers should provide trail to deposit
- Integrity of currency vs. checks throughout process



# Segregation of Duties

- Divide responsibilities
  - Initiate (i.e., preparer)
  - Authorize (i.e, reviewer/approver)
  - Recording
  - Custody
  - Reconciling (dual signatures)
- May be difficult with limited staffing

# Authorization and Approval

- Disbursements
  - Need signed manifest before issuing checks
  - Limit authorized check signers
  - Consider dual signatures over specified amount
  - Avoid manual checks
- ACH/Wire Transactions
  - Required two-party authorization
    - Initiation and release
  - Set maximum dollar limits

# Security of Assets

- Check stock kept in a locked location
  - Pre-printed vs. blank
  - Maintain log of checks issued and voided
  - Retain void/spoiled checks
- Avoid using signature stamps/plates/cards
  - Embedded signature – access protection
- Pre-signed checks should never be allowed
- Security over electronically deposited checks

# Reconciliations

- What should be reconciled?
  - Bank statement to cash book
  - Cash book to general ledger
- Can assist in:
  - Detecting missing, duplicated, or untimely transactions

# Reconciliations

- Bank Statement
  - Bank statement cut-off at month end
  - Performed at least monthly
  - Documentation of oversight (dual signatures)
  - Consider “imprest” accounts for vendor and payroll
  - Consider separate bank account for credit card receipts
- Old outstanding checks
  - Void at least quarterly
  - Maintain listing (usage of tailings account)
  - Reconcile tailings to general ledger
- Timeliness of reconciliations (within one month)
- Reconcile to general ledger cash monthly

# Review/Monitor

- Regularly examine
  - Access levels (responsibilities)
  - Bank accounts
    - Review at least annually
      - Letter to surrounding banks
    - Consolidate or eliminate bank accounts that are not frequently utilized

# Conclusion

- One size does not fit all
- No set of controls can be foolproof
- Mitigate control deficiencies
- Timely and accurate reconciliations

# Questions??

