

AUDITING/FRAUD

The board of supervisors shall, at its regular meeting on the last Tuesday of February in each year, examine and audit the accounts of the treasurer; and it shall audit the accounts of all other officers who are authorized by law to receive or disburse any money of the township by virtue of their offices. (SDCL 8-10-28)

Ask the township treasurer in advance to provide the following:

- a. Current and previous year's annual reports
- b. 12 months of bank reconciliations
- c. All vouchers/bills for the year, in check number order
- d. All receipt books for the year
- e. All 12 county remittances for the year
- f. All 12 bank statements for the year
- g. The check register/record for the year

ANNUAL REPORT

- A. Obtain a copy of the current year annual report. Compare it line by line to last year's. Make note of lines with material changes (we'll check those later).
- B. Foot the annual report for accuracy.
- C. Does the annual report tie out.....lines 2 + 14 – 24 = 30
- D. Trace the Beginning Balance (line 2) to last year's annual report (line 30).

CASH

- A. Checking – Obtain the treasurer's bank reconciliation for the end of the year. Compare the balance on the annual report, line 25, to the reconciliation. Compare the balance from the corresponding bank statement to the bank reconciliation. Any difference should be made up of outstanding checks or other reconciling items. Review for propriety.
- B. Passbook – Compare the bank passbook statement to line 26 in the annual report.
- C. CD's – Contact the bank for a listing and balance of the township's CD's. Compare those results to lines 27-28 on the annual report.

REVENUES

- A. County Remittances – Locate all 12 county remittance forms for the year. On a line by line basis.....compare the revenue amounts from the annual report, lines 3-10, to the remittances.

B. Grants – Compare the amount reported as grants on line 11 of the annual report to receipts, grant award documents or other supporting documentation.

C. Interest Earned – Take an estimate of current investing rates times the average balance of cash for the township. Compare this result to the amount reported for interest earned on line 12 of the annual report.

D. Other Receipts – Inquire of the township treasurer what types of revenue are reported on line 13 – other receipts. Assess for reasonableness.

E. Total Receipts – Add the total deposits from each of the 12 bank statements and compare that total to line 14 – Total Receipts.

DISBURSEMENTS

A. Total Disbursements – Add the total of checks that have cleared from each of the 12 bank statements and compare that total to line 24 – Total Disbursements. Be careful not to include in this total the transferring of money from checking to passbook or the purchase of any CD's.

B. Disbursement Testing – Determine the first and last check numbers for the year from the check register. Randomly select a dozen or more check numbers from the year. For each transaction sampled, compare the bill to the bank statement or cancelled check. Also, assess the bill for propriety.

FRAUD

FRAUD – an intentional deception made for personal gain.

For an “honest” person to commit fraud, we need the following three elements:

- a. A need/motive
- b. Rationalization
- c. An opportunity

Deterrent is my favorite word. We are going to discuss how to implement small steps that in the end will lower the risk of a fraud.

STEP 1 – Have the bank send a second copy of the bank statement, complete with miniature copies of cancelled checks, directly to the home of one of the board of supervisors.

STEP 2 – Everyone that signs a check should compare the check amount and payee to the bill prior to signing. Never.....ever sign a blank check.

STEP 3 – If signature stamps are used, they should stay in the possession of whosever name is on the stamp.

STEP 4 – If the township has a credit card, make sure that a policy is adopted regulating its use, receipts are turned in to the treasurer so that they can reconcile the receipts to the monthly statement and have several sets of eyes review each month's statement.

STEP 5 – Upon request, does the treasurer allow the supervisors or clerk access to records? Are such records complete and organized?

STEP 6 – Is the annual report completed in a timely manner.....and filed with the county auditor?

STEP 7 – Does each member of the board of supervisors physically review and approve each bill prior to payment.....and evidence this by initialing the bill?

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