

## Town of Meredith – Administrative Regulation

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Regulation No: 37

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Supersedes:

Approved by: Phillip L. Warren, Jr., Town Manager

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### **Subject: Internal Controls Policy**

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#### **I. PURPOSE:**

Internal controls are tools that help managers be effective and efficient while avoiding serious problems such as overspending, operational failures, and violations of law. Specifically, internal controls are the structure, policies, and procedures put in place to provide reasonable assurance that management meets its objectives and fulfills its responsibilities.

#### **II. PRINCIPLES AND GUIDELINES:**

##### **1. The Control Environment**

- a. The Board of Selectmen through the Town Manager's office has adopted this policy as evidence of their commitment to safeguarding the Town's assets. The expectation of integrity and ethical values is the foundation for all other components of managerial control.
- b. Integral to the organizational culture of the Town is a commitment to competence. A sound Personnel Plan, continual review of job descriptions, background checks, job qualifications, and performance evaluations are some of the tools used to demonstrate this commitment. In addition to competence, a clear line of authority and responsibility is established and documented throughout the Personnel Plan, job descriptions and departmental policies.

##### **2. Risk Assessment**

- a. All levels of administration and management must be aware of the potential risks that could hinder Town operations. Always be aware of what could go wrong and what assets need to be protected.
- b. Some indications of increased risk include:
  - i. Changes in personnel (turnover, attitudes, levels of stress, illness).
  - ii. Changes in operations (economic or political).
  - iii. Periods of rapid growth.
  - iv. Establishment of new services provided.
  - v. Complex programs or activities.
  - vi. Cash transactions.
  - vii. Off-book accounts.
  - viii. Uncorrected prior problems.

### 3. Control Activities

- a. These are the tools that minimize risk and enhance effectiveness. They are designed to increase productivity, not bureaucracy. Primarily, this consists of specific departmental or town-wide policies and procedures that describe what the Town's objectives are and how to achieve those objectives.
- b. Preventive controls utilized include; authorizations, documentation, segregation of duties, sequential numbering of forms, controlled access, physical security, confidentiality, computer passwords, and disaster recovery.
- c. Detection controls include:
  - a. Reconciliations.
  - b. Periodic verifications (inventory).
  - c. Exception reports.
  - d. Supervisory reviews.

### 4. Information and Communication

- a. Supervisors must communicate duties and responsibilities to employees and employees must be able to alert management to potential problems. Communication of this policy must be ongoing between various levels and departments of the Town. This information must be communicated both within the Town's operations and externally to vendors, taxpayers, and other committees.

### 5. Monitoring

- a. The effectiveness of all control policies and procedures shall be periodically reviewed. Ongoing review will assess the continued adequacy of policies and identify problems that need to be corrected.