

Wyoming Municipal Handbook

Public Funds Division
Wyoming Department of Audit

State of Wyoming
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SECTION 1 – INTRODUCTION

The Municipal Handbook for Wyoming municipalities has been prepared to satisfy the need for a reference and instructional manual in compliance with W.S. 9-1-507 and W.S. 9-1-510.

A single handbook cannot incorporate the exact requirements for each municipality or town. This handbook is designed to provide a sound basic system with provisions for more sophisticated systems. Municipalities should use only those portions of the handbook which pertain to the individual function of each city or town.

This handbook is intended to be used in conjunction with the Department of Audit’s Wyoming Governmental Entity Budgeting, Accounting and Reporting Manual (Manual), which can be found on the Department of Audit’s website. The manual contains information such as a uniform chart of accounts and accounting principles, among other information necessary to generate accurate financial information, consistent with the standards established by the Governmental Accounting Standards Board (GASB) of the Financial Accounting Foundation.

For clarification regarding the accounting matters discussed in the Manual, or this handbook, officials should consult the Wyoming Department of Audit (Department) at the following address:

Wyoming Department of Audit, Public Funds
Herschler Building
122 West 25th Street, 3rd Floor East
Cheyenne, WY. 82002
Phone: (307) 777-7798
Website: publicfunds.wyo.gov

Definitions

The terms “municipalities,” “cities,” or “towns” are often considered interchangeable. However, in this handbook they have specific statutory meanings.

Municipality is defined by W.S. 16-4-102 as an incorporated first class city, a town with a population in excess of 4,000 inhabitants and all towns operating under the city manager form of government. (The statute also includes counties, school districts and community colleges in its definition, but those entities are not addressed in this handbook.)

City is used in connection with the phrase “first class” to designate a community, which has organized its government under the provisions of W.S. 15-3-101.

Town identifies a community that is not a city. However, for the purposes of this handbook, the term “town” shall be used to mean any incorporated community that is not a municipality, as defined above (i.e., any incorporated town with less than 4,000 inhabitants).

Quick and Easy Statute Compliance

In an effort to assist officials with some of the more common compliance requirements and for other suggested management procedures, the following short summaries may be helpful, especially for persons new to local government entities.

Banks or depositories must return cancelled checks or a scanned image of the cancelled check. Records are not complete or auditable without these documents. Copies of all bank reconciliations must be retained as permanent records [W.S. 9-1-507(a)(i), W.S. 9-2-411, and W.S. 9-2-412].

Pre-signing of blank checks, whether by a facsimile or actual signature, is prohibited. Checks should be signed only after the payee name and amounts are entered. Computerized check printing should have **documented** controls insuring that cash assets are properly safeguarded [W.S. 9-1-507 and W.S. 15-1-125].

Pledging of deposits over \$250,000.00 in any depository must be closely monitored by the clerk-treasurer and strictly adhered to by the financial institution with the use of an approved Joint Custody Receipt [W.S. 9-4-817 through 9-4-828].

Banking arrangements, (**designation of an official depository**), should be documented at least when a new treasurer is appointed, when elections of a new governing board have occurred, or when both have happened [W.S. 9-4-806 and W.S. 9-4-817].

Travel advances are considered loans and are prohibited by the Wyoming Constitution, Article 16, Section 6.

Meals (unless part of conducting business), flowers, or gifts to employees are considered **donations** and as such are prohibited [Wyoming Constitution, Article 16, Section 6].

Minutes of a meeting are required to be recorded. All governing body regular and special meetings must have meeting minutes. The minutes should be signed by two officials of the city or town. It is preferred the mayor (or pro tem) sign the minutes to accept the approval and the clerk (or clerk-treasurer) sign to attest publishing the minutes [W.S. 15-1-110 and W.S. 16-4-403].

All bills presented for approval for payment (even if payment is denied) should be entered as part of the minutes. These bills should include all salaries and wages, except for the ones excluded based on W.S. 15-1-110(b).

Conflict of interest statutes would prohibit any of the governing body members from voting on any issue which would, in any way, benefit them personally [W.S. 6-5-106, W.S. 9-13-100 et al., W.S. 16-6-118 and W.S. 15-1-127].

Budgets must be amended before total expenditures surpass the total budgeted expenditures. The amendment process is the same as the original budget approval process [W.S. 16-4-108, W.S. 16-4-112 through W.S. 16-4-114, and W.S. 15-2-201, as well as the Department of Audit's Wyoming Governmental Entity Budgeting, Accounting and Reporting Manual].

Transfers of budget appropriations (between departments) can be made through the resolution process, providing the overall budget is not increased [W.S. 16-4-112].

Emergency Expenditures – If the governing body determines an emergency exists and the expenditure of money in excess of the general fund budget is necessary, it may make the expenditures from revenues available under W.S. 16-4-105(a)(ii) as reasonably necessary to meet the emergency. Notice of the declaration of emergency shall be published in a newspaper of general circulation in the municipality [W.S. 16-4-114].

Transfers of money between bank accounts are not revenue or expense and should not be recorded in the journals or ledgers as such [W.S. 9-1-507(a)(i) and W.S. 16-4-120].

Surety Bonds for city or town treasurers must be on file with the County Treasurer before property taxes, assessments, or any other funds due the city or town are disbursed by the County Treasurer [W.S. 15-1-124 and W.S. 38-2-101].

Cities and Towns must use “**vouchers**” authorizing the payment of claims. The wording on the vouchers must contain the phrase “certified under penalty of perjury” [Wyoming Constitution Article 16, Section 7 and W.S. 15-1-125].

Contract labor persons need to have a contract on file (see an attorney for appropriate contract format If amounts paid exceed \$600, this must be reported to the IRS on Form 1099).

Receipts must be written for all money received by the city or town, including bank interest [W.S. 9-1-507(a)(i)].

The only **retirement plan** permitted for political subdivisions, including cities and towns is the Wyoming Retirement System [W.S. 9-3-427].

Water, sewer, and electric rates must provide adequate revenues to cover depreciation (replacement cost) of the plant and equipment [W.S. 9-1-507 and W.S. 15-7-407].

Per Attorney General’s opinion of January 29, 1992, **expenses for travel** for city, town and county employees are to be based on “actual” expenses, not per diem rates. Documentation of the expenses is required [W.S. 16-4-124].

Mutual funds are not allowed as investments [W.S. 9-4-831 and Attorney General Opinion No. 85-010].

All political subdivisions must have an “**investment policy**” on file [W.S. 9-4-831].

