

Town of Holden Beach

Internal Control Report to the
Board of Commissioners

January 15, 2019



RSM US LLP

January 15, 2019

The Board of Commissioners
Town of Holden Beach

We are pleased to present this report related to our internal control review of the Town of Holden Beach (the Town). This report summarizes certain matters identified during our review and recommendations of control and process implementations to further strengthen the Town's control environment.

We look forward to meeting with the Board of Commissioners to report on the results of the internal control review and will be pleased to answer any questions you may have.

This report is intended solely for the information and use of the Board of Commissioners, audit committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Town of Holden Beach.

RSM US LLP

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

TABLE OF CONTENTS

Executive summary	1
Areas of focus	2-3
Recommendations	4-5
Internal control matrix	
• Financial reporting	6-9
• Accounts payable	10-11
• Fixed assets	12-14
• Payroll	15-16
• Accounts receivable	17-18
• Debt	19-20

EXECUTIVE SUMMARY

We were engaged to assist the Town in developing an internal control risk matrix over its main transaction cycles. In developing a risk matrix for the Town, we considered internal controls relevant to the Town's preparation and fair presentation of the financial statements in order to design assurance procedures that are appropriate in the circumstances. Our risk assessment procedures were designed to evaluate the effectiveness of the controls that are in place and to evaluate potential gaps in internal control that could lead to fraud or error in the below noted transaction cycles. Gaining an understanding of the internal controls assisted us in identifying types of potential deficiencies in internal control and factors that affect the risks of material misstatement as assessed by your external auditors. We also drew on this understanding to provide feedback in internal control risk matrix about opportunities you may have to strengthen controls or streamline processes.

Our objectives were to review the follow transaction cycles:

- Financial Reporting
- Accounts Payable
- Fixed Assets
- Payroll
- Accounts Receivable/Revenue
- Debt

We approached the engagement with procedures that include:

- Inquiries of appropriate entity personnel regarding the design and/or application of a relevant internal control policy or procedure, including the classes of transactions to which the policy or procedure applies, how it is applied and by whom, and the disposition of exceptions detected by the policy or procedure.
- Inspection of documents and/or reports evidencing the design and/or application of the relevant policy or procedure by entity personnel, noting how the policy or procedure is applied and by whom, the classes of transactions to which it applies, and the disposition of exceptions detected by the policy or procedure.
- Observation by the performance of the relevant policy or procedure by entity personnel, noting how the policy or procedure is applied and by whom, the classes of transactions to which it applies, and the disposition of exceptions detected by the policy or procedure.

AREAS OF FOCUS

Financial Reporting

The financial reporting process is an essential process within any government unit and is important in order to stay in compliance with pre-established accounting standards. We noted through our procedures that the Town's external auditor writes the annual Comprehensive Annual Financial Report (CAFR), which is accordance with current standards, however the *Government Auditing Standards* (Yellowbook), issued by the Comptroller General of the United States, is leaning towards abolishing this practice as it implies independence issues. This will require government units to write their CAFR or outsource the project. The Town currently relies heavily on the external auditor related to the financial statements and should begin setting up processes and procedures to accumulate a set of basic financial statements, footnotes, and required supplementary information for future periods.

Accounts Payable

The process of vendor approval and subsequent payment for services to approved vendors has inherent risks for any operation as cash is heavily involved. The Town has detectable controls over the cash disbursement process, which include dual signature on all checks, preapproved purchase order stamps, and review of the Schedule of Expenditures, Encumbrances and Appropriations at the appropriate level. Vendor set up is limited to appropriate personnel however the overall process can be informal as an email or verbal approval is current practice.

Fixed Assets

Fixed assets, which include property, equipment, and infrastructure assets, are reported in the government-wide and proprietary fund financial statements, typically arising from large purchases, and remain on the books for a period greater than one year. Capital purchase discussions come by way of the Board, management, and the department heads and are usually due to the need to replace a current fully depreciated asset. Once purchased, the process and corresponding internal controls follow the normal accounts payable cycle to ensure proper payment. Finance personnel track assets on an asset manager spreadsheet used to document in-service date, estimated useful life and net book value. The Town currently capitalizes assets using management discretion however, a formal written policy binding asset purchases over a certain threshold would help to reduce the risk of incorrect capital asset reporting.

Payroll

The payment of wages and benefits to personnel has inherent risks associated with overpayment of wages or payment to ghost employees. The Town's controls over payroll include department-head approved timesheets, comparison of the number of timesheets to payroll reports, and analysis of payroll expenditures to budget variance reports. While the payroll cycle has built in controls, one person within the finance office conducts the overall payroll processing with review of the expenditures conducted after the process is complete. Changes to an employee's rate of pay is to be approved by the Town Manager and included as part of the individual's human resource file, however, the payroll software allows for a change to an employee's rate of pay without a secondary review or signoff.

AREAS OF FOCUS (CONTINUED)

Accounts Receivable / Revenue

Revenue and accounts receivable for the Town are primarily tax revenues and water and sewer utility payments. Controls over the processing of cash payments in place at the Town to mitigate the risk of material misstatement whether due from error or fraud. A number of finance personnel are included in the billing and collections process, which includes a daily review of the payments received, matching of reconciliation to posted payments within the accounting software, and overall review of the Budget to Actual schedule. Actual cash on hand at the Town's finance office is limited to a de minimis amount, reviewed and counted by two to three individuals and taken to the bank on a daily basis.

Debt

The long-term debt process coincides largely with the budget and capital asset cycles. During the annual Budget Development Process, an assessment of general needs of the town is discussed in order to ascertain debt service needs or options. Resolutions passed by the Board of Commissions provide authorization for finance staff to issue debt or purchase assets through financing options. All debt service schedules are published online under the Finance Department page of the Town Hall website. Debt service payments are paid in accordance with the cash disbursement cycle previously noted.

RECOMMENDATIONS

1. Finance Officer

While the Town is not required by standards to have a separate Town Manager and Finance Officer, based on our internal control review, we believe it prudent and we recommend you separate the two roles. Separating the two responsibilities would allow the Town Manager to devote the entire day towards high-level Town objectives and the Finance Officer to financial reporting, budgeting and accounting tasks. Having another experienced individual specific to the government accounting arena would allow the Town to implement specific policies and procedures to strengthen the controls around many of the transaction cycles, including mitigation of numerous segregation of duties weaknesses as noted below. As *Government Auditing Standards* progress towards removing the allowability of the external auditors to also draft the financial statements, having an additional seasoned individual would allow for drafting of the financial statements to occur in-house versus relying on outsourcing. It is also worth noting that several times within the past eight years the Town has received a material weakness as it relates to technical expertise in full-accrual accounting and drafting full disclosure financial statements which would help to strengthen the concerns for separating the roles of Town Manager and Finance Officer.

2. Segregation of Duties

Transaction cycles have a number of objectives or tasks to move a transaction from start to finish. Having these objectives split between multiple individuals is the best way for entities to mitigate the risk of material misstatement due to fraud or error. Segregation of duties is not an absolute fix for any transaction cycle however splitting the duties is a productive way to reduce possible risk of error or fraud. Entities with limited staff makes segregating duties very difficult however it is important to cross-train individuals across all cycles so that transactions can be processed and reviewed by a number of individuals prior to its completion. Cross-training personnel is also helpful if a member of finance is out for a long period of time. This enables someone to come in and complete the assigned tasks seamlessly with little downtime. The addition of a separate Finance Officer, as noted in recommendation #1 would help alleviate most of the segregation of duties issues noted in the Internal Control Matrix.

