



# BOISE COUNTY

## RESOLUTION #2015-22

### A BOISE COUNTY RESOLUTION AMENDING THE BOISE COUNTY INTERNAL CONTROLS FOR FINANCIAL REPORTING

**WHEREAS**, the Board of County Commissioners recognizes the necessity to amend certain resolutions to policies, once in place, as needed, to tighten up guidelines and/or procedures; and

**WHEREAS**, the Board of County Commissioners recognizes the need to amend these 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

**NOW THEREFORE BE IT RESOLVED** that the Board of County Commissioners hereby amends the 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 with this information and that 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. This policy is an amendment to the Internal Controls for Financial Reporting adopted via Resolution 2015-15.

**APPROVED and ADOPTED** in open session this 24th day of March, 2015.

#### BOISE COUNTY BOARD OF COMMISSIONERS

**VICKI L. WILKINS**, Chair

**ROGER B. JACKSON**, Commissioner

**ALAN B. WARD**, Commissioner

  
**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, electronic or otherwise, with the County accounting system (CAI Financial), 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. Annual security and fraud awareness training for employees at all levels. (The Boise County Board of Commissioners could address this during the budget season) Who will provide training and how will it be monitored?
2. During Annual Performance Reviews, employees must demonstrate their competency of procedures in this policy and as defined within departmental manuals.
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 - (due to the nature of cash basis and functionality of CAI Financial, certain types of entries must be backdated: i.e. year-end closing entries and certain EOM (End of Month) activity.)
  - 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, cash, or other items of value, on behalf of Boise County, shall document all transactions and ensure that the transaction is entered into the financial system.
  - b. Transmittal must be on the attached standardized form (Exhibit B) 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 copy upon physical receipt of funds and with the A/C (Auditors Certificate) produced by CAI Financial. Treasurer provides a copy to the department.
  - c. Transmittal must clearly show amounts for Cash on Hand, Cash, Checks, Credits and amounts for each Department Revenue Account Number.
  - 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, as practical. Treasurer's Office will email a copy of A/C to Department within 24 hours. When a 24 hour period is not practical (due to timing of holidays, unanticipated employee absences, etc.), unrecorded and undeposited funds are to be kept in the Treasurer's vault. 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, as practical.
2. Store deposit of cash and checks within the Treasurer's vault.
3. 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. This procedure may also be accomplished through use of CAI Financial Departmental Claims application.
  - c. Monthly reconciliation of bank accounts by Treasurers Office. Appropriately document that a reconciliation was performed.
2. Specific to Claims
- a. Submit Boise County Vouchers for processing.
  - b. Claim Proof List (report) (FN500) 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. Department Heads/Elected Officials are responsible for verifying transactions in the Claim Proof List are appropriately reported and recorded using the proper account.
  - d. Report by email, prior to Tuesday, any changes necessary in the Claim Proof List 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) and FN601 Revenue Activity (discuss report: CAI does not track revenue by department for multiple department funds – General, Justice and District Court. Also, property tax is recorded in full at beginning of year – accrual not cash item.) 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" displays a three year picture). Elected Officials and Department Heads should appropriately document that a review and reconciliation was performed. This procedure works for expense side but not revenue. FN779A shows budget amounts only for current fiscal year. Unaware of report from CAI that produces budget vs. actual for revenue. Could run a Revenue Activity Detail report by fund in addition to the FN779A and compare side by side, still an issue for multiple department funds.
  - d. (Not applicable due to existing controls – dual signatures required, limited access to authorized check signer stamps, required initials/date on CAI Financial check register reports.)

#### **E. Assets Appropriately Safeguarded**

1. Elected Officials and Department Heads assure all inventory (assets) 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. See Exhibit C for sample vehicle log.
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. Clerk/Treasurer currently have to sign checks,

- Payroll Clerk delivers checks/direct deposit statements to the Department Heads for final delivery to their employees.
6. Match paycheck file with active employee file monthly. Run an active employee list quarterly, compare against most recent payroll run/register.

**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.