

March 20, 2009

Ms. Gotta Have One
Town Administrator
Town of Anywhere, Maine
24 Anywhere Road
East Anywhere, Maine 08030

Dear Gotta,

Enclosed please find a draft Internal Control Document that we have prepared for the Town as of July, 2008. Some of the items are standard, but much of the document is very specific.

This document is subject to review both yours and ours.

If you could please assist us in the completion of the Town organizational structure before we finalize this document that would be great.

If you have any questions regarding this document please do not hesitate to call.

Very Best,

Ron H.R. Smith, C.P.A.

RHRS
Enclosures

TOWN OF ANYWHERE
DOCUMENTATION OF
INTERNAL CONTROL STRUCTURE
AS OF JULY, 2008

TOWN OF ANYWHERE
DOCUMENTATION OF INTERNAL CONTROL STRUCTURE
APPROVAL

This document consist of the Internal Control Structure of the Town of as of July, 2008.

Signed by Chairman of
the Board of Selectmen

TOWN OF ANYWHERE
DOCUMENTATION OF INTERNAL CONTROL STRUCTURE
TABLE OF CONTENTS

<u>TOPIC</u>	<u>PAGE</u>
OVERVIEW	1
THE CONTROL ENVIRONMENT	
Description	2
<u>Components:</u>	
Philosophy	3
Organizational Structure	4 - 7
Town Selectmen	8
Assignment of Authority and Responsibility	9
Management's Control Methods	10
Personnel Policies	11
External Influences	12
THE ACCOUNTING SYSTEM	
Description	13 - 16
<u>Components:</u>	
Financial Statements	17
Trial Balance	18
Ledgers	19
Journals	20
Source Documents	21
THE CONTROL PROCEDURES	
Description	22
<u>Areas:</u>	
Controls Over Cash	23 - 26
Controls Over Taxes Receivable	27
Controls Over Tax Liens Receivable	28
Controls Over Accounts Receivable	29
Controls Over Uncollectibles	30
Controls Over Tax Acquired Property	31
Controls Over Accounts Payable	32
Controls Over Fund Balance	33
Controls Over Grants By Outside Agencies	34
Controls Over Miscellaneous Revenues	35
Controls Over Payroll	36
Controls Over General Journal Entries	37
Controls Over Budget Journal Entries	38
Controls Over Electronic Transfer Of Funds	39
Controls Over Electronic Data Processing	40
Controls Over credit card	41
Other Controls Not Built Into System	42

OVERVIEW

The Town of Anywhere's Internal Control Structure is comprised of policies and procedures established to provide reasonable assurance that the Town is able to record, process, summarize and report financial data consistent with the following financial statement representations.

- A. Existence Or Occurrence: That assets or liabilities exist at a given date and recorded transactions have occurred during a given period.
- B. Completeness: That all accounts and transactions that should be presented in the financial statements are included.
- C. Rights And Obligations: That assets are the rights of the Town and liabilities are the obligations of the Town at a given date.
- D. Valuation Or Allocation: That asset, liability, revenue and expense components are included in the financial statements at appropriate amounts.
- E. Presentation And Disclosure: That particular components of the financial statements are properly classified, described and disclosed.

Town of Anywhere 's Control Structure contains these elements:

- A. The Control Environment
- B. The Accounting System
- C. The Control Procedures

THE CONTROL ENVIRONMENT

The Town of Anywhere 's control environment represents the collective effect of various factors on establishing, enhancing, or mitigating the effectiveness of specific policies and procedures. Such factors include the following:

- : Management's philosophy and operating style.
- : The Town's organizational structure.
- : The functioning of the Town Selectmen.
- : Methods of assigning authority and responsibility.
- : Management's control methods for monitoring and following up on performance.
- : Personnel policies and practices.
- : External influences affecting the Town's operations and practices.

This control environment reflects the overall attitude, awareness, and actions of the Town Selectmen, Town Administrator, and other town officials concerning the importance of control and its emphasis on the Town.