3. Vendor Listing

Currently vendor setup in the financial accounting system is limited to appropriate personnel, Fiscal Operations II and Fiscal Operations III. Vendor set ups are reviewed by the Town Manager, however this process is informal and can be verbal in nature or with an email approval. While the subsequent payment to the vendor is then signed by the Town Manager, which constitutes a review, it does not mitigate all risks that an invalid vendor is entered into the system. A potential fraud perpetrator could easily set up fake vendors by slightly changing the name of one of the Town's common vendors, setting up a P.O. Box and sending a fake invoice. Lack of strong controls over the vendor approval and maintenance process, can lead to falsified invoices being paid without detection. We recommend setting up a formal review process of vendors whereby the vendor information is accumulated and provided to management who then initials approving the vendor to be set up in the system. The vendor approval information should be maintained as long as the Town is utilizing the vendor. The financial accounting system is currently set up to print a report of all vendors. Currently the report lists over 2,700 vendors. Management has not reviewed the list of vendors for potential errors, potential conflicts of interest or obsolescence. We recommend the Town examine their vendor list to reduce the list to only current, active vendors. We also recommend the vendor list be examined for potential conflicts of interest and/or potential debarment by federal or State authorities for previous improprieties. Once a current list is established, we recommend annual reviews of the vendor listing performed by appropriate personnel to mitigate the potential for payments to unauthorized persons.

RECOMMENDATIONS (CONTINUED)

4. Payroll

The payroll transaction cycle is very important to the overall business of the Town and carries an inherent risk of overpayment of wages or payments to an unknown or "ghost" employee. Currently, one individual conducts the processing of payroll. Noted above, we believe it relatively prudent to involve more than one individual in the processing of payroll with a level of detail review to verify accuracy of payments. The payroll system is also set up, that when entering payroll the rate of pay can be manually updated without a system generated approval or lock function. Rates of pay that can be updated or changed at any point increases the risk that an individual could be paid an incorrect amount and an overpayment of wages could occur. We recommend the Town contact their payroll software provider and inquire of the possibility of adding a system control whereby all pay rate changes require a secondary review.

Currently, Town staff pay increases are at the discretion of the Town Manager. This practice can lead to the overpayment and/or underpayment of employees at their respective positions based on their job function. While the Town Manager should approve all pay raises, we recommend the Town establish set job descriptions for each position, by function and establish a compensation range for the position based on the position's responsibilities and current market conditions. To establish the scales, we recommend hiring a third-party consultant to conduct a total compensation study, to compare compensation rates of personnel relative to other government units of comparable size, functionality, and general economic conditions. We recommend these rate studies be performed periodically after the ranges are initially established at least every five years.

5. Capital Assets

Capital assets are essential to government units for the overall support of the public whether through police vehicles, signage, or heavy equipment. Capital assets are tracked on an Excel spreadsheet, which is a common practice as many units see the purchase of capital asset tracking software to be impractical when the number of overall assets is limited. We noted that the information on the listing to track the assets was limited to the asset's tag number, service date of the asset, description, and cost. Since the listing omits information about the depreciation of the assets, the omission increases the risk that depreciation at year-end is calculated incorrectly, potentially overstating assets and understating expenses. We recommend expanding on this listing to add information on the depreciation of each of the assets, which would include the annual depreciation expense, the accumulated depreciation total, and the calculated net book value. This list should be reviewed at least annually to determine the proper useful lives have been assigned to assets and that depreciation is being properly calculated.

Additionally, the Town issues asset tags for each of its capital asset purchases in order to properly track the asset on a periodic basis. Currently the Town does not perform an inventory count of tangible property using the asset tags. We recommend the Town develop a written policy and procedure over the physical inventory of capital assets on an at least a biannual basis with a reconciliation to the capital asset listing. This will ensure all capital assets owned by the town are accounted for appropriately and assets that have been disposed are properly removed from the fixed assets ledger.

Town of Holden Beach - Desired Key Controls				
Inherent Risk	Current Practice	Desired Control	Design Gap	
Finance: Financial Statement Close				
1	What ensures that there is proper segregation of duties?	Access and segregation of duties are not monitored for ongoing appropriateness on an annual basis.	Access and segregation of duties are monitored at least annually for ongoing appropriateness.	Yes
		General ledger access is appropriately restricted to persons within Finance.	General ledger access is appropriately restricted to persons within Finance.	No
		Fiscal Operations II and III have edit access to all components in the Accounting applications.	Edit access within the accounting applications system is appropriate. For example, the Town Manager's access is limited to read only.	No
2	What ensures that financial reporting deadlines, methodology, format, and frequency of required analysis are met?	Monthly/Quarterly/Year-End close is performed based on the team knowledge of what is required for completion.	The close process is performed by the Finance Department per the "Month/Quarter/Year End Closing" Checklist, which outlines the step by step process of the closing process to ensure steps are completed (including the format, timeline, preparers and reviewers) for year-end and periodic financial reporting based on the specific characteristics of the organization and reporting agencies.	Yes
3	What ensures that roles and responsibilities in the month, quarter and annual financial closing and reporting process, including a required understanding of the entity's operations and appropriate accounting knowledge, are clearly defined, documented, updated, and communicated to appropriate departments and individuals on timely basis?	Monthly/Quarterly/Year-End close is performed based on the team knowledge of what is required for completion.	The close process is performed by the Finance Department per the "Month/Quarter/Year-End Closing" Checklist, which outlines the step by step process of the closing process to ensure steps are completed (including the format, timeline, preparers and reviewers) for year-end and periodic financial reporting based on the specific characteristics of the organization and reporting agencies.	Yes
4	What ensures that non-routine events and transactions (including judgments and estimates) are appropriately identified and recorded?	Non-routine transactions that rise to the level of disclosure, material subsequent events and new pronouncements and application of GASB, are heavily relied upon by the Town for guidance from the external accounting.	Non-routine transactions that rise to the level of disclosure, material subsequent events and new pronouncements and application of GASB, if applicable, are reviewed in detail by an Accounting Manager or above.	Yes
		A methodology application memo is not prepared each year during the preparation of the CAFR to document significant judgments and estimates included in the financial records and an independent review of the memo and underlying assumptions is performed by an appropriate party.	A methodology application memo is prepared each year during the preparation of the CAFR to document significant judgments and estimates included in the financial records and an independent review of the memo and underlying assumptions is performed by an appropriate party.	Yes