All public officials, public employees, and public members must abide by **Government Ethics** as prescribed in the Ethics and Disclosure Act [W.S. Title 9 - Chapter 13].

SECTION 2 – FISCAL RESPONSIBILITIES

The fiscal responsibilities per type of figure in a city or town (i.e., Governing Body, Treasurer, Clerk, and City Manager) are described below. Many State Statutes are included as reference to describe the responsibilities of each type of figure, based on the Legislature's vision. Not all statutes are listed below. Refer to the Legislature of the State of Wyoming's website for all State Statutes and Constitution.

Governing Body

The overall fiscal responsibility and accountability of a municipality or town, rests with its governing body. Even though specific fiscal responsibilities are given by law to specific elected or appointed officials, the governing body is responsible for the overall fiscal affairs of the community. This is done through their powers to appoint as well as review and prescribe rules and regulations.

The mayor, with the consent of the governing body, appoints the clerk and treasurer, and other officials as specified by law, for towns and first class cities. For communities governed by the city manager form, these officials are appointed by, and serve at the pleasure of, the city manager [W.S. 15-2-102 for towns, 15-3-204 for first class cities, and 15-4-202 for the city manager form of government].

The governing body has specific fiscal administrative responsibilities as set forth by various statutes. As stated above, many, but not all statutes are listed below, along with a brief description.

1. W.S. 15-1-103(a)(vii)
 - Control the finances of the community, including providing by ordinance for:
 - a. Preparation, maintenance and retention of required records and accounts.
 - b. Reports required by the Department of Audit
 - c. If required, the preparation of an independent audit by a certified public accountant.
2. W.S. 15-1-103 (a)(viii)
 - Appropriate money by ordinance only and pay all necessary expenses.
3. W.S. 15-1-103(a)(ix)
 - Levy and collect special assessments.
4. W.S. 15-1-103(a)(x)
 - Borrow money to the extent permitted by the constitution and the statutes.
5. W.S. 15-1-110(a)
 - Governing body shall designate a legal newspaper and publish, within 12 days of adjournment of every meeting, regular and special meeting minutes of the governing body and the title of all ordinances passed.

- If a newspaper is not published in the city or town, the proceedings or ordinances shall be posted for at least ten (10) days in the city or town clerk's office and in such other places as the governing body determines.
 - Meeting minutes shall include any bill presented to the governing body stating the amount of the bill, the amount allowed, the purpose of the bill and the claimant.
 - Claims for part time employees may be summarized by department without listing each part time employee.
6. W.S. 15-1-110(b)
- Within 60 days after the end of each fiscal year, publish the name, position and gross monthly salary of each full time employee and each elected official. A brief statement shall accompany the salary publication specifying that all salaries are listed as gross monthly salaries or actual monthly wages, not including any fringe benefits such as health insurance costs, life insurance benefits and pension plans. The statement shall also indicate that the salaries or wages do not include any overtime the employee may earn which would be paid by the city or town.
7. W.S. 15-1-112
- For the sale or disposal of any property valued at \$500 or more, the intended sale must be advertised in a newspaper having general circulation in the community at least once each week for three consecutive weeks.
8. W.S. 15-1-113
- Details the statutory bidding requirements for:
 - a. Contracts for public improvements, excluding professional services, for projects greater than \$35,000
 - b. Contracts to purchase or lease a new automobile or truck, regardless of cost
 - Note: While entities do not have to bid out for items under \$35,000, unless it is a new automobile or truck, public officials must follow the governmental ethics, as described in Title 9, Chapter 13, Article 1 Governmental Ethics – Public Officials, Members, and Employees Ethics.
9. W.S. 15-1-124
- Require the Treasurer and any other official or employee the governing body sees fit to be bonded and pay the cost of the bonds.
 - W.S. 38-2-101 also requires the treasurer and any other public officer having the custody of moneys to be bonded.
10. W.S. 15-1-125(a)
- Approve itemized claims for payment only after they have been certified under penalty of perjury.

11. W.S. 15-1-125(b)

- Requires the mayor to sign and the treasurer, or any other person the governing body designates to countersign checks in the treasurer's absence, in payment of claims approved by the governing body. Exception: the city manager signs warrants/checks, which are then counter signed by the mayor in the city manager form of government [W.S. 15-4-302].
- Note: A key internal control for all entities to create and maintain is to separate the two functions of signing and recording, so one person is not responsible for both.

12. W.S. 15-2-103 (For Incorporated Towns not operating under the commission or city manager form of government)

- Mayor and Council members' salaries must be fixed before their terms begin and shall not change during the term for which they are elected.
- The salary for mayor shall be paid in twelve (12) or more installments and may not exceed the maximum of twenty-four thousand dollars (\$24,000.00) per year.
- The salary for each councilman shall be not less than ten dollars (\$10.00) or more than one hundred fifty dollars (\$150.00) for actual attendance at each regular or special meeting.
- All appointed officers shall receive the salary or compensation as provided by law or ordinance.

13. W.S. 15-2-204 (For Incorporated Towns)

- The governing body shall publish an exhibit of the receipts and expenditures specifying:
 - a. The amount budgeted and actual receipts for all revenue sources
 - b. The specific amount and purpose of each appropriation
 - c. The actual expenditures made against each appropriation

14. W.S. 15-3-306 (First Class Cities)

- The governing body shall publish a semi-annual interim financial statement and an annual statement of the financial condition of the city.

15. W.S. 9-1-507(a)(iii) and the Department of Audit Public Fund's Rules

- The Annual City and Town Financial Report Form (F-66(WY-2)) must be submitted to the Department of Audit no later than September 30th of each year.
- Proof of publication of the budget (i.e., Affidavit of Budget Hearing) must be submitted to the Department of Audit no later than September 30th of each year.
- Based on the revenues and expenditures of the entity, additional information may be needed in order to provide the proper level of oversight, at the expense of the Town. This additional information is due to the Department of Audit no later than December 31st of each year. For the specific requirements, refer to the Department of Audit's Current

Rules and Regulations, as provided by the Wyoming Secretary of State's office and website.

16. W.S. 39-13-104(c) – Maximum Tax Requirements

- Eight Mill Limitations – the maximum property tax mill levy for cities and towns is eight mills. Refer to W.S. 39-13-104(c) for additional limitations.

