



# BOISE COUNTY

## RESOLUTION #2015-15

### A BOISE COUNTY RESOLUTION ADOPTING BOISE COUNTY INTERNAL CONTROLS FOR FINANCIAL REPORTING

**WHEREAS**, the Board of County Commissioners recognize the need to adopt appropriate guidelines for the detection and prevention of fraud, misappropriations and other inappropriate conduct; and that certain steps are necessary to prevent it, detect it and reduce or recover from the damages it inflicts on individuals and organizations; and

**WHEREAS**, the Board of County Commissioners recognize the need to adopt appropriate guidelines for all Elected Officials, Department Heads and Employees that provides for the accuracy of the financial information they submit; and

**WHEREAS**, the Board of County Commissioners recognize the need to adopt appropriate guidelines for all Elected Officials, Department Heads and Employees that provides the public with checks and balances that the information provided is accurate and that the internal control structure implemented by Boise County is adequate and achieves this purpose; and

**WHEREAS**, Idaho Code Section 31-604 allows the Board of County Commissioners to effectively carry out the duties imposed on it by the provisions of the Idaho Code and constitution; and

**NOW THEREFORE BE IT RESOLVED** that the Board of County Commissioners hereby establishes a policy to facilitate the development of controls and appropriate guidelines for all Elected Officials, Department Heads and Employees to be accountable for the accuracy of the financial information they submit and with this information, Boise County can provide the public with reasonable assurance that the financial reporting provided is accurate and said policy is reflected on the attached Exhibit A.

**APPROVED and ADOPTED** in open session this 30th day of December, 2014.

#### BOISE COUNTY BOARD OF COMMISSIONERS

Handwritten signature of Vicki L. Wilkins in black ink, written over a horizontal line.

**VICKI L. WILKINS**, Chair

Handwritten signature of Barbara M. Balding in black ink, written over a horizontal line.

**BARBARA M. BALDING**, Commissioner

Handwritten signature of Jamie A. Anderson in black ink, written over a horizontal line.

**JAMIE A. ANDERSON**, Commissioner



*Mary T. Prisco*  
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**Mary T. Prisco**, Clerk to the Board

## EXHIBIT A



### **BOISE COUNTY'S INTERNAL CONTROL for FINANCIAL REPORTING**

As public servants, it is our responsibility to utilize the taxpayer's dollars in the most effective and efficient way possible while adhering to laws and regulations governing those procedures. There are many reasons for placing controls at various points in the process that may appear bureaucratic but are necessary to ensure compliance and accountability. Boise County's goal is to ensure its financial management systems generate reliable, useful and timely information for day-to-day decision making.

#### **Stated Objectives:**

Controls over financial accounting provide reasonable assurance of the following:

1. Employee duties are segregated as may be necessary to assure the proper safeguarding of the County's assets.
2. Restrictions limit access to the County's assets to only those authorized persons in the performance of their assigned duties.
3. Adequate authorization and record keeping procedures have been established providing effective control over the assets, liabilities, revenues and expenditures.
4. Personnel have the necessary training, competence and integrity for their assigned responsibilities.
5. Resources are utilized in compliance with applicable federal and state laws and regulations.
6. Obligations and costs are in compliance with applicable federal and state laws and regulations.
7. Funds held outside the County are managed, used and exist in accordance with Idaho Code and Boise County policies, and no unauthorized funds exist.

#### **Control Objectives:**

1. Controls are in place in the procedures to ensure accountability is established as early as possible and at all points along the accountability chain.
2. Controls are in place in the procedures to ensure security for all interfacing systems and compatibility with the County accounting system.
3. Controls are in place in the procedures to ensure compliance with state and federal laws, regulations and policies and procedures.
4. Controls are in place in the procedures to ensure all system interfaces with the County accounting system are properly approved.

#### **I. Frauds Caused by Fraudulent Financial Reporting**

Fraud detection is a topic applicable to many industries including governments. Fraud attempts have seen a drastic increase in recent years, making fraud detection more important than ever.

Operations can be strengthened by staying alert to the possibility of fraud, monitoring operational activities, considering audit findings and awareness of internal control weaknesses.