5	What ensures that journal entries are reviewed, authorized, and properly recorded in the appropriate accounting period?	There is no formal journal entry approval process.	Journal entries are approved by someone independent of preparation and depending on threshold, approved accordingly to policy	Yes
		Budget to Actual reports are posted on the Town website on a monthly basis. Financial detail is scanned and emailed to the respective departments for review	Budget to Actual reports are posted on the Town website on a monthly basis. Financial detail is scanned and emailed to the respective departments for review	No
		Non-routine transactions that rise to the level of disclosure, material subsequent events and new pronouncements and application of GASB are heavily relied upon by the Town for guidance from the external accounting	Significant non-routine events, transactions, estimates and judgments are prepared by knowledgeable personnel in accordance with GASB and second party reviewed (including documentation of such analysis for appropriate GASB considerations).	Yes
6	What ensures that the trial balance and financial statements are in balance for monthly and annual reporting?	Budget to Actual reports are posted on the Town website on a monthly basis. Financial detail is scanned and emailed to the respective departments for review.	Budget to Actual reports are posted on the Town website on a monthly basis. Financial detail is scanned and emailed to the respective departments for review.	No
		The needs of the Department and changes to budget are discussed during weekly department status meetings, when applicable	The needs of the Department and changes to budget are discussed during weekly department status meetings when applicable	No
		The Town Manager relies heavily on the external accounting firm for the final financial statements for completeness and accuracy, including confirmation that all adjustments are correctly recorded in the financial statements, and performs an overall analytical review of year-to-date operations and a comparison to the budget and prior year. Evidence of review is documented.	The Town Manager reviews the final financial statements for completeness and accuracy. Including confirmation that all adjustments are correctly recorded in the financial statements, and performs an overall analytical review of year-to-date operations and a comparison to the budget and prior year. Evidence of review is documented.	Yes
		As part of the annual financial reporting process, Finance does not utilize the GFOA Certificate program preparer checklist to assist in the CAFR presentation. CAFR preparation is based on team knowledge.	A GFOA Certificate Program general preparer checklist is completed and reviewed for each set of annual financial statements. The purpose of the checklist is to assist with CAFR preparation and certificates are issued by the GFOA to any entity that has prepared their CAFR in accordance with the checklist. The checklist incorporates GAGAS and GASB, and is updated annually to capture new and upcoming pronouncements.	Yes
		Prior to the release of the financial statements, the Board of Commissioners are not presented with annual financial statements including the adopted budget amounts, budget amendments and year-to-date operations for their review and acceptance	Prior to the release of the financial statements, the Board of Commissioners are presented with annual financial statements including the adopted budget amounts, budget amendments and year-to-date operations for their review and acceptance.	Yes
7	What ensures that the financial statements and disclosures are complete, accurate, and in accordance with Governmental Fund Accounting?	Accounting does not have an established monthly/quarterly/year end checklists that documents and assists in respective reporting process. This checklist should be completed on a monthly/quarterly/annual basis and include preparer sign off, date and review performed.	The close process is performed by the Finance Department per the "Month/Quarter/Year End Closing" Checklist, which outlines the step-by-step process of the closing process to ensure steps are completed (including the format, timeline, preparers and reviewers) for year-end and periodic financial reporting based on the specific characteristics of the organization and reporting agencies.	Yes
		The Town Manager relies heavily on the external accounting firm for the final financial statements for completeness and accuracy, including confirmation that all adjustments are correctly recorded in the financial statements, and performs an overall analytical review of year-to-date operations and a comparison to the budget and prior year. Evidence of review is documented.	The Town Manager reviews the final financial statements for completeness and accuracy, including confirmation that all adjustments are correctly recorded in the financial statements, and performs an overall analytical review of year-to-date operations and a comparison to the budget and prior year. Evidence of review is documented.	Yes
		As part of the annual financial reporting process, Finance does not utilize the GFOA Certificate program preparer checklist to assist in the CAFR presentation. CAFR preparation is based on team knowledge.	A GFOA Certificate Program general preparer checklist is completed and reviewed for each set of annual financial statements. The purpose of the checklist is to assist with CAFR preparation and certificates are issued by the GFOA to any entity that has prepared their CAFR in accordance with the checklist. The checklist incorporates GAGAS and GASB, and is updated annually to capture new and upcoming pronouncements.	Yes

8	What ensures the published financial statements (in print and electronic form) do not have publishing, printing, or electronic conversion errors?	Prior to the release of the financial statements, the Board of Commissioners are not presented with annual financial statements including the adopted budget amounts, budget amendments and year-to-date operations for their review and acceptance	Prior to the release of the financial statements, the Board of Commissioners are presented with annual financial statements including the adopted budget amounts, budget amendments and year-to-date operations for their review and acceptance	Yes
		The Town Manager relies heavily on the external accounting firm for the final financial statements for completeness and accuracy, including confirmation that all adjustments are correctly recorded in the financial statements, and performs an overall analytical review of year-to-date operations and a comparison to the budget and prior year. Evidence of review is documented	The Town Manager reviews the final financial statements for completeness and accuracy, including confirmation that all adjustments are correctly recorded in the financial statements, and performs an overall analytical review of year-to-date operations and a comparison to the budget and prior year. Evidence of review is documented.	Yes
9	What ensures that the financial statements are not misstated because all departments are not identified and appropriately included in the consolidated process?	As part of the annual financial reporting process, Finance does not utilize the GFOA Certificate program preparer checklist to assist in the CAFR presentation. CAFR preparation is based on team knowledge	A GFOA Certificate Program general preparer checklist is completed and reviewed for each set of annual financial statements. The purpose of the checklist is to assist with CAFR preparation and certificates are issued by the GFOA to any entity that has prepared their CAFR in accordance with the checklist. The checklist incorporates GAGAS and GASB, and is updated annually to capture new and upcoming pronouncements.	Yes
		Prior to the release of the financial statements, the Board of Commissioners are not presented with annual financial statements including the adopted budget amounts, budget amendments and year-to-date operations for their review and acceptance	Prior to the release of the financial statements, the Board of Commissioners are presented with annual financial statements including the adopted budget amounts, budget amendments and year-to-date operations for their review and acceptance.	Yes
		The Town Manager relies heavily on the external accounting firm for the final financial statements for completeness and accuracy, including confirmation that all adjustments are correctly recorded in the financial statements, and performs an overall analytical review of year-to-date operations and a comparison to the budget and prior year. Evidence of review is documented.	The Town Manager reviews the final financial statements for completeness and accuracy, including confirmation that all adjustments are correctly recorded in the financials statements, and performs an overall analytical review of year-to-date operations and a comparison to the budget and prior year. Evidence of review is documented.	Yes
10	What ensures that changes made to the financial closing and reporting process are valid and properly authorized?	Changes to the entity's financial closing and reporting process (e.g., changes to the chart of accounts, including addition and deletion of general ledger accounts) are monitored and any significant changes made are independently reviewed and approved.	Changes to the entity's financial closing and reporting process (e.g., changes to the chart of accounts, including addition and deletion of general ledger accounts) are monitored and any significant changes made are independently reviewed and approved.	No
		Monthly/Quarterly/Year-End close is performed based on the team knowledge of what is required for completion.	The close process is performed by the Finance Department per the "Month/Quarter/Year End Closing" Checklist, which outlines the step by step process of the closing process to ensure steps are completed (including the format, timeline, preparers and reviewers) for year-end and periodic financial reporting based on the specific characteristics of the organization and reporting agencies	Yes
11	What ensures that Management and financial closing and reporting personnel identify all applicable, generally accepted, accounting principles affecting the entity and that the entity's accounting policies reflect the most recent, applicable authoritative guidance and are properly documented and communicated to achieve consistency across business units and accounting periods?	The Town Manager attends CPE and trainings on new authoritative guidance and disseminate information to the fund accountants and departments as necessary and relevant.	Personnel at the management level regularly attend CPE and trainings on new authoritative guidance and disseminate information to the fund accountants and departments as necessary and relevant.	Yes
		Changes in authoritative guidance and regulations that affect the entity are not monitored and the appropriate changes to the entity's accounting policies have not been made on a timely basis.	Knowledgeable personnel monitor changes in authoritative guidance and regulations that affect the entity and make the appropriate changes to the Town's accounting policies on a timely basis	Yes