- Levies Authorized in Addition to the Eight Mill Limitation – In addition to the eight mills authorized to help pay for operating costs of towns or cities, the statute also authorizes them to levy a sufficient number of mills for the payment of principal and interest of general obligation indebtedness within the limits prescribed in Article 16, Section 5, of the Wyoming Constitution [W.S. 39-13-104(c)(ii)].

Treasurer

The treasurer has the following specific fiscal administrative responsibilities as set forth by various statutes. As stated above, many, but not all statutes are listed below, along with a brief description.

1. W.S. 15-1-124
 - Obtain surety bond, the cost of which is paid by the city or town.

2. W.S. 15-1-125
 - Counter sign warrants or checks
 - Note: A key internal control for all entities to create and maintain is to separate the two functions of signing and recording, so one person is not responsible for both.

3. W.S. 15-1-126
 - Settle with every officer or employee of the city or town who collects or receives money on or before the last day of each month (or as directed by the governing body) and pay all such money into the treasury to the benefit of the appropriate funds.

4. W.S. 15-2-203
 - Keep an account of all financial transactions to show when and from what source all monies are received, and to whom and when monies are paid out.
 - Provide the governing body with a financial report not less than once a quarter.

5. W.S. 15-3-209
 - In first class cities, the treasurer together with the clerk shall keep an accounting system in conformity with generally accepted accounting principles.

Clerk

The clerk has the following specific fiscal responsibilities as set forth by various statutes. As stated above, many, but not all statutes are listed below, along with a brief description.

1. W.S. 15-2-201(c)
 - Under the supervision of the mayor, certify the amount of property tax money to be collected to the county clerk. (This only applies to towns and not to municipalities.)
2. W.S. 15-3-209
 - In first class cities, the clerk together with the treasurer shall keep an accounting system in conformity with generally accepted accounting principles.

City Manager

The city manager has the following specific fiscal responsibilities as set forth by various statutes. As stated above, many, but not all statutes are listed below, along with a brief description.

1. W.S. 15-4-203
 - Keep the governing body advised of the city's current financial condition and future needs; act as the city's purchasing agent.
2. W.S. 15-4-205
 - If the city does not have a board of public utilities, as established by W.S. 15-7-401 et. Seq., the manager shall control and manage the public utilities owned by the city and provide a monthly financial report of its operation to the city clerk.
3. W.S. 15-4-206
 - Appoint a clerk and treasurer, which may be a combined position; file a list of all employees by name with the clerk showing the amount of their compensation.
 - Note: A key internal control for all entities to create and maintain is to separate the two functions of signing and recording, so one person is not responsible for both.
4. W.S. 15-4-302
 - Sign all checks or warrants issued by the city (which are then countersigned by the mayor); certify all claims in excess of \$50.

SECTION 3 – DEPOSITORIES

W.S. 9-4-817 provides that public funds are to be kept on deposit at an official depository, unless they are invested elsewhere. Official depositories are defined as:

- a. Banks incorporated under the law of this state;
- b. National banks;
- c. Savings and loan associations incorporated under the law of this state; and
- d. Federal savings and loan associations and federal savings banks.

Many savings and loan associations have become savings banks in recent years. This change is not a reason to disqualify them as depositories.

Note: Credit unions are not authorized official depositories [W.S. 9-4-831 and Attorney General Opinion No. 85-010].

Note: This section of the handbook discusses regular deposits, not investments. The Investments & WYOSTAR section identifies certificates of deposit and savings certificates as investments. Regular deposits are defined as checking accounts (either regular, Negotiable Order of Withdrawal (NOW) or money market) and savings accounts.

Depositories must be designated as such by the governing body. This designation, and the related documentation, should be **renewed at least when a new clerk is appointed, when elections of a new governing board have occurred, or when both have happened** [W.S. 9-4-806 and W.S. 9-4-817]. This is to ensure there is always a current agreement between the governing body and the board of the designated depositories. It also serves to ensure the governing body confirms the designated depository is licensed with the State of Wyoming as required by W.S. 9-4-817. Banks can frequently change ownership and the agreement must be with valid owners. The insurance provided by the FDIC can be called into question when there is not a current understanding between both parties.

Finally, all deposits at an approved depository **must be fully insured** by the Federal Deposit Insurance Corporation (FDIC) or collateralized by the depository's pledge of approved assets (i.e., assets listed in the statutes and accepted by the governing body). Surety bonds are also allowed as security for funds on deposit over the FDIC insurance amounts [W.S. 9-4-820(b) and W.S. 9-4-831].

FDIC insurance has the following limits and provisions:

- a. The insurance limits are per custodian (the treasurer of the city or town) per depository;
- b. There is \$250,000 of insurance on **demand accounts**. Demand accounts are checking accounts which do not earn interest; and

- c. There is a second \$250,000 on the total amount in the interest bearing accounts. To determine how much the city or town has in this type of account, the treasurer must combine the amounts in NOW accounts, money market accounts, regular savings accounts, and certificates of deposit.

Insurance coverage by the FDIC is subject to change. The town, city, or municipality must be aware of the current levels of FDIC insurance coverage for both interest and non-interest bearing accounts. If the coverage changes, the entity needs to ensure the financial institution appropriately adjusts the level of collateralization so any deposit amounts over the FDIC coverage is adequately collateralized.

Documenting the Depository Relationship

Application to Serve as Depository: The first step in documenting the depository relationship is to obtain an application from the depository [W.S. 9-4-818]. The application can be as simple as a letter from the depository’s board of directors asking to serve as such. W.S. 9-4-802 requires applications for state deposits to be accompanied by a sworn statement of the depository’s financial condition. Local government may choose to impose a similar requirement, although there is no such provision in the statutes. The application could include an assurance the depository will pledge collateral, as required and as listed in W.S. 9-4-821, for deposits in excess of FDIC insurance limits.

Designation by the Governing Body: W.S. 9-4-818 also requires the governing body to act upon an application to serve as depository as soon after its receipt as possible. Action is simply the acceptance or rejection of the application, as reflected in the minutes of the governing body. If an application is accepted, the depository is notified to provide the governing body with its board’s resolution to serve as such.

Resolution by the Depository’s Board of Directors: After the governing body notifies the depository its application has been accepted, its board of directors shall furnish the city or town clerk-treasurer with a resolution in “substantially” (to quote the statute) the form specified in W.S. 9-4-806 (presented in Appendix A, Illustration 1). This resolution must be made within 30 days of notification of the institution’s designation as an approved depository.

