

TOWN OF MANSFIELD

SPECIAL MEETING OF THE FINANCE COMMITTEE

Thursday, May 26, 2016

Audrey P. Beck Building
Conference Room B
6:30pm

A G E N D A

CALL TO ORDER

OPPORTUNITY FOR PUBLIC COMMENT

STAFF REPORTS

NEW BUSINESS

1. Fraud Risk Assessment – Report Presentation by Joe Centofanti,
CohnReznick

ADJOURNMENT

Town of Mansfield, Connecticut

Fraud Risk Assessment Report



TOWN OF MANSFIELD, CONNECTICUT

FRAUD RISK ASSESSMENT REPORT

TABLE OF CONTENTS

	<u>PAGE</u>
Scope of Project	1
Report Presentation.....	2
General Observations and Recommendations.....	3-5
<u>Departments Assessed</u>	
Town Clerk	6-8
Police	9-10
Human Services	11-12
Planning and Zoning/Wetlands.....	13-15
Parks and Recreation.....	16-20
Senior Center.....	21-22
Tax Collector.....	23-24
Revenue Collector	25-27
Library	28-31
Building	32-35
Public Works.....	36-40
Transfer Station	41-42
Mansfield Superintendent's Office.....	43-44
Cafeteria Program	44-48
Mansfield Downtown Partnership	49
Region 19 Superintendent's Office.....	50-51

TOWN OF MANSFIELD, CONNECTICUT

FRAUD RISK ASSESSMENT REPORT

TABLE OF CONTENTS

	<u>PAGE</u>
Agriculture Education Program.....	52-53
Student Activities.....	54-57
Eastern Highlands Health District.....	58-60
Discovery Depot.....	61-64
Fraud Policy.....	65-66

Scope of Project

SCOPE OF PROJECT

The scope of the project was defined by the request for proposal issued by the Town to perform a fraud risk assessment for the following entities:

1. Town of Mansfield
2. Mansfield Board of Education
3. Regional School District No. 19
4. Eastern Highlands Health District
5. Mansfield Downtown Partnership
6. Discovery Depot

The fraud risk assessment, based upon the request for proposal, was limited to the cash receipts collection and use of Town resources.

The procedures that we performed for each department/agency as detailed in our proposal were as follows:

1. We obtained an understanding of the department's current internal controls and policies and procedures. We obtained this understanding by conducting detailed interviews with the department employees as to the cash receipt/collection functions they currently perform and the related policies and procedures in place for the functions.
2. When determined necessary, we performed a walk-through of certain procedures. When considered necessary, as part of the process, we also obtained copies of any related forms or worksheets that are used as part of the process.
3. Based upon the understanding of the current internal controls and policies and procedures obtained from performing the procedures noted above, we then evaluated the risk of fraud that could occur in the process.
4. For each risk identified, we evaluated the current internal controls to determine if there is an opportunity to improve the control or upgrade current procedures to best practices.
5. We have also provided in our recommendations, where applicable, any compensating controls for the Town's consideration.
6. We also provided any recommendations that may improve efficiency of the Town's operations without compromising the internal controls.
7. We have also made recommendations regarding a policy that the Town should consider adopting that will clearly communicate the Town's perspective on fraud and strengthen the Town's ability to respond to any suspected instances of fraud that may require investigation.

Report Presentation

REPORT PRESENTATION

The report that follows is based upon a detailed review of the cash collection procedures and use of Town resource for various Town Departments and related agencies. For each department, we presented the following information when applicable:

- a. Types of receipts (including donated noncash items)
- b. Relevant background about the department/agency's operations
- c. Our fraud risk evaluation
- d. Our overall fraud risk assessments
- e. Conditions and recommendations

The recommendations developed are what we consider to be the best practice. In certain instances, we may have also presented an alternative to the best practice. Implementation of internal controls should include consideration of the costs/benefits of implementing the control process or policy and procedures. It is often possible to strengthen internal controls by implementing additional procedures, controls, reviews or monitoring or by implementing compensating controls. An example of that type of control would be review and approval of adjustments weekly vs at the time the transaction occurs.

We have also included recommendations that may improve efficiencies.

The recommendations are identified with codes as to the type of recommendation as follows:

FR	Fraud Risk
IC	Internal Control
BP	Best Practice
OP	Operational
EFF	Efficiency

Certain recommendations may have more than one code, if applicable.

The recommendations have also been coded using a department code and a recommendation number for future reference and monitoring of the status.

As noted above, implementation of certain recommendations can be accomplished using a multistep process where determined appropriate.

**General
Observations
and
Recommendations**

GENERAL OBSERVATIONS AND RECOMMENDATIONS

GEN-1 - CONDITION (OP):

Currently, the Town does not require the use of a standard transmittal report to be prepared by all departments when transmitting collections to the Revenue Collector. In certain instances, it is being generated by a software program used by the department, or the form was developed by the department or a transmittal is not prepared at all.

RECOMMENDATION:

We recommend that the Town consider requiring the use of a standard transmittal report to be submitted with the monies transmitted to the Revenue Collector. At a minimum, procedures should be developed and implemented that clearly define the information required on the transmittal and who should be preparing the form and who should approve the form. If there are instances where it is more efficient to use reports produced by a department software program, then that report can be attached to the standard form so that the required signatures are documented.

GEN-2 - CONDITION (OP):

Currently, the Town does not require that a report or other supporting documentation be attached to the transmittal to support the amount being transmitted and the type of payment (cash vs check).

RECOMMENDATION:

We recommend that the policy and procedures for the standard transmittal form include a requirement that supporting documentation be attached to the form for the amount being transmitted. The documentation should provide support for the total deposit and the identification of any differences.

GEN-3 - CONDITION (FR/IC):

Currently, certain Town departments conduct fundraising activities. These activities most often involve cash donations that support Town programs. Therefore, it is often difficult to implement effective controls over these types of activities.

RECOMMENDATION:

We recommend that the Town develop and implement formal policies and procedures for fundraisers and the documentation and transmittal of the fundraising receipts.

GEN-4 - CONDITION (FR/IC):

In general, strong internal controls over cash receipts would include another source of information to be able to reconcile the collections and assess completeness. Examples of this include register software programs, prenumbered receipts or tickets, or inventory control.

During our review, we noted that some departments did not have this type of control in place and others have implemented a control that was not effective because it was not used correctly or at all.

GENERAL OBSERVATIONS AND RECOMMENDATIONS

RECOMMENDATION:

Specific recommendations are included in each Department/Agency's section of this report.

Our general recommendation is that when prenumbered receipt books are used, the receipt book activity and the amount being transmitted must be reconciled. The use of a receipt book is not a control unless it is used to verify the completeness of the activity.

GEN- 5 - CONDITION (FR/IC):

Review of activity or status reports by Department heads is a critical control. Department heads have a perspective on the operations of their department that the Finance or other Department would not have. This perspective is invaluable when reviewing reports since they will have an "expectation" as to what the status report should present. When that expectation is not met, there should be questions asked to ensure that the activity is correct or correctly recorded.

RECOMMENDATION:

We recommend that the Town develop and implement formal policies and procedures to require all department heads, advisor, etc. to review budget and actual or activity reports and to formally communicate that they have reviewed the reports and have no comments or questions.

GEN- 6 - CONDITION (FR/IC):

Currently, checks are not stamped "for deposit only" when received. Also, they are transmitted to the Revenue Collector without being stamped "for deposit only".

RECOMMENDATION:

We recommend that all checks received be immediately stamped "for deposit only".

GEN- 7 - CONDITION (FR/IC):

Based upon our review, the Town is operating under various policies and procedures. Some of these policies and procedures related directly to the public. In many cases, it was noted that the Town did not have formal written policies and procedures to be able to formally communicate the policies to both employees and the public.

RECOMMENDATION:

Specific recommendations are included in each Department/Agency's section of this report.

We recommend that the Town formally document the policies on how the Town conducts business and ensure that the policies are communicated to the public.

GENERAL OBSERVATIONS AND RECOMMENDATIONS

GEN- 8 - CONDITION (FR/IC):

Based upon our review, we noted that there are several Town departments that are either performing or managing billings for various activities. The Revenue Collector also performs the billing function for certain other activities. While the Revenue Collector's billings are formally controlled using the miscellaneous billing module of the Town general ledger software, the Department billings are not being formally billed and accounted for.

RECOMMENDATION:

We recommend that the Town consider consolidating the Town's billings to the Finance Department or Revenue Collector's office. If the billing activity is consolidated to the Revenue Collector's office, we recommend that the employee responsible for billings have no rights or responsibilities for collections in order to avoid lack of segregation of duties.

This may require additional resources or reallocation of resources from the affected departments

GEN- 9 - CONDITION (FR/IC):

Based upon our review, we noted that there are several types of revenues that could be reviewed and analyzed using a min/max or reasonability test. In certain instances this may require recording activity differently or in different accounts to be able to perform these analyses. It will also require the implementation of prenumbered documents to be able to determine the population of activity. Recommendations have been made in the various departments reviewed regarding the prenumbering of permits and other documents.

RECOMMENDATION:

We recommend that the Finance Department develop and implement this type of min/max or reasonability tests to ensure that all revenues are being properly transmitted to the Revenue Collector and being properly recorded in the general ledger.

GEN- 10 - CONDITION (FR/IC):

During our review, we noted that in certain instances, employees may have rights to functions that they may not need or that are currently not being properly monitored.

RECOMMENDATION:

For each software program being used by the Town Departments, we recommend that each employee's job responsibilities be reviewed in detail against each permission for each employee/role to determine if that function is part of their job responsibility. If it is determined that it is not part of an employee's responsibility, then the permission should be removed.

**Town
Clerk**

TOWN CLERK

TYPES OF CASH RECEIPTS

1. Conveyance taxes
2. Fees (Dog licenses, marriage licenses, lien fees, recording fees)
3. State fees
4. Copies

BACKGROUND

The Town Clerk uses a vendor software system designed for Town Clerk operations for recording all activity except for dog licenses. For dog licenses, the transactions are initially recorded using an internally designed software and then subsequently are entered into the register software system.

The Town Clerk office does not accept credit cards.

The Town Clerk's office also manages the central petty cash account.

The Town Clerk does not manage any nonfinancial resources.

FRAUD RISK EVALUATION

Level of receipts: High

Internal Controls Medium

Use of Resources: Low

FRAUD RISK ASSESSMENT

Medium

CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

TC-1 - CONDITION (FR/IC):

During our review, we noted that there are no unique separate logins for each Town Clerk Department employee. All employees process transactions on the same computer using the same login.

TOWN CLERK

RECOMMENDATION:

We recommend that each Town Clerk Department employee be assigned a unique login ID and that the login be used for all transactions processed by that employee.

We also recommend that each employee log off after processing each transaction or when another employee will be responsible for processing transactions (break, lunches, end of day, etc.).

TC-2 - CONDITION (IC):

During our review of the procedures for processing dog license transactions, we noted that the transactions are initially recorded in the internally developed software program and then are subsequently recorded in the Town Clerk's register software system.

In addition, the internally developed dog license software program does not allow the user to note the type of payment (cash vs check) when entering the transaction.

RECOMMENDATION:

We recommend that all transactions be initially entered into the Town Clerk's register software system to ensure proper accounting and control over the payment type.

We recommend that the internally developed dog license software be used to manage operations and not for recording collection transactions.

TC-3 - CONDITION (IC):

During our review of the procedures for processing dog license transactions, we noted that there is no reconciliation performed between the transactions recorded in the internally generated dog license software program, the amount recorded in the Town Clerk's register software system and the general ledger.

RECOMMENDATION:

We recommend that the internally developed software activity (at a minimum the number of licenses sold) be reconciled to the amount processed in the Town Clerk's register software system and the general ledger.

TC-4 - CONDITION (IC):

During our review of the procedures, we noted that all users can void transactions.

RECOMMENDATION

We recommend the ability to void transactions be limited to certain designated employees or that the void transaction report be printed and approved by the Town Clerk on a monthly basis.

TOWN CLERK

TC-5 – CONDITION (OP):

The Town Clerk's current policy is that no change is provided to customers for checks that are made out for the wrong amount. Normally the amount is not significant and is often used to pay for copies.

RECOMMENDATION

We recommend that this policy be reviewed by the Town to determine if it is in accordance with the Town's objectives. Once the policy has been review and finalized, the policy should be formally documented and communicated to the public.

Police

POLICE

TYPES OF CASH RECEIPTS

1. Fingerprinting
2. Pistol permits
3. Ordinance violations (tickets)
4. Parking tickets

BACKGROUND

The Police Department collects monies for certain fees. Per Department policy, only checks are accepted. Checks are also collected for the State (pistol permits).

The Police Department also handles all appeals for ordinance violations. Ordinance violation tickets can also be paid at the Revenue Collector's Department. Since parking tickets are issued using a software program, all payments for parking tickets are sent to the Revenue Collector.

The Police Department has 2 police cars and various types of equipment and inventory (radar guns, pistols, and ammunition).

FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Medium Police cars, equipment

FRAUD RISK ASSESSMENT

Low

CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

PD-1 - CONDITION (FR/IC):

During our review, we noted that receipts are not issued to the customer for payments received.

RECOMMENDATION:

We recommend that a receipt book system be implemented to document amounts collected and allow the balancing of activity.

PD-2 - CONDITION (FR/IC):

During our review, we noted that a spreadsheet is used to track receipts for ordinance violation tickets issued. Information is sent from the Police Department to the Revenue Collector and from the Revenue Collector to the Police Department to update the spreadsheet.