		As part of the annual financial reporting process, Finance does not utilize the GFOA Certificate program preparer checklist to assist in the CAFR presentation. CAFR preparation is based on team knowledge.	A GFOA Certificate Program general preparer checklist is completed and reviewed for each set of annual financial statements. The purpose of the checklist is to assist with CAFR preparation and certificates are issued by the GFOA to any entity that has prepared their CAFR in accordance with the checklist. The checklist incorporates GAGAS and GASB, and is updated annually to capture new and upcoming pronouncements.	Yes
12	What ensures that accounts are properly consolidated into Fund Financial Statements and Government-wide Financial Statements?	The Town Manager relies heavily on the external accounting firm for the final financial statements for completeness and accuracy, including confirmation that all adjustments are correctly recorded in the consolidated financials, and performs an overall analytical review of year-to-date operations and a comparison to the budget and prior year. Evidence of review is documented.	The Town Manager reviews the final financial statements for completeness and accuracy, including confirmation that all adjustments are correctly recorded in the consolidated financials, and performs an overall analytical review of year-to-date operations and a comparison to the budget and prior year. Evidence of review is documented.	Yes
13	What ensures there is adequate monitoring of progress toward goals, controlled spending, and prediction of cash flow?	A comprehensive review of annual budget is conducted by the Town Manager and reviewed by Town Commissioners and posted to the Town's website. Monthly, budget to actual reports are also prepared by the Town Manager and posted to the Town's website.	A comprehensive review of annual budget is conducted by the Town Manager and reviewed by Town Commissioners and posted to the Town's website. Monthly, budget to actual reports are also prepared by the Town Manager and posted to the Town's website.	No

Town of Holden Beach - Desired Key Controls				
	Inherent Risk	Current Practice	Desired Control	Design Gap
Finance - Accounts Payable				
1	What ensures that there are proper segregation of duties?	Access and segregation of duties are not monitored for ongoing appropriateness on an annual basis	Access and segregation of duties are monitored at least annually for ongoing appropriateness	Yes
		Fiscal Operations II and III have edit access to all components in the Accounting applications Both of which are cross trained and authorized to process payments, update vendors and approve PO's Fiscal Operations II is also an authorized check signor Check signing requires at least the Town Manager's signature at all times	Segregation of duties over matching invoices to Purchase Orders (PO) and posting to the General Ledger (GL) is appropriate	Yes
		Check processing - Check stock is stored in safe within locked room Access to the safe is limited to Town Manager and Fiscal Operations III, however, there is a small portion of checks located in the Fiscal Operations III office who keeps her office locked. - Town Manager's signature is to be included on all checks along with one of three other approved signors (Fiscal Operations II, Mayor, or Mayor pro-tem) - Fiscal Operations III matches checks to invoices and mails out.	Check processing - Check stock is stored in safe within locked room No other portion of checks is located outside the safe Only portion pulled is the amount of checks needed for check run All excess is returned once check run is complete - Town Manager's signature is to be included on all checks along with one of three other approved signors (Fiscal Operations II, Mayor, or Mayor pro-tem) - Someone outside the payment processing and check processing cycle attaches checks to invoices and mails out payments	Yes
		Access to vendor additions/changes/deletions is restricted to Fiscal Operations II and III who have access to all components of the accounting system and are included in the payment processing process.	Access to vendor additions/changes/deletions is restricted to someone outside the payment processing process	Yes
2	What ensures that amounts posted to accounts payable represents authorized and valid goods received and/or services rendered?	Purchases, where applicable, are supported by authorized Purchase Orders Purchase orders are required to be stamped as pre-audited as authorization and approval.	Purchases, where applicable, are supported by authorized Purchase Orders Purchase orders are required to be stamped as pre-audited as authorization and approval.	No
		All purchase orders are approved by Fiscal Operations II.	Approvals of PO are based on a dollar amount threshold whereby the higher the dollar amount on the PO, the higher the position of the secondary approval	Yes
		All disbursements must be supported by an approved invoice, which is the indication from the appropriate department authorizer that the good/service has been received/rendered.	All disbursements must be supported by an approved invoice, which is the indication from the appropriate department authorizer that the good/service has been received/rendered.	No
3	What ensures that disbursements are only made for goods and services received? What ensures that disbursements are recorded, accurate and recorded in the correct period?	Check processing - Check stock is stored in safe within locked room Access to the safe is limited to Town Manager and Fiscal Operations III, however, there is a small portion of checks located in the Fiscal Operations III office who keeps her office locked. - Town Manager's signature is to be included on all checks along with one of three other approved signors (Fiscal Operations II, Mayor, or Mayor pro-tem) - Fiscal Operations III matches checks to invoices and mails out	Check processing - Check stock is stored in safe within locked room No other portion of checks is located outside the safe Only portion pulled is the amount of checks needed for check run All excess is returned once check run is complete - Town Manager's signature is to be included on all checks along with one of three other approved signors (Fiscal Operations II, Mayor, or Mayor pro-tem) - Someone outside the payment processing and check processing cycle attaches checks to invoices and mails out payments.	Yes
		The list of disbursements are reviewed against the Schedule of Expenditures, Encumbrances, and Appropriations to verify correct amount, vendor, fund and budget amounts by both the Fiscal Operations II and Town Manager before checks are signed	The list of disbursements are reviewed against the Schedule of Expenditures, Encumbrances, and Appropriations to verify correct amount, vendor, fund and budget amounts by both the Fiscal Operations II and Town Manager before checks are signed	No