MANAGEMENT'S PHILOSOPHY AND OPERATING STYLE

The Town of Anywhere operates under the Selectmen/ Town Meeting form of government. Decision making is separated accordingly. Day to day management of the Town is delegated to the Town Administrator. Policy decisions are made at the Board of Selectmen's regular meetings. Legislative decisions at Town Meeting include budget adoption, ordinance adoption, and major policy issues. The Town of Anywhere 's charter is the basis for allocating authority.

In carrying out municipal business, it the Town's intent to stress professionalism in all cases. Employee training is conducted both in house and through outside seminars. Although duties are assigned to specific individual to encourage accountability, cross training is conducted. This allows flexibility during employee absence or turnover.

The Town attempts to adopt clear policies delineating authority at each staff level. For instance, purchasing policies dictated whether competitive price solicitation or sealed bids will be required for specific purchases.

To the extent possible, the Town attempts to schedule revenues and expenditures to provide a stable cash flow throughout the year. Idle funds are invested to the maximum possible, through the use of sweep accounts. In investments, the Town places security of funds as its first priority, with rate of return as a secondary concern.

The Town considers prompt, accurate financial information to be necessary in making, appropriate decisions. Through the use of the computer, this information is distributed monthly to the Board of Selectmen and Budget Board.

The Town of Anywhere endeavors to provide quality services to its residents in a professional and businesslike manner. It is our intent to encourage this philosophy among the levels of staff.

TOWN ADMINISTRATOR:

TAX ASSESSOR:

TOWN CLERK:

TAX COLLECTOR:

DEPUTY TAX COLLECTOR:

TREASURER:

DEPUTY TREASURER:

FIRE CHIEF:

ROAD COMMISSIONER:

RECREATION DIRECTOR:

TOWN PLANNER:

HEALTH OFFICER:

CONSTABLE:

CIVIL EMERGENCY PREPAREDNESS
DIRECTOR:

CODE ENFORCEMENT OFFICER:

BUILDING INSPECTOR:

PLUMBING INSPECTOR:

ELECTRICAL INSPECTOR

WELFARE DIRECTOR:

TREASURER:

TOWN OF ANYWHERE
ACCOUNTING STRUCTURE

TOWN SELECTMAN

TOWN ADMINISTRATOR

TREASURER

TAX COLLECTOR

DEPUTY TOWN CLERK

MOTOR VEHICLE AGENT

INDIVIDUALS AT EACH LEVEL OF ACCOUNTING STRUCTURE
AT JULY, 2008

TOWN SELECTMEN:

TOWN ADMINISTRATOR:

TREASURER:
TAX COLLECTOR:

TOWN CLERK:

DEPUTY TOWN CLERK:

MOTOR VEHICLE AGENT:

7/08

THE FUNCTION OF THE TOWN SELECTMEN

The Selectmen serve as governing officials of the Town. Some of the primary responsibilities of the Selectmen according to the Maine Statutes and Town Charter include:

Maine Statutes:

1. Exercising all administrative and executive powers of the town, dealing with the administrative services solely through the Town Administrator, not giving orders to any subordinates of the Town Administrator, either publicly or privately.
2. Electing and appointing certain key town officials upon office, vacancy, except for Selectmen, assessors or school committee upon vacancy.
3. Sign the warrant which will call each town meeting. This warrant will specify the time and place of the meeting.
4. Serve as overseers of the poor when other have not been elected.

METHODS OF ASSIGNING AUTHORITY AND RESPONSIBILITY

The Maine Revised Statutes clearly defines the chain of command from the Board of Selectmen to the Town Administrator and Department Heads. Responsibilities for each employee's position are outlined in job descriptions accepted by the Board of Selectmen.

Department Heads are authorized to hire subordinates within their department, with the final selection subject to the Town Administrator's approval.

The Town Administrator may delegate specific authority to department heads such as in the case of the Treasurer, Tax Collector and the Welfare Director. In these cases, the Administrator is technically in charge of the department but does not generally carry out the departments day to day functions.

In cases where cash is collected, the employee is responsible for his or her own cash up. The Treasurer is responsible for overseeing the cash ups. Separation of these duties provides the Town with a method of cross checking these functions.