POLICE

RECOMMENDATION:

We recommend that a formal system be developed to properly account for and monitor the activity of ordinance violation tickets issued and collected. The sequence of the ticket numbers should be accounted on a periodic basis to ensure completeness.

We also recommend that the Police Department cease collecting the monies for the tickets that are issued. This will properly segregate duties.

We also recommend that if the spreadsheet continues to be the accounting system for ordinance violation tickets, that the spreadsheet be reconciled to the general ledger on a periodic basis.

PD-3 - CONDITION (FR/IC):

During our review we noted that a hearing officer reviews and accepts or declines parking ticket appeals. Approved appeals are entered into the ticket software which voids the ticket.

We also noted that the system has multiple logins, but they are not formally assigned to an individual.

RECOMMENDATION:

We recommend that exception reports be generated by user and the reports be reviewed and approved by a supervisor.

We also recommend that each user be assigned a unique user account and password in order that all transactions can be identified by user.

PD - 4 - CONDITION (FR/IC):

Currently, the Town policy is that parking tickets must be paid by the 10th day or the ticket will double. The system does not appear to have the ability to adjust the 10 day period when the 10th day falls on a weekend or holiday. This creates a need to remove the penalty when determined appropriate.

RECOMMENDATION:

We recommend that the Town set up formal policies and procedures, including the necessary approvals, reporting and monitoring for these adjustments.

We recommend that exception reports be generated by user and the reports be reviewed and approved by a supervisor.

PD - 5 - CONDITION (FR/IC):

Police vehicles are not taken home by police officers and they are parked at the Town Garage. Currently, there are no formal policies and procedures to manage equipment and other inventory.

RECOMMENDATION:

We recommend the Town develop and implement formal policies regarding the use of the equipment and inventory.

Human Services

HUMAN SERVICES

TYPES OF CASH RECEIPTS

1. Donations
2. Gift cards
3. Inventory (food, supplies)

BACKGROUND

The Human Services Department collects monies for donations (social services) and also accepts and logs gift cards to be used for residents who demonstrate need. In addition, donations of food and supplies are accepted and distributed to residents. When the gift cards are distributed, the recipient signs the donation form along with the Department employee. Donors are acknowledged with a letter from the Town.

The Department does have some formal policies regarding the general dollar limits for each of the types of support they provide. The Department also uses a tracking system to monitor use of the Food Bank, donation and gift cards.

The Town does not manage a fuel bank fund. The Town will support residents to maximize the benefit they can receive from outside organizations.

FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Low Inventory, Gift cards

FRAUD RISK ASSESSMENT

Low

CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

HS- 1 - CONDITION (FR/IC):

We noted that although the Department operates with some guidelines regarding the amounts, frequency and authorization of assistance that can provided to residents, not all of the policies are formally documented. We understand the current policies are in the process of being updated.

RECOMMENDATION:

We recommend that all polices be formally documented and that the policies include the development of forms to document activity and the required approvals.

HUMAN SERVICES

HS- 2 - CONDITION (FR/IC):

We noted that the Department does not use a formal intake form to document a resident request for assistance.

RECOMMENDATION:

We recommend that all requests for assistance be documented on an intake form or application form. The form can also be used to formally approve assistance provided as required by the Department's formal policies recommended above.

HS- 3 - CONDITION (FR/IC):

We noted that the Department currently accounts for donations on a spreadsheet and also provides recognition letters to donors.

RECOMMENDATION:

We recommend that the spreadsheet be reconciled to the recognition letters to ensure completeness. The reconciliation should be reviewed and approved and forwarded to the Finance Department on a period basis.

HS- 4 - CONDITION (FR/IC):

Currently, the Department issues a receipt for all cash and checks received. No receipts are issued for gift cards received.

The spreadsheet is used to prepare the transmittal report, but the collections are not reconciled to the receipt book.

RECOMMENDATION:

We recommend that the transmittal/deposit be reconciled to the receipt book. The transmittal should identify the applicable receipt numbers.

We also recommend that a receipt be provided to the donor of gift cards and that a separate receipt book be used for that purpose and reconciled to the gift card inventory form.

Planning and Zoning/Wetlands

PLANNING AND ZONING/WETLANDS

TYPES OF CASH RECEIPTS

1. Planning permits
2. Zoning fees, including State portion
3. Copies

BACKGROUND

The Planning and Zoning/Wetland Department collects monies for permit fees and zoning fees. Currently, the process is manual, as there is no software program in place to manage the process.

The Department is interested in the capabilities of the new software that was installed by the Building Department to also be implemented in this department.

FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Low Pooled car.

FRAUD RISK ASSESSMENT

Low

CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

PZW 1 - CONDITION (FR/IC):

Currently, the collection of cash receipts is documented by noting the receipt on the application. The notation also includes the payment type. Only customers who pay in cash are provided a receipt, unless it is requested by the customer.

RECOMMENDATION:

We recommend that the department begin using a pre numbered receipt book for all transactions and that the receipt book be reconciled to the transmittal reports and the related deposit.

We also recommend that the capabilities of the new software installed by the Building Department be reviewed and considered to manage the permits and application in the department.

PZW 2 - CONDITION (FR/IC):

Currently, the applications and permits issued are not prenumbered (all permits).

PLANNING AND ZONING/WETLANDS

RECOMMENDATION:

We recommend that all permits be prenumbered and that the accountability for all permits issued be performed on a period basis, but at least annually.

PZW 3 - CONDITION (FR/IC):

Currently, transmittal reports are not being prepared and cash transmitted is not being forwarded to the Revenue Collector on a standard basis.

RECOMMENDATION:

We recommend that transmittals and deposits be completed on a daily basis, but no less than weekly.

PZW 4 - CONDITION (FR/IC):

Currently, there is no reconciliation performed when preparing the transmittal reports to the applications received for the same period.

RECOMMENDATION:

We recommend that at the time the preparation of the transmittal report, a reconciliation be performed to balance the activity being reported. This reconciliation should be retained and attached to the transmittal sent to the Revenue Collector.

PZW 5 - CONDITION (FR/IC):

Currently, there is no log of permits issued by type maintained.

RECOMMENDATION:

We recommend that a log of permits and applications be developed and implemented to monitor the activity of the department. The log can also be used as part of the accountability and balancing of activity noted above.

PZW 6 - CONDITION (FR/IC):

Currently, there is a quarterly report prepared and sent to the Town Manager that includes the number of permits issued. This report does not contain any financial information (amounts collected for the permits).

RECOMMENDATION:

We recommend that the report be modified to include amount of monies collected. This report should also be provided to the Finance Department for review and monitoring.

PLANNING AND ZONING/WETLANDS

PZW-7 - CONDITION (FR/IS):

Currently, the permits issued are not prenumbered. The permit number is assigned after the permit is issued. In addition, there is no accounting for the sequence of the permits issued.

RECOMMENDATION:

We recommend that permits be prenumbered and that at least annually, the sequence of permit numbers be accounted for.

**Parks
and
Recreation**

PARKS AND RECREATION

TYPES OF CASH RECEIPTS

1. Membership fees
2. Program fees
3. Rental fees (facility, gym, pavilion, kayaks)
4. Sales of merchandise

BACKGROUND

The Parks and Recreation Department/Community Center collects monies for various fees and programs. The Department uses a popular recreation department software program to process all cash receipt transactions. Only managers have the ability to void/adjust transactions. Managers also recount the cash dropped into the safe by the receptionist and prepare the deposit.

FRAUD RISK EVALUATION

Level of receipts: High

Internal Controls Medium

Use of Resources: Medium Facility use, services, merchandise

FRAUD RISK ASSESSMENT

High

CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

PR-1 - CONDITION (FR/IC):

The managers are the only employees who can void/adjust transactions. Currently, there is no adjustment report generated as part of the balancing process. Therefore, the adjustments are not reviewed and approved by the Recreation Director.

RECOMMENDATION:

We recommend that an adjustment report be generated as part of the daily balancing process and that the report be reviewed and approved by the Recreation Director.

PR-2 - CONDITION (FR/IC):

Currently, the prices for merchandise for sale is programmed into the register system by the managers. The prices are not reviewed and approved by the Recreation Director.

RECOMMENDATION:

We recommend that, after the prices are programmed into the register, they be reviewed and approved by the Recreation Director.

PARKS AND RECREATION

PR-3 - CONDITION (FR/IC):

Although limited, in certain circumstances the managers (back office) will accept customer payments. The transaction is logged under the manager's user ID, but the manager then balances their own deposit.

RECOMMENDATION:

We recommend that the Town develop and implement a formal policy regarding the processing of transactions by the managers from the back office. The policy should address whether the practice is acceptable and if determined to be acceptable, the circumstances under which it is permissible. The policy should also then require that the other manager perform the recount and verification of the deposit.

PR- 4 - CONDITION (FR/IC):

The Department uses two different rental forms. One form is for the rental of a room for a party or event and another for rental of the facility. The Department also rents the pavilion. In addition, rentals can be done through the website. Currently, none of the rental forms are prenumbered. Rentals require payment in full at the time of registration.

RECOMMENDATION:

We recommend that all rental applications be prenumbered and that, at least annually, the sequence of applications approved be reconciled with the amounts recorded as revenue in the general ledger.

We also recommend that the amounts deposited and recorded in the general ledger be reconciled to the calendar/binder that is used to manage the rentals.

PR- 5 - CONDITION (FR/IC):

Currently, certain transactions such as rental reservation and prepayments are entered into the Parks and Recreation software as household credits on customer accounts. Household credits cannot be transferred between customer accounts, but can be processed as a refund and then a payment to the new account. Only managers can apply household credits. When the payment is entered, the software system allocates it the "unknown" category. When the transaction is processed, a note is added to the description to identify what type of revenue the payment should be classified as when applied.

The system has the ability to generate reports of the balances of household credits. Currently, these reports are not being reviewed and approved by the Recreation Director nor are they being provided to the Finance Department to ensure proper recording of these balances during the year or at year end.

RECOMMENDATION:

We recommend that the software be reviewed to identify a more efficient process for applying household payments and to eliminate the need to add notes and reenter the transaction to the proper category. It is not clear why a payment would be classified as unknown.

PARKS AND RECREATION

RECOMMENDATION:

We recommend that the report of the activity for household credits be reviewed and approved by the Recreation Director along with the other adjustment reports.

RECOMMENDATION:

We recommend that the report of the activity for household credits be provided to or produced by the Finance Department on a periodic basis to ensure that the activity is being properly recorded and accounted for.

PR- 6 - CONDITION (FR/IC):

Currently, there are non-active customer accounts with credit balances. Some of the balances have been inactive for many years.

RECOMMENDATION:

We recommend that the Town develop and implement a policy for credit balances. The policy should address the procedures for resolving credit balances that are over \$X and X days of inactivity. The policy should address the resolution of the balance such as forfeit, used for benefit of Department or escheated to the State.

We recommend that the report of the activity for credit balances be provided or produced by the Finance Department on a periodic basis to ensure that the activity is being properly recorded and accounted for.

PR- 7 - CONDITION (FR/IC):

Currently, rosters for programs are provided to the Department program managers. If any adjustments are necessary they are initiated by the program manager. The Department managers will process the credit in the software system based upon the roster provided by the program manager. The roster is then noted with the credit processed and returned to the program manager.

RECOMMENDATION:

We recommend that any credits that are required to be processed be formally requested and approved. A credit request form should be developed and implemented to document approval of the credit and the processing in the software.

We also recommend that a report of the credits processed be generated and that it be reviewed and approved by the Recreation Director.

PR- 8 - CONDITION (FR/IC):

Currently, certain independent contractors are paid based upon enrollment and other contractors are paid based upon the class.

PARKS AND RECREATION

RECOMMENDATION:

We recommend that the Town review the contractors that are being paid by class to determine if they can be paid by enrollment. If a contractor is paid by enrollment, there is an incentive to verify that all customers in the program have been enrolled.

PR- 9 - CONDITION (FR/IC):

Currently, the Department conducts an annual physical inventory during the summer. The documentation of the physical inventory is not retained.

RECOMMENDATION:

We recommend that the documentation of the physical inventory be retained. Any adjustments necessary based upon the inventory should be documented and approved by the Recreation Director. A copy of the physical inventory should be also provided to the Finance Department.

PR- 10 - CONDITION (FR/IC):

Currently, the Department uses certain inventory items for promotional items.

RECOMMENDATION:

We recommend that the use of inventory for promotional items be recorded through the register software to ensure the inventory balances are accurate.

PR- 11 - CONDITION (FR/IC):

Currently, the Department does not have any formal policies or procedures to update the inventory balance when performing test counts or after the physical inventory is taken.

RECOMMENDATION:

We recommend that the Department develop and implement formal policies, procedures and forms to document all adjustments of inventory balances. The policies and procedures should include the specific procedures and authorization required to update the software system balances.

PR- 12 - CONDITION (FR/IC):

Currently, the Department sells gift certificates for use at the Community Center. The gift certificates are prenumbered and the numbers are entered into the software program when sold. The software program has the ability to generate reports on the balances of gift certificates that have not been redeemed.

RECOMMENDATION:

We recommend that the report of the activity for unredeemed gift certificates credit balances be provided or produced by the Finance Department on a periodic basis to ensure that the activity is being properly recorded and accounted for.

PARKS AND RECREATION

PR- 13 - CONDITION (FR/IC):

Currently, the Parks and Recreation software has accounts receivable balances dating back to 2008. In many cases the balances are very small amounts. The Department does send collection letters directly, but also uses a collection agency for certain delinquent accounts. The Finance Department is sending any account overdue by 120 days to collections.

The Finance Department has been working with the Recreation Department on the accounts receivable balance. Currently, the accounts receivable balance is recorded on the Town's financial statement net of an allowance for uncollectible amounts.

