

Treasurer Training 101

Orientation Program for NH Municipal & School Treasurers



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Agenda

Governing Statutes

Security of Public Funds

Internal Controls

Policy & Procedure

Cashflow Analysis

Removal from Office

Governing Statutes



RSA 41:29 Town Treasurer



RSA 48:16 City Treasurer



RSA 52:8 Village District Treasurer



RSA 197:23-a School District Treasurer

Governing Statute

- RSA 41:6 Surety Bond Required to indemnify against losses:
 - Blanket bond or separate fidelity bond
 - Premiums paid by the town
 - • DRA administrative rules regarding the amount and form of surety bond.
- RSA 197:22 Treasurer's Bond

“The treasurer shall, before entering upon the duties of such office, give a bond to the district with sufficient sureties, to the acceptance of the school board, for the faithful performance of the treasurer's official duties.”

Governing Statute

DRA Administrative Rule

Rev 1903 Surety Bonding of Municipal Officials

- Requirement for bond instruments
- Effective dates
- Cost of the bond
- Table of minimum bond requirements



Treasurers Duties

Overview

I. Shall have custody

II. Shall deposit

III. Shall keep record and report

IV. Shall invest

V. Shall request “option” of collateral

VI. May delegate

VII. Shall ensure timely deposits

Governing Statute

“...treasurer shall have custody of all moneys...”

- **General Fund**
- Revolving Funds
- Conservation Fund
- Water/Sewer Fund
- Recreation Fund
- Land Use Boards:
 - Capital Projects Fund
 - Special Revenue Funds
 - Heritage Commission
 - Performance Escrow
 - Forfeiture/Seizure Funds

Planning


Zoning

Historic



Governing Statute

...**except** those held by the
Trustees of Trust Funds,
Library Trustees or Cemetery
Trustees.



Governing Statute

“...shall pay out the same only upon orders...”

Select Board/
Governing Body

Conservation
Commission

Heritage Commission

Land Use Board (or
it's designated agent)

Recreation or Park
Commission or other
board or body
designated by the
local legislative body
at the time the fund is
created

Town Clerk for fees
deposited pursuant to
RSA 41:25

Governing Statute



City Council responsible for a “*...just and prompt accountability...*”
RSA 47:6



School Board or 2 or more members of the School Board empowered by the School Board as a whole to authorize payments. There should be documentation of the vote empowering less than a majority of the School Board to authorize payments. RSA 197:23-a



Village District Commissioners and Treasurer - RSA 52:3 & 52:8



Governing Statute

A **majority** of the board or body authorizes payment, not one individual member.

Exceptions: Designated School Board members or Land Use Board that has designated an individual as their agent.

Governing Statute

“The treasurer shall deposit ...”

Participation units of the NH Public Deposit Investment Pool (NHPDIP),

N.H. REV. STAT. § 6:8 I-a, allows a bank chartered under the laws of another state to be eligible to accept deposits of public funds-there are conditions that need to be satisfied with the State of NH.

Federally insured banks chartered under the laws of NH.

Federally insured banks chartered under the federal government, with a branch in NH RSA 384:60, II, or

Federally insured banks **outside** the state **only** if pledged collateral is delivered to a 3rd party custodial bank or to the Federal Reserve Bank:

- US government obligations
- US government agency obligations
- Obligations of the State of NH.

Accountability

To confirm that a particular financial institution meets the statutory requirements of being both federally insured **and** either state or federally chartered with a branch in NH:

Go to www.fdic.gov. Click on “Deposit Insurance” then “Bank Find”. Enter the name of the bank and “New Hampshire”. Is it chartered as a National Bank? If not, then...

Go to www.nh.gov/banking. Click on “Banking Division” then “State Chartered Banks”.

Governing Statute



“ Treasurer shall keep in suitable books provided for the purpose a fair and correct account of all sums received into and paid from town/city/school treasury and of all notes given by the town/city/district, with the particulars thereof...”

- ✓ Reconcile monthly to all bank/investment accounts.
- ✓ Reconcile monthly to other officials/departments accounts and to the general ledger.
- ✓ Register of bonds and notes required by RSA 33:12 and DRA administrative rule Rev 1906.

Governing Statute

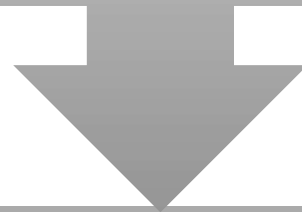
DRA Administrative Rule:

Rev 1906 Bonds and Notes Register.

- (a) Municipal treasurers shall maintain a record of bonds and notes issued by the municipality, pursuant to RSA 33:12, in the form of a bond and note register.
- (b) In addition to the requirements stated in RSA 33:12, the register shall include the following information:
 - (1) The name of the bank certifying the note or bond;
 - (2) The date the note or bond was authorized by the legislative body;
 - (3) The price for which each note or bond was sold, and the name of the purchaser of the note or bond;
 - (4) The rate of interest;
 - (5) Title of the municipal official signing the note or bond issue; and
 - (6) The date and amount of payment of principal and interest.

Governing Statute

“...fair and correct account...”



Reconciliation Discrepancies:

| | | | | | |
|--|---------------------|--------------------------|--|-------------------|----------------|
| Deposits and expenditures – fund, tax, fee, year | Deposits in transit | Abatement authorizations | Refund records – i.e. double payment from escrow | Tax lien payments | Bounced checks |
|--|---------------------|--------------------------|--|-------------------|----------------|

Governing Statute



Bounced checks addressed in
RSA 80:56 - *paper and
electronic uncollectible checks*

*“...\$25 plus all protest,
bank and legal fees in
addition to the amount of
said check...”*



Recommend including in the cash receipts policy a
standard collection procedure for all bounced checks.