Bidding for Funds: In essence, there are two issues to be addressed when an approved depository bids for public funds deposits: the interest rate and the collateral (if needed). The request for bids from the treasurer should indicate the amount being made available for bid and (particularly in the case of certificates of deposit) the term of the deposit. A depository needs this information to determine what securities it should pledge to match the maturity of the deposit. Often depositories will propose collateral securities not currently in their portfolio. However, if they are the successful bidder, they will obtain the necessary securities and will be ready to pledge them at the time the deposit is made.

Collateral: W.S. 9-4-821(b) clearly states the collateral a depository plans to pledge to secure a public funds deposit is subject to the approval of the governing body. In other words, a city or town

does not have to accept the collateral offered by the depository, even though it is on the list of approved collateral presented in W.S. 9-4-821(a).

The treasurer has the statutory authority to make deposits, but, since the governing body has to approve collateral, there is a potential delay while the treasurer determines whether the collateral is acceptable to the governing body. To overcome this potential problem, the governing body could require depositories to list the types of securities they intend to pledge, but not specific securities identified by the Committee on Uniform Securities Identification Procedures (CUSIP) number, in their application. Then, if the governing body accepts the application, they will approve the proposed types of collateral at the same time.

Another method would be for the governing body to develop its own list of approved collateral securities. They can use the list in two ways. They can give the list to the treasurer, who then knows what securities the governing body has approved. Or, they can give it to the applying depositories, who must state in their applications they will pledge only those types of collateral on the approved list. Either way, the treasurer does not have to delay a deposit pending collateral approval by the governing body.

W.S. 9-4-804 and W.S. 9-4-805 discuss the use of surety bonds, purchased by the bank to secure the public funds deposits. A letter of credit issued from any Federal Home Loan Bank is approved collateral for security of public funds. W.S. 9-4-821 can be referenced for a specific type of security and for current changes to the listing by the legislature.

Deposits: The statutes make only one restriction with regard to the actual deposit of public funds. Never deposit funds which are not fully protected by either FDIC insurance or appropriately pledged collateral. W.S. 9-4-817(c) says all deposits must be insured or collateralized. In other words, the treasurer cannot deposit funds if they are not properly protected.

Form of Pledging Collateral; Joint Custody Receipts: Under the provisions of W.S. 9-4-808, collateral pledged by a depository may be received and held by the public funds depositor. However, the depositor is liable for any loss of collateral, both principal value and accrued interest.

For this reason, this form of custody is not used. Instead, collateral may be placed with a third party, which serves as custodian. Approved custodians, as listed in W.S. 9-4-825, are any bank, other than the depository bank, chartered by the State of Wyoming, any national bank, other than the depository bank, authorized to do business in the State, any Federal Reserve Bank or branch thereof, or any bank which is a member of the Federal Reserve System. The public funds treasurer and the depository must agree on the selection of a custodian.

When collateral is placed with a custodian, that bank issues a joint custody receipt, which may be one of two forms. The first acceptable form is the joint custody trust receipt of the Federal Reserve Bank of Kansas City or its branches. If a bank, other than the Federal Reserve Bank (and its branches), serves as custodian, that custodian must issue a joint custody receipt in the form specified by W.S. 9-4-827(b). The Department has developed a form that satisfies the requirements of that statute

(presented in Appendix A, Illustration 2). However, individual banks may print their own forms, which are acceptable **IF** they contain all of the provisions presented in this illustration.

The joint custody agreement is executed by the custodian, the depository and the treasurer. It should contain the following provisions, as detailed in W.S. 9-4-828:

1. The custodian will collect the earnings from the pledged collateral and credit them to the account of the depository, unless otherwise ordered by the treasurer;
2. The custodian will cash in matured collateral and hold the proceeds subject to the joint order of the depository and the treasurer;
3. The custodian is not responsible for the quality of the pledged collateral;
4. The custodian is not required to exercise any more care in protecting the collateral than it does in safeguarding its own securities;
5. The custodian will deliver the securities to the treasurer if it receives a verified certificate from the state banking commissioner that the depository bank has failed or refused to pay all or a portion of the deposit due the treasurer.

SECTION 4 – INVESTMENTS

Investment Policy Requirements

Per W.S. 9-4-831(h), “every” political subdivision shall have on file a “**Statement of Investment Policy.**” It is to be as restrictive as the statutes, with respect to the types of investments authorized and may be more restrictive. A smaller town without excess funds could have a Statement of Investment Policy that states, “*All available cash will be kept on deposit at the bank and no other investment is to be allowed,*” but it must be in writing and kept on file with other permanent records.

As this statutory reference continues in W.S. 9-4-831(j), it requires that the State Treasurer and the State Auditor shall: “**conduct voluntary education programs** for persons elected or appointed for the first time to any office or as an employee for any political subdivision where the duties of that office or position of employment include taking actions related to investment of public funds and shall also hold annual voluntary continuing education programs for persons continuing to hold those offices and positions of employment.”

These statutory requirements must be met by each municipality so that excess funds may be properly managed. In order for a person with little knowledge of “investments” to have some basis for understanding, the following general information is presented in this handbook. Please direct all investment questions in particular to the State Auditor’s office at (307) 777-7831 or to the State Treasurer’s Office at (307) 777-7408.

Investment Philosophy

Two factors normally come into play when a city or town develops an investment philosophy or strategy. The first factor is the list of eligible investments as provided in W.S. 9-4-831. The other factor is the city or town’s needs. Investments should be selected from the list of eligible investments to meet the needs of the investor.

Needs:

To determine needs, the investor must consider three primary issues:

- a. Cash Flows – When will the city and town need the money the treasurer is about to invest to meet other obligations? If the money will be needed in three months, the investment should mature in three months. However, if the money will not be needed for 15 years, the investment will not have to mature until then. In short, make sure the maturity date of the investment matches the need for the money.
- b. Return – What is an acceptable rate of return (interest rate)? Risk influences rate of return. The greater the risk of loss, the greater the rate of return. However, cities and towns are limited by law to a list of low risk (and often lower return) investments.
- c. Market Risk vs. Inherent Risk – There are two types of risk, market risk and inherent risk. Market risk refers to the change in market value, from day to day, of any given security. Inherent risk addresses the potential the issuer of the security may not be able to redeem it (i.e., defaults). Virtually all investments are subject to market risk. Most securities

authorized for investment of public funds have very low inherent risk correlating with a generally lower rate of return.

Eligible Securities:

Once the needs have been defined, the investor can select from the investment securities listed in W.S. 9-4-831. The statute lists a number of specific investment items. New packaging and marketing tactics by investment companies will result in opportunities that do not appear, by name, in the statute.

