



INTRODUCTORY TRAINING FOR
MUNICIPAL OFFICIALS
AND FRAUD RISK ASSESSMENT



INTRODUCTORY TRAINING FOR MUNICIPAL OFFICIALS





TRAINING MODULE OUTLINE

1. Introduction to Budgeting
2. Introduction to GRAMA
3. Introduction to Ethics and Nepotism Laws
4. Hiring an Independent Auditor
5. Separation of Duties
6. The Fraud Triangle
7. Fraud Risk Assessment Overview



INTRODUCTION TO BUDGETING

- State law requires a budget for all funds of the City
- Budget is a financial plan for how the City will spend funds during a specified period of time
- Budget must be balanced
- Tentative Budget adopted by first meeting in May; Final Budget adopted no later than June 22 unless Truth In Taxation process is necessary
- After proper notice, public hearing required for adoption of Final Budget
- In order to monitor budget, monthly financial reports provided to Council
- Budget amendments during year allowed with approval in Council meeting



HIRING AN INDEPENDENT AUDITOR

- Governing Body / Audit Committee responsible for hiring the independent auditor
- Follow a formal, open, competitive procurement process (RFP)
- Firms should have expertise and experience in local government audits
- Multi-year contracts acceptable; best practice: 5 yrs. or less
- RFP process should be repeated at end of contract cycle



SEPARATION OF DUTIES

- Required internal control ensuring Clerk (Accountant) and Treasurer's duties are separate
- Separating the Big Three
 - Payment Authorization
 - Record Keeping
 - Money Custody
- Clerk and Treasurer must be independent (one doesn't report to the other)
- Clerk (Accountant)
 - Performs accounting function
 - Reviews invoices
 - Holds and prepares checks
 - Compares bank statements to accounting records



SEPARATION OF DUTIES (CONTINUED)

- Treasurer
 - Receives and issues receipts for payments
 - Reviews bank statements
 - Signs checks after verifying sufficient funds
 - Deposits money in bank (within 3 days)
- Fraud can occur without separation of duties



FRAUD TRIANGLE

- Fraud: intentional act to deceptively or unfairly take another's property or money
- Fraud Triangle
 - Pressure - even honest people have financial pressure at times
 - Rationalization - with enough pressure, employees may rationalize dishonest behavior
 - Opportunity - properly designed internal controls reduce opportunities for fraud
- Fraud risk is heightened when these 3 components exist; removing any of the components lowers fraud risk



STATE AUDITOR - FRAUD RISK ASSESSMENT

Beginning in 2020:

- Governing Board to assign board member, staff member, volunteer or paid professional to complete the Assessment on their behalf
 - Separation of duties worksheet completed as part of the assessment
- CAO and CFO must certify the assessment
- Completed assessment presented to the governing board prior to the end of the fiscal year



STATE AUDITOR - FRAUD RISK MATRIX

	Available Points	Springville Score
1. Does the entity have adequate basic separation of duties or mitigating controls as outlined in the attached Basic Separation of Duties Questionnaire?	200	200
2. Does the entity have written policies in the following areas: Conflict of Interest, Procurement, Ethical behavior, Reporting fraud and abuse, Travel, Credit/Purchasing cards, Personal use of entity assets, IT and computer security, Cash receipting and deposits (5 pts each)	45	40
3. Does the entity have a licensed or certified expert as part of its management team?	20	0
a. Do any members of the management team have at least a bachelor's degree in accounting	10	10
4. Are employees and elected officials required to annually commit in writing to abide by a statement of ethical behavior	20	0
5. Have all of the board members completed the State Auditor online training at least once in the last four years	20	20



STATE AUDITOR - FRAUD RISK MATRIX (CONT.)

	Available Points	Springville Score
6. Regardless of license or formal education, does at least one member of the management team receive at least 40 hours of formal training related to accounting, budgeting, or other financial areas each year	20	20
7. Does the entity have or promote a fraud hotline	20	20
8. Does the entity have a formal internal audit function	20	20
9. Does the entity have a formal audit committee?	20	20
Total Points	395	346

FY 2023 score: 350

Very Low	Low	Moderate	High	Very High
>355	316-355	276-315	200-275	<200