

FALL 2012 MUNICIPAL CONFERENCE
AVOIDING TROUBLE: THE FISCALLY RESPONSIBLE COUNCIL

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1. Goal is to lower risk of an error or irregularity to an acceptable level
2. For an “honest” person to commit fraud, we need the following three elements:
 - a. A need/motive
 - b. Rationalization
 - c. An opportunity
3. Deterrent is my favorite word
4. Has your municipality filed/published its annual report? 33/300+
5. Is your municipality current in obtaining audits?
 - a. Does the governing board follow-up on audit findings?
 - b. Does the governing board have a closing conference with the auditor?
 - c. Does the governing board express concerns and risks to the auditor prior to the audit
6. Cash basis statements - - - only measure money in and money out - - - do not include depr.
7. Are background checks conducted before hiring finance officers and other money handling or sensitive positions? (bonding)
8. Debit cards are prohibited (flex accounts). Are signature stamps too? (SDCL 4-3-27)
9. Smaller cities –
 - a. Does a board member receive a monthly bank statement directly from the bank?
 - b. If the bank provides online bill paying is the feature properly controlled and monitored?
 - c. Does a board member confirm with the bank the total cash of the municipality?
 - d. Are all board members and employees current with their utility bills? (set the tone)
 - e. Once or twice a year, ask for and scan the bank reconciliation.
 - f. For a randomly selected period, scan deposit slips for the presence of currency.
10. Are budget over-runs covered at year end or managed through-out the year? If caught early, the governing board had two choices----cut or increase.
 - a. Contingency transfers.....resolution
 - b. Auto-supplements.....motion
 - c. Formal supplements.....ordinanceBudget over-runs are a possible indicator of fraud.....

11. Do we ask some very direct questions when only one bid is received?

It is legal to purchase off of the bid of another entity - - -

- a. If they only had one bid submitted?
- b. Based on a discussion with the vendor?
- c. Would I utilize a single unit purchase of another entity so I could buy multiple units?

12. Do we periodically assess outlying operations such as:

- a. Swimming pool
- b. Rubble site
- c. Liquor store – go online to DLA site for audit reports to compare P/L
- d. Library – separate ck. acct.

13. When money is given to the chamber/development corp, are annual reports subsequently filed with the city?

- a. Is it legal for the city to subsidize this organization? (Dillon's Rule)

14. Does the Board or a Board member review actual vouchers/invoices rather than just a list of bills to be paid?

15. Does your city have good controls over credit cards?

- a. Does the Board or a Board member approve/review actual credit card charges rather than just paying the credit card bill?
- b. Does your city have a policy? SDCL 4-3-27

16. Does your city have good controls over the new "Incidental Account"?

- a. Pays bills prior to board approval
- b. Policy
- c. Signed by two officers

17. How does your city get rid of its "scrap" pile? (SDCL 34A-6-63.1)

- a. Lyons County, IA, recent fraud

18. Does your municipality prohibit the use of its equipment for personal tasks?

- a. Insurance
- b. Dillon's Rule
- c. Wear and tear

19. What controls does your city have regarding supplies?

- a. Gas
- b. Gravel
- c. Oil changes

20. Board approval of water/sewer write-offs and adjustments?