Errors or irregularities may occur and not be detected because of inherent limitations in any system of administrative and financial management control, including those limitations resulting from resource constraints, legislative restrictions and other factors.

## **II. Analysis of Controls for Effectiveness and Efficiency**

Elected Officials, Department Heads and Employees are responsible for the accuracy of the financial information they submit. Elected Officials and Department Heads are responsible for the effectiveness of the underlying internal control structure used to provide reasonable assurance that accurate accountability will be achieved. It is crucial that an internal control system is tailored so that the areas of greatest risk receive the most attention.

The concept of reasonable assurance recognizes that the cost of management control should not exceed the benefits expected to be derived. The expected benefits consist of reductions in the risks of failing to achieve the stated objectives and control objectives. Estimates and judgments are required to assess the expected benefits and related costs of control procedures.

## **III. Control Implementation and Documentation**

To provide reasonable assurance that encourages and promotes standards for the following:

### **A. Training and Performance**

1. Quarterly security and fraud awareness training for employees at all levels.
2. During Annual Performance Reviews, Employees must demonstrate their competency of procedures in this policy.
3. Violation of these procedures may result in disciplinary action, up to and including termination from Boise County employment.
4. Elected Officials have the responsibility and authority for their Department's performance as authorized by Idaho Code. All Departments, not headed by another Elected Official, are under the responsibility and authority of the County Commissioners.

### **B. IT Systems**

Technology is an integral part of Boise County's business procedures, involving both its primary, customer-oriented activities and its support activities, such as general management, planning, finance and accounting.

Although technology can increase risks in some areas, technology can also be used to help prevent and detect fraud. Data analysis technology enables users to review data and obtain insights into the operating effectiveness of internal controls.

1. Use extra caution with system administrators and other privileged users that could override controls.
2. Detecting Internal Control overrides:
  - a. Misstated or unreported significant events
  - b. Backdated financial documents
  - c. Modified entries made during the financial close process
3. Promptly deactivate computer access upon an Employee's separation from employment.

### **C. Checks and Cash Handling Procedures**

Revenue and cash receipts are two critical areas that require strong controls to prevent intentional fraud or unintentional misstatements.

1. General
  - a. Individuals who receive checks or cash on behalf of Boise County shall document all transactions as required.

- b. Transmittal must be on the attached form which requires the following signatures and dates:
    - i. Transmittal Prepared By
    - ii. Second "in" Department Approval By
    - iii. Clerk's Office Received By
    - iv. Treasurer's Office signs transmittal last on the same day received by the Clerk's Office
  - c. Transmittal must clearly show amounts for Cash on Hand, Cash, Checks, Credits and amounts for each Department Revenue Account Numbers.
  - d. All sites not transmitting daily cash and checks must transmit at least biweekly checks and a money order to the Clerk's Office.
  - e. Auditor's Certificates (A/C) prepared and delivered to Treasurer's Office within 24 hours of receipt of Transmittal. Treasurer's Office will email a copy of A/C to Department within 24 hours. Clerk and Treasurer assure all transactions have been properly recorded in the accounting records of Boise County.
  - f. Weekly deposit of cash and electronic deposit of checks within 24 hours.
  - g. Store deposit of cash and checks in a vault if possible or in a locked drawer or cabinet, and limit access.
2. Cash on Hand
- a. Cash on Hand shall only be used as Change for authorized transactions.
  - b. Reconcile the Cash on Hand on every transmittal.
  - c. Store Cash on Hand in a locked drawer or cabinet and limit access.