		All disbursements must be supported by an approved invoice, which is the indication from the appropriate department authorizer that the good/service has been received/rendered	All disbursements must be supported by an approved invoice, which is the indication from the appropriate department authorizer that the good/service has been received/rendered.	No
		Budget to Actual statements are posted on the Town website on a monthly basis. Financial detail is scanned and emailed to the respective departments for review.	Budget to Actual statements are posted on the Town website on a monthly basis. Financial detail is scanned and emailed to the respective departments for review.	No
		The needs of the Department and changes to budget, are discussed during weekly department status meetings, when applicable.	The needs of the Department and changes to budget, are discussed during weekly department status meetings, when applicable.	No
		Open purchase orders are monitored at year-end.	Open purchase orders are monitored at year-end.	No
		Bank reconciliations are performed on a monthly basis with second party review. Unusual items and exceptions in analyses and reconciliations are documented upon identification. Resolution and treatment of unusual items identified are documented and reviewed independently for appropriateness on a timely basis. Evidence of review is documented.	Bank reconciliations are performed on a monthly basis with second party review. Unusual items and exceptions in analyses and reconciliations are documented upon identification. Resolution and treatment of unusual items identified are documented and reviewed independently for appropriateness on a timely basis. Evidence of review is documented.	No
4	What ensures that accounts payable amounts are accurately calculated and posted to the G/L?	The list of disbursements are reviewed against the Schedule of Expenditures, Encumbrances, and Appropriations to verify correct amount, vendor, fund and budget amounts by both the Fiscal Operations II and Town Manager before checks are signed.	The list of disbursements are reviewed against the Schedule of Expenditures, Encumbrances, and Appropriations to verify correct amount, vendor, fund and budget amounts by both the Fiscal Operations II and Town Manager before checks are signed.	No
		All disbursements are supported by an approved invoice, which is the indication from the appropriate department authorizer that the good/service has been received/rendered.	All disbursements are supported by an approved invoice, which is the indication from the appropriate department authorizer that the good/service has been received/rendered.	No
6	What ensures that credit memos and other adjustments are accurately calculated, recorded, and valid?	Credit memos and other adjustments are reviewed by the Town Manager	Credit memos and other adjustments are reviewed by the Town Manager.	No
		The needs of the Department and changes to budget are discussed during weekly department status meetings, when applicable.	The needs of the Department and changes to budget are discussed during weekly department status meetings, when applicable.	No
8	What ensures that changes to the vendor master file are accurate, recorded and valid?	The Finance department does not review vendor additions/changes/deletions periodically to supporting documentation.	The Vendor Master File is reviewed by the Town Manager and someone outside the payment process for vendor additions/changes/deletions on a periodic basis to supporting documentation.	Yes
		Access to vendor additions/changes/deletions is restricted to Fiscal Operations II and III who have access to all components of the accounting system and are included in the payment processing process.	Access to vendor additions/changes/deletions is restricted to someone outside the payment processing process.	Yes
7	What ensures that the Town is maximizing payment discounts?	The Town does not have a process in place to ensure payment discounts have been taken.	Payment terms are entered into the accounts payable system when invoice is processed and payables report is printed weekly to monitor for maximization of payment terms.	Yes

Town of Holden Beach - Desired Key Controls				
Inherent Risk	Current Practice	Desired Control	Design Gap	
Property Control/Fixed Assets				
1	What ensures that there is proper segregation of duties?	The authorization, custody and record-keeping of property are performed by separate individuals. User access within the accounting system is limited based on function.	The authorization, custody and record-keeping of property are performed by separate individuals. User access within the accounting system is limited based on function.	No
		The Town does not have a formal Asset Management procedure, to include identification (tagging) of assets, frequency and procedures for inventory, and the disposal/surplus process.	Policies and procedures are in place to ensure that property purchases are adequately controlled and assets are properly safeguarded	Yes
2	What ensures that all capital additions are accurately and appropriately recorded in accordance with Town policies?	After review of the applicable proposal it is up to the Town Manager's discretion as to whether a purchased asset will be capitalized. Currently no formal policy in place.	The Town Manager reviews and approves all purchase requisitions over a certain dollar threshold and all material requisitions coded to capital outlay accounts. Property with estimated lives greater than one year and greater than the set dollar threshold are capitalized per formal Town policy.	Yes
		Access to recording capital assets in Accounting Module is limited to Finance Personnel.	Access to recording capital assets in Accounting Module is limited to Finance Personnel.	No
3	What ensures that capital asset additions are authorized? What ensures that recorded capital asset acquisitions represent capital assets acquired by the Town?	All capital expenditures are reviewed and approved per the by the Fiscal Operations II during the PO process. Evidence of approval is maintained on the PO.	All capital expenditures are reviewed and approved per the by the Fiscal Operations II during the PO process. Evidence of approval is maintained on the PO.	No
		Capital additions are inspected and tagged by the Finance Department, descriptions and information is updated an ongoing additions spreadsheet by Fiscal Operations III.	Capital additions are inspected and tagged by the Finance Department, descriptions and information is updated an ongoing additions spreadsheet by Fiscal Operations III.	No
		Additions are added to the Capital Asset spreadsheet. Currently the Town does not prepare the fixed asset roll forward, however, the asset spreadsheet is reconciled to the GL annually.	Finance prepares and reconciles the fixed asset roll forward schedule. The schedule is reconciled to the Capital Asset listing as well as the GL and reviewed by the Town Manager.	Yes
4	What ensures fixed asset additions are recorded in the appropriate period?	The Town does not have a formal Asset Management procedure, to include identification (tagging) of assets, frequency and procedures for inventory and the disposal/surplus process	Policies and procedures are in place to ensure that property purchases are adequately controlled and assets are properly safeguarded	Yes
		All capital expenditures are reviewed and approved per the by the Fiscal Operations II during the PO process. Evidence of approval is maintained on the PO.	All capital expenditures are reviewed and approved per the by the Fiscal Operations II during the PO process. Evidence of approval is maintained on the PO.	No
		Additions are added to the Capital Asset spreadsheet. Currently the Town does not prepare the fixed asset roll forward however the asset spreadsheet is reconciled to the GL annually	Finance prepares and reconciles the fixed asset roll forward schedule. The schedule is reconciled to the Capital Asset listing as well as the GL and reviewed by the Town Manager.	Yes

5	What ensures that depreciation is correctly calculated/recorded, valid and recorded in the proper period?	Additions are added to the Capital Asset spreadsheet. Currently the Town does not prepare the fixed asset roll forward however the asset spreadsheet is reconciled to the GL annually.	Finance prepares and reconciles the fixed asset roll forward schedule. The schedule is reconciled to the Capital Asset listing as well as the GL and reviewed by the Town Manager.	Yes
		Coding of asset and its useful life are not reviewed by a second party prior to the property being put into use to ensure proper classification and depreciation rate.	Coding of asset and its useful life are reviewed by a second party prior to the property being put into use to ensure proper classification and depreciation rate.	Yes
		Depreciation expense is calculated only annually based on the asset schedule that currently only lists asset number, date in service, description and cost.	The Capital Asset spreadsheet should be detailed enough to calculate straight-line depreciation expense based on the approved useful life category. The expense should be booked on a monthly basis and reviewed by a second reviewer as part of the monthly close process.	Yes
6	What ensures that fixed asset disposals are authorized?	A request to dispose of an asset comes from the Department Heads who's requests is approved by the Town Manager as well as the Board of Commissioners.	A request to dispose of an asset comes from the Department Heads who's requests is approved by the Town Manager as well as the Board of Commissioners.	No
		Disposals and transfers are tracked by the Town Clerk and provided to the Finance Department for update based on supporting documentation provided by departments. The Capital Asset Spreadsheet is updated annually.	Disposals and transfers are tracked by the Town Clerk and provided to the Finance Department for update based on supporting documentation provided by departments. The Capital Asset Spreadsheet is updated annually.	No
		Annual inventory of all tangible property is not performed. Finance verifies new asset purchases through the issuance of property tags; however ongoing inventory each year does not occur. Some departments do inventory the assets within their responsibility, such as fleet (which monitors the vehicles and heavy equipment through the preventive maintenance process) and IT (which verifies all IT equipment). But there is no reconciliation of these counts to the Town's assets records and discrepancies are not formally monitored and may not be reported.	At least annually, the Town performs an inventory count to identify any discrepancies between the perpetual records and property on hand. Discrepancies are investigated and asset records updated.	Yes
7	What ensures that fixed asset disposals are accurately calculated and recorded and in the correct time period?	A request to dispose of an asset comes from the Department Heads who's requests is informally approved by the Town Manager.	The Town Commissioners approves all disposals and disposals are supported by a formal request from the departments including all required information under Town policies.	Yes
		The Capital Asset Master file is maintained and updated by the Fiscal Operations III. It is limited in the amount of information included within and no second review of the Master file is performed or documented.	The Capital Asset Master file is maintained by the Finance Department and reviewed on a quarterly basis by the Town Manager. The File should include all pertinent information in order to determine where the asset is and the amount of depreciation taken on a monthly basis.	Yes
		Disposals and transfers are tracked by the Town Clerk and provided to Finance for update based on supporting documentation provided by departments. The Capital Asset Spreadsheet is updated annually.	Disposals and transfers are tracked by the Town Clerk and provided to Finance for update based on supporting documentation provided by departments. The Capital Asset Spreadsheet is updated annually.	No
		Annual inventory of all tangible property is not performed. Finance verifies new asset purchases through the issuance of property tags, however, ongoing inventory each year does not occur. Some departments do inventory the assets within their responsibility, such as fleet (which monitors the vehicles and heavy equipment through the preventive maintenance process) and IT (which verifies all IT equipment). But there is no reconciliation of these counts to the Town's assets records and discrepancies are not formally monitored and may not be reported.	At least annually, the Town performs an inventory count to identify any discrepancies between the perpetual records and property on hand. Discrepancies are investigated and asset records updated.	Yes