MANAGEMENT'S CONTROL METHODS FOR MONITORING AND FOLLOWING UP ON PERFORMANCE

The Town monitors and follows up on performance through the following methods:

1. Daily contact between supervisors and employees.
2. Initial six month probation period for new and promoted employees.
3. Written and verbal performance evaluations.
4. Regular meetings for setting goals and objectives.

PERSONNEL POLICIES AND PRACTICES

See Town of Anywhere Personnel Policy.

EXTERNAL INFLUENCES

External influences consist of any outside sources which have a direct bearing on certain Town decisions necessary to keep the Town running smoothly and efficiently in both the operations and practices of the Town. They include monitoring and compliance requirements imposed by legislative and regulatory bodies. External influences are ordinarily outside an entity's authority. Some examples are:

1. United States Government
2. State of Maine
3. Voters of Anywhere
4. Banks

THE ACCOUNTING SYSTEM

The Town of Anywhere's accounting system consists of the methods and records established to identify, assemble, analyze, classify, record, and report the Town's transactions and to maintain accountability for the related assets and liabilities. This effective accounting system gives appropriate consideration to establishing methods and records that will

- : Identify and record all valid transactions.
- : Describe on a timely basis the transactions in sufficient detail to permit proper classification of transactions for financial reporting.
- : Measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements.
- : Determine the time period in which transactions occurred to permit recording of transactions in the proper accounting period.
- : Present properly the transactions and related disclosures in the financial statements.

THE ACCOUNTING SYSTEM

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements, into generic fund types and broad fund categories, as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Project Funds - Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). Principal sources of revenue are municipal long-term debt proceeds and interest income.

Special Revenue Funds - Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenues.

Fiduciary Funds

Trust Funds - Trust Funds are used to account for assets received by the Town and held in the capacity of trustee, custodian, or agent. The Town does not account for the Chaplin Fund maintained at Key Private Bank. The Town has determined that it is not responsible for any of the principal left to Key Private Bank according to the will of the Chaplin=s.

Long-term Liabilities

Long-term liabilities expected to be financed from governmental funds are accounted for in the governmental funds in accordance with Governmental Accounting Standards Board Statement No. 34. All payments and budgeted amounts for long-term debt is recorded within the general fund.

THE ACCOUNTING SYSTEM

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Property taxes are recorded as revenue when levied even though a portion of the taxes may be collected in subsequent years. Miscellaneous Revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental Revenues, and Interest Income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Budgets and Budgetary Accounting

At the annual town meeting, the townspeople vote on various articles, on which amounts for appropriations have been recommended by the Board of Selectmen and/or the Budget Board. The trial balance will have the approved budget built into it, showing the budget amount, and actual amount to each corresponding line item by department.

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet.

Revenue Recognition - Property Taxes

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end.

General Fixed Assets

The Town chooses to record all general fixed assets with depreciation within its general fund balance sheet. This practice is in conformity with generally accepted accounting principles. All purchases of general fixed assets are recorded as additions to general fixed assets. All deletions of general fixed assets are removed from the asset listing of the general fund accordingly.

7/08

THE ACCOUNTING SYSTEM

Transactions must be clearly identifiable in journals or original entry and must be accumulated throughout the system using references and identifying codes so that all elements of financial statements and reports can be followed to source transactions. A summary of the levels of accumulation follows:

FINANCIAL STATEMENTS

TRIAL BALANCE

LEDGERS

JOURNALS

SOURCE DOCUMENTS

THE FINANCIAL STATEMENTS

Monthly financial statements of the Town are computer generated and provided to the Board of Selectmen, Town Administrator, Budget Board, and every department head within 25 days of every month-end by the Treasurer.

These financial statements consist of:

- 1) Summary Trial Balance - By Fund
- 2) Revenue and Expense Statement Budget to Actual- By Fund

A yearly audit is performed by an outside independent qualified auditing firm on the general purpose financial statements of the Town. These financial statements, which are the responsibility of the Town's management, are then provided to governing agencies of the Town, and presented in the Town Report.