For these reasons, the Department presents the following summary of the more commonly used items listed in the statute. This is not comprehensive. There are many other investment opportunities listed in the statute.

- a. Certificates of Deposit (CDs) – There are two considerations here. If the CD is issued by a bank, the bank must be authorized to do business in Wyoming. Authorization means the bank has either a state or national bank charter with an office in Wyoming. If the CD is issued by a savings and loan association (also known as a savings bank), there is no in-state restriction. However, in either case, the CD must be either fully insured by the Federal Deposit Insurance Corporation (FDIC) or be adequately collateralized.
- b. Treasury Bills, Notes, and Bonds – The basic difference between these securities is their maturity. Bills mature in five years or less; notes in five to ten years; and bonds in more than ten years. Treasury instruments are direct obligations of the U.S. government. This category also includes stripped principal or interest obligation of such issuances. These bills, notes, or bonds must be issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.
- c. Mortgage Obligations – Investments may include obligations of or fully guaranteed by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation. All federal agency securities shall be direct issuances of federal agencies or instrumentalities.
- d. In a commingled fund of eligible securities listed in this section if the securities are held through a trust department of a bank authorized to do business in this state or through a trust company authorized to do business in this state. Be sure to see the Wyoming Statutes at 9-4-831(a)(viii) for limitations on this option.

Two common funds were established for the purpose of allowing Wyoming governmental entities to pool their investment funds to obtain the highest investment yield, while attempting to maintain liquidity and preserve capital. Its portfolio consists solely of investments permitted by Wyoming statutes. They are as follows.

1. The Wyoming Government Investment Fund (WGIF) is a type of commingled fund used solely by Wyoming public entities.
2. The Wyoming State Treasurer’s Asset Reserve (WYOSTAR) is authorized by W.S. 9-1-416 for local governments to place funds with the State Treasurer. Additional information regarding this program may be obtained from the State Treasurer’s Office, telephone: (307) 777-7408.

Often, a securities dealer develops an investment package that may be attractive to a treasurer. When this happens, the treasurer should contact the State Treasurer’s Office at the number above, to seek guidance regarding the package’s compliance with the statutes. A treasurer should not make any investment until the governing body approves and the treasurer has determined the proposed security complies with Wyoming law.

Other Considerations:

Some treasurers have asked whether they may use the services of a brokerage house such as Merrill Lynch. There is nothing in the statutes that would prohibit a government entity from using these professionals. However, W.S. 9-4-817 states “To the extent they are not otherwise invested, the monies collected and held by a treasurer . . . shall be deposited . . . in [banks or savings and loan institutions] doing business in the state . . .” The statute has a number of other stipulations regarding designation by the governing body, and insurance and collateralization of accounts. It is important to note that **brokerage houses are not considered depositories**. They cannot maintain an investment account for a governmental entity to help facilitate transactions. The city or town must have another type of payment system, such as wire transfer, in order to effect transactions with a brokerage house.

Further, governmental entities cannot invest in mutual funds. Mutual funds should be thought of as private corporations that own qualifying securities (such as treasury notes). The investor in a mutual fund is buying the rough equivalent of stock in that private company. Investment in private companies by governmental entities is prohibited by Article 16, Section 6, of the Wyoming Constitution. A governmental unit must have an identifiable ownership interest in qualifying investments. This concept is key to the acceptability of certain investment programs available in the state. The WYOSTAR and WGIF programs, discussed earlier in this section, are structured in such a way to meet this ownership requirement. There may be other programs developed by brokerage companies that will also qualify. Questions regarding those programs should be directed to the State Treasurer’s or the State Auditor’s offices for guidance per W.S. 9-4-831(j).

SECTION 5 – PAYROLL

To remain in compliance with the State of Wyoming and the Internal Revenue Service (IRS), entities must complete and file a number of reports at various intervals throughout the year. Failure to make timely deposits for payroll tax liabilities and failure to report can be costly in penalties and interest to a town or municipality. Several of the more common reports required to be filed are listed below. Since forms and specifics change, please refer to the current instructions for each form in the time period when they are to be filed.

Employer’s Quarterly Federal Tax Return (IRS Form 941) – This report is filed quarterly with the regional office in Ogden, UT. The quarters are based on a calendar year-end. In most cases, it is filed electronically. It reports, in summary totals, the wages, salaries, Federal Income Tax withheld and the FICA withheld from each employee paycheck. The employer’s share of FICA is separated by Social Security and Medicare and is also included on this report. This report is due the last day of the month, after the end of the quarter (i.e., July 31, October 31, January 31, and April 30).

At the end of each quarter, the entity must prepare a reconciliation between the amount of payroll deposits in the bank and the IRS Form 941. In addition, there are schedules for how often payroll deposits must be made. These schedules are found in the payroll liabilities instructions of IRS Form 941.

Wage and Tax Statement (IRS Form W-2) – These are the familiar forms that every employee must receive by January 31st of the following year, reporting the amounts earned and withheld for taxes and any other tax generating information requested by the IRS. They are computer matched by the IRS and Social Security to the Form 941 above. Therefore, it is very important that this form, the deposits, and the Form 941 all agree at year-end.

The cover document for transmittal of the individual W-2s is the Form W-3. The total FICA withheld, the total FED Tax withheld and the total wages and salaries must equal the summation of the corresponding items of the quarterly 941 reports. Any exceptions usually require a time consuming, sometimes penalty generating, explanation.

Employment Eligibility Verification (IRS Form I-9) – Employees (including governing body members and) must complete a Form I-9 to document verification of the identity and employment authorization of each new employee (both citizen and noncitizen) hired after November 6, 1986, to work in the United States. There are three sections to the form and employers may be fined if the form is not complete. Employers are responsible for retaining completed forms. Newly hired employees must complete and sign Section 1 no later than the first day of employment. Employers must verify and retain a copy of the identification used to verify identity, as required by the instructions of the Form I-9.

Employee’s Withholding Allowance Certificate (IRS Form W-4) – Employees must complete this form so the employer can withhold the correct federal income tax from the employee’s pay. This form must be on file.

Miscellaneous Income (IRS Form 1099) – Some cities and towns may hire a person to work on a contract basis. In these situations, the IRS has regulations to determine if the person technically is considered contract labor, rather than an employee. Employers must strictly adhere to these regulations; otherwise the person may be considered an employee, not contract labor. Having a contract labor person switched to an employee can result in additional payroll costs that are now due and most likely, penalties and interest on unpaid payroll liabilities. Be sure to know the current IRS rules and regulations in regards to contracted labor, including how much earnings have to be reported on a Form 1099 at year-end.