RECOMMENDATION:

We recommend that the Town develop formal policies and procedures regarding delinquent accounts receivables and when they are sent to collections. The policy should also include the process, documentation required and the authority to write off receivable balances. The balance authorized to be written off should be processed through the register software and reconciled to the authorization.

The policy should also include/consider guidelines and required approvals to write off balances under \$X amount.

We recommend that the Town continue to work with the Department to determine the collectible balances and write off the remaining balances. This will allow the proper review, monitoring and management of the receivable balances and the calculation of the allowance.

**Senior
Center**

SENIOR CENTER

TYPES OF CASH RECEIPTS

1. Registration fees - Classes
2. Special meals
3. Trips
4. Meals on Wheels (for service provider)

BACKGROUND

The Senior Center currently does not charge a membership fee. There is also another legally separate organization called Senior Center Associates that conducts activities at the Senior Center. The activities include trips, sales of jewelry, events and coffee sales. The monies collected for these activities are deposited into the Senior Center Associates account.

The Senior Center also provides opportunities to the membership to access wellness providers (massage, nails, haircut, etc.). The membership pays the vendors directly for any service provided.

The Senior Center uses a software program to manage the registration for the classes. The Senior Center does not accept credit cards.

FRAUD RISK EVALUATION

Level of receipts: Low
Internal Controls Medium
Use of Resources: Low Facility

FRAUD RISK ASSESSMENT

Low

CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

SC-1 - CONDITION (FR/C):

Currently, the collection of cash receipts for the Meals on Wheels program is counted by 2 individuals before it is deposited, but is not documented.

RECOMMENDATION:

We recommend that the counting and verification of the amount received be documented by employees on the transmittal form.

SENIOR CENTER

RECOMMENDATION:

We recommend that the Town develop a policy regarding the Town collecting monies for outside vendor programs. The policy should address the policies and procedures for accounting for and the security of the amount received.

SC-2 - CONDITION (FR/IC):

A receipt is issued at the time of collection for all receipts collected noting the payment type (cash or check). The payments are then entered into the Senior Center software program. Currently, there is no reconciliation performed between the receipt book, the deposits and the software program.

RECOMMENDATION:

We recommend that the activity of the receipt book be balanced and reconciled to both the amount entered into the Senior Center software program and the transmittal/deposit.

SC-3 - CONDITION (FR/IC):

Currently, one employee is responsible for the collection of receipts, entering the receipts into the Senior Center software and preparing the deposit.

RECOMMENDATION:

We recommend that functions of collecting, recording and preparing the deposit be segregated to strengthen internal controls.

This balancing process should be documented and reviewed and approved by either the Office Manager or the Director or an employee not involved in the cash receipt process.

RECOMMENDATION:

We recommend that responsibilities for the receipt of cash and the preparation of the deposit be segregated to the extent possible. If possible, an employee should be designated that has primary responsibility for the cash receipt process and another employee for the preparation of the deposit and transmittal to the Revenue Collector.

SC-4 - CONDITION (FR/IC):

Currently, a separate organization is providing programs and services at the Senior Center to the membership. There are no current policies and procedures or agreement related to this activity.

RECOMMENDATION:

We recommend that the Town develop a policy regarding separate organizations providing programs and services at the Senior Center. The agreement should address any Town expectations and responsibilities for both parties.

**Tax
Collector**

TAX COLLECTOR

TYPES OF CASH RECEIPTS

1. Property taxes
2. Interest and lien fees
3. Bounced check fees
4. Warrant fees
5. Copies

BACKGROUND

The Tax Collector/Revenue Collector's Office has 2 full time employees and 1 part time employee. Payments can be accepted in the office, on line, and dropped in the mailbox outside of Town Hall.

Reports are prepared on a daily basis and forwarded to the Finance Department.

FRAUD RISK EVALUATION

Level of receipts: High

Internal Controls Medium

Use of Resources: Low None

FRAUD RISK ASSESSMENT

High

CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

TXC-1 - CONDITION (FR/IC):

Currently, access to the tax register software is not controlled by a user ID or password, therefore, transactions are not identified by user. There are certain functions that are controlled by passwords.

RECOMMENDATION:

We recommend that each Tax Department employee be assigned a unique login ID and that the login be used for all transactions processed by that employee.

We also recommend that each employee log off after processing each transaction or when another employee will be responsible for processing transactions (break, lunches, end of day, etc.).

TAX COLLECTOR

TXC-2 - CONDITION (FR/IC):

During our review, we noted that all users can void transactions.

RECOMMENDATION:

We recommend that the ability to void transactions be limited to certain employees or that the available void report be run and approved by the Tax Collector on a periodic basis (monthly).

TXC-3 - CONDITION (FR/IC):

During our review we noted that the tax collection software can also produce other exception reports such as an override code report. The report is not currently being produced and reviewed.

RECOMMENDATION:

We recommend that void and other exception reports be reviewed and approved by the Tax Collector. We also recommend that these reports be forwarded to the Finance Department on a periodic basis.

TXC-4 - CONDITION (FR/IC):

During our review, we noted that the Town processes all mailed tax payments manually through the tax software in the office.

RECOMMENDATION:

To improve efficiency, cash flow and investment earnings, and allow additional time to be allocated to the Revenue Collector function, we recommend that the Town consider implementing a lockbox service for tax payments.

TXC-5 - CONDITION (FR/IC):

During our review, we noted that there is a lack of segregation of duties with respect to the processing of tax payments, balancing, preparing the deposit and going to the bank.

RECOMMENDATION:

We recommend that the Tax Collector's office implement procedures to segregate duties with respect to the cash receipts function.

**Revenue
Collector**

REVENUE COLLECTOR

TYPES OF CASH RECEIPTS

1. Property taxes (taxes, interest, lien fees, warrant fees)
2. Sewer use fees
3. All other department cash receipts
4. Trash service
5. Parking tickets
6. Medical insurance contributions (retiree, COBRA, FMLA)
7. Copies and bank fees (bounced checks)

BACKGROUND

The Tax Collector/Revenue Collector's Office has 2 full time employees and 1 part time employee. In the role of Revenue Collector, the department does the billing for the various revenues noted above.

FRAUD RISK EVALUATION

Level of receipts: High

Internal Controls Medium

Use of Resources: Low None

FRAUD RISK ASSESSMENT

High

CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

RC-1 - CONDITION (FR/IC):

Currently, there is no counting of cash or receipts provided at the time the departments transmit cash receipts to the Revenue Collector's department. A signed copy of the transmittal report is returned to the Department once the cash is counted.

RECOMMENDATION:

We recommend that as transmittals are submitted, the cash is counted in the presence of the employee transmitting the receipts and that a receipt be issued or the transmittal be signed by both the Revenue Collector's Department and the employee agreeing to the amount of cash receipts transmitted. The count should also be used to verify the amount of cash and checks.

RC-2 - CONDITION (FR/IC):

Currently, the Revenue Collector's department performs the billing and collection for retiree medical insurance contributions. The data is obtained for the various departments and the Revenue Collector generates the invoices. The department is not provided a billing register to verify the billings. The Revenue Collector's office also processes the cash receipts.

REVENUE COLLECTOR

RECOMMENDATION:

We recommend the billing and collection process be properly segregated between two different employees.

We also recommend that the billing register be reviewed and approved by the responsible department prior to the billing being processed.

RC-3 - CONDITION (FR/IC):

During our review, we noted that although currently infrequent, there is no formal policy, procedure or form to process corrections to the sewer billings.

RECOMMENDATION:

We recommend that the Town develop and implement formal policies and procedures, including a correction form and the required authorizations.

RC-4 - CONDITION (FR/IC):

Currently, for ticket fine payments made to the Revenue Collector, a receipt is provided to the customer from a prenumbered receipt book. The information from the receipt book is then posted to the parking ticket software system. It was noted that since this is a two-step process, in certain instances, the activity of the receipt book was not posted to the ticket software on a timely basis.

In addition, there is no reconciliation between the ticket fine receipt book and the amount collected and posted into the ticket software.

RECOMMENDATION:

We recommend that the Town implement formal procedures to ensure that all ticket fines paid are posted on a timely basis. This will reduce the adjustments necessary when fines are automatically doubled and increase efficiency of processing.

We also recommend that the activity from the prenumbered receipt book be reconciled to the amount collected and the amount posted to the ticket software system. This reconciliation should be documented.

RC-5 - CONDITION (FR/IC):

During our review of the ticket fine collection process, we noted that there are no software controls regarding the increasing or decreasing of fines and no exception reports available from the system to allow monitoring of these types of transactions.

RECOMMENDATION:

We recommend that the Town review the software capability related to the controls over the adjustment of fee amounts to determine if reports can be generated or developed. If no exception reports can be generated, then the Town should implement formal policies and procedures over adjustments to ticket amounts, required approval and documentation.

REVENUE COLLECTOR

RC-6 - CONDITION (FR/IC):

During our review, we noted that not all departments are providing supporting documentation for the deposit along with the transmittal report.

RECOMMENDATION:

We recommend that all departments be required to provide supporting documentation for the amount being deposited along with the transmittal report.

RC-7 - CONDITION (FR/IC):

During our review of various Town departments, it was noted that various other departments are currently responsible for billings generated by their department. In many cases the billings are not provided to the Finance Department or the Revenue Collector. In certain instances, this also has created a lack of segregation of duties over the billing and collection function.

RECOMMENDATION:

We recommend that the Town consider centralizing the billing and collection of all other Town departments to the Revenue Collector's office. This will increase efficiency in other departments and strengthen internal controls over billing and cash receipts.

The Town should also consider separating the billing and collection functions within the Revenue Collector's office to properly segregate that activity.

RC-8 - CONDITION (BP):

During our review, it was noted that the Assistant Tax Collector's salary is charged 50% to the Public Works department for the estimated volume of work to process billing and collections for the trash service and sewer user fee. The current estimate (not documented) of the actual time necessary to process this activity is greater than 50%.

It was also noted that due to the current workload, which includes the amount of time spent working with the Town Department to correct the information provided to the Revenue Collector, other activities such as delinquent tax collection efforts may not be receiving the level of effort that is desired.

RECOMMENDATION:

In conjunction with the several previous recommendations, we recommend that the Town review the desired role and responsibilities of the department. This would include where salaries should be budgeted. For any proprietary fund activities, consideration should be given to allocating the applicable cost to those activities.

It should also include a time study as to where the department is actually spending its time and where the Town desires the level of effort for each area of responsibility of the department.

Library

LIBRARY

TYPES OF CASH RECEIPTS

1. Fines
2. Lost/damage materials
3. Printing/copies
4. Replacement cards
5. Donations
6. Sales (misc)

BACKGROUND

The Library uses a software program that tracks the materials that are checked out. The software automatically calculates the fines that are due or the charge for lost materials. The Library charges for public printing. The printer job is not released until payment is received.

The Library does not accept credit cards.

The Library has a petty cash fund.

FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls: Medium

Use of Resources: Low Library materials, miscellaneous items for sale

FRAUD RISK ASSESSMENT

Low

CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

LB-1 - CONDITION (FR/IC):

Currently, the Library software is not being utilized to manage, balance and reconcile financial activity. Due to the nature of operations, weather, hardships and other reasons, certain fees and charges are waived or adjusted.

We also noted that the Library software system has the capability to identify the payment type received (cash vs check), but payments are not being entered by type. The system currently defaults to cash as a payment type and, therefore, all transactions are noted as such.

LIBRARY

RECOMMENDATION:

We recommend that the Library develop and implement formal policies and procedures for any fee or fine waivers.

We recommend that the Library investigate the financial capability for the Library software and begin to account for the collection of all fines and other cash receipts using the software. Collections should be balanced to the report on a daily basis. The register report should be attached the transmittal report.

We also recommend that the capabilities of the software be reviewed to determine the type of reports that could be run, especially with respect to reports that relate to voided transactions or adjustments (fee waivers).

We also recommend that the Library immediately implement a policy to correctly identify each transaction by the appropriate payment type as the transaction is being processed.

LB-2 - CONDITION (FR/IC):

Although the printer has a counter, there is no reconciliation of the number of pages to the charges for printing. In addition, it was noted that in some cases the fees are waived (elderly, tax forms) and that in some instances Library staff also print to the public printer.

RECOMMENDATION:

We recommend that procedures be implemented to document the number of pages printed, the fees charged and the fees waivers.

We also recommend that a formal policy be development and implemented on the waiver of fees including who has the authority to do so.

LB-3 - CONDITION (FR/IC):

The Library software program tracks the activity of each user's library card. This included any fines, lost book charges or adjustments.

RECOMMENDATION:

We recommend that the library software capabilities be reviewed for the ability to produce exception reports such as a voided transaction report or adjustment report.

If these reports are available, they should be reviewed and approved on a period basis to properly monitor these types of transactions.

LB-4 - CONDITION (FR/IC):

During our review, we noted that refunds to customers for lost books that were subsequently found are refunded through the Library's petty cash fund.

LIBRARY

RECOMMENDATION:

We recommend that the Library develop and implement a formal refund form and that all refunds be processed through the Finance Department as they are for other departments.

LB-5 - CONDITION (FR/IC):

Although the Library operates using certain policies for things such as grace period to find lost book, waiver of fines or print charges and employee use of material, these policies are not written and formally communicated.

RECOMMENDATION:

We recommend that the Library formally document the current policies in place and communicate them as appropriate to employees and the public.

LB-6 - CONDITION (FR/IC):

Currently, sales of miscellaneous items are accounted for on a manual tally sheet. The transactions are not processed through the Library software. Sales of these items are approximately \$200 annually. No formal inventory records are maintained for these items.