THE TRIAL BALANCE

Monthly Detailed Trial Balances are run off of the computer and are filed away in a trial balance file. Each months trial balance must balance. Total debits must equal total credits.

The trial balance is generated from a standard Town of Anywhere Chart of Accounts, which is programmed into the Town's computer.

- (a) The chart of accounts is a list of accounts which is arranged in sequence by assets, liabilities, equity, revenue, and expenditures. It is a uniform and systematic way to record the information necessary to produce the balance sheet, and statement of revenues, expenditures and changes in fund balance for all Town funds, and other records, which make up necessary financial information provided to governing agencies.

THE LEDGERS

The ledgers represent stored information about a particular asset, liability, revenue or expense broken down by department. The Town ledger system is comprised of the following:

1. Detailed Trial Balance - A computer generated ledger. This is the controlling ledger for each particular fund. A detailed trial balance shows current month activity, and year to date totals on every account. A ledger is run for each month.
2. Accounts Receivable Aging - A computer generated ledger. This ledger shows every debtor with an unpaid balance.
3. Tax Receivable Register - By Year - A computer generated ledger. This ledger shows every taxpayer with an unpaid balance. This register must be run on the last day of every month.
4. Tax Sales/Liens Receivable Register - All Years - A computer generated ledger. This ledger shows every taxpayer with an unpaid balance. This register is run for every month-end.
5. Tax Acquired Property Register - A manually prepared ledger. This ledger shows every outstanding tax lien which was foreclosed.
6. Accounts Payable Open/Paid Invoice List By Vendor - A computer generated ledger. This ledger shows every vendor with an outstanding balance. This ledger must be run on the last day of every month.

THE JOURNALS

The journals are a detailed listing of transactions and events of the Town which are organized chronologically. The journalizing process produces a summary of items of debits and credits to all ledger accounts. The Town's journals are comprised of the following:

1. Cash Receipts Journal - This journal consists of three separate journals used to record daily cash receipts. These are:
 1. Tax Billings Cash Receipt Journal - By Clerk
 2. Accounts Receivable Cash Receipts Journal - By Clerk
 3. Tax Sales/Lien Redemption List

Each journal is run at the end of every day and lists receipts accordingly.

2. Cash Receipts Proof - By Clerk - A summary of the journal entry to be created and is updated at the end of each day.
3. A/P Cash Disbursement Journal - This journal lists all checks written by check number sequence.
4. Warrant List - This journal lists all invoices entered into the system, in alphabetical order.
5. Payroll Journal - The payroll journal consists of two separate computer generated books detailing the Town's payroll information. The books comprising the payroll journal are as follows:
 1. Payroll Warrant
 2. Payroll Distribution Journal
6. General Journal Entry Proof - Used to record all transactions and events that do not involve regular activity processed in other special journals, such as adjusting, reversing, and correcting entries.
7. Current Period Transactions - By Journal - This journal list all journal entries created by the above processes.

THE SOURCE DOCUMENTS

Voucher - This is comprised of a prenumbered voucher sheet, an invoice and a purchase order.

Payroll Cards - All employees must submit to each department head a payroll time card summarizing that specific individual's total hours worked for that particular week. (See Control Procedures Page 37 for a complete outline on the Town's payroll structure).

Abatement - All abatement slips are approved before issuance by the Town Selectmen. Each abated tax on a specific individual or entity must be supported by an abatement slip. (See Control Procedures Page 42 for a complete outline on abatement).

Employee Files - All Town employees will have an employee file to be maintained under lock and key in the payroll department. All files shall contain:

1. Rate of pay authorization
2. W-4 - signed by employee
3. Authorization for deductions
4. Department in charge

THE CONTROL PROCEDURES

The Town of Anywhere's control procedures are those policies and procedures in addition to the control environment and accounting system that management has established to provide reasonable assurance that specific entity objectives will be achieved. Control procedures have various objectives and are applied at various organizational and data processing levels. They may also be integrated into specific components of the control environment and the accounting system. Generally, they may be categorized as procedures that pertain to:

- : Proper authorization of transactions and activities.
- : Segregation of duties that reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of his duties - assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets.
- : Design and use of adequate documents and records to help ensure the proper recording of transactions and events, such as monitoring the use of prenumbered shipping documents.
- : Adequate safeguards over access to and use of assets and records, such as secured facilities and authorization for access to computer programs and data files.
- : Independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances (for example, an aged trial balance of accounts receivable), and user review of computer-generated reports.