Workers Compensation – This program provides insurance coverage for injuries received while the employee is working. Not all workers are required by the State of Wyoming to be covered by the insurance, but the type of work done does determine the classification for insurance purposes. Information is available from the Department of Workforce Services, Workers Compensation Division, 1510 East Pershing Blvd, Cheyenne, WY 82002. Phone: (307) 777-5138. Reports and payments are submitted monthly.

Unemployment Compensation – This coverage is paid by each employer and provides employees with some income if they should lose their job through no fault of their own. Reporting is on a quarterly basis and more information can be obtained from the Department of Workforce Services, Unemployment Tax Division, P.O. Box 2760 (100 West Midwest) Casper, WY 82601. Phone: (307) 235-3264.

Retirement Plan – The only retirement plan that is legally available to city, town and municipal employees is participation in the Wyoming Retirement System [W.S. 9-3-427]. Current information on the plan is available from their office at 6101 Yellowstone, Suite 500, Cheyenne, WY 82002. Phone (307) 777-7691. Payments into the plan are made on a monthly basis.

Deferred compensation – This is similar to a 401k plan except it is for government and non-profit employees. Compensation can be set aside for retirement, invested and tax-deferred until it is taken out. For more information contact Wyoming Deferred Compensation, 6101 Yellowstone Rd, Cheyenne, WY 82002. Telephone: (307) 777-7691

SECTION 6 – ENTERPRISE OPERATIONS

Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of an enterprise fund is for the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, to be financed or recovered primarily through user charges (e.g., water and sewer utility services).

Cities and towns providing such services must decide whether they want to recover all, some, or none of the costs of providing them through user charges. When a government elects not to fully recover the total cost of providing a service through user charges, enterprise fund accounting indicates the amount of subsidy for the service which must be financed from taxes or other sources.

A government, generally, is not required to finance any particular percentage of the cost of providing a service through user charges simply because it accounts for it as an enterprise fund. However, in Wyoming, water, sewer, and electric system services must be completely self-supporting [W.S. 15-7-407(a)].

Segregation of Enterprise Funds

Individual enterprise services must ordinarily be accounted for in separate enterprise funds. Such segregation is essential to:

1. Determine the total cost of providing a service and extent to which user charges cover that cost; and
2. Assure the resources of one enterprise are not illegally or improperly utilized by another.

Most enterprise funds engage in transactions with other funds of their municipality. If enterprise fund financial statements are to be comparable with financial statements of a business providing similar services, inter-fund transactions, which would be treated as revenues or expenses if they involved third parties (reciprocal interfund activity) must be accounted for as if they did involve such parties.

Examples of enterprise fund reciprocal interfund activities include:

1. Water enterprise fund charges to the general fund for water used;
2. Data processing internal service fund charges to an enterprise fund for data processing services rendered; and
3. General fund charges to an enterprise fund for payments in lieu of taxes that would have been levied on its property if it were a business enterprise.

Utility Deposits

Public utilities customarily require customers to make deposits at the time of connection to the utility system. These deposits are designed to ensure payment of final service billings and to protect the utility against damage to equipment located on the customer's property. Customer deposits held by a utility are still owned by its customers. Customer deposits are classified as restricted assets and

reported separately on the enterprise fund balance sheet. These amounts are offset by a current liability (i.e., Customer Deposits Payable from Restricted Assets).

Depreciation

Per W.S. 15-7-407(b), cities and towns must have a depreciation fund used only to pay for replacements and additions to the waterworks, sanitary sewer systems, including sewage disposal plants. The purpose of depreciation is to distribute the cost or other basis of tangible, capital assets (less salvage value, if any), over the estimated useful life of the asset in a systematic, rational manner.

Three factors are involved in determining annual depreciation charges:

1. The cost or other basis in the asset that includes installation and other capitalized incidental expenditures;
2. Salvage value or the expected amount that can be recovered by disposing of an asset at the end of its useful life (frequently referred to as scrap value);
3. Estimated useful life of the asset in relation to number of years or months, operating units, or units of output.

The simplest and most commonly used method for determining depreciation is the straight-line method. This method incorporates the following formula for determining the depreciation charge:

$D=(C-S)/N$, where D = depreciation charge

C= cost or other basis

S = salvage value

N = estimated useful life

Appendix A of the Wyoming Governmental Entity Budgeting, Accounting and Reporting Manual presents the estimated useful life for many capital assets commonly found in governmental enterprise operations.

Budget Guidance

Sound financial administration requires the preparation and adoption of a comprehensive annual operating budget for the entire government including each of its enterprise funds. Budgets are necessary to help assure:

1. Service objectives are attained;
2. Expenditures are properly controlled; and
3. Adequate resources will be available to finance current operations, repay long-term liabilities, and meet capital outlay requirements.

Enterprise fund service delivery levels are determined by the extent of consumer demand. For instance, increased service delivery levels increase expenses, but also result in higher revenues. Because enterprise fund revenues and expenses fluctuate with changing service delivery levels, the

use of fixed dollar budgets is usually considered inappropriate. However, in communities, where the population is stable, and thus so is consumption, fixed dollar budgets are common and acceptable.

Flexible budgets include estimated revenues and expenses for each of several different service delivery levels. Flexible budgets permit comparisons of actual results of operations with appropriate budgeted amounts for whichever level of activity is actually experienced during a period. Budgetary accounts are ordinarily not formally integrated into enterprise fund general ledgers.

Since Wyoming law provides that all political subdivisions adopt budgets in order to legally make expenditures, GAAP financial reports should include budgetary comparisons for enterprise funds.

SECTION 7 – MINUTES OF GOVERNING BODY PROCEEDINGS

The minutes of the governing body proceedings are the fundamental communication between the governing body and the taxpayers. With these users in mind, the Department of Audit created the suggested meeting minute's format.

To make the minutes easier to read, they should be prepared using topic and sub-topic headings. The importance of the topics lies not in the order in which they were discussed but rather in the subject matter. As such, proceedings may or may not be transacted in the order in which they are presented in the suggested format. Further, the topic and sub-topic headings listed below, should only be shown if they were discussed during the meeting.

It is the duty of the clerk to deliver a copy of the official proceedings to the newspaper within twelve days after a meeting is held. The newspaper is required to publish the proceedings within nine days after receiving the minutes. If a newspaper is not published in the city or town the proceedings or ordinances shall be posted for at least ten (10) days in the city or town clerk's office and in such other places as the governing body determines [W.S. 15-1-110(a)].