RECOMMENDATION:

We recommend that the sales for miscellaneous items be recorded through the register system and that an inventory control sheet be maintained and updated for purchases and sales.

LB-7 - CONDITION (FR/IC):

Currently, access to the Library software is not controlled by a user ID or password, therefore, transactions are not identified by user. The Circulation desk uses a general login ID.

RECOMMENDATION:

We recommend that each Library Department employee be assigned a unique login ID and that the login be used for all transaction processed by that employee.

We also recommend that each employee log off after processing each transaction or when another employee will be responsible for processing transactions (break, lunches, end of day, etc.).

LIBRARY

LB-8 - CONDITION (FR/IC):

Currently, the Library bookkeeper/manager counts the monies and prepares the deposit as well as the related transmittal form. The transmittal does not list the amounts of cash and checks being transmitted.

RECOMMENDATION:

We recommend that the Library implement procedures to segregate duties with respect to the cash receipts function. If segregation is not possible, we recommend that the Library Director review and approve the transmittal and related supporting documentation. This review and approval should be documented.

We also recommend that the cash and check amounts be detailed on the transmittal form for verification by both the Library Director and the Revenue Collector.

Building

BUILDING

TYPES OF CASH RECEIPTS

1. Building permits
2. Housing fees
3. Fire Marshall fees

BACKGROUND

The Building Department collects fees for the building department and the Fire Marshall. The housing fees billed are required by ordinance. The department is in the process of implementing new software to manage the building operations, including cash collections and billings. The building permit fees and housing fees are set by ordinance and are on the Town's website.

FRAUD RISK EVALUATION

Level of receipts: Medium

Internal Controls Medium

Use of Resources: Low 3 assigned vehicles. Testing equipment use that is logged

FRAUD RISK ASSESSMENT

Medium

CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

BD-1 - CONDITION (FR/IC):

Currently, the calculation for new construction projects is performed by the Building Inspector. The department does not require a standard form to document the calculation, nor is the calculation reviewed and approved by the Building Official.

RECOMMENDATION:

We recommend that the Town develop and implement a standard form to calculate building permit fees. The form should be approved by the Building Official and retained in the permit file.

BD-2 - CONDITION (FR/IC):

Currently, the value used to calculate the permit fee for renovations/alterations is based upon the estimate provided by the homeowner or contractor. It is reviewed by the Building Department, but the review is not formally documented or approved by the Building Official. The Building Department does not require the contractor/homeowner to provide any supporting documentation to support the estimated value.

BUILDING

RECOMMENDATION:

We recommend that the Town require supporting documentation for the estimated value of the project. The documentation should be a written estimate or contract and should be retained in the permit file.

We recommend that the Town implement a formal policy/form to document the review and approval of building permit fees. The form should be approved by the Building Official and retained in the permit file.

BD-3 - CONDITION (FR/IC):

Currently, the Fire Marshall fee is added to the fees charged to the customer by the Building department when determined to be due.

RECOMMENDATION:

We recommend that the Fire Marshall be required to review and approve the applications to verify/approve that fees are being charged appropriately.

BD-4 - CONDITION (FR/IC):

Currently, the Town has two developer agreements in place that set the building fees for the projects permitted by these developers.

RECOMMENDATION:

We recommend that permit charges for the two developers with formal agreements with the Town be formally approved by the Building Official.

BD-5 - CONDITION (FR/IC):

Currently, the building permits issued are not prenumbered. The building permit number is assigned after the permit is issued. In addition, there is no accounting for the sequence of the permits issued.

RECOMMENDATION:

We recommend that building permits be prenumbered and that, at least annually, the sequence of permit numbers be accounted for.

BD-6 - CONDITION (FR/IC):

Currently, the building permits issued are accounted for on an excel spreadsheet. The spreadsheet then is designed to generate the transmittal. One employee maintains the spreadsheet. The spreadsheet is not reviewed by the Building Official or other supervisory employee.

RECOMMENDATION:

We recommend that the Town review the reporting capability of the new software and use the reports generated from the software to balance collection activity.

BUILDING

BD-7 - CONDITION (FR/IC):

Building permits are now being entered into the newly implemented Building Department software system. The software system generates the building permit, tracks inspections and also logs each entry. Permits can be deleted, but the permit number will not be deleted.

RECOMMENDATION:

We recommend that only the Building Official and Assistant Building Official have the administrative rights to be able to void/delete/rollback permits.

We also recommend that an exception report (void/deleted/rollbacks) be produced on a monthly basis and be reviewed and approved by the Building Official. If a report is not currently available, the Town should work with the vendor to develop this type of report.

BD-8 - CONDITION (FR/IC):

Currently, when entering payments for building permits, the system allows the type of payment to be entered (cash or check). The daily register report currently being produced does not show separate amounts for cash and checks collected.

RECOMMENDATION:

Although we were able to find a detailed transaction report that listed each transaction by payment type, we recommend that the software be reviewed to determine if a report can be produced that will present the total collected by payment type.

BD-8 - CONDITION (FR/IC):

Currently, the cash receipts are being balanced and reconciled to the excel spreadsheet and not to the new building department software. Since the excel worksheet is created from the permits issued, it does not ensure completeness.

RECOMMENDATION:

We recommend that the cash receipt activity be reconciled to the reports generated from the software program.

BD-9 - CONDITION (BP):

Currently, if a check is received for an incorrect amount, it is returned to the customer with a request to ask for a new check with the correct amount.

RECOMMENDATION:

We recommend that the Town review this policy and develop a formal policy regarding this type of transaction.

BUILDING

BD-10 - CONDITION (BP):

Although the department has implemented the new software, they are still working to develop formal procedures for use of the software as well as working with the vendor to ensure that it is working properly. Therefore, the department is still currently using a receipt book to record certain, but not all, collections.

RECOMMENDATION:

We recommend that all collections be reconciled to the software system reports. While those policies and procedures are being developed, we recommend that all collections be documented with the receipt book and that the receipt book activity be reconciled to the transmittal report and deposit.

BD-11 - CONDITION (IC/FRI):

Currently, one employee in the Building Department prepares the billing for the housing fee, accepts the payments and maintains the accounts receivable records.

In addition, the billing and accounts receivable balances are not reported to the Finance Department.

RECOMMENDATION:

We recommend that the functions of billing, collecting and accounting be properly segregated.

We also recommend that all billings be provided to the Finance Department.

BD-12 - CONDITION (BP):

Currently, the certificates of occupancy are collected in a folder which is picked up by the Assessor's Department on a periodic basis. We also noted that the newly implemented software has the ability to generate certificate of occupancy reports.

RECOMMENDATION:

We recommend that the certificate of occupancy reports from the software system be provided to the Assessor's Department on a periodic basis, but at least monthly.

Consideration can also be given to providing the Assessor's Department read only access to the software to be able to obtain the reports directly.

**Public
Works**

PUBLIC WORKS

TYPES OF CASH RECEIPTS

1. Engineer fees
2. Driveway permits (Right of way)
3. Sewer connection fees
4. Trash pickup fees
5. Performance bonds
6. Sales of recycling bins, composting kits, etc.
7. Sale of recyclables

BACKGROUND

The Public Works Department manages the public works operations and the Transfer Station. They do not currently use a software program to manage operations, but are planning to implement the public works portion of the same software recently implemented by the Building Department.

Customers for trash service may sign up in person (form) or on-line. Renters must pay a security deposit before service is started. Public Works verifies the application to determine if a security deposit is required.

A spreadsheet is maintained by Public Works that details the service level requested by the customer. The spreadsheet is shared with the Revenue Collector. The Revenue Collector sets up the customer in the billing system.

The gas fuel pumps are controlled by user logon and keys. The diesel fuel pump is not controlled electronically, but a manual log is used to document usage. There are no cameras at the fuel pumps.

FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: High Equipment, fuel, material inventory, vehicles

FRAUD RISK ASSESSMENT

Medium/High (use of resources)

CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

PW-1 - CONDITION (FR/IC):

Currently, the department accepts performance bonds and driveway bonds. All cash bonds are sent to the Finance Department. The department does not maintain and update a listing of bonds (cash and surety).

PUBLIC WORKS

RECOMMENDATION:

We recommend that Public Works Department develop a list of both performance bonds and driveway bonds and update the listing for new bonds and to document releases in accordance with the Town policy.

PW-2 - CONDITION (FR/IC):

Currently, the department documents cash collections by the use of a receipt book. The transmittal reports that are prepared are not reconciled to the receipt book.

RECOMMENDATION:

We recommend that the transmittal/deposit be reconciled to the receipt book. The transmittal should identify the applicable receipt numbers.

PW-3 - CONDITION (FR/IC):

Currently, the permits issued are not prenumbered. The permit number is assigned after the permit is issued by the employee accepting payment for the permit. In addition, there is no accounting for the sequence of the permits issued.

RECOMMENDATION:

We recommend that permits be prenumbered and that, at least annually, the sequence of permit numbers be accounted for.

PW-4 - CONDITION (FR/IC):

Currently, the permits issued are accounted for on an excel spreadsheet.

RECOMMENDATION:

We recommend that the spreadsheet be reconciled to the receipt book to ensure completeness.

PW-5 - CONDITION (FR/IC):

Currently, the Department also collects fees for trash service if a customer comes to the Public Works department to pay. Customers are only given a receipt if they pay in cash.

Payments are also accepted by the Revenue Collector.

RECOMMENDATION:

We recommend that the Public Works Department cease accepting payments from customers for trash service. All customers should be directed to the Revenue Collector to make payments.

If that recommendation is not implemented, we recommend that the transactions be recorded directly into the trash service billing software. Collections should be balanced and reconciled to the trash service software.

PUBLIC WORKS

RECOMMENDATION:

Finally, if the recommendation above is not or cannot be implemented, we recommend that all collections be documented by issuing a receipt from the receipt book.

We also recommend that the receipt book be reconciled to the transmittal and deposit.

PW- 6 - CONDITION (FR/IC):

Currently, the Department uses an excel spreadsheet to manage customer service changes and requests.

RECOMMENDATION:

We recommend that the changes to service be required to be documented in writing from the customer and formally reconciled to the actual billing system.

PW- 7 - CONDITION (FR/IC):

Currently, the Department purchases and sells recycling bins and composting kits. Most of the items are purchased based upon preorders.

RECOMMENDATION:

We recommend that purchases and sales of these items be formally accounted for. Items purchased should be inventoried and the sales accounted for the total value of the purchase. This accounting should be formally documented and the inventory balance should be verified on a periodic basis.

PW- 8 - CONDITION (FR/IC):

Currently, the Department receives the monies (checks) for the sale of recyclables. In some instances, employees from the Transfer Station deliver the scrap metal to the dealer who then gives the check to the employee. The amounts received are tracked and reviewed analytically.

RECOMMENDATION:

We recommend that the checks received for recyclables be sent directly to the Finance Department and not to the Public Works Department nor provided to the employee dropping off the materials.

We also recommend that the Town implement procedures to control the materials being sold and to estimate the expected volume to be able to compare the actual receipts.

PUBLIC WORKS

PW- 9 - CONDITION (FR/IC):

Currently, the Department equipment is located at the Public Works garage. The keys to the equipment are also kept unlocked in the garage. The equipment is not formally inspected or compared to logged usage.

RECOMMENDATION:

We recommend that the keys to the vehicles be controlled via a locked key cabinet. The cabinet should be locked at the end of each business day and only selected supervisory employees should have the keys.

We also recommend that the equipment usage logs be compared to the actual usage on a periodic basis. This review and comparison should be documented.

PW- 10 - CONDITION (FR/IC):

Currently, the fuel pumps user/login is the Town assigned employee number. The fuel pump also requires that the user enter the estimated mileage of the vehicle. The key for the fuel pump is also programmed to a specific vehicle.

RECOMMENDATION:

We recommend that the user/login be changed to something other than the employee's employee number. That number does not provide the same security as a password.

PW- 11 - CONDITION (FR/IC):

Currently, the fuel pumps are able to produce a usage report. This report is used by the Finance Department for billing purposes, but it is not reviewed by the Public Works Director.

For diesel fuel, the usage log is maintained manually.

RECOMMENDATION:

We recommend that the Public Works Director or Assistant Public Works Director review and approved both the fuel system report and the manual diesel fuel log on a weekly basis.

PW- 12 - CONDITION (FR/IC):

Currently, there are no cameras located at either the gas or diesel fuel pumps.

RECOMMENDATION:

We recommend that the Town consider installing cameras at the fuel pump locations.

PUBLIC WORKS

PW- 13 - CONDITION (FR/IC):

Currently, the Public Works garage does not have a fence to protect the equipment at the location or to prevent access to the garage after business hours.

RECOMMENDATION:

We recommend that the Town consider installing a fence to increase the physical security and access to the Town's public works equipment.

We also recommend that the Town consider installing a keyless entry at the garage with each employee having a unique access code to further strengthen the security of the Town's assets at the garage.

**Transfer
Station**

TRANSFER STATION

TYPES OF CASH RECEIPTS

Dump fees

BACKGROUND

The Transfer Station is open 3 days a week. There is a cash register in the shack to record cash collections. The employee at the Transfer Station reviews what is in the customer's vehicle and calculates the fee. There is no scale at the site, so the calculation is based upon the employee's judgment. There is a camera on site focused on the shack.

Recently, new procedures and a form were implemented to assist in documenting and balancing the register. At the end of the day the cash is counted both by the employee and a supervisor. The monies are secured in a drop safe. The supervisor then brings the cash receipt to the Revenue Collector.

The Transfer Station accepts cash, checks and credit cards.