CONTROLS OVER CASH

CHECKING AND SAVINGS

The general fund will have two checking accounts and one savings account. Descriptions are as follows:

1. General Checking - Used to pay all invoices of the approved Town warrant. The general fund checking account will be reconciled every month. A reconciliation will take place within 25 days of receipt of the bank statement and be performed by the Treasurer.
2. Money Market/Sweep - Used to hold all excess Town cash. A monthly reconciliation will take place within 25 days of receipt of the money market bank statement and will be performed by the Treasurer.

The Trust Fund will have various checking and savings accounts. The accounts are to be used to deposit funds and pay bills of the Trust Fund. A monthly reconciliation will take place within 25 days of receipt of the individual trust bank statements and will be performed by the Treasurer.

The Treasurer will furnish to the Town Administrator

CONTROLS OVER CASH

PETTY CASH

The office will have a imprest petty cash fund. This is a \$700.00 fund.

The Town will reimburse the petty cash fund in such a manner:

Disbursements from the fund are only for payments supported by vouchers. All vouchers are to be marked PAID, and date of payment, to prevent duplicate payment.

The fund will provide a listing of current expenditures and appropriate receipts to support all expenditures.

The Town will write a check to the petty cash fund for that same amount. The payee of the check will be the person responsible for the fund.

No cash receipts will be added to the petty cash fund.

No personal checks will be cashed from the petty cash fund.

\$50.00 will be kept in the Town Administrators office for petty cash purposes.

\$300.00 will be kept for use as start-up funds for the cash draws by each clerk.

\$50.00 will be kept in the treasurers office for petty cash purposes.

\$100.00 will be kept for use as start up funds for the transfer station.

\$50.00 will be kept in the selectman's secretary office for the petty cash purposes.

\$50.00 will be kept for use as start-up funds for the library.

\$50.00 will be kept in the code enforcement office for petty cash purposes.

\$50.00 will be kept for use as start-up funds for the assessing office.

Cash will not be co-mingled in one drawer for all clerks.

CONTROLS OVER CASH

CASH RECEIPTS

GENERAL

Mail Receipts

All mail, including cash receipts mail, is opened by the selectman's secretary. Restricted endorsement is immediately placed on all checks. The cash receipts are directly entered into the on line computer system. Any money directly through the mail is so noted when posted. All cash receipts are entered into the computer system and maintained in the appropriate Clerk's drawer.

Over The Counter Receipts

All over the counter receipts such as car excise tax, property taxes, etc. are collected by the Town Clerk, Motor Vehicle Agent and the Tax Collector . The money is recorded into the computer system and each clerk has their own drawer for physical receipt of money. Each clerk is responsible for the drawer and a cash up at the end of day. The cash in the drawer must be equal to the total of the cash receipting teller report by clerk.

After each clerk has has reconciled their drawer, the individual reconciliations are then placed in a money bag and stored over night in the vault. The Treasurer will then verify each clerks deposit and then issue a separate receipt to each clerk verifying their deposit the next day. Each clerk shall retain the Treasurers receipt in a safe place. The Treasurer will maintain a cash receipt book within the clerks office verifying all bank deposit made at the Town. Each book shall contain all monthly deposits made by the Treasurer. Daily bank deposits are mandatory. At the discretion of the Treasurer, more frequent deposits may be done especially during tax time or other unusual bust times at the Town where the collection of money is necessary. This reconciliation process is standard for all cash receipts.

CONTROLS OVER CASH

CASH DISBURSEMENT

GENERAL

All cash disbursements are approved by the Selectmen through a warrant, and then paid by check only.

All computer checks are prenumbered.