8	<p>What ensures that the fixed asset master file is pertinent, accurate and changes are timely and valid?</p>	<p>The Capital Asset Master file is maintained and updated by the Fiscal Operations III. It is limited in the amount of information included within and no second review of the Master file is performed or documented.</p>	<p>The Capital Asset Master file is maintained by the Finance Department and reviewed on a quarterly basis by the Town Manager. The File should include all pertinent information in order to determine where the asset is and the amount of depreciation taken on a monthly basis.</p>	<p>Yes</p>
8	<p>What ensures that an annual inventory count is performed in compliance with the Town's formal policy</p>	<p>Annual inventory of all tangible property is not performed. Finance verifies new asset purchases through the issuance of property tags, however ongoing inventory each year does not occur. Some departments do inventory the assets within their responsibility, such as fleet (which monitors the vehicles and heavy equipment through the preventive maintenance process) and IT (which verifies all IT equipment). But there is no reconciliation of these counts to the Town's assets records and discrepancies are not formally monitored and may not be reported.</p>	<p>At least annually, the Town performs an inventory count to identify any discrepancies between the perpetual records and property on hand. Discrepancies are investigated and asset records updated.</p>	<p>Yes</p>

Town of Holden Beach - Desired Key Controls				
Inherent Risk	Current Practice	Desired Control	Design Gap	
Finance: Payroll				
1	<p>What ensures that there is proper segregation of duties?</p> <p>What ensures that only valid changes (hiring, terminations, and pay rates) are made to the payroll master files and the master files remain pertinent?</p>	<p>Access and segregation of duties are not monitored for ongoing appropriateness on an annual basis.</p> <p>Access to request changes to make employee additions/changes/deletions in payroll master files is limited to the authorized individuals. Payroll processing, and the ability to make changes to rate differential pay, is limited to the Payroll Accountant. (Note: The rate changes aren't reviewed for approval; this is documented as a gap elsewhere.)</p>	<p>Access and segregation of duties are monitored at least annually for ongoing appropriateness.</p> <p>Access to request changes to make employee additions/changes/deletions in payroll master files is limited to the Human Resources, with the exception of changes made to rate differential pay. Payroll processing, and the ability to make changes to rate differential pay, is limited to the Payroll Accountant. (Note: The differential rate changes aren't reviewed for approval; this is documented as a gap elsewhere.)</p>	Yes
		<p>Segregation of duties over check processing is limited to one individual.</p>	<p>Segregation of duties over check processing is appropriate.</p>	Yes
2	<p>What ensures that payroll and manual changes payments (including compensation and withholdings) are accurately calculated and recorded?</p>	<p>During Payroll processing, the Earnings Register, which shows total pay per person and further differentiates between those who receive paper checks (Beach Rangers and Commissioners) and those who receive direct deposit, is printed and tied back to the timesheets and reviewed for proper payment. Although this form is not reviewed and approved by a second independent reviewer.</p>	<p>During Payroll processing the Earnings Register, which shows total pay per person and further differentiates between those who receive paper checks (Beach Rangers and Commissioners) and those who receive Direct Deposit, is printed and tied back to the timesheets and reviewed for proper payment. The Earnings register is reviewed by a second independent review to ensure proper time entry and pay rates.</p>	Yes
3	<p>What ensures that time and attendance data recorded reflects actual time worked and is authorized?</p>	<p>Timecards are reviewed and approved by Department Heads and Town Manager prior to time entry and payroll processing.</p>	<p>Timecards are reviewed and approved by Department Heads and Town Manager prior to time entry and payroll processing.</p>	No
4	<p>What ensures that time worked is accurately input and processed?</p>	<p>Once hours are entered for each employee, payroll processor prints the Pay Date Worksheet and reconciles the total hours worked per the timesheets to the total displayed at the bottom of the Pay Date Worksheet and attaches the report as backup for the timesheets.</p>	<p>Once hours are entered for each employee, payroll processor prints the Pay Date Worksheet and reconciles the total hours worked per the timesheets to the total displayed at the bottom of the Pay Date Worksheet and attaches the report as backup for the timesheets.</p>	No
5	<p>What ensures all new hire and merit/COLA/bonus increase payroll information is legitimate and approved?</p>	<p>The Town Manager, Department head and HR Director will evaluate candidates, interview and eventually decide on a new hire. At that point, the Town Clerk, prepares offer letter to be signed by the Town Manager, and prepares new hire package (I-9 form, withholdings, information sheet, etc.), which is maintained in an employee's personnel file at Town Hall.</p>	<p>The Town Manager, Department head and HR Director will evaluate candidates, interview, and eventually decide on a new hire. At that point, the Town Clerk, prepares offer letter to be signed by the Town Manager, and prepares new hire package (I-9 form, withholdings, information sheet, etc.), which is maintained in an employee's personnel file at Town Hall.</p>	No
		<p>The payroll processor is responsible for adding employees to payroll system, where she enters full/part time status, supervisor, pay and compensated absence information, job title and brief description. Changes in the payroll system are limited to only the payroll processor. Any subsequent changes to an employee's personnel file would be made via a payroll change memorandum, which the Town Clerk prepares and keeps a paper copy of.</p>	<p>The payroll processor is responsible for adding employees to payroll system, where she enters full/part time status, supervisor, pay and compensated absence information, job title and brief description. Changes in the payroll system are limited to only the payroll processor. Any subsequent changes to an employee's personnel file would be made via a payroll change memorandum, which the Town Clerk prepares and keeps a paper copy of.</p>	No