Governing Statute

“...make a report to the town/city/district giving a particular account of all his financial transactions during the year and account balances at year end...”

- Most often accomplished by inclusion of a report from the Treasurer in the annual town report. Also required to file with DRA.
- Example includes:
 - All funds
 - Financial institutions
 - Reconciliation to the bank balances
 - Treasurer name/signature



Governing Statute

RSA 41:9 for Select Board

RSA 47:6 for City Council or Board of Aldermen

RSA 197:23-a, IV for School Board

“Whenever the treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the treasurer shall invest the same in accordance with the investment policy adopted by the selectmen/mayor and aldermen/city council...”

“...shall, with the approval of the school board invest the same...”

“...annually review and adopt an investment policy for the investment of public funds in conformance with applicable statutes and shall advise the treasurer of such policies.”

Authorized Investments

NH Public Deposit Investment Pool (NHPDIP)

Deposits of federally insured banks chartered under the laws of NH or federally insured banks chartered under the federal government with a branch in NH, including

- Money market accounts
- Certificates of deposit
- Repurchase agreements
- All other types of interest-bearing accounts

Governing Statute

Obligations carrying the full faith and credit of the US government:

US Treasury bills, bonds and notes

US government agency securities:

- Government National Mortgage Association (Ginnie Mae or GNMA)
- Export-Import Bank (EXIMBANK)
- Small Business Administration (SBA)
- Farm Services Agency (FSA)
- General Services Administration (GSA)
- Maritime Administration
 - *Source: EOG Investing*



Authorized Investments

Interest-bearing deposit in federally insured financial institutions if certain conditions are met:

N.H. REV. STAT. § 48:16.VI permits city treasurers to invest public funds in interest-bearing deposits that meet certain requirements :

“The funds are initially invested through a federally insured bank authorized to accept deposits under RSA 6:8, I and I-a, selected by the treasurer.”

Security of Public Funds



RSA for Town/City Treasurers “... shall insure that prior to acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall make available at the time of such deposit or investment an **option** to have such funds secured by collateral having a value at least equal to the amount of such funds.”



RSA School Treasurer “...Any person who directly or indirectly **receives** any such funds for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds.”



Such collateral shall be **segregated** for the exclusive benefit of the town/city/school district.



Securities appropriate for collateralization of public funds: “Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.”

Security of Public Funds

Deposit Insurance for Accounts Held by Government Depositors

FDIC insurance coverage for government accounts is currently \$250,000 per *official custodian* **not** per account.

All time and saving deposits held by the same official custodian (i.e. Treasurer) are added together and insured up to \$250,000.

All demand deposits held by the same official custodian are also added together and insured up to \$250,000.

<https://www.fdic.gov/deposit/deposits/factsheet.html>



Security of Public Funds

“Custodial credit risk” is the risk that the government will not be able to recover deposits or investments in the event of the failure of the depository institution.

ANY portion of a deposit not covered by depository insurance (i.e., FDIC limit of \$250,000) is exposed to custodial credit risk and must be disclosed in the notes to the audited financial statements.



Collateralization

Exposure to custodial credit risk is minimized by collateralizing deposits, whereby banks pledge assets to secure the deposit amounts in excess of the FDIC insurance coverage.

Some municipalities collateralize more than 100% of the deposit amount regardless of any FDIC insurance provided.

Collateral held in the name of the municipality with a third-party custodial bank or with the banks trust department.

Irrevocable letter of credit.

Deposit Insurance -Electronic Deposit Insurance Estimator (EDIE)

- All the accounts at a given bank
- Official custodian of each account
- Type of account
- Account balance