All manual checks are prenumbered.

Voided checks are destroyed in signature area and filed numerically.

Signing checks in advance is prohibited.

The Town forbids making checks payable to:

- a) Town of Anywhere
- b) Cash
- c) Bearer

OFFICE

Checks are signed by only the Treasurer or Deputy Treasurer.

A signature stamp is available. It is used for payroll and payables.

CONTROLS OVER TAXES RECEIVABLE

The Treasurer and the clerks are responsible for collecting property tax payments over the counter and the mail. The payments are recorded as soon as the money is received either over the counter or by mail, into the computer. It is the responsibility of the Tax Collector to reconcile the subsidiary ledger to the trial balance within the first fifteen days of the new month. These two totals must agree.

CONTROL OVER TAX LIENS RECEIVABLE

The Clerks are responsible for collecting tax lien payments. The payments are recorded as soon as the money is received either over the counter or by mail into the computer. It is the responsibility of the Tax Collector to reconcile the subsidiary ledger to the trial balance within the first fifteen days of the new month. These two totals must agree.

CONTROLS OVER ACCOUNTS RECEIVABLE

The accounts receivable consists mainly of ambulance receivables which are owed to the Town. Ambulance receivables are maintained and collected by the third party billing service. This organization is a separate organization operating outside of the Town's control.

The Treasurer is in charge of handling all ambulance billings and mail receipts. At the time of receipt, it will be entered into the computer.

It is the responsibility of an outside billing and collecting agency to handle all payments and receipts for ambulance billings. After receipts are received and recorded by the outside billing Agency, monthly checks for the amount collected is then remitted to the Town. The outside billing Agency determines what to be uncollectible accounts. It appears that the Town does not grant prior written request to these writeoffs.

It is the responsibility of the Treasurer to reconcile the Accounts Receivable Aging and Accounts Receivable Other subsidiary ledgers to the trial balance within the first fifteen days of the new month. These two totals must agree.

CONTROLS OVER UNCOLLECTIBLES

Each month, the Town Administrator and the Treasurer will review the outstanding accounts receivable listing and prepare a list of accounts doubtful of collection. Upon approval of the Selectmen, the accounts balances will be written off. The Treasurer will make the necessary entry into the computer from a standard Town of Anywhere General Journal Entry Form.

CONTROL OVER TAX ACQUIRED PROPERTY

The Clerks are responsible for collecting tax acquired property payments over the counter and the mail. The payments are recorded as soon as the money is received either over the counter or by mail, into the computer. It is the responsibility of the Treasurer to reconcile the subsidiary ledger to the trial balance within the first fifteen days of the new month. These two totals must agree.

CONTROL OVER ACCOUNTS PAYABLE

The Selectman's assistant opens all mail. The sorted invoices are then sent to the Treasurer, who attaches a voucher slip and performs the steps on the voucher sheet.

STEPS TO ENTERING ACCOUNTS PAYABLE INTO THE SYSTEM

Invoices must be prefaced with a voucher slip. The voucher slip documents that:

- a) The invoice was matched with the proper purchase order
- b) The invoice was ADD CHECKED
- c) Voucher date
- d) Coded for debit posting
- e) Vendor account coded
- f) Approved for payment
- g) Initialed by data entry

PAYMENTS ON ACCOUNTS PAYABLE

It is the policy of the Town to pay as many invoices as possible, through the Town's accounts payable cash disbursement system. Payments are made for payables according to invoice due dates.

All payments are with computer generated accounts payable checks only.

It is the Town's policy to take advantage of all 2% net 10 day discounts.

Payments are from approved vouchers only. Payments from vendor statements is forbidden.

MONTH END

At month end, an accounts payable register is to be run.

It is the responsibility of the Treasurer to reconcile the subsidiary ledger to the trial balance within the first fifteen days of the new month. These two totals must agree.

PERIODICALLY

Periodically, vendor statements are compared with the recorded liability.

A file of these reconciliations is to be maintained.

CONTROLS OVER FUND BALANCE

Each separate fund balance account will remain untouched throughout the entire year. No adjustments or transfers will be made to this account.