		Changes made to the payroll master files are supported by personnel action forms (PAFs) required the Town Manager signature authorizing such changes (i.e., merit/COLA and bonus pay approval) and kept in the employee file located in the secure area of the Town Hall.	Changes made to the payroll master files are supported by personnel action forms (PAFs) required the Town Manager signature authorizing such changes (i.e., merit/COLA and bonus pay approval) and kept in the employee file located in the secure area of the Town Hall.	No
		During payroll processing a change in pay rate can be administered by the payroll processor without a system override function warrant or a second review to verify pay rates match most recent PAF.	Changes to pay rates within the payroll processing should be locked to ensure no changes unless an override by an authorized personnel is administered.	Yes
	8 What ensures that fictitious positions may not be created?	Changes made to the payroll master files are supported by personnel action forms (PAFs) required the Town Manager signature authorizing such changes (i.e., merit/COLA and bonus pay approval) and kept in the employee file located in the secure area of the Town Hall.	Changes made to the payroll master files are supported by personnel action forms (PAFs) required the Town Manager signature authorizing such changes (i.e., merit/COLA and bonus pay approval) and kept in the employee file located in the secure area of the Town Hall.	No
		Access to request changes to make employee additions/deletions in the payroll system is limited to the Town Clerk who alerts FLUID IT to initiate the change. Payroll processing, and the ability to make changes to pay rate, is limited to the Payroll Accountant.	Access to request changes to make employee additions/deletions in the payroll system is limited to the Town Clerk who alerts FLUID IT to initiate the change. Payroll processing, and the ability to make changes to pay rate, is limited to the Payroll Accountant.	No
		During payroll processing the accountant prints the Pay Date Worksheet for all active employees, which allows the accountant to reconcile the number of employees showing as active in the system to the number of timesheets received for the pay period. The report is then attached to the timesheets as backup.	During payroll processing the accountant prints the Pay Date Worksheet for all active employees, which allows the accountant to reconcile the number of employees showing as active in the system to the number of timesheets received for the pay period. The report is then attached to the timesheets as backup.	No
		Check printing abilities and direct deposit administration is limited to the same person processing payroll who also sorts and distributes payroll checks. Departments are not required to sign for receipt of manual payroll checks.	Check printing abilities and direct deposit administration is limited to someone other than the payroll processor. Those receiving paper checks are required to sign for receipt payroll checks.	Yes
	7 What ensures that PTO taken is authorized and recorded? What ensures that PTO payouts at termination are accurate?	Timecards are reviewed and approved by Department Heads and Town Manager prior to time entry and payroll processing.	Timecards are reviewed and approved by Department Heads and Town Manager prior to time entry and payroll processing.	No
		Time-off requests to the department head or supervisors are conducted through an informal communication such as email. No annual check of balances within the system.	A formal written communication documenting the hours to be taken to used as documentation verified against the timesheets should be deployed. An annual reconciliation of compensated absences balances within the payroll system should be performed.	Yes
		PTO balances are maintained by through a running total within the payroll processing system. There are no manual calculations.	PTO balances are maintained by through a running total within the payroll processing system. There are no manual calculations.	No
	8 What ensures that payroll remittances are timely and appropriate?	Fiscal Operations II is responsible for reconciling the Town bank statements related to payroll disbursements to be reviewed by the Town Manager. On a bi-weekly basis, the Town Manager performs an informal analysis on payroll expenditures comparing the recorded amount to a calculated estimate based on the number of employees in each department and estimated salary per employee. The Town Manager also performs random reviews of payroll a couple times per quarter to compare what was actually worked per the timesheet was properly paid out on the paycheck.	Fiscal Operations II is responsible for reconciling the Town bank statements related to payroll disbursements to be reviewed by the Town Manager. On a bi-weekly basis, the Town Manager performs an informal analysis on payroll expenditures comparing the recorded amount to a calculated estimate based on the number of employees in each department and estimated salary per employee. The Town Manager also performs random reviews of payroll a couple times per quarter to compare what was actually worked per the timesheet was properly paid out on the paycheck.	No
	8 What ensures employee pay increases are in accordance with Town policies?	Payroll change memorandums are reviewed and approved by the Town Manager, however, pay rate increases are at the discretion of the Town Manager and are not within a range based on the job description and function.	All positions should have a documented job description outlining the responsibilities of the position. Pay rate ranges are established for each defined job description based on job responsibilities and current market conditions pay increases are reviewed and approved by the department head and the Town Manager.	Yes

Town of Holden Beach - Desired Key Controls				
Inherent Risk	Current Practice	Desired Control	Design Gap	
Finance: Accounts Receivable - Governmental Activities				
1	What ensures that there is proper segregation of duties?	Access and segregation of duties are not monitored for ongoing appropriateness on an annual basis.	Access and segregation of duties are not monitored at least annually for ongoing appropriateness.	Yes
		Access to post cash receipts to customer files is limited to appropriate personnel.	Access to post cash receipts to customer files is limited to appropriate personnel.	No
		Access to accounts receivable (AR) is limited to just those with AR responsibilities, Fiscal Operations II and III.	Access to AR is limited to just those with AR responsibilities, Fiscal Operations II and III.	No
2	What ensures that adjustments to accounts receivable are valid, accurately calculated and recorded?	Access to AR is limited to just those with AR responsibilities, Fiscal Operations II and III.	Access to AR is limited to just those with AR responsibilities, Fiscal Operations II and III.	No
		Adjustments to customer accounts require a second approver outside the person making the adjustment as well as a reason for the adjustment.	Adjustments to customer accounts require a second approver outside the person making the adjustment as well as a reason for the adjustment.	No
3	What ensures that timely collection of accounts receivable is monitored?	Statements for Water and Sewer are sent to customers on a monthly basis for collection. Collections for taxes are the responsibility of the Town. Subsequent requests are administered after non-payments.	Statements for Water and Sewer are sent to customers on a monthly basis for collection. Collections for taxes are the responsibility of the Town. Subsequent requests are administered after non-payments.	No
4	What ensures that changes to the customer master file are complete, accurate, valid and current?	Access in the accounting system to record master file changes is limited to appropriate personnel.	Access in the accounting system to record master file changes is limited to appropriate personnel.	No
5	What ensures that cash receipts are recorded to the appropriate customer accounts?	Bills are entered into the applicable system by Fiscal Operations I, with the help of the Administrative Assistant who also confirms the proper customer account is being processed. Once the bills have been processed for the day the listing is provided to the Fiscal Operations III who integrates the Water/Sewer postings into the GL and ties that to the listing obtained from the Fiscal Operations II.	Bills are entered into the applicable system by Fiscal Operations I, with the help of the Administrative Assistant who also confirms the proper customer account is being processed. Once the bills have been processed for the day the listing is provided to the Fiscal Operations III who integrates the Water/Sewer postings into the GL and ties that to the listing obtained from the Fiscal Operations II.	No
6	What ensure that all cash receipts are recorded and recorded in the correct period of receipt?	Cash receipts are reconciled via Cash Receipts Update on a daily basis.	Cash receipts are reconciled via Cash Receipts Update on a daily basis.	No
		Bank reconciliations are performed on a monthly basis, with second party review. Unusual items and exceptions in analyses and reconciliations are documented upon identification. Resolution and treatment of unusual items identified are documented and reviewed independently for appropriateness on a timely basis. Evidence of review is documented.	Bank reconciliations are performed on a monthly basis, with second party review. Unusual items and exceptions in analyses and reconciliations are documented upon identification. Resolution and treatment of unusual items identified are documented and reviewed independently for appropriateness on a timely basis. Evidence of review is documented.	No