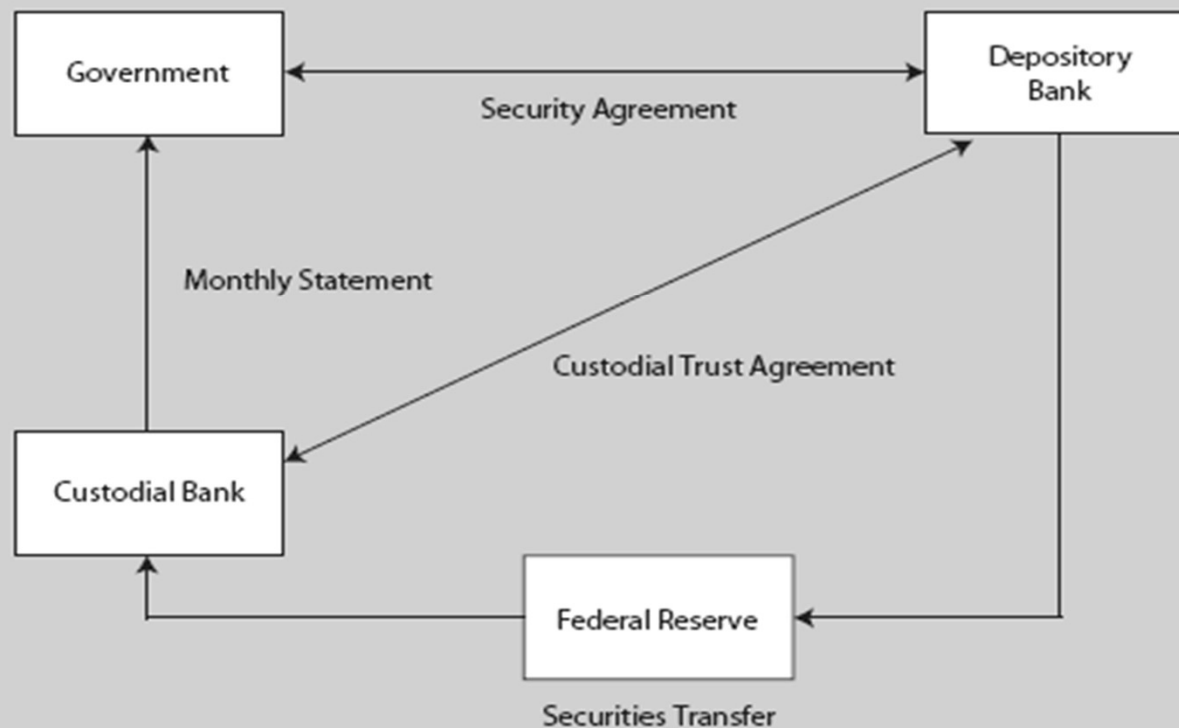
FDIC Calculator

www.fdic.gov

HOW COLLATERALIZATION WORKS

The flowchart below illustrates how collateralization and third-party safekeeping work. The government places deposits with its depository bank and enters into a security agreement that formalizes the public entity's relationship with the bank. The depository bank transfers securities through the Federal Reserve System to a third-party bank that acts as custodian.

The depository bank and the custodial bank enter into a custodial trust agreement that ensure the securities held by the custodial bank show the government as the owner of those securities. The custodial bank will send the government a monthly statement listing the securities being held as collateral and reporting the market value of those securities.



Security of Public Funds

Perfecting Collateral Agreements

FDIC recognition of assets pledged to a particular municipality or school district is contingent upon the collateral agreement meeting certain requirements:

- In writing,
- Approved by the board of directors of the depository institution or its loan committee, with approval reflected in the minutes,
- Continuously, from the time of its execution, an official record of the depository institution.

If the collateral agreement does not meet the above three criteria, the FDIC may void the security interest, leaving the municipality or school district with only the right to share with other creditors in the pro rata distribution of the assets of a failed institution.

Board of directors does not need to approve every collateral agreement, but may delegate this responsibility.

Delegated to a particular officer with parameters regarding the type and dollar amount of collateral agreements to which said officer may bind the institution.

The delegation should be in the form of a corporate resolution and be an official record.

Security of Public Funds

Recommended Steps to Secure Public Funds

- Municipalities and School Districts, **not the banks**, are responsible for insuring the safety of all public funds under their control.
- Determine the FDIC insurance amount on deposits, and secure collateral agreements for funds exceeding that coverage.
- Secure collateral agreements on depository investments.
- Obtain a copy of the minutes of the board or loan committee meeting, or the delegation resolution (stating the specific person, type of agreement and dollar amount).

Security of Public Funds

Financial Institution

Deposits:

- If accounts are in
 - federally insured state chartered bank or
 - federally insured federal chartered bank in NH
- Then FDIC insurance \$250,000
- Should have collateral agreement for deposit balances > FDIC insurance limit.
- Steps to perfect the agreement.

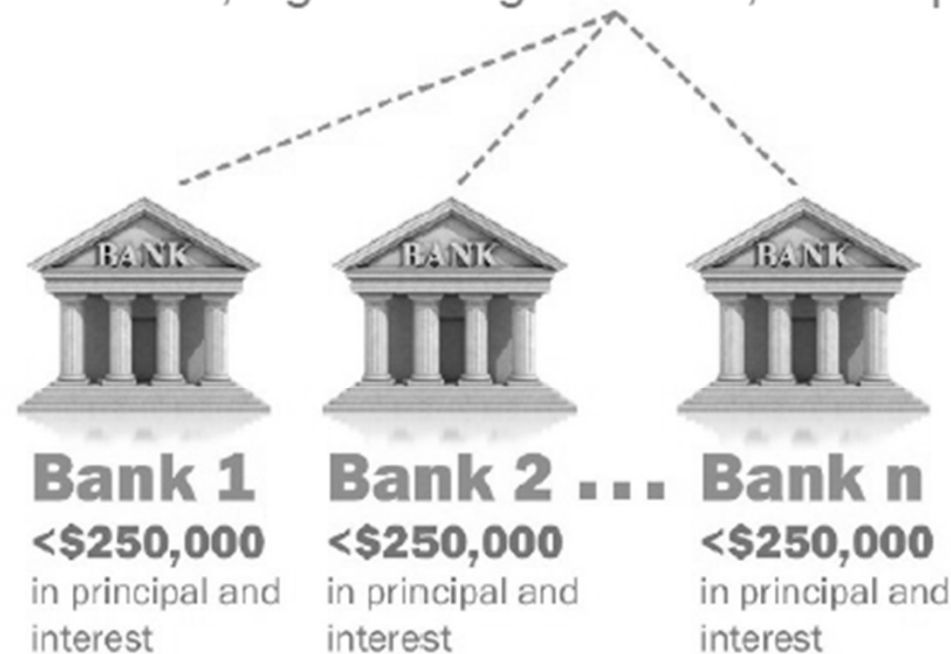
Investments:

- If investments are in deposits of federally insured state chartered bank or federally insured federal chartered bank in NH
 - Money market accounts
 - Certificates of deposits
 - Repurchase agreements
 - Other interest-bearing accounts
- FDIC Insurance?
- Should have collateral agreement for full amount of investment not insured.
- Steps to perfect the agreement.