The Town had a review of this department in August 2012. We reviewed the report and the suggested controls recommended. We have included our recommendations based solely upon our interview with the Public Works Department.

FRAUD RISK EVALUATION

Level of receipts: Medium

Internal Controls: Medium

Use of Resources: Low None

FRAUD RISK ASSESSMENT

Medium

CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

TS-1 – CONDITION (FR/IC)

RECOMMENDATION:

We also recommend that the Town consider eliminating collection of receipts at the Transfer Station and implement the use of tickets or vouchers that would be sold at Town Hall and then used to dispose of items at the Transfer Station.

TRANSFER STATION

TS-2 - CONDITION (IC):

Currently, the Town does not have a scale at the transfer station and therefore the standard analysis regarding the weight of trash accepted vs the weight of the trash that is hauled out cannot be performed.

RECOMMENDATION

We recommend that the Town consider implementing a scale at the Transfer Station.

We recommend that the Town consider performing a formal analysis of the amount recorded as revenue based upon the weight hauled out.

**Mansfield
Superintendent's
Office**

MANSFIELD SUPERINTENDENT'S OFFICE

TYPES OF CASH RECEIPTS

1. Suzuki – Violin/Cello Program
2. Reimbursement for substitutes from UCONN
3. Cobra checks and FMLA checks for medical insurance
4. Retiree checks for medical insurance
5. State Teachers Retirement Board quarterly checks for Teachers' medical insurance

BACKGROUND

The Mansfield Superintendent's Office receives monies for certain programs and for medical insurance coverage from various groups. The program monies received are matched by the Town and paid to the teachers who operate the program.

The medical insurance billings for retirees are billed through the Revenue Collector, but the other groups are billed and accounted for by the Human Resources Department.

The mail is opened and then distributed by the office secretary, but no log is maintained.

FRAUD RISK EVALUATION

Level of receipts: Low
Internal Controls Medium
Use of Resources: Low None

FRAUD RISK ASSESSMENT

Low

CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

MISO-1 - CONDITION (FR/IC):

Currently, the billings for medical insurance invoices are not being provided to the Revenue Collector or the Finance Department. In addition, there is no segregation of duties between the billing, collection and accounting for these revenues/receivables. The Finance Department is not provided the balance outstanding at year end to record as accounts receivable.

RECOMMENDATION:

We recommend that the Revenue Collector perform the billing for all groups that are required to pay the Town for medical insurance coverage as they currently do for retirees.

This will allow the proper segregation of duties, the proper recording of accounts receivable at year end and the proper monitoring of activity.

MANSFIELD SUPERINTENDENT'S OFFICE

MSO-2 - CONDITION (FR/IC):

Currently, the mail is opened and distributed by the office secretary. The checks received are not logged and reconciled to the transmittal and deposit reports.

RECOMMENDATION:

We recommend that all checks received be logged by the office secretary before distribution and that the amount transmitted to the Revenue Collector be reconciled to the log.

Cafeteria Program

CAFETERIA PROGRAM

TYPES OF CASH RECEIPTS

1. Lunch sales
2. Federal and state grants
3. Catering sales

BACKGROUND

The Mansfield Cafeteria program operates using prepaid lunch cards. Elementary school students are required to use the cards to pay for meals. Middle and High School students are allowed to pay cash for lunches.

The program accepts cash, checks and credit card payments through a website. Credit card payments are then posted to student accounts.

Register reports are run daily and the managers include the reports with the deposit. The reports are not formally balanced.

The Cafeteria Director goes to the elementary schools and picks up the deposits and brings them to the Revenue Collector. The Cafeteria Director does not count the deposits. The Revenue Collector picks up the deposit from the Middle School. The High School brings the deposit to the Revenue Collector.

FRAUD RISK EVALUATION

Level of receipts: Medium

Internal Controls Medium

Use of Resources: Low Food supplies and inventory

FRAUD RISK ASSESSMENT

Medium

CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

CAF-1 - CONDITION (FR/IC):

Currently, when the monies are picked up from each school, the receipts are not counted at that time and no receipt is provided to the managers to document the amount of cash transmitted.

Also, the Cafeteria managers do not prepare a transmittal report as do other departments. The transmittal is prepared by the Revenue Collector.

CAFETERIA PROGRAM

RECOMMENDATION:

We recommend that the Cafeteria managers formally reconcile the register reports to the amount collected and research/explain any differences. This reconciliation should be documented and noted on the register report and the transmittal.

We recommend that before cash is transmitted to the Revenue Collector, the monies be counted by the employee who is accepting custody of the monies and a receipt be prepared or the counting documented in some way such as by a sign off on the transmittal.

CAF-2 - CONDITION (FR/IC):

Currently, although a register system is being used to process the lunch sale transactions, the cafeteria lunch sales are being recorded in the general ledger on a cash basis (the amount deposited).

RECOMMENDATION:

We recommend that the sales be recorded based upon the register reports and that the difference between the register report and the actual amount of cash be recorded as cash short/over. This amount should be documented on the register report and transmittal as noted above.

We recommend that a cash short and over account be established for each school in order to monitor the amount of differences and allow for adequate monitoring and review when necessary.

We also recommend that each Cafeteria operation be reviewed for any undeposited monies and if any exist, they be deposited immediately.

CAF-3 - CONDITION (EFF/IC):

Currently, the Revenue Collector is picking up the cash receipts from the Middle School. The Revenue Collector then reviews the register reports, prepares the transmittal report and makes the deposit.

RECOMMENDATION:

We recommend that the Middle School cafeteria cash receipts be transmitted to the Revenue Collector after proper balancing and preparation of the transmittal report.

This will properly segregate duties and increase efficiency in the Revenue Collector's office.

We recommend that the each school have locked bank bags and a safe to ensure undeposited monies are secured before they are deposited and during the transfer to the Revenue Collector.

CAF-4 - CONDITION (IC):

Currently, the cashiers have the ability to make corrections in the register system.

CAFETERIA PROGRAM

RECOMMENDATION:

We recommend that only the Cafeteria Manager has the ability to make corrections. The corrections should be logged by user and a correction report should be produced on a monthly basis and reviewed by the Cafeteria Director or bookkeeper.

CAF- 5 - CONDITION (IC):

Currently, the managers at the elementary and middle Schools do not recount the cash receipts before they are picked up to be deposited. Elementary schools only collect checks to be applied to the card and cash for .25 or .50 cents for ice cream.

RECOMMENDATION:

We recommend that the process for balancing the registers with each cashier include the recounting of the cash by the Cafeteria Manager and a sign off by the cashier agreeing to the amount of cash collected.

For elementary schools only, consideration should be given to require all payments to be applied to the students card be sent directly to the Cafeteria office to be processed.

CAF- 6 - CONDITION (IC):

Currently, the Town does not record à la carte sales separately from lunch sales.

RECOMMENDATION:

We recommend that all cafeteria revenues be recorded by type in order to allow for proper monitoring and reconciliation. This would include student lunch sales, adult lunch sales, a la cart sales, catering and state and federal grants.

CAF- 7 - CONDITION (IC):

Currently, the Cafeteria bookkeeper does the billing for catering. Most catering is done for internal organizations and payment is processed through a journal entry done by the Finance Department.

There is a catering request form, but the form is not prenumbered.

RECOMMENDATION:

For billings related to outside organizations, we recommend that the invoice be provided to the Finance Department at the time the invoice is produced for proper recording and monitoring.

We also recommend that the catering request form be prenumbered or that the requests be approved by the Cafeteria Director and then forwarded to the Finance Department.

CAFETERIA PROGRAM

CAF- 8 - CONDITION (IC):

Currently, the Cafeteria software accounts for the balance of each student's lunch card. The program has formal policies for when the balance falls below \$0, as well as the capability to notify parents before the balance goes negative. In certain cases, balances are transferred between siblings both during the year, if one balance is negative and when a student graduates. The student balance reports are not provided to the Finance Department at year end.

RECOMMENDATION:

We recommend that the Cafeteria program provide the Finance Department a student school lunch balance report on a quarterly basis in order that the balances can be monitored and properly recorded at year end.

We also recommend that the Cafeteria program develop and implement a balance transfer policy and form. All balance transfers should be approved by the Cafeteria Director. If available, a balance transfer report should be produced and reviewed on a monthly basis.

CAF- 9 - CONDITION (FR/IC):

Currently, the policy is to do a physical inventory every quarter.

RECOMMENDATION:

We recommend that the inventory be documented and the Cafeteria program develop written policies and procedures that address the frequency of inventory counts, the required documentation and approvals for disposal of inventory and employee responsibilities related to food inventory and supplies.

CAF- 10 - CONDITION (FR/IC):

Currently, the policy is that cashiers are not permitted to pay any vendors or other amounts from the cash receipts in the register.

RECOMMENDATION:

We recommend that a policy prohibiting pay out from the register be formally documented and communicated.

**Mansfield
Downtown
Partnership**

MANSFIELD DOWNTOWN PARTNERSHIP

TYPES OF CASH RECEIPTS

1. UCONN and Town of Mansfield Support (annual check)
2. Memberships – 5 types or levels
3. Sponsorships/ donations for events
 - a. Town Square
 - b. Summer Concert Series
 - c. Movies on the Square
 - d. Festival (recorded in Town Special Revenue Fund)

BACKGROUND

The Downtown District is a legally separate nonprofit organization. It is funded jointly by the Town of Mansfield and UCONN.

In addition, memberships are sold and average about \$15,000 annually.

Sponsors provide support for the various events noted above. There are no sales of any kind by the Downtown District at these events.

FRAUD RISK EVALUATION

Level of receipts: Low
Internal Controls Medium
Use of Resources: Low None

FRAUD RISK ASSESSMENT

Low

CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

DD-1 - CONDITION (FR/IC):

Currently, the memberships and sponsorships are being accounted for and managed using an excel worksheet. The membership forms are not prenumbered and memberships can be purchased on-line. There is no reconciliation of the excel worksheet to the amount recorded for memberships and sponsorships to the general ledger

RECOMMENDATION:

We recommend that the date of the deposit be noted on the membership form to allow for reconciliation to the transmittal report.

We also recommend that a reconciliation be performed on a periodic basis of the membership revenues and the sponsorship revenues to the amount recorded in the general ledger.

**Region 19
Superintendent's
Office**

REGION 19 SUPERINTENDENT'S OFFICE

TYPES OF CASH RECEIPTS

1. E.O. Smith Foundation monies
2. Student out of district tuition
3. Student activity receipts (when necessary)

BACKGROUND

The Superintendent's Office often collects monies that are to be deposited into the E.O. Smith Foundation, a separate nonprofit organization. The Foundation supports activities at the High School. The foundation has 2 large fund raisers annually.

The Superintendent's Office also does the billing and collection of tuition for out of district students. The District is currently only billing for 2 students.

Finally, the Superintendent's Office will accept receipts for student activity funds in the absence of the student activity bookkeeper.

The Superintendent's Office also manages a petty cash fund.

FRAUD RISK EVALUATION

Level of receipts: Low
Internal Controls Medium
Use of Resources: Low None

FRAUD RISK ASSESSMENT

Low

CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

RSO-1 - CONDITION (FR/IC):

Currently, the District is collecting monies for a separate legal entity. No receipts are provided to the individual transmitting the cash receipts to the District.

RECOMMENDATION:

We recommend that a receipt book be used to provide the individual a receipt for the amount of cash and checks transmitted. The amount of receipts should be counted in the presence of the individual transmitting the receipts.

We also recommend that the Town consider developing a formal agreement with the separate legal entity to define rights, responsibilities and liability.

REGION 19 SUPERINTENDENT'S OFFICE

RECOMMENDATION:

We also recommend that the District require documentation to be submitted with the deposit for the amount of monies transmitted and the sources of the monies. The documentation could include information such as the number of tickets sold or other units of measure to evaluate completeness and accountability.

RSO-2 - CONDITION (FR/IC):

Currently, the District is billing out of District students for tuition. The billings are not provided to the Finance Department.

RECOMMENDATION:

We recommend that the Finance Department be provided a copy of all billings or that the Town manage the billing and collection process.

**Agricultural
Education
Program**

AGRICULTURAL EDUCATION PROGRAM

TYPES OF CASH RECEIPTS

1. Christmas tree sales
2. Poinsettia sales
3. Plant and vegetable sales
4. Centerpieces (live flowers)

BACKGROUND

The Agricultural Education (AG) Program generates monies to support the program by sales of the various products generated by the program. The program also purchases additional Christmas trees for sale in addition to the trees harvested from the program tree farm.

All sales are supervised by a teacher advisor and the cash receipts are brought to the AG Program office by the advisor and locked in the safe to be counted the next school day by the program bookkeeper.

There is no cash register used (reportedly broken) to record sales. The accounting for the program's cash receipts is done by fundraiser on an excel spreadsheet.

FRAUD RISK EVALUATION

Level of receipts: Low
Internal Controls Medium
Use of Resources: Low None

FRAUD RISK ASSESSMENT

Medium

CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

AGED-1 - CONDITION (FR/IC):

Currently, the sales are being accounted for by either a receipt book or a paper receipt that was implemented in fiscal year 2015 for the tree sales. If the customer is provided a paper receipt, they are not provided a receipt from the receipt book. The paper receipts are not prenumbered to allow proper accountability. They also do not document whether the payment was made by cash or check. In addition, the program does have a cash register, but it is not functioning and has not been replaced. Based upon the current procedures, there is no accountability for sales and, therefore, no ability to reconcile cash collected to sales.

AGRICULTURAL EDUCATION PROGRAM

RECOMMENDATION:

We recommend that the cash register be repaired or a new one purchased to properly record the sales of all types of items noted above.