Suggested Meeting Minutes Format

1. Minutes of (Governing Body) Proceedings

2. Members Present, Date and Time of Meeting and Location

This paragraph should state:

- a. Names of the members of the governing body who are present or absent
- b. Date and time of the meeting
- c. Location where such meeting was held

3. Approval of Prior Meeting Minutes

The second paragraph should contain the approval of the minutes from the previous meeting. The mayor (or pro tem mayor) and the clerk should both sign the minutes, once approved by the governing body.

4. Bids for Approval

Each bid item considered should be shown as a sub-topic, such as, police car, pickup truck for Parks Department, Sewer Construction Project, etc. Under each sub-topic the name and amount bid by each bidder should be shown. The action of the governing body should be shown (contract awarded, tabled or all bids rejected). If any bids are rejected, detailed reasons for the rejection should be stated. If the contract is awarded to other than the lowest bidder the reasons should be clearly stated.

Items on which bids were opened and listed at a previous meeting should only show the action taken by the governing body under the respective sub-topic headings.

5. Claims Approved and Rejected

With the exception of salary claims, each claim approved should be listed showing the date of the claim, the claimant, the goods or services provided and the amount. All claims rejected should be shown and the reasons for rejection.

Claims for part time employees shall be included as part of the bills presented to the governing body. Part-time employee's pay may be summarized by department without listing each part time employee. However, additional salary reporting requirements are set forth in W.S. 15-1-110(b), which is above and beyond this provision.

6. Resolutions and Ordinances

A sub-topic heading briefly stating the subject of each resolution ordinance should appear prior to the description of the action taken.

7. Other Matters and Resolutions

Each agenda item projects, reports, etc. should have a topic heading preceding the description of each matter discussed by the governing body. Motions made and whether the matter is approved or disapproved by vote should be included with the agenda item.

8. Approval of Adjournment

The last paragraph of the minutes should include the approval for and time of adjournment of meeting.

SECTION 8 – RECORDS MANAGEMENT

General

Each city and town is required by law to retain its public documents for the periods of time set forth in the records retention schedules approved by the State Records Committee [W.S. 9-2-411 and 9-2-412]. The approved schedules are compiled for use by applicable governmental agencies.

The Archives Section of the Wyoming Department of State Parks and Cultural Resources can provide copies of records retention schedule applicable to cities and towns. These schedules are guidelines for destroying or permanently preserving specific records. Compliance with these guidelines (i.e., the retention schedules) protects the governing body and the designated records officer from complaints of misconduct when records are retained or destroyed in accordance with them.

The retention schedules identify types of records that are obsolete and eligible for destruction. Thus, following their provisions can reduce the need to spend scarce resources for storage equipment, space, and human resources to maintain records [W.S. 9-2-401 and W.S. 9-2-410].

Confidential Records

Records containing confidential information should be properly destroyed by burying, burning, or shredding, with the process witnessed by the records management officer.

Permanent Records

Records scheduled as permanent should not be destroyed, even if they are scanned or the information they contain is entered into a computer system. The State Archives is available to assist the city or town concerning any plan that would affect permanent records. If storage conditions or space is a problem, records can be transferred to the State Archives. Such transfers will not break the legal chain of custody.

Microfilm Systems

By law, any agency adopting a microfilm system shall consult with the State Archives. Approval of the process must be obtained if permanent records are being filmed. Agencies are required by law to comply with microfilm standards established by the Archives.

Additional Information

When requesting publications and for any questions, please contact:

Wyoming State Archives
Parks and Cultural Resources
Barrett Building
2301 Central Ave.
Cheyenne, WY 82002
Phone: (307) 777-7826

SECTION 9 – REPORTING REQUIREMENTS

Wyoming State Statute has many important time sensitive requirements throughout the year. The following checklists include many of those important due dates for which municipalities, cities, and towns must meet in regards to budgets, taxes, and financial reporting. It is important to note the items in these checklists may not include all time sensitive requirements. Please refer to the Legislature of the State of Wyoming's website for all State Statutes and Constitution.

Refer to the Manual for additional budget requirements regarding the preparation, adoption, and execution of the annual budgetary process.

Checklist 1 – Municipality Reporting Calendar and Checklist

Dates	Required Reporting	Completed?
January	The governing body of first class cities shall publish a semi-annual interim financial statement [W.S. 15-3-306].	
January 31	CPA audits for the preceding fiscal year are due December 31 and are DELINQUENT by January 31 [W.S. 16-4-121].	
May 1	Department budget requests are to be submitted to the budget officer on or before May 1 [W.S. 16-4-104(a)].	
May 15	On or before May 15, the budget officer shall prepare a tentative budget for each fund and file it with the governing body [W.S. 16-4-104(a)].	
No later than the 3 rd Tuesday of June	The governing body shall hold a budget hearing no later than the 3 rd Tuesday in June. At least one week before the hearing date, the governing body shall publish a summary of the tentative budget, or if there is no such newspaper, post notice in three conspicuous places. (Although the statute does not specifically say so, the notice, whether published or posted, should present the date, time and place of the hearing, as well as the budget summary.) [W.S. 16-4-109]	
June 30	Fiscal year ends June 30 [W.S. 16-4-102(x)].	
July	The governing body of first class cities shall publish an annual interim financial statement [W.S. 15-3-306].	
July 31	The tax levy to be imposed shall be certified to the county commissioners on or before this date [W.S. 39-13-104(k)].	
The first Monday in August	On or before the first Monday in August, the county commissioners shall levy the requisite property taxes [W.S. 39-13-102(g)].	
August 29	Within 60 days after the end of each fiscal year, publish the name, position and gross monthly salary of each full time employee and each elected official [W.S. 15-1-110(b)(i)].	
September 30	Prepare and submit to the Department of Audit, the required Annual City and Town Financial Report (F-66(WY-2)), prior to September 30. After <u>September 30</u> , the report is DELINQUENT [W.S. 9-1-507(a)(vii)].	
September 30	Submit a copy of the budget hearing notice to the Department of Audit [W.S. 16-4-109(b) and DOA Rules Chapter 2].	
December 31	CPA Audits are due December 31 [W.S. 16-4-121(e)].	