ICS®[®], the Insured Cash Sweep®[®] service

An alternative to 3rd party collateralization- IntraFi

Your organization has or sets up a transaction account with our bank, signs the agreements, and deposits funds.



Deposits are sent to demand deposit accounts at other member institutions in amounts under the standard FDIC insurance maximum of \$250,000.



INTERNAL CONTROLS

Accounting term, is a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.

Why Are Internal Controls Important?

- **Reduce Risk of Asset Loss**
- **Ensure Accurate and Complete Information**
- **Reliable Financial Reporting**
- **Compliance with Laws, Regulations and Policies**

RSA 41:9, VI. The selectmen shall be responsible for establishing and maintaining appropriate internal control procedures to ensure the safeguarding of all town assets and properties.



Internal Controls

Segregation of Duties

Security Issues

Documented Procedures

What Are Internal Controls?

Municipal and school internal controls are similar:

- ✓ Offices, buildings, vehicles are locked
- ✓ Computer passwords are changed periodically.
- ✓ Invoices are reviewed and approved before payment.
- ✓ Checks and cash are secured.
- ✓ Authorization is required for certain activities.



Anything that helps safeguard assets.



Anything that helps make more effective and efficient use of those assets.

Types of Internal Controls:

Preventive – Designed to stop an unwanted outcome before it happens.

- Reading/understanding policies
- Review/approve purchase orders
- Passwords to stop unauthorized access

Detective – Designed to find and correct errors that have already occurred.

- Cash counts/reconciliation
- Expenditures vs. budget
- Reviewing payroll reports

Importance of Internal Controls

| | |
|-----------|--|
| Ensure | Ensure objectives are accomplished. |
| Reduce | Reduce fraud opportunities. |
| Prevent | Prevent loss of funds or other resources. |
| Establish | Establish standards of performance. |
| Assure | Assure compliance with laws, regulations, policies and procedures. |
| Preserve | Preserve integrity. |
| Eliminate | Eliminate adverse publicity. |
| Assure | Assure public confidence. |



Implementing Control Activities

Policies (what should be done) and procedures (how it should be done) designed to ensure that the objectives (protect assets, effectiveness/efficiency, accurate records, and compliance) are achieved.

Authorizations – in writing, in advance, by specific individual(s), documentation (audit trail).

Properly designed records – sequential numbering, automatic duplicates, info for multiple purposes, avoid unnecessary info.

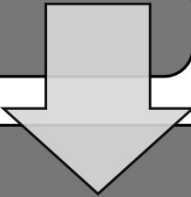
Security of assets and records – controlled access, physical security, keep confidential records separate from non-confidential records, computer backup, disaster recovery.

Implementing Control Activities

Periodic reconciliations – i.e. bank reconciliations, accounting record reconciliations (i.e. tax collector to treasurer), reasonableness review.



Periodic verification – i.e. physical inventory, payroll payout.



Analytical review – what's expected vs. what's reported, data entry controls, edit checks, exception reporting, financial vs. non-financial data.

Laws Governing Segregation of Duties

RSA 669:7 Incompatible Offices:

Cannot hold 2 of the following: Selectman, treasurer, moderator, trustee of trust funds, tax collector, auditor, highway agent.

Cannot hold 2 of the following: Treasurer, moderator, trustee of trust funds, selectman, head of police dept on full-time duty -including the deputy treasurer.

Cannot be treasurer and town clerk. (Cannot be the deputy treasurer and deputy town clerk.)

Cannot be selectman and full-time town employee.

No official handling funds shall hold office of auditor.

No selectman, moderator, town clerk, or inspector of elections shall serve as supervisor of checklist

Cannot be budget committee member-at-large and selectman, town manager, school board member (except coop), full-time town, village district or school district (except co-op) employee, or village district commissioner

Segregation of Duties Best Practices

| | Receipt of Goods/Custody of Assets | Record Keeping/Document Prep | Authorization/ Approval | Reconciliation Prepared By | Reconciliation, Independent Approver |
|--------------------------------------|---|---|-------------------------|---|--------------------------------------|
| Receipt of Goods/Custody of Assets | Same Function | Incompatible unless a compensating control is built | Incompatible | Incompatible unless a compensating control is built | Incompatible |
| Record Keeping/Document Prep | Incompatible unless a compensating control is built | Same Function | Incompatible | Incompatible unless a compensating control is built | Incompatible |
| Authorization/ Approval | Incompatible | Incompatible | Same Function | Incompatible | Compatible |
| Reconciliation Prepared By | Incompatible unless a compensating control is built | Incompatible unless a compensating control is built | Incompatible | Same Function | Incompatible |
| Reconciliation, Independent Approver | Incompatible | Incompatible | Compatible | Incompatible | Same Function |

Implementing Control Activities

| | |
|------------------------------|--|
| Segregation of Duties | Duties are considered incompatible from an internal control perspective if they allow a single individual to commit an irregularity and then conceal it Duties should be segregated so individuals can serve as a check on one another. |
| Segregate | Segregate incompatible duties – duties where someone is able to both commit an irregularity and then conceal it: Authorize or initiate a transaction Record the transaction in the accounting records Maintain custody of the asset resulting from that transaction |
| Provide | Provide compensating controls when segregation not possible – vacation, periodic rotation of duties, have someone else do the job and see if there is any noticeable change. |
| Appoint | Appoint a Deputy. RSA 41:29-a: “... appointed by the town treasurer with the approval of the board of selectmen. ” RSA 197:24-a: “... school district may...vote to authorize the treasurer, with approval of the school board, to appoint a deputy treasurer. ” |