**D. Claims (Expenditures), Revenues, and Remaining Budget**

- 1. General
  - a. Individuals responsible for data entry of payment transactions or their immediate supervisor should not be responsible for approving these transactions.
  - b. Delegated expenditure authority must be in writing and approved by the Department Head.
  - c. Auditor's Certificates (A/C) prepared and delivered to Treasurer's Office within 24 hours. Clerk and Treasurer assure all transactions have been properly recorded in the accounting records of Boise County.
  - d. Weekly deposit of cash and electronic deposit of checks within 24 hours.
  - e. Monthly reconciliation of bank accounts by Treasurers Office. Appropriately document that a reconciliation was performed.
  - f. Store blank checks in a locked drawer or cabinet, and limit access.
- 2. Specific to Claims
  - a. Submit Boise County Vouchers for processing.
  - b. Claims Reports (FN502) will be returned to all Elected Officials and Department Heads no later than close of business Friday before the Tuesday when Bills are approved by the County Commissioners.
  - c. Verify transactions in the Claims Report are appropriately reported and recorded using the proper account.
  - d. Report by email prior to Tuesday any changes necessary in the Claims Report to the Clerk and County Commissioners.
- 3. Specific to Budget
  - a. Resolutions necessary for a new budget appropriation (amending the budget) and/or an explanation for significant variations from budgeted amounts must be communicated to the Clerk and/or County Commissioners prior to those claims being paid.
  - b. The Clerk will also send to all Elected Officials and Department Heads at each bill cycle, budget versus actual expense reports (FN521 Remaining Budget Detail), FN504 Expenditure Detail, and FN601 Revenue Detail. Elected Officials and Department Heads should appropriately document that a review and reconciliation was performed.

4. Checks and Balances

- a. The Treasurer will send quarterly, to all Elected Officials and Department Heads, FN801 Operations in Funds Detail which must be compared to current expenditures and revenues. Transfers, adjustments and journal entries will appear on this report and should be verified by each department. Any issues should be reported to the Clerk and Treasurer within 14 days.
- b. Joint Treasurer and Auditor Quarterly Reports should be submitted to County Commissioners by the end of the month following the end of each quarter per Idaho Code 31-1611.
- c. Elected Officials and Department Heads should compare biannually current expenses and revenues to prior years (FN778 and FN779A including tax accounts display a three year picture). Elected Officials and Department Heads should appropriately document that a review and reconciliation was performed.

**E. Assets Appropriately Safeguarded**

1. Elected Officials and Department Heads assure all inventory is properly documented per County policy.
2. Elected Officials and Department Heads assure Boise County has satisfactory title to all owned assets, no liens or encumbrances have been placed on such assets, and no asset has been pledged as collateral.
3. Maintain vehicle usage logs, including the name of the employee driving. Elected Officials and Department Heads should review and initial logs no less than biannually to ensure usage is appropriate and for Boise County business.
4. Management may conduct unannounced cash counts and should document amount, date and time of said review on their next transmittal.

**F. Hiring and Payroll Check**

1. Idaho's New Hire Reporting Law was established in 1997 and requires all Idaho employers to report their new employees to the Idaho Department of Labor within 20 days of the date of hire. Boise County requires a complete copy of the new employee's W-4 form including employee's date of hire and the employer's State Unemployment Insurance Account Number to be submitted.
2. Check new employee address against vendor address list to assure there is no conflict of interest.
3. Check all employees addresses quarterly against vendor list.
4. Require supervisors to approve subordinates' time sheets.
5. Require paychecks to be dispersed by someone other than the one authorizing or recording payroll transactions/checks.
6. Match paycheck file with active employee file monthly.

**IV. Cost/Benefit Considerations for an Independent Auditor Opinion on Internal Control Over Financial Reporting**

- A. Recognize the maturity level of internal control over financial reporting and timing of Boise County's readiness to undergo an efficient audit of internal control.
- B. Integrate audits of internal control with audits of financial statements. In an integrated audit of the financial statements and internal control, the auditor designs and simultaneously executes procedures that accomplish the objectives of both audits. These objectives are not identical but are interrelated. By not integrating both audits, the auditors may perform additional audit work than would otherwise be necessary, therefore increasing the costs of the audits.

- C. Use a top-down approach. The auditor would begin by evaluating fund-level control and significant accounts at the financial statement level and then work down to relevant individual control at the process, transaction or application levels. The results of the auditors' testing at each level help the auditor tailor the remainder of the work. Therefore, auditors may be able to reduce tests of internal control, which should result in reduced audit costs.
- D. Require auditors to perform efficient and effective walk-throughs of major classes of transactions by walking a single transaction through the entire process rather than different transactions to test each control separately.
- E. Require auditors to use the work of others to the extent permitted by Auditing Standards to make more efficient use of their own time in performing the audits of internal control.