In lieu of the cash register, a receipt book should be used to account for all sales. The receipt book should document the type of payment (cash or check).

Where possible for all items sold, particularly for the Christmas trees, there should be a system of inventory control. The total amount of trees for sale should be documented and reconciled with sales. Trees that are unsalable should be documented by the teacher advisor when disposed.

AGED-2 - CONDITION (FR/IC):

Currently, the cash is counted by the student and teacher advisor and documented on the envelope. The cash receipts are brought to the AG program office, locked in the safe and then counted by the AG program bookkeeper the next school day.

RECOMMENDATION:

We recommend that the amount of cash collected be independently documented by the teacher advisor. We also recommend that the amount left in the safe be e-mailed to the Student Activity bookkeeper.

AGED-3 - CONDITION (FR/IC):

Currently, the cash receipts collected by the AG program are counted by the AG program bookkeeper and then is transmitted to the Revenue Collector directly vs being provided to the Student Activity bookkeeper.

RECOMMENDATION:

We recommend that the cash collected by the AG program be forwarded to the student activity bookkeeper for deposit like all other student activity funds. This will provide additional control, monitoring and accountability for these monies.

Student Activities

STUDENT ACTIVITIES

TYPES OF CASH RECEIPTS

1. Student Activities
2. Sales
3. Donations

BACKGROUND

The Student activities funds are designed to account for the various activities of the students. Although the Town/School District has custody of these monies, they belong to the student clubs and activities that raised the monies. Student activities also include the monies raised from various events such as plays, yearbook sales, prom, etc.

The funds are managed by the student activity bookkeeper and are recorded in the Town's general ledger system. Disbursements are controlled through the use of a \$50,000 imprest account that allows the bookkeeper to write checks as needed. The checks and supporting documentation are then sent to the Town to be recorded in the general ledger and to reimburse the imprest account.

The bank reconciliation is completed by the Finance Department.

FRAUD RISK EVALUATION

Level of receipts: Medium

Internal Controls Medium

Use of Resources: Low Tickets, merchandise

FRAUD RISK ASSESSMENT

Medium

CONDITIONS AND RECOMMENDATIONS:

Based upon our review we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

SA-1 - CONDITION (FR/IC):

Currently, student activity advisors and others bring monies to be deposited to the student activity bookkeeper in the Superintendent's office. The advisor completes a deposit form noting the amount of the deposit and the activity the receipts are for. The advisor then signs the form and logs the date and amount of the deposit on the deposit log. The monies then are transmitted to the District. The monies are not counted by the student activity bookkeeper at that time. When they are counted, if there is any discrepancy, the advisor is contacted to review. The monies for that activity are not deposited until the difference is resolved.

STUDENT ACTIVITIES

RECOMMENDATION:

We recommend that the monies be counted in the presence of the advisor and that the advisor be given a receipt for the amount transmitted (cash and checks).

The receipt book then should be used to balance the amount deposited and the amounts recorded in the general ledger.

SA-2 - CONDITION (FR/IC):

Currently, not all activities provide the bookkeeper supporting documentation with the monies being deposited.

RECOMMENDATION:

We recommend that detailed supporting documentation be provided to the bookkeeper to support the amount being deposited. The documentation should include receipt book numbers, counts for number of sales of merchandise or tickets, register reports or other documentation that documents completeness.

The supporting documentation should include details on the payment type (cash vs check).

SA-3 - CONDITION (FR/IC):

Certain types of activities are able to be verified using a min/max or reasonability test. Examples of these type of activities would be any event with ticket sales, dues, sales (yearbook), etc. where there is a known quantity available.

RECOMMENDATION:

We recommend that the District require the use and formal documentation of a min/max or reasonability test for activities where the data is available.

The accountability for the total potential value should be compared to the revenues recorded and the balance remaining of the merchandise or number of tickets.

We also recommend that any comp tickets or merchandise be formally approved, documented and accounted for to allow for this type analysis.

SA-4 - CONDITION (FR/IC):

During our review we noted that certain activities are being accounted for through the school bank. Transactions recorded through the school bank creates detailed records of the payments received by student. The school bank software creates a detailed report for the payment made by each student for a particular time period that supports the deposit.

STUDENT ACTIVITIES

RECOMMENDATION:

We recommend that the District require all activities to use the school bank for student specific payments to increase accountability and provide adequate supporting documentation for deposits. Use of the school bank also provides the details needed to verify payments made by each student if a refund becomes necessary.

SA-5 - CONDITION (FR/IC):

Currently, the District does not use a formal software program to account for the activity for each student activity fund. The bookkeeper accounts for the activity for each fund using excel. The activity is tracked by the Town's general ledger software system by fund, but is not capable of accounting for the balance of each fund.

RECOMMENDATION:

We recommend that the District consider the purchase and use of a student activity software program to increase the efficiency of accounting for each fund. The software can be used to produce monthly reports for the Town to record the student activity funds' transaction.

SA- 6 - CONDITION (FR/IC):

Currently, the monies collected for the agricultural education program are processed by the student activity bookkeeper, but are deposited directly by the agricultural education bookkeeper.

RECOMMENDATION:

We recommend that all monies be processed/deposited by the student activity bookkeeper. This will increase efficiency and monitoring over the activity of this program.

SA- 7 - CONDITION (FR/IC):

Currently, the student activity advisors are not formally provided activity reports on a specific periodic basis for the funds they are responsible for.

RECOMMENDATION:

We recommend that on a monthly basis, each advisor be provided a report that details the activity of the fund they are managing and that the advisor be required to sign and return the report as evidence of review.

SA- 8 - CONDITION (FR/IC):

During our review of the listing of student activity funds, we noted the following:

- The District has custody of class funds going back to 1994
- Old scholarship funds are recorded in the student activity fund ledger
- There are many inactive activity funds that have not had activity in several years
- There are accounts with negative balances
- There are funds that do not appear to be student related

STUDENT ACTIVITIES

RECOMMENDATION:

We recommend that the District immediately disburse all monies related to the graduating classes to the class officer or obtain an authorization from the class that the monies be donated to the District or the Foundation.

RECOMMENDATION:

We recommend that all scholarship monies be removed from the student activity fund and bank account and be properly reported as private purpose trust funds or transferred to the Foundation.

RECOMMENDATION:

We recommend that the District review all current accounts to determine the following:

- Accounts that are not active and should be closed.
- The plan to address the funds with negative balances. A formal policy and procedures should be developed and implemented to prevent accounts from being overspent.
- Accounts that are not "student activities". These amounts should be segregated from actual student monies and recorded properly and reported under the proper fund type.

SA-9 - CONDITION (FR/IC):

During our review of the listing of student activity funds, we noted that there are accounts labeled principal's account and interest.

RECOMMENDATION:

We recommend that the District develop and implement a formal policy for the principal account and the interest account. The policy for the principal account should include a detailed policy on what the funds in that account can be used for and any required approvals.

The policy for the interest account should include how the interest will be allocated to the various activities or the specific purposes that the monies can be used for.

**Eastern Highlands
Health District**

EASTERN HIGHLANDS HEALTH DISTRICT

TYPES OF CASH RECEIPTS

1. Fees (collected on site)
2. Fees (collected by District members)
3. Grants

BACKGROUND

Eastern Highland Health District (EHHD) collects fees directly from customers and the fees forwarded to the District office collected by the District member towns. Certain towns send the District a check for the amount collected and other member towns send the actual cash and checks.

The District has purchased a new software program that will allow on-line permitting and the tracking of permits.

FRAUD RISK EVALUATION

Level of receipts: Low

Internal Controls Medium

Use of Resources: Low Vehicles, laptops/IPADs, smart phones

FRAUD RISK ASSESSMENT

Low

CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

EHHD-1 - CONDITION (FR/IC):

Currently, the deposit is prepared by the clerk. The deposit and transmittal are not reviewed by the Department head before sending it to the Revenue Collector.

RECOMMENDATION:

We recommend that the Department head review the deposit and transmittal before it is sent to the Revenue Collector.

EHHD-2 - CONDITION (FR/IC):

Currently, certain towns send the actual cash and checks collected to the District to be deposited vs sending a check for the amount collected.

EASTERN HIGHLANDS HEALTH DISTRICT

RECOMMENDATION:

We recommend that the District require the member towns to provide the District a check for the amount collected. Supporting documentation for the deposit should also be forwarded with the check to review for completeness and proper recording.

EHHD-3 - CONDITION (FR/IC):

Currently, there is no min/max or reasonability calculation performed on permit revenue as a method to ensure completeness.

RECOMMENDATION:

We recommend that a min/max or reasonability calculation be performed on a periodic basis, but no less than annually, to ensure all permit revenues have been properly recorded.

EHHD- 4 - CONDITION (FR/IC):

Currently, the applications for permits are not prenumbered.

RECOMMENDATION:

We recommend that all permits be prenumbered and that the accountability for all permits issued be performed on a periodic basis, but at least annually.

EHHD- 5 - CONDITION (FR/IC):

Currently, a prenumbered receipt book is used for all payments processed in the District office, including the applications accepted in Ashford where the District has office hours. A receipt is also issued for the total receipts transmitted by other towns when they are brought to the District office.

RECOMMENDATION:

We recommend that the activity of the receipt book be balanced and reconciled to amounts entered into the permit tracking database and the transmittal/deposit.

EHHD-6 - CONDITION (FR/IC):

Permits are entered into a database that is used to track permits and prepare the transmittal to the Revenue Collector. Currently, there is no reconciliation of the permit database to the amount recorded in the general ledger.

RECOMMENDATION:

We recommend that the permit database be reconciled to the general ledger on a quarterly basis, but at a minimum annually.

EASTERN HIGHLANDS HEALTH DISTRICT

EHHD-7 - CONDITION (FR/IC):

The District has vehicles that are used by District employees. Per policy, only the Director takes a vehicle home. The other vehicles are not located at Town Hall, therefore, actual monitoring of the policy is not possible. There is a vehicle log, but it is not reviewed during the year, only at year end.

RECOMMENDATION:

We recommend that the vehicle use log be compared to the actual mileage on a periodic basis, but not less than quarterly.

**Discovery
Depot**

DISCOVERY DEPOT

TYPES OF CASH RECEIPTS

1. Day care fees
2. Fundraising
3. State grants
4. Book sales

BACKGROUND

Discovery Depot is a separate legal entity that operates a day care facility. The day care program is funded through parent fees, state grants to the Town and various fundraisers conducted throughout the year.

Fees are based upon a sliding scale based upon income. The fees are accounted for through a day care related software program.

FRAUD RISK EVALUATION

Level of receipts: Medium

Internal Controls Medium

Use of Resources: Low Services

FRAUD RISK ASSESSMENT

Medium

CONDITIONS AND RECOMMENDATIONS:

Based upon our review, we noted the following conditions that are considered to be a fraud risk. For each condition identified, we have also provided our recommendations to mitigate the risk identified.

DDDC-1 - CONDITION (FR/IC):

Currently, a customer is issued a receipt from the receipt book only when a payment is made for the enrollment fee or when a cash payment is received. Other payments are processed through the day care software and the receipt is left in the parent's mailbox.

RECOMMENDATION:

We recommend that all transactions be processed directly through the register software or that the receipts issued be reconciled to the register report. The reconciliation should be documented and provided with the transmittal report to the Revenue Collector.

DISCOVERY DEPOT

DDDC-2 - CONDITION (FR/IC):

Access to the day care software system was limited to the Director and Assistant Director. Certain other employees had read only access. The day care operation is currently without a Director. Currently, the acting Director, the former Assistant Director, is processing all the transactions in the day care software program. The Acting Director then also balances the activity and prepares the deposit and transmittal.

RECOMMENDATION:

We recommend that the procedures be revised to correct the lack of segregation of duties over the cash receipt process. We recommend that an employee be assigned to process the transactions in the software system, balance the activity and prepare the deposit. The balanced reports and the deposit should then be reviewed and approved by the Director or Assistant Director.

DDDC-3 - CONDITION (FR/IC):

Fees are charged to customers based upon income and State determined guidelines. The fees calculated are not reviewed, recalculated or formally approved.

RECOMMENDATION:

We recommend that an excel based form be developed and implemented to calculate the fee to be charged to each customer and that the calculation be formally reviewed and approved by the Director or Assistant Director.

DDDC- 4- CONDITION (FR/IC):

Currently, the Day care requires customers to sign a one year contract when their child is registered. The contract also requires a deposit at the time of registration. The deposit varies based upon the amount of the fees to be charged. The information is entered into the software system and a report can be generated detailing the deposits that have been paid. This report is not produced and reconciled on a periodic basis and is not being provided to the Finance Department.

RECOMMENDATION:

We recommend that the customer deposit report be reviewed and reconciled. The report should be generated and provided to the Finance Department on a monthly basis to be sure amounts are properly recorded and reported.

DDDC- 5- CONDITION (FR/IC):

Currently, customers are invoiced fees on a weekly basis. Reminders are sent to customers for delinquent fees. Based upon discussion, any accounts receivable write offs would need to be approved by the Board, but there is no formal written policy. The software has the ability to produce an accounts receivable report. This report is not currently being provided to the Finance Department.

DISCOVERY DEPOT

RECOMMENDATION:

We recommend that the accounts receivable report be produced on a monthly basis and sent to the Finance Department to ensure proper recording, reporting and monitoring.

We recommend that the formal procedures be developed and implemented for accounts receivable write offs (bad debts). The Depot Board should initially approve the amounts to be written off and then forwarded to the Town for final approval.

DDDC- 6- CONDITION (FR/IC):

The Day care receives certain state grants that require periodic reporting. The reports contain both financial and nonfinancial data. The reports are not currently being prepared or reviewed by the Finance Department before being submitted to the State.