Internal Controls

Security

- Treasurer's records
- Cash and checks held overnight
- Signature stamp
- Check stock

Document Procedures

- Investment policy
- Deposit/Investment procedures
- Expenditure authorization and process
- Reconciliation procedures

Internal Controls

Town Treasurer - RSA 41:29, VI

- ❑ May delegate deposit, investment, recordkeeping or reconciliation functions to other town officials or employees provided the delegation is:
 - ❑ In writing
 - ❑ Includes written procedures acceptable to the Board of Selectmen and others involved
 - ❑ Bonded employee
- ❑ A delegation **does not** eliminate the Treasurer's responsibility to comply with all statutory duties!
- ❑ Not applicable to School Treasurers

Most Common Internal Control Deficiencies



Lack of written financial policies and procedures.



Inadequate cash and receipts procedures.



Inadequate reconciliations.



Lack of personnel policies.



Lack of personnel evaluations.

Who Is Responsible for Effective Internal Controls?

EVERYONE IS RESPONSIBLE!

- ✓ Governing Body – BOS, Council, School Board, Commissioners
- ✓ Manager, Superintendent
- ✓ Department Heads, Principals
- ✓ Supervisory Personnel
- ✓ Each Individual Employee
- ✓ Budget Committee

Investment and Cash Management Policy & Procedures



Investment guidelines



Purchasing Policy & Competitive bidding process



Cash Receipts & Cash Handling



Cash flow projections



Fraud and “Positive Pay” Services

- Objectives
 - Funds Involved
 - Prudence and Ethical Standards
 - Authorized Financial Institutions
 - Authorized Investments
 - Diversification Requirements
 - Collateral Requirements
 - Written Procedures
 - Reporting Requirements
 - Annual Review and Adoption
-

Investment Policy Guidelines

Investment Objectives

- ✓ **Safety:** Preservation of principle should be the foremost objective. Mitigate custodial credit risk, which is the risk of loss due to the failure of the security issuer.
- ✓ **Liquidity:** Sufficient to meet all operating requirements that may be reasonably anticipated.
- ✓ **Yield:** Return on investment is of tertiary importance compared to safety and liquidity objectives.

Investment Policy

Identify funds covered by the policy, which should be all the funds in the custody of the Treasurer.

Trustees of Trust Funds have different statutory provisions.

- Trustees of Trust Funds should adopt their own investment policy separate from the policy adopted for the Treasurer.
- Special statutory provisions for Trustees of Trust Funds

Investment Policy



Prudence and Ethical Standards: *Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.*



The Treasurer, acting in accordance with written policies and procedures, shall exercise due diligence in managing the investment portfolio. The standard of prudence to be used shall be the **“prudent person”** standard.

Investment Policy

Conflict of Interest

Investment officials shall refrain from personal business activities that could conflict with the proper execution and management of the investment program, or that could impair the ability to make impartial decisions. They shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

RSA 95:1: No person holding a public office, as such, in state or any political subdivision governmental service shall, by contract or otherwise, except by open competitive bidding, buy real estate, sell or buy goods, commodities, or other personal property of a value in excess of **\$200** at any one sale to or from the state or political subdivision under which he holds his public office.

Investment Policy

Authorized Financial Institutions:

State in the policy which institutions are authorized depositories, or

Identify the criteria and procedures for depository selection for both banking services and investment

Periodic bids for bank services

Prequalification for investments

Specifically state in the investment

Which investments are authorized.

Investment Policy

Diversification Requirements:

Avoid an over-concentration of assets in a specific maturity, issuer or class of securities.

Maturity Examples:

Amount of Portfolio:

Under 1 year.....100% Minimum

Under 180 Days.....50% Minimum

Under 90 Days.....30% Minimum


Under 30 days.....10% Minimum



Investment Policy

Limit the amount that may be invested with any one institution. For example:

“No more than 75% of the total investment portfolio shall be invested with any one institution.”





Investment Policy

Collateral Requirements (Example):

The banking institution shall provide the Town Treasurer with at least monthly reports of the Town's collateral position. In addition, collateral agreements shall comply with provisions set forth in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), which require that the collateral agreement:

1. be in writing;
2. be approved by the Board of Directors of the depository or its loan committee; and
3. be, continuously from the time of its execution, an official record of the depository institution.

Investment Policy



Written Procedures:



Include within the policy



Include as an appendix to the policy or



Reference a separate “Treasurer’s Procedures Manual”



Investment Policy

Reporting Requirements:

Frequency – Monthly, Quarterly, Yearly

Information to be included

**Annual Review and Adoption by
Governing Body!**



Investment Policy

Trustees of Trust Funds – RSA 31:25 Investments

Deposits in any federally or state chartered bank or association authorized to engage in a banking business in this state;

Deposits in any credit union in this state;

State, county, town, city, school district, water or sewer district bonds and the notes of towns or cities in this state;

Stocks and bonds as are legal for investment by any bank or association chartered by this state to engage in a banking business;

New Hampshire Public Deposit Investment Pool (NHPDIP);

Obligations with principal and interest fully guaranteed by the U.S. government; and

Shares of mutual funds if registered with the Securities and Exchange Commission, qualified for sale in the State of New Hampshire in accordance with the uniform securities act of the New Hampshire Secretary of State's office, and which have in their prospectus a stated investment policy that is consistent with the investment policy adopted by the trustees of trust funds.