7	What ensures that factors affecting the bad debt provision are identified, evaluated, and appropriate and the provision is correctly calculated and recorded?	The assumptions used to analyze and record an allowance for doubtful accounts are evaluated for relevance, include historic and current collections, and are updated as needed and are not documented.	The assumptions used to analyze and record an allowance for doubtful accounts are evaluated for relevance, include historic and current collections, and are updated and documented as needed.	Yes
		A retrospective lookback that compares actual write-offs of customer balances to reserved amounts is not performed annually.	A retrospective lookback that compares actual write-offs of customer balances to reserved amounts is performed annually.	Yes
8	What ensures that all receivable activity is recorded, recorded accurately, and recorded in the proper period in the General Ledger?	Access to AR is limited to just those with AR responsibilities, Fiscal Operations II and III.	Access to AR is limited to just those with AR responsibilities, Fiscal Operations II and III.	No
		Bills are entered into the applicable system by Fiscal Operations I, with the help of the Administrative Assistant who also confirms the proper customer account is being processed. Once the bills have been processed for the day the listing is provided to the Fiscal Operations III who integrates the Water/Sewer postings into the GL and ties that to the listing obtained from the Fiscal Operations II.	Bills are entered into the applicable system by Fiscal Operations I, with the help of the Administrative Assistant who also confirms the proper customer account is being processed. Once the bills have been processed for the day the listing is provided to the Fiscal Operations III who integrates the Water/Sewer postings into the GL and ties that to the listing obtained from the Fiscal Operations II.	No
		Bank reconciliations are performed on a monthly basis, with second party review. Unusual items and exceptions in analyses and reconciliations are documented upon identification. Resolution and treatment of unusual items identified are documented and reviewed independently for appropriateness on a timely basis. Evidence of review is documented.	Bank reconciliations are performed on a monthly basis, with second party review. Unusual items and exceptions in analyses and reconciliations are documented upon identification. Resolution and treatment of unusual items identified are documented and reviewed independently for appropriateness on a timely basis. Evidence of review is documented.	No

Town of Holden Beach - Desired Key Controls				
Inherent Risk	Current Practice	Desired Control	Design Gap	
Finance, Debt				
1	What ensures that there are proper segregation of duties?	Access and segregation of duties are not monitored for ongoing appropriateness on an annual basis.	Access and segregation of duties are monitored at least annually for ongoing appropriateness.	Yes
2	What ensures that debt and / or derivative activities are properly authorized?	Management and Board of Commissioners approval is required for all debt and/or derivative transactions and this approval is appropriately documented.	Management and Board of Commissioners approval is required for all debt and/or derivative transactions and this approval is appropriately documented.	No
3	What ensures that recorded debt represents a valid liability of the Town?	The Town has a schedule of all debt in the that they use for monitoring when payments are due and whether they are being made timely and properly allocated between principal and interest. This schedule is posted to the Town website annually as well as the CAFR.	The Town has a schedule of all debt in the that they use for monitoring when payments are due and whether they are being made timely and properly allocated between principal and interest. This schedule is posted to the Town website annually as well as the CAFR.	No
		Management and legal council approval is required for all debt and/or derivative transactions and this approval is appropriately documented.	Management and legal council approval is required for all debt and/or derivative transactions and this approval is appropriately documented.	No
4	What ensures that payments are made in accordance with the loan and are valid?	Debt and lease payments are processed as part of the regular accounts payable system and supporting documentation is agreed to the payment prior to being released. (See Accounts Payable process.)	Debt and lease payments are processed as part of the regular accounts payable system and supporting documentation is agreed to the payment prior to being released. (See Accounts Payable process.)	No
		Bonded debt payments are automatically deducted from the debt sinking fund/designated debt service bank account by the debtor.	Bonded debt payments are automatically deducted from the debt sinking fund/designated debt service bank account by the debtor.	No
		The Town has a schedule of all debt in the that they use for monitoring when payments are due and whether they are being made timely and properly allocated between principal and interest. This schedule is posted to the Town website annually as well as the CAFR.	The Town has a schedule of all debt in the that they use for monitoring when payments are due and whether they are being made timely and properly allocated between principal and interest. This schedule is posted to the Town website annually as well as the CAFR.	No
5	What ensures that all borrowings and repayments are recorded, recorded accurately, and recorded in the proper period?	Bank statements are reconciled to the general ledger and independently reviewed. Transactions that have occurred but not recorded, or vice versa, would be detected during this process.	Bank statements are reconciled to the general ledger and independently reviewed. Transactions that have occurred but not recorded, or vice versa, would be detected during this process.	No
		Debt and lease payments are processed as part of the regular accounts payable system, and supporting documentation is agreed to the payment prior to being released. (See Accounts Payable process.)	Debt and lease payments are processed as part of the regular accounts payable system, and supporting documentation is agreed to the payment prior to being released. (See Accounts Payable process.)	No
6	What ensures that all interest is accurately calculated and recorded in the proper period?	The Town has a schedule of all debt in the that they use for monitoring when payments are due and whether they are being made timely and properly allocated between principal and interest. This schedule is posted to the Town website annually as well as the CAFR.	The Town has a schedule of all debt in the that they use for monitoring when payments are due and whether they are being made timely and properly allocated between principal and interest. This schedule is posted to the Town website annually as well as the CAFR.	No
		If Journal entries are made by Fiscal Operations II they are to be reviewed by Fiscal Operations III and vice versa.	If Journal entries are made by Fiscal Operations II they are to be reviewed by Fiscal Operations III and vice versa.	No

7	What ensures that debt covenants are not violated?	Compliance with debt covenants is not monitored quarterly to detect any potential non-compliance prior to year-end, and then reported annually in the CAFR.	Compliance with debt covenants is monitored quarterly to detect any potential non-compliance prior to year-end, and then reported annually in the CAFR.	Yes
8	What ensures that liabilities and loan agreements have proper accounting treatment (i.e., identification of derivatives, changes in terms and other such financing vehicles/agreements)?	New financing agreements are analyzed by the Town Manager for accuracy and the Finance Department for proper accounting treatment. The loan documents are used as support for the journal entries.	New financing agreements are analyzed by the Town Manager for accuracy and the Finance Department for proper accounting treatment. The loan documents are used as support for the journal entries.	No
9	What ensures that the Town's long-term financial plan is monitored for fiscal responsibility and sustainability?	The Town Manager uses the NC Treasurers website to benchmark other municipalities against the Town to monitor the fiscal responsibility on an annual basis.	The Town Manager uses the NC Treasurers website to benchmark other municipalities against the Town to monitor the fiscal responsibility on an annual basis.	No
		Per NC GS 159-55, the aggregate limit of debt cannot exceed 8% of the total assessed value of taxable property within the Town's official limits. The Town Manager reviews on an annual basis the amount of debt the Town has outstanding in accordance with the General Statute.	Per NC GS 159-55, the aggregate limit of debt cannot exceed 8% of the total assessed value of taxable property within the Town's official limits. The Town Manager reviews on an annual basis the amount of debt the Town has outstanding in accordance with the General Statute, however, due to the fact that the assessed level of personal property within the Town Limits is over \$1 billion, an approximately limit of \$80 million of debt is not a meaningful benchmark. The Town Manager should set a more relevant benchmark or limitation for example 15% of total revenues	Yes
		Management and board approval is required for all debt and/or derivative transactions and this approval is appropriately documented.	Management and board approval is required for all debt and/or derivative transactions and this approval is appropriately documented.	No