CONTROL OVER GRANTS BY OUTSIDE AGENCIES

The Town of Anywhere will receive grants from outside agencies. Some examples of these agencies are as follows:

1. United States Government
2. State of Maine

The funds, shall be deposited into the appropriate accounts and applied to its own budget line item labeled in revenues. These funds are designated to be spent according to the correspondence agreement between the outside agency and the Town of Anywhere . It is the responsibility of the Treasurer to see these procedures are carried out.

CONTROLS OVER MISCELLANEOUS REVENUES

The Treasurer receives money from other departments which are outside of the accounting department. They are:

1. Recreation Director - The Recreation Director is responsible for collection of all cash receipts of the recreation department. These amounts are then deposited into a separate checking account maintained by the recreation department. As needed, the Treasure will request that these collections be turned over to the Town for deposit in the Town coffers. The Recreation Director is responsible for recording all cash receipts in a manual cash receipts journal maintained in the recreation office. It is the duty of the Recreation Director to reconcile a daily cash up and deposit into the Recreation's general checking account. Receipts are entered in the computer by the Treasurer. The Treasurer will reconcile the manual cash receipts journal of the recreation department at the end of every month and compare her receipts to that of the cash receipts journal.
2. Code Enforcement Office - The Treasurer is responsible for collection of all cash receipts from of the Code Enforcement Office. The Code Enforcement Officer is responsible for recording all cash receipts in a computer cash receipts journal maintained at the Code Enforcement Office. It is the duty of the Code Enforcement Officer to reconcile a daily cash up and give it to the Treasurer for deposit into the Town's general fund checking account. Receipts are entered in the computer daily by the Treasurer. The Treasurer will reconcile the cash receipts journal of the Code Enforcement Officer at the end of every month and compare her receipts to that of the cash receipts journal.
3. Transfer Station - The Treasurer is responsible for collection of all cash receipts in from Transfer Station Fees. The Facility Administrator is responsible for recording all cash receipts in a manual cash receipts journal maintained at the Transfer Station Facility. It is the duty of the Transfer Administrator to reconcile a daily cash up and give it to the Treasurer for deposit into the town's general fund checking account. Receipts are entered in the computer daily by the Treasurer. The Treasurer will reconcile the manual cash receipts journal of the Transfer Administrator at the end of every month and compare her receipts to that of the cash receipts journal.
4. Other departments - The Treasure is responsible for collecting cash from the following other departments:
 - 1) Town Administrator
 - 2) Selectman's secretary

It is the duty of the department heads to reconcile a daily cash up and give it to the Treasurer for deposit into the town's general fund checking account. Receipts are entered in the computer daily by the Treasurer. The Treasurer will reconcile the manual cash receipts journals of the department heads at the end of every month and compare her receipts to that of the cash receipts journal.

CONTROL OVER PAYROLL

EMPLOYEE FILES

Employee files shall contain:

- 1) Job application
- 2) Payroll deduction authorization
- 3) W-4 Forms
- 4) Rate of pay/distribution authorization

The following procedures will apply to all weekly pay periods:

1. Department head shall submit a summary sheet of each hourly department employee. Summary sheet shall have the department head signature prior to submission to the Treasurer
2. Town Administrator shall review all payroll summary sheets submitted to the Treasurer and verify with his authorized signature.
3. Treasurer will then enter payroll summary sheets into the computer and process each employees payroll check.
4. Payment warrant is then approved by the Town Selectmen.
5. Treasurer will stamp all payroll checks with the signature stamp.
6. Treasurer distributes checks accordingly. Department heads shall receive their corresponding department payroll checks. All administrative employee checks are handed to the employee personally by the Treasurer.
7. Any unissued payroll checks are stored in the vault until proper distribution to the pertaining employee.

The Town utilizes a special payroll bank account, restricted for payroll use only.

All quarterly payroll returns and other payroll reports are prepared from computer generated reports and filed by the Treasurer, upon approval by the Town Administrator.