Investment Policy

Trustees of Trust Funds – Ethical Standard

Prudent person rule RSA 31:25-b: “ *prudent investment is one which a prudent man would purchase for his own investment having primarily in view the preservation of the principal and the amount and regularity of the income to be derived therefrom.*”

Prudent investor rule RSA 31:25-d if

- *“Notify the attorney general in writing of their decision to invest according to the prudent investor rule; and*
- *Hire or employ the trust department of a bank or a brokerage firm to provide advice and assistance as authorized under RSA 31:38-a, III.”*

Investment Policy

Trustees of Trust Funds



RSA 31:27 – diversification requirement: *“...not more than \$10,000, or more than 10% of the fund whichever is greater, ...of the common trust funds shall be invested under RSA 31:25 in the obligations of any one corporation or organization...”*, with several exceptions listed.



Investment policy and audit filed with the NH Department of Justice



DRA Rev 1707.11 Form MS-10 - reporting requirements

To report to the municipality, NH Department of Justice and the NH Department of Revenue Administration
Due March 1 if December 31 year-end or September 1 if June 30 year-end.

PURCHASING AND BIDDING POLICIES

The purpose of these policy is to standardize purchasing procedures using a centralized and uniform purchasing process saving the taxpayers' money and increasing public confidence in the procedures for municipal purchasing.

These policies should promote the fair and equitable selection of all suppliers of goods and services and to set forth the duties and responsibilities of the department heads and the Purchasing Agent.

In general, persons authorized to make purchases on behalf of the town are expected to take all reasonable steps to ensure the best value for the least amount of money. The degree of effort expected is in direct proportion to the price or value of the good(s) or service(s) being purchased.

Purchasing and bidding policies should address:

- Definitions
- Allowable Procurement methods
 - purchase orders
 - oral/written quotes
 - e-procurement
 - competitive bidding
 - bidding process
- Purchasing Levels and Dollar thresholds
- Approval authority
- Exceptions/Special provisions
 - Emergency
 - Sole Source
 - Contracts
- Ethics/conflict of interest statement

REVENUE POLICY

CASH RECEIPTS POLICY

•The GFOA recommends that municipalities include cash receipts controls as part of its revenue policy statement. The purpose of this policy is to establish internal controls and sufficient management practices for the collections of cash, checks, electronic payments and other receipts.

- A lack of proper controls over revenues may negatively affect the determination of budgeting, forecasting, reconciliations, and general oversight over the various revenues collected.

A cash receipts policy should address:

- *“Segregation of duties”*
- *“Regular deposit procedures”*
- *“Receipting procedures”*
- *“Petty cash procedures”*
- *“Returned check procedures”*

•Cited source: <https://www.nhmunicipal.org/financial-services/financial-policies>

Revenue Procedures

RETURNED CHECK PROCEDURE

RSA 80:56. The purpose and intent of this policy is to have the individual(s), business, or other entity who issued the check or echeck cover all costs associated with collecting the debt that the uncollectible check was issued to pay.

•A returned check procedure should include:

- Bank Fees
- Legal Fees
- Administrative fee
- Postage
- A clause for repeat offenses

CASH /PETTY CASH AND EMPLOYEE REIMBURSEMENTS PROCEDURE

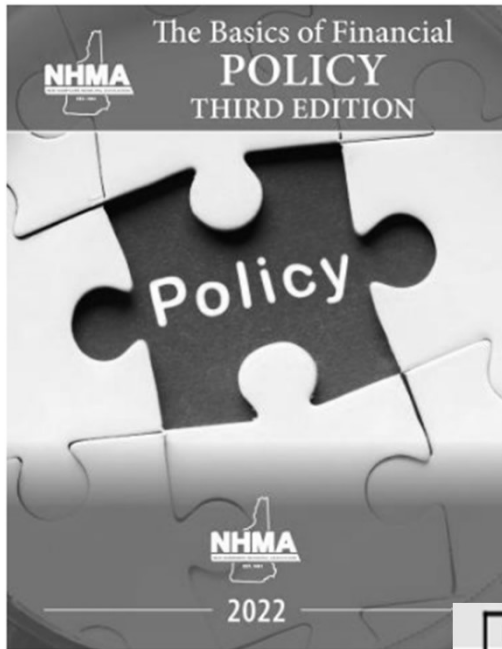
•Petty cash should be the mechanism of last resort to make payments, when other disbursement methods are impractical or cannot be used. Petty cash should not be used as an operating fund.

- Petty Cash should be reconciled daily by departments, monthly by the Finance Officer, and at minimum balanced annually by the Treasurer.
- The reimbursement of purchases made on behalf of the Town should be avoided where possible.
 - Petty cash is one way to address employee reimbursements.
 - Checks for reimbursement should never be written to cash

•A Petty Cash policy should address:

- Acceptable Use
- Receipts for each transaction, which may be subject to review by Internal /External Audit.
- A log for subject payments
- Expenses booked on a reimbursement form should use specific General Ledger accounts.