RECOMMENDATION:

We recommend that the grant reports be reviewed and approved by the Finance Department before being submitted to the State.

DDDC- 7- CONDITION (FR/IC):

The Day care program has a function to process customer refunds when necessary for overpayments and to return customer deposits. The Day care does not currently have a formal refund policy or refund form to document the request and approval of the refund.

The software program has a refund function and, therefore, can produce refund and/or adjustment reports. These reports are not currently being produced and, therefore, not provided to the Finance Department for review.

RECOMMENDATION:

We recommend that the Day care develop and implement a formal refund policy including a refund form. The policy should include the process for requesting and obtaining a refund including the required documentation and approvals.

Once approved, the refund requests should be forwarded to the Finance Department to process, along with the report from the software to support the amounts requested to be refunded.

Any other adjustments that are processed through the software should be supported with documentation and proper approval. A software report of all adjustments should be reviewed and approved by the Director and sent to the Finance Department to ensure proper recording.

DISCOVERY DEPOT

DDDC- 8- CONDITION (FR/IC):

The Day care charges additional fees for extended day or late pick up. The fee is assessed to the customer using a form when late pick up occurs. These forms are not prenumbered.

RECOMMENDATION:

We recommend that all additional billing forms be prenumbered and that the accountability for all additional fees issued be performed on a periodic basis, but at least annually.

Fraud Policy

FRAUD POLICY

BACKGROUND

Best practices are for organizations to implement a fraud policy in addition to any personnel policies, code of conduct and conflict of interest policies.

Written policies which directly address fraud and the related consequences have proven to be deterrent.

The Town currently has a Fraud Prevention and Reporting Policy and a Whistleblowers Policy.

RECOMMENDATION:

Based upon our review of the Town's Fraud Prevention and Reporting Policy, we recommend that the Town consider the following update to the current policy.

1. Updating the prohibited acts to include the following items:
 - a. Theft, misuse, or diversion of equipment and/or materials
 - b. Worker's compensation fraud
 - c. Intentional failure to report damage
 - d. Intentional failure to provide product or services that are a part of your job
 - e. Intentional misrepresentation of Town's or governmental policies
2. Update to include the definition and prohibition of abuse

Abuse entails the exploitation of "loopholes" to the limits of the law, primarily for personal advantage. For example, an employee abuses a system of travel allowances by intentionally and unnecessarily scheduling meetings in another Town on a Friday afternoon and on the following Monday morning in order to claim per diem over a weekend.

3. Include clear responsibility for management and employee with respect to being aware of fraud and to monitor and report suspicious activity.

Management Responsibilities

- a. Management is responsible for being alert to and for reporting fraudulent or related dishonest activities in their areas of responsibility.
- b. Each manager should be familiar with the types of improprieties that might occur in his or her area and be alert for any indication that improper activity, misappropriation, or dishonest activity is or was in existence in his or her area.
- c. When an improper activity is detected or suspected, management should determine whether an error or mistake has occurred or if there may be dishonest or fraudulent activity.

FRAUD POLICY

- d. Management must give full and unrestricted access to all necessary records and personnel. All Town furniture and contents, including desks and computers, are open to inspection at any time. There is no assumption of privacy.
- e. In dealing with suspected dishonest or fraudulent activities, great care must be taken. Therefore, management should not:
 - 1. Make unfounded accusations.
 - 2. Alert suspected individuals that an investigation is underway.
 - 3. Treat employees unfairly.
 - 4. Make statements that could lead to claims of false accusations or other offenses.
- f. In handling dishonest or fraudulent activities, management has the responsibility to:
 - 1. Make no contact (unless requested) with the suspected individual to determine facts or demand restitution. Under no circumstances should there be any reference to "what you did", "the crime", "the fraud", "the misappropriation", etc.
 - 2. Avoid discussing the case, facts, suspicions, or allegations with anyone outside the Town, unless specifically directed to do so by the Town Attorney.
 - 3. Avoid discussing the case with anyone inside the Town other than employees who have a need to know such as the Town Manager or Town Attorney or law enforcement personnel.
 - 4. Direct all inquiries from the suspected individual, or his or her representative, to the Town Attorney. All inquiries by an attorney of the suspected individual should be directed to the Town Attorney. The alleged fraud or audit investigation shall not be discussed with the media by any person other than the Town Manager, Police Chief or his designee, and the Town Attorney.

Employee Responsibilities

- 1. A suspected fraudulent incident or practice observed by, or made known to, an employee must be reported to the employee's supervisor for reporting to the proper management official.
 - 2. When the employee believes the supervisor may be involved in the inappropriate activity, the employee shall make the report directly to the next higher level of management or contact the Town Attorney.
4. Add statement that there are no exceptions to the policy

EXCEPTIONS

There are no exceptions to this policy unless provided and approved by the Town Manager and the Town Attorney.

Town of Mansfield, Connecticut
Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
General			
GEN-1	Operational	Use of a standard transmittal report for cash receipts	3
GEN-2	Operational	Requirement that supporting documentation be attached to cash receipts transmittal form	3
GEN-3	Fraud Risk/Internal Control	Develop formal policies and procedures for Town fundraising activities	3
GEN-4	Fraud Risk/Internal Control	When receipt books are used to document cash receipt collections, the cash receipts should be reconciled to the receipt book (receipt XXXX to XXXX)	1
GEN-5	Fraud Risk/Internal Control	Develop and implement formal policies and procedures to require all department heads, advisor, etc. to review budget and actual or activity reports formally communicate comments or no comments	2
GEN-6	Fraud Risk/Internal Control	All checks received should be immediately stamped "for deposit only"	1
GEN-7	Fraud Risk/Internal Control	Formally document the current policies being used by the Town to conduct business and communicate the policies to the public.	1
GEN-8	Fraud Risk/Internal Control	Consolidation of all Town billings to the Finance Department or Revenue Collector's office	2
GEN-9	Fraud Risk/Internal Control	Development and use of min/max or reasonability tests to ensure that all revenues are being properly transmitted to the Revenue Collector and being properly recorded in the general ledger	2
GEN-10	Fraud Risk/Internal Control	For each of the software programs being used by various Town Departments, a review of permission should be performed to limit the permission to the employees direct responsibilities	1

Town of Mansfield, Connecticut
Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
<u>Town Clerk</u>			
TC-1	Fraud Risk/Internal Control	Each employee should be assigned a unique log in ID. Employees should log off during breaks or at the end of the day.	1
TC-2	Internal Control	All transactions should be entered into the Town Clerk's register software system. The internally developed dog license software should be used to manage operations and not for recording transactions	2
TC-3	Internal Control	Internally developed software activity should be reconciled to the amount processed in the Town Clerk's register software system and the general ledger.	1
TC-4	Fraud Risk/Internal Control	The ability to void transactions be limited to certain designated employees or that the void transaction report be printed and approved by the Town Clerk on a monthly basis.	1
TC-5	Operational	The Town Clerk's policy regarding provide customer's change for overpayments made by checks should be reviewed, finalized and communicated to the public.	3
<u>Police Department</u>			
PD-1	Fraud Risk/Internal Control	A receipt book system should be implemented to document amounts collected and allow the balancing of activity.	1
PD-2	Fraud Risk/Internal Control	A formal system should be developed to properly account for and monitor the activity of ordinance violation tickets issued and collected. The Police Department should not be collecting the monies for the tickets that are issued. The ticket spreadsheet should be reconciled to the general ledger on a periodic basis.	2
PD-3	Fraud Risk/Internal Control	Exception reports should be generated by user and the reports be reviewed and approved by a supervisor. Each user should be assigned a unique user account and password in order that all transactions can be identified by user.	2
PD-4	Fraud Risk/Internal Control	The Town should set up formal policies and procedures for ticket adjustments.	3
PD-5	Fraud Risk/Internal Control	The Town should develop and implement formal policies regarding the use of the equipment and inventory.	3

Town of Mansfield, Connecticut
Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
Human Services Department			
HS-1	Fraud Risk/Internal Control	All current polices should be formally documented and the policies should include the development of forms to document activity and the required approvals.	2
HS-2	Fraud Risk/Internal Control	All requests for assistance should be documented on an intake form or application form.	3
HS-3	Fraud Risk/Internal Control	The donations spreadsheet should be reconciled to donor recognition letters. This reconciliation should be reviewed and approved.	3
HS-4	Fraud Risk/Internal Control	Transmittal/deposit forms should be reconciled to the receipt book. The transmittal should identify the applicable receipt numbers. A receipt should be provided to the donor of gift cards and a separate receipt book should be used for that purpose and reconciled to the gift card inventory form.	1
Planning and Zoning/Wetlands			
PZW-1	Fraud Risk/Internal Control	The department should use a prenumbered receipt book for all transactions and the receipt book should be reconciled to the transmittal reports and the related deposit. The new software installed by the Building Department should be reviewed and considered if it is capable to manage the permits and applications by the department.	1
PZW-2	Fraud Risk/Internal Control	All permits should be prenumbered and the accountability for all issued permits should be performed on a period basis.	1
PZW-3	Fraud Risk/Internal Control	Transmittals and deposits should be completed on a daily basis, but no less than weekly.	2
PZW-4	Fraud Risk/Internal Control	When transmittal reports are prepared, a reconciliation should be performed to balance the activity being reported.	2
PZW-5	Fraud Risk/Internal Control	A log of permits and applications should be developed and implemented to monitor department activity.	2
PZW-6	Fraud Risk/Internal Control	Quarterly report sent to the Town Manager should be modified to include amount of monies collected.	3
PZW-7	Fraud Risk/Internal Control	Permits should be prenumbered and the sequence of permit numbers should be accounted for.	1

Town of Mansfield, Connecticut
Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
Parks and Recreation			
PR-1	Fraud Risk/Internal Control	An adjustment report should be generated as part of the daily balancing process and reviewed and approved by the Recreation Director.	1
PR-2	Fraud Risk/Internal Control	After the prices are programmed into the register, they should be reviewed and approved by the Recreation Director.	3
PR-3	Fraud Risk/Internal Control	The Town should develop and implement a formal policy regarding the processing of transactions by the managers from the back office.	2
PR-4	Fraud Risk/Internal Control	All rental applications should be prenumbered and the sequence of applications approved should be reconciled with the amounts recorded as revenue in the general ledger. The amounts deposited and recorded in the general ledger should be reconciled to the calendar/binder that is used to manage the rentals.	3
PR-5	Fraud Risk/Internal Control	The software should be reviewed to identify a more efficient process for applying household payments and to eliminate the need to add notes and reenter the transaction to the proper category. The activity report for household credits should be reviewed and approved by the Recreation Director and provided by the Finance Department on a periodic basis.	1
PR-6	Fraud Risk/Internal Control	The Town should develop and implement a policy for credit balances. The activity report for credit balances should be provided by the Finance Director on a periodic basis.	1
PR-7	Fraud Risk/Internal Control	Any required credits should be formally requested and approved. A credit request form should be developed and implemented to document approval. A report showing credits processed should be generated, reviewed and approved by the Recreation Director.	2
PR-8	Fraud Risk/Internal Control	The Town should review the contractors to determine if they can be paid by enrollment.	3
PR-9	Fraud Risk/Internal Control	Documentation of physical inventory should be retained.	2
PR-10	Fraud Risk/Internal Control	Inventory used for promotional items should be recorded through the register software.	2
PR-11	Fraud Risk/Internal Control	The Department should develop and implement formal policies, procedures, and forms to document all adjustments of inventory balances.	2

Town of Mansfield, Connecticut
Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
PR-12	Fraud Risk/Internal Control	A report of unredeemed gift certificate balances should be provided by the Finance Department on a periodic basis.	2
PR-13	Fraud Risk/Internal Control	The Town should develop formal policies and procedures regarding delinquent accounts receivables and when they are sent to collections.	2
<u>Senior Center</u>			
SC-1	Fraud Risk/Internal Control	The counting and verification of amounts received should be documented on the transmittal form. The Town should develop a policy regarding the Town collecting monies for outside vendor programs.	2
SC-2	Fraud Risk/Internal Control	The activity of the receipt book should be balanced and reconciled to the amount entered into the Senior Center software program and the transmittal/deposit.	1
SC-3	Fraud Risk/Internal Control	The functions of collecting, recording and preparing the deposit should be segregated.	1
SC-4	Fraud Risk/Internal Control	The Town should develop a policy regarding separate organizations providing programs and services at the Senior Center.	3
<u>Tax Collector</u>			
TXC-1	Fraud Risk/Internal Control	Each employee should be assigned a unique log in ID. Employees should log off during breaks or at the end of the day.	1
TXC-2	Fraud Risk/Internal Control	The ability to void transactions should be limited to certain employees.	1
TXC-3	Fraud Risk/Internal Control	Void and other exception reports should be reviewed and approved by the Tax Collector.	2
TXC-4	Fraud Risk/Internal Control	The Town should consider implementing a lockbox service for tax payments.	2
TXC-5	Fraud Risk/Internal Control	The Tax Collector's office should implement procedures to segregate duties regarding the cash receipts function.	1