CONTROLS OVER GENERAL JOURNAL ENTRIES

All general journal entries are to be manually documented on the standard Town of Anywhere Journal Entry Form.

Appropriate documentation supporting the journal entry is to be attached to the Journal Entry Form.

The Town Administrator must approve and initial such Journal Entry Form prior to its input into the computer system.

It is then the responsibility of the Treasurer to input these entries into the computer system.

7/08

CONTROLS OVER BUDGET JOURNAL ENTRIES

After the budget has been approved at Town meetings, the Treasurer will enter into the computer the entries needed for each corresponding line item to each department. These entries will be entered into the computer within fifteen days of the approved budget, and will remain untouched throughout the course of the year unless approval by the Town Selectmen allow a department to adjust a specific line item accordingly. Upon approval, the Treasurer will enter in the necessary adjustment.

7/08

CONTROLS OVER ELECTRONIC TRANSFER OF FUNDS

All electronic transfer of funds are to be handled only by the Treasurer.

These transfers are to be documented on the standard Town of Anywhere electronic fund transfer sheet and the town requires each applicable bank at the origination of the transfer to fax back an answer sheet to the Town Administrator for receipt the transfer is complete.

7/08

CONTROLS OVER ELECTRONIC DATA PROCESSING

The Town utilizes a multi-user computer systems to perform electronic data processing. It has incorporated the TRIO System to record and process all of the necessary financial information within its accounting system.

A password system is used as a control procedure to insure that only authorized personnel are able to access the accounting records.

All administrative positions within the Town office have computer terminals at their desk. The only people having access to the computer accounting records are the three Accounting Clerks, Tax Collector and Treasurer. These people all have a specific password to access certain applications.

The breakdown of applications of the multi-user system which requires passwords are as follows:

<u>Application</u>	<u>Authorized Users</u>
General Ledger/Main Menu	Treasurer/Town Administrator
Accounts Payable/Main Menu	Treasurer/Town Administrator
Payroll/Main Menu	Treasurer/Town Administrator
Tax/Main Menu	All Accounting Clerks & Tax Collector
Cash Receipts/Main Menu	All Accounting Clerks & Tax Collector

CONTROL OVER TOWN CREDIT CARD

1. Authorization – The Town Administrator, Treasurer and Department Head must provide written authorization prior to the issuance or use of a Town credit card to a Town employee. All credit cards will be maintained by the Treasurer at the Town office.
2. Employee Agreement – The employee must sign an agreement acknowledging that he has read and understands the policies and procedures governing the use of a Town credit card.
3. Restricted Use – The use of a Town credit card is subject to the following restrictions:
 - i. No personal or private expenditure shall be to be charged to a Town account.
 - ii. No regular operating expense (e.g. monthly telephone bills, inter-net agreement, etc.) shall be charged to a credit card.
 - iii. Each expense charged must be accompanied by the actual itemized receipt and brief explanation. (For example, if the expense is for meals or food, note on the receipt if it was for a luncheon meeting and how many meals were included on the bill). In other words, each expense should have the same type of documentation that you would include on a request for reimbursement.
 - iv. An expense in excess of \$100 should be pre-approved. Capital purchases should never be charged to a credit card.
 - v. Travel expenses (e.g. airfare, hotel rooms, conference registrations) should be submitted for payment via a purchase order whenever possible. In the exceptional case when a credit card is used for such expenses, the conference and travel expense should be pre-approved by the appropriate authority.
 - vi. Documentation of each expense shall be submitted with the credit card statement.
 - vii. No cash advances will be permitted on a Town credit card.
 - viii. Each credit card issued will have a maximum monthly balance of \$1,000.
 - ix.
4. Card Payments - All statements shall be submitted with required documentation in a timely manner. No late fees or interest payments shall be honored by the Town for payment and shall be the responsibility of the cardholder. Expenses without proper documentation shall be the responsibility of the cardholder.
5. Violations of the Town’s credit policy shall result in disciplinary action, including termination of employment or prosecution.

7/08
OTHER FISCAL CONTROLS AN CONCERNS AT THE TOWN
NOT IN PLACE

We will discuss with Management

7/08