The Basics of Financial Policy



Publication Date:
Monday, November 28, 2022

Developing and Adopting Effective
Financial Policies Webinar
Monday, June 5, 2023 - 5:30pm to 7:00pm

Introduction to Internal Controls,
Segregation of Duties, Fraud and Risk
Monday, June 12, 2023 - 5:30pm to 7:00pm

8 Course Series- Fall 2023

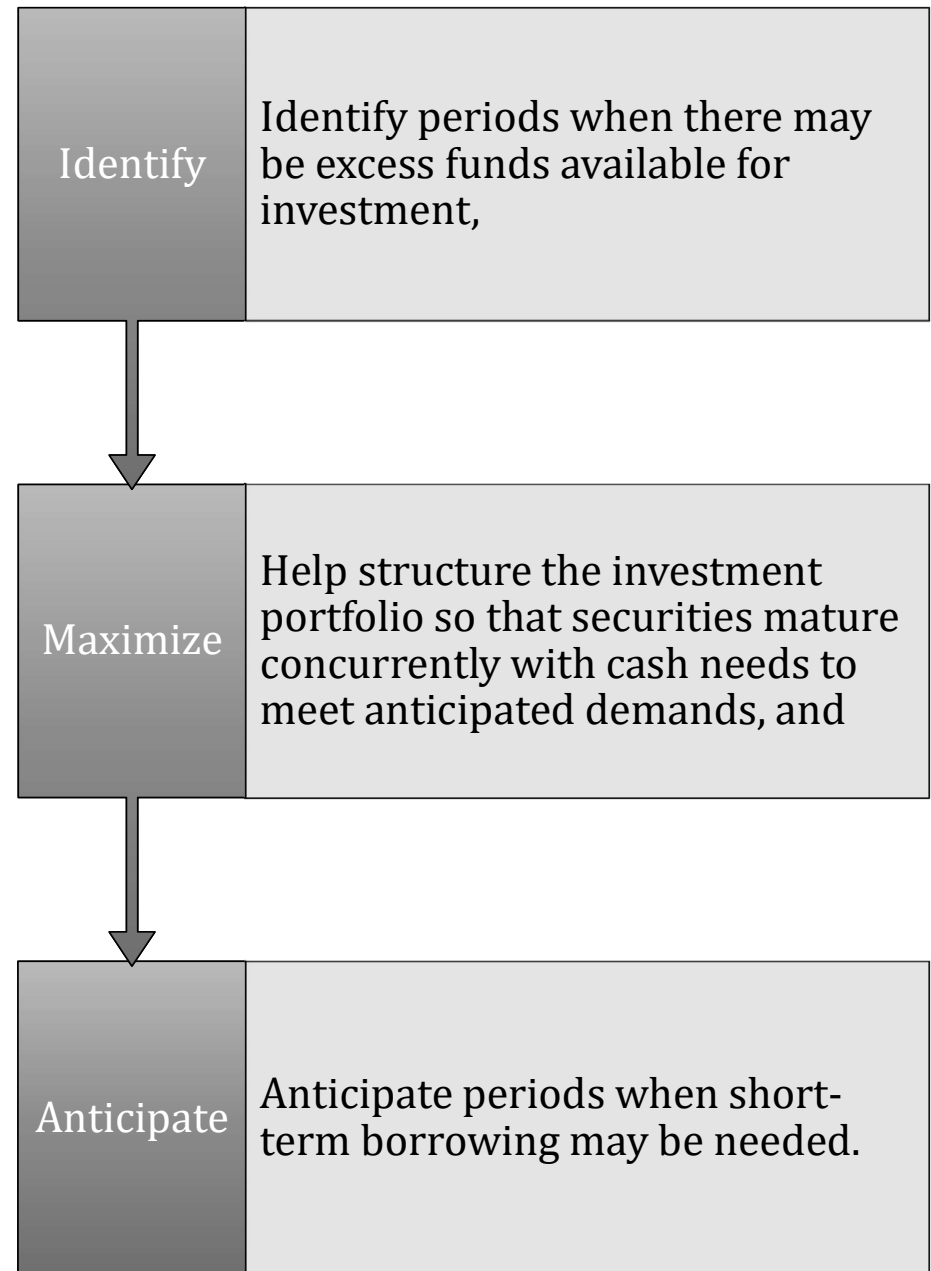
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| Internal Controls, Segregation of Duties, Fraud and Risk | Wednesday, September 13, 2023 | 9am-3:30pm |
| Policies for Operations and Budgeting | Wednesday, September 20, 2023 | 9am-11:30 am |
| Fund Balance Policy | Wednesday, September 20, 2023 | 1:00pm-3:30 pm |
| Revenue Policies | Wednesday, September 27, 2023 | 9am-11:30am |
| Expenditure Policies | Wednesday, September 27, 2023 | 1:00pm-3:30pm |
| Investment Policy | Wednesday, October 18, 2023 | 9am-11:30am |
| Debt Policy | Wednesday, October 18, 2023 | 1:00pm-3:30pm |
| Capital Planning and Fiscal Capacity | Wednesday, October 25, 2023 | 9am-3:30pm |

Cashflow Analysis

Estimate available cash deposits, expected inflows, and required disbursements during a given period so they can ensure sufficient liquidity.

Common inflows include tax receipts, bond proceeds, utility payments, grants, other revenue from fees and penalties, and maturities of all securities held in investments that will mature during the forecast time frame.

Outflows represent anticipated payments such as debt service, employee payroll or benefits, and payments to vendors for goods and services anticipated during the forecast time frame.