Town of Mansfield, Connecticut
Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
Revenue Collector			
RC-1	Fraud Risk/Internal Control	As transmittals are submitted, the cash should be counted and a receipt should be issued or the transmittal should be signed by the Revenue Collector's Department and the employee.	1
RC-2	Fraud Risk/Internal Control	The billing and collection process should be properly segregated. Also the billing register should be reviewed and approved by the responsible department.	2
RC-3	Fraud Risk/Internal Control	The Town should develop and implement formal policies and procedures for sewer billing corrections.	3
RC-4	Fraud Risk/Internal Control	The Town should implement formal procedures to ensure that all ticket fines paid are posted on a timely basis. Activity from the prenumbered receipt book should be reconciled to the amount collected and the amount posted to the ticket software system.	2
RC-5	Fraud Risk/Internal Control	The Town should review the software capability to determine if reports can be generated or developed related to the adjustment of fee amounts. If reports can not be generated, the Town should implement formal policies and procedures over adjustments.	2
RC-6	Fraud Risk/Internal Control	All departments should be required to provide supporting documentation for the amount being deposited along with the transmittal report.	2
RC-7	Fraud Risk/Internal Control	The Town should consider centralizing the billing and collection of other Town departments to the Revenue Collector's office. The Town should also consider separating the billing and collection functions within the Revenue Collector's office.	1
RC-8	Best Practices	The Town should review the desired role and responsibilities of the Revenue Collector's department and the actual time being dedicated to each functions/department.	3

Town of Mansfield, Connecticut

Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
<u>Library</u>			
LB-1	Fraud Risk/Internal Control	The Library should develop and implement formal policies and procedures for any fee or fine waivers. The Library should account for the collection of all fines and other cash receipts using the Library software. The register report should be attached to the transmittal report. The Library should implement a policy to correctly identify each transaction by the appropriate payment type.	1
LB-2	Fraud Risk/Internal Control	Procedures should be implemented to document the number of pages printed, fees charged, and fees waived. A formal policy should be developed and documented on the waiver of fees.	3
LB-3	Fraud Risk/Internal Control	Library software should be reviewed for capability to produce exception reports. These reports should be reviewed and approved on a periodic basis.	2
LB-4	Fraud Risk/Internal Control	The Library should develop and implement a formal refund form. All refunds should be processed through the Finance Department.	2
LB-5	Fraud Risk/Internal Control	The Library should formally document the current policies in place and communicate them to employees and the public.	3
LB-6	Fraud Risk/Internal Control	Sales for miscellaneous items should be recorded through the register system. Also an inventory control sheet should be maintained and updated for purchases and sales.	3
LB-7	Fraud Risk/Internal Control	Each employee should be assigned a unique log in ID. Employees should log off during breaks or at the end of the day.	1
LB-8	Fraud Risk/Internal Control	The Library should implement procedures to segregate duties with respect to the cash receipts function. Cash and check amounts should be detailed on the transmittal form for verification.	1

Town of Mansfield, Connecticut
Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
Building Department			
BD-1	Fraud Risk/Internal Control	The Town should develop and implement a standard form to calculate building permit fees.	2
BD-2	Fraud Risk/Internal Control	The Town should require supporting documentation for the estimated value of a project, including a written estimate or contract. The Town should implement a formal policy/form to document review and approval of building permit fees.	2
BD-3	Fraud Risk/Internal Control	The Fire Marshall should be required to review and approve the permit applications.	3
BD-4	Fraud Risk/Internal Control	The permit charges for the two developers with formal agreements with the Town should be formally approved by the Building Official.	2
BD-5	Fraud Risk/Internal Control	Building permits should be prenumbered and the sequence of permit numbers should be accounted for.	1
BD-6	Fraud Risk/Internal Control	The Town should review the reporting capability of the new software and use reports from the software to balance collection activity.	2
BD-7	Fraud Risk/Internal Control	Only the Building Official and Assistant Building Official should have the administrative rights to be able to void/delete/rollback permits. And exception report should be produced on a monthly basis and should be reviewed and approved by the Building Official.	1
BD-8	Fraud Risk/Internal Control	The software should be reviewed to determine if a report can be produced that will present the total collected by payment type.	1
BD-9	Fraud Risk/Internal Control	The cash receipt activity should be reconciled to reports generated from the software program.	2
BD-10	Best Practices	The Town should review its policy and develop a formal policy regarding checks received for incorrect amount.	3
BD-11	Best Practices	All collections should be reconciled to the software system reports.	1
BD-12	Internal Control/Fraud Risk	The functions of billing, collecting, and accounting should be properly segregated. All billings should be provided to the Finance Department.	1
BD-13	Best Practices	The certificate of occupancy reports from the software system should be provided to the Assessor's Department on a periodic basis.	3

Town of Mansfield, Connecticut
Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
Public Works			
PW-1	Fraud Risk/Internal Control	The Public Works Department should develop a list of both performance bonds and driveway bonds and update the listing in accordance with the Town policy.	3
PW-2	Fraud Risk/Internal Control	The transmittal/deposit should be reconciled to the receipt book.	1
PW-3	Fraud Risk/Internal Control	Permits should be prenumbered and the sequence of permit numbers should be accounted for.	1
PW-4	Fraud Risk/Internal Control	The spreadsheet of permits issued should be reconciled to the receipt book.	1
PW-5	Fraud Risk/Internal Control	The Public Works Department should stop accepting payments from customers for trash service and should instead direct them to the Revenue Collector. If not, transactions should be recorded directly into the trash service billing software or by issuing a receipt from the receipt book.	2
PW-6	Fraud Risk/Internal Control	Any changes to services should be required to be documented in writing from the customer and changes should be formally reconciled to the actual billing system.	3
PW-7	Fraud Risk/Internal Control	Purchases and sales of recycling bins and composting kits should be formally accounted for.	3
PW-8	Fraud Risk/Internal Control	Checks received for recyclables should be sent directly to the Finance Department. Also the Town should implement procedures to control the materials being sold and to estimate expected volume to compare to actual receipts.	3
PW-9	Fraud Risk/Internal Control	Keys to vehicles should be controlled via a lock key cabinet. Also equipment usage logs should be compared to actual usage on a periodic basis.	2
PW-10	Fraud Risk/Internal Control	User logins should be changed to something other than the employee's employee number.	2
PW-11	Fraud Risk/Internal Control	The Public Works Director or Assistant Public Works Director should review and approve both the fuel system report and the manual diesel fuel log on a weekly basis.	2
PW-12	Fraud Risk/Internal Control	The Town should consider installing cameras at the fuel pump locations.	3
PW-13	Fraud Risk/Internal Control	The Town should consider installing a fence and also a keyless entry at the garage. Each employee should have a unique access code to the garage.	3

Town of Mansfield, Connecticut
Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
<u>Transfer Station</u>			
TS-1	Fraud Risk/Internal Control	The Town should consider eliminating collection of receipts at the Transfer Station.	2
TS-2	Internal Control	The Town should consider implementing a scale at the Transfer Station. The Town should consider performing a formal analysis of the amount of revenue recorded based upon the weight hauled out.	3
<u>Mansfield Superintendent's Office</u>			
MSO-1	Fraud Risk/Internal Control	The Revenue Collector should perform the billing for all groups required to pay medical insurance coverage to the Town.	2
MSO-2	Fraud Risk/Internal Control	All checks received should be logged by the office secretary before distribution.	2
<u>Cafeteria Program</u>			
CAF-1	Fraud Risk/Internal Control	Cafeteria managers should formally reconcile the register reports to the amount collected. Before cash is transmitted to the Revenue Collector, the monies should be counted by the employee and a receipt should be prepared.	1
CAF-2	Fraud Risk/Internal Control	Sales should be recorded based upon the register reports and any differences should be recorded as cash short/over. This difference should be recorded in a separate account for each school. Each Cafeteria operation should also be reviewed for any undeposited monies.	1
CAF-3	Efficiency/Internal Control	The Middle School cafeteria cash receipts should be transmitted to the Revenue Collector with transmittal report. Each school should have locked bank bags and a safe.	2
CAF-4	Internal Control	Only the Cafeteria Manager should have the ability to make corrections in the system. The corrections should be logged by user and a correction report should be produced on a monthly basis.	1

Town of Mansfield, Connecticut
Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
CAF-5	Internal Control	The Cafeteria Manager should balance the registers with each cashier and the cashier should sign off on the amount of cash collected.	2
CAF-6	Internal Control	All cafeteria revenues should be recorded by type.	3
CAF-7	Internal Control	Invoices for outside organizations should be provided to the Finance Department. Also catering request forms should be prenumbered.	2
CAF-8	Internal Control	The Cafeteria program should provide the Finance Department with a student school lunch balance report on a quarterly basis. A balance transfer policy and form should also be developed and implements, which all balance transfers approved by the Cafeteria Director and a balance transfer report being reviewed on a monthly basis.	2
CAF-9	Fraud Risk/Internal Control	Inventory balances should be documented and the Cafeteria program should develop written policies and procedures for inventory.	2
CAF-10	Fraud Risk/Internal Control	A policy prohibiting payment of vendor invoices from the register receipts should be formally documented and communicated.	3
<u>Mansfield Downtown Partnership</u>			
DD-1	Fraud Risk/Internal Control	The date of the deposit should be noted on the membership form. Also a reconciliation should be performed on a periodic basis reconciling membership and sponsorship revenues with the general ledger.	2
<u>Region 19 Superintendent's Office</u>			
RSO-1	Fraud Risk/Internal Control	A receipt book should be used. Also the Town should consider developing a formal agreement with the entity it is collecting money for to definite rights, responsibilities and liability. Documentation should be submitted with the deposit for the amount of monies transmitted and the sources of the monies.	3
RSO-2	Fraud Risk/Internal Control	The Finance Department should be provided with a copy of all billings.	2

Town of Mansfield, Connecticut

Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
<u>Agricultural Education Program</u>			
AGED-1	Fraud Risk/Internal Control	The cash register should be repaired or a new one should be purchased. If not, a receipt book should be used. Inventory control should be implemented and documented.	1
AGED-2	Fraud Risk/Internal Control	The amount of cash collected should be documented by the teacher advisor. Any amounts left in the safe should be e-mailed to the Student Activity bookkeeper.	2
AGED-3	Fraud Risk/Internal Control	The cash collected by the AG program should be forwarded to the student activity bookkeeper for deposit.	2
<u>Student Activities</u>			
SA-1	Fraud Risk/Internal Control	Monies should be counted in the presence of the advisor and the advisor should be given a receipt.	1
SA-2	Fraud Risk/Internal Control	Detailed supporting documentation should be provided to the bookkeeper to support the amount being deposited.	1
SA-3	Fraud Risk/Internal Control	The District should perform a min/max or other reasonability test where possible. Any complimentary tickets or merchandise should be formally approved, documented and accounted for.	3
SA-4	Fraud Risk/Internal Control	The District should require all activities to use the school bank for payments.	2
SA-5	Fraud Risk/Internal Control	The District should consider the purchase and use of a student activity software program.	2
SA-6	Fraud Risk/Internal Control	All monies should be processed/deposited by the student activity bookkeeper.	2
SA-7	Fraud Risk/Internal Control	Each advisor should be provided with a detailed report of activity in the fund they are managing on a monthly basis.	2
SA-8	Fraud Risk/Internal Control	The District should disburse all monies related to the graduating classes. All scholarship monies should be removed from the student activity fund and bank account. The District should review all current accounts for certain characteristics.	2
SA-9	Fraud Risk/Internal Control	The District should develop and implement a formal policy for allowable disbursements and activity of the principal and interest accounts.	1

Town of Mansfield, Connecticut

Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
Eastern Highlands Health District			
EHHD-1	Fraud Risk/Internal Control	The transmittal form and related deposit should be reviewed by the Department head.	2
EHHD-2	Fraud Risk/Internal Control	The District should require the member towns to provide the District with a check for amounts collected.	2
EHHD-3	Fraud Risk/Internal Control	A min/max or other reasonability calculation should be performed on a periodic basis.	2
EHHD-4	Fraud Risk/Internal Control	All permits should be prenumbered and all permits issued should be accounted for on a periodic basis.	1
EHHD-5	Fraud Risk/Internal Control	The activity of the receipt book should be balanced and reconciled to amounts entered into the permit tracking database and the transmittal/deposit.	1
EHHD-6	Fraud Risk/Internal Control	The permit database should be reconciled to the general ledger on a quarterly basis.	2
EHHD-7	Fraud Risk/Internal Control	The vehicle use log should be compared to the actual mileage on a periodic basis.	3

Town of Mansfield, Connecticut
Table of Recommendations by Type and Priority

Priority evaluations include consideration of amount of monies collected (materiality) and volume of transactions.

Priority levels identification is 1 for highest priority to 3 for lower priority recommendations

Recommendation Number	Recommendation Type	Recommendation Summary Description	Priority
Discovery Depot			
DDDC-1	Fraud Risk/Internal Control	All transactions should be processed directly through the register software or the activity recorded using the manual receipt book be reconciled to the register report.	1
DDDC-2	Fraud Risk/Internal Control	The cash receipts control procedures should be revised to correct the lack of segregation of duties. An employee should be assigned to process the transactions, balance the activity, and prepare the deposit. The balanced reports and the deposit should then be reviewed and approved by the Director or Assistant Director.	1
DDDC-3	Fraud Risk/Internal Control	An excel based form should be developed and implemented to calculate the fee charged to each customer.	2
DDDC-4	Fraud Risk/Internal Control	The customer deposit report should be reviewed and reconciled.	2
DDDC-5	Fraud Risk/Internal Control	The accounts receivable report should be produced on a monthly basis. Also formal procedures should be developed and implemented for accounts receivable write offs.	2
DDDC-6	Fraud Risk/Internal Control	Grant reports should be reviewed and approved by the Finance Department.	2
DDDC-7	Fraud Risk/Internal Control	A formal refund policy should be developed and implemented.	1
DDDC-8	Fraud Risk/Internal Control	All additional billing forms should be prenumbered and all additional fees issued should be performed on a periodic basis.	1
Fraud Policy			
N/A	Best Practices	Updates should be made to the current Fraud Policy	2