Cashflow Analysis

Weekly, Biweekly or Monthly

Major Revenues and Expenditures:

- Property taxes
- State revenues
- Motor vehicle registrations
- School/County payments
- Bond premiums and payments
- Payroll
- Accounts Payable
- Other significant expenditures

Cashflow Analysis

RSA 198:5 - “The selectmen...shall assess...a sum sufficient to meet the obligations...as may be voted by the district, and shall pay the same over to the district treasurer as the school board shall require for the maintenance of schools.”

RSA 29:11 – The County Treasurer “shall issue a warrant to the selectmen...requiring them to assess, collect and pay...their just portion of all taxes granted by the county convention...with interest at 10% a year from December 17 upon all taxes not then paid...”

Cashflow Analysis

RSA 52:16 Payments to Village Districts

Annual budget < \$200,000, then
payment due by 12/31

Annual budget > \$200,000, then
payment due monthly by the end of
the following month, including
interest earned on the funds

Exception: *"...unless otherwise
agreed to in writing by the town
and the district treasurers."*



Cashflow Analysis

RSA 33:7 Tax Anticipation Notes

- Must be authorized by the Legislative Body (i.e. Town Meeting)
- Authorized indefinitely until rescinded – have documentation of the vote!
- TAN borrowing must be no longer than one year.
- DRA 1707.14 Form MS-50, Treasurer's Report
 - List of information reported to DRA regarding issuances of tax anticipation notes or bond anticipation note.
 - To be filed with DRA "... upon borrowing by the municipalities treasurer..."



Cashflow Analysis

What external factors may have a material effect on cashflow projections?

Tax Rate Delay

Revaluation

Software Conversion

Special Town or School Meeting

Large Abatement



Fraud: Internal and External Threats

Prevent and protect against Fraud

The single most important step that can be taken to prevent fraud is for management to establish and maintain an effective internal control structure!

Authorization controls

Record controls

Security controls

Segregate duties

Personnel policies

Reconciliation

Verification

Analytic review



Example: Fraud Protection & Positive Pay

Protect your municipality against unauthorized check and ACH fraud with **Positive Pay**.

Positive Pay enables a municipality to upload a file of issued checks when they are produced.

- ✓ As checks clear through the account, they are matched to the issued file.
- ✓ Any exceptions are flagged by the system for your review prior to being paid.

The benefits of Positive Pay include:

- Increased security
- Reduced opportunities for check fraud
- Prevent invalid checks from being paid
- Automatic identification of discrepancies
- Quick and easy access to check images
- Reconcile your account in “real time”

Removal from Office

- **RSA 41:12** *“The selectmen may remove from office...any treasurer, who, in their judgment, has become insane or otherwise incapacitated to discharge the duties of the office.”*
- **RSA 41:26-d** *“...the accounts are found to contain an irregularity or material error, or show evidence that the timely deposit of funds has not been made.”*

Removal from Office

Irregularity means “...an intentional misstatement of the financial statements or a theft of assets...”

Material error means “...a mistake or omission resulting from gross negligence which results in a material misstatement of the financial statements.”

Removal From Office



RSA 41:29, VII Timely Deposit of Funds



“All money remitted shall be deposited at least on a weekly basis, or daily when funds remitted from all departments collectively totals \$1,500 or more.”



Deposit function may be delegated



If there is no bank within the municipality, then deposits shall be made on a weekly basis, or more frequently as directed by the Board of Selectmen in the investment policy.

Removal from Office



Why does one elected body (Board of Selectmen)



have authority to remove another elected officer



(Treasurer) from office?



Because the buck stops with them!



RSA 41:9 *"The selectmen shall be responsible for*



establishing and maintaining appropriate internal



control procedures to ensure the safeguarding of



all town assets and properties."

Questions?

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kheck@nhmunicipal.org





Resources

NH Revised Statutes Annotated (RSA)

Administrative Rules

Article from *Town & City* magazine

Example Treasurer's Report

GFOA Recommended Practices

FDIC Regulations

Websites:

- Government Finance Officers Association (GFOA)
- NH Government Finance Officers Association (NHGFOA)
- NH Department of Revenue Administration (DRA)
- NH Bank Commission
- Federal Deposit Insurance Corporation (FDIC)
- New Hampshire Municipal Association (NHMA)
- NH Public Deposit Investment Pool (NHPDIP)

Legal References

- **RSA 31:5 Trustee of Trust Funds Custody; Investment.**
- **RSA 31:25-d Application of Prudent Investor Rule.**
- **RSA 31:27 Collective Investments.**
- **RSA 31:3-8-a Professional Banking and Brokerage Assistance**
- **RSA 33:7 Tax Anticipation Notes.**
- **RSA 33:12 Register of Bonds and Notes.**
- **RSA41:6 Surety Bond.**
- **RSA 41:9 Selectmen Financial Duties.**
- **RSA41:12 Removal of Collector, Clerk, or Treasurer.**
- **RSA 41:26-d Removal of Elected Treasurer.**
- **RSA41-29 Towns.**
- **RSA 386:57 Security for Certain Deposits of Public Funds.**
- RSA 41:29-a Deputy Town Treasurer.**
- RSA 47:6 City Council Financial Duties.**
- RSA 48:16 City Treasurer.**
- RSA 52:8 Village District Treasurer.**
- RSA 52:16 Village district Taxation Procedure.**
- RSA 80:56 Uncollectible Checks.**
- RSA 197:22 School Treasurer Bond.**
- RSA 197:23-a School Treasurer.**
- RSA 197:24 Acting School Treasurer.**
- RSA 197:24-a Deputy School Treasurer.**
- RSA 669:7 Incompatibility of Offices.**
- RSA 29:11 Payment to Counties.**