Checklist 2 – Town Reporting Calendar and Checklist

Dates	Required Reporting	Completed?
January	Provide governing body with financial report not less than quarterly [W.S. 15-2-203].	
April	Provide governing body with financial report not less than quarterly [W.S. 15-2-203].	
Within the Last Qtr. of each fiscal year	The governing body shall pass an appropriations ordinance [W.S. 15-2-201(a)]. Note: Even though Towns have until June 30 to pass an appropriations ordinance, the Town should notify the County Commissioners prior to the fourth Monday in May as stated in W.S. 39-13-104(k).	
The 4th Monday in May	On or before this day, tax levy to be imposed shall be certified to the county commissioners [W.S. 39-13-104(k)]. (Note: W.S. 15-2-201(c) instructs the town clerk to make this certification to the county clerk.)	
June 30	For all entities, fiscal year ends June 30 [W.S. 15-2-201(a)].	
July	Immediately after the end of the fiscal year, the governing body shall publish in a newspaper, if one is published in the town, or if there is none then by posting in three (3) or more public places, an exhibit of the receipts and expenditures, as specified in W.S. 15-2-204 and provide a financial report to the governing body not less than quarterly [W.S. 15-2-203].	
On or before first Monday in August	On or before the first Monday in August, the county commissioners shall levy the requisite property taxes [W.S. 39-13-102(g)].	
August 29	Within 60 days after the end of each fiscal year, publish the name, position and gross monthly salary of each full time employee and each elected official [W.S. 15-1-110(b)(i)].	
September 30	Complete and submit to the Department of Audit, the required Annual City and Town Financial Report (F-66(WY-2)), by September 30. After September 30, the report is DELINQUENT [W.S. 9-1-507(a)(vii)].	
September 30	Submit to the Department of Audit the proof of publication of the budget (i.e., Affidavit of Budget Hearing) no later than September 30th of each year [DOA Rules Ch. 2].	
October	Provide governing body with financial report not less than quarterly [W.S. 15-2-203].	
December 31	Complete and submit to the Department of Audit any additional oversight paperwork required by the Department of Audit's Public Fund's Rules, if applicable.	

Legal Filing and Auditing Requirements

Financial Reporting

Cities and towns have to report their financial condition in order to provide meaningful information regarding their activities to their taxpayers. In addition, it is important to gather this financial data for third parties who have an interest in how and where public funds are spent, such as the Census Bureau, the Department of Audit, State Loan and Investment Board and others. Further, based on the financial information provided by cities and towns, decisions are made about the amount of public funds “at risk.” Depending on the risk level, an “oversight process” may be activated.

1. Annual City and Town Financial Report (F-66(WY-2))

Under the authority of W.S. 9-1-507, **all cities and towns are required** to complete and file the Census Bureau’s Annual City and Town Financial Report (Form F-66(WY-2)) with the Department by **September 30th of each year**, even if the entity provides an audit report. The report is used not only by the Department, but also by the Wyoming Association of Municipalities (WAM) and the U.S. Census Bureau, to develop comparative financial information for all cities and towns. The F-66(WY-2) could satisfy W.S. 15-2-204 as long as the entity’s budget is classified similarly as the F-66(WY-2) and a budget to actual comparison is made.

The F-66(WY-2) form is designed to be a simplified financial report. The financial information is not intended to be presented in conformity with generally accepted accounting principles (GAAP). However, the personnel completing the form should follow the instructions very carefully to insure uniformity with responses from other cities and towns.

Since the Department of Audit, the Census Bureau, and the Wyoming Association of Municipalities (WAM) use this data to make meaningful comparative analyses, the reports must be accurate and filed in a timely manner (**no later than September 30th of each year**) with the Department. If the personnel completing this form have any questions, they should contact the Department of Audit’s Public Funds Division, Local Government Programs at (307) 777-7798.

Filing and Publishing of F-66(WY-2) – Under the provisions of W.S. 9-1-507, a copy of this report shall be filed with the Department within 90 days after the end of the fiscal year (i.e., **September 30th**). The Director of the Department of Audit under W.S. 9-1-507(j)(i) shall certify to the State Treasurer by October 5, cities and towns failing to submit the census report. The State Treasurer shall withhold the annual distribution, which would otherwise be made under W.S. 9-2-1014.1.(e).

2. Additional Oversight Paperwork

A. Audits

Audits are to be filed with Department of Audit and the County Clerk per W.S. 16-4-122. Since W.S. 9-1-511 also requires the Department to file copies of the reports with the County Clerk, cities and towns over 4,000 population should file two copies of the audit with the

Department. The Department will then file one of those copies with the County Clerk, satisfying the filing requirement for the city and town.

1. First Class Cities – CPA Audit

W.S. 16-4-121 requires all first class cities (i.e., towns with a population in excess of 4,000 inhabitants or those with a city manager form of government (municipalities)) to have an annual certified public accountant (CPA) audit of all funds.

Entities required to have a CPA audit must, at a minimum, report their annual financial condition and results of operation in conformity with GAAP, as required by W.S. 9-1-507(c) and W.S. 16-4-120. The audits are to be conducted in accordance with generally accepted auditing standards (GAAS), as promulgated by the Auditing Standards Board (ASB), a division of the American Institute of Certified Public Accountants (AICPA) and generally accepted governmental auditing standards (GAGAS) (also known as Yellow Book), as produced by the Government Accountability Office (GAO) [W.S. 9-1-507(c)]. Refer to the Wyoming Governmental Entity Budgeting, Accounting, and Reporting Manual for the required financial statements, for which formats are set forth in Governmental Accounting and Financial Reporting Standards, published by the GASB.

The audits are to be completed and filed with the Department of Audit within six months of the end of the fiscal year (i.e., **December 31st**). If the audit report is not filed with the Department of Audit by January 31, the Director of the Department of Audit shall inquire about the status of the audit. If the audit has not been started the Director shall make written demand that the audit commence within thirty days. If, nine months after the fiscal year end, the audit report is not filed with the Department, the Director shall contract for the audit and reimburse the auditor with state funds withheld from the municipality.

2. Any Entity Receiving at Least \$750,000 in Federal Financial Assistance – A-133 Audit

Any entity receiving \$750,000 or more in federal financial assistance for the fiscal years beginning on or after December 26, 2014 (\$500,000 for fiscal years beginning prior to December 26, 2014) must have an independent Office of Management and Budget's (OMB) Circular A-133 audit (Towns under 4,000 inhabitants may also fall under this federal requirement). In order to determine if an entity has received \$750,000 or more in federal assistance, the entity should contact its grant manager. The federal assistance is usually, but not always, in the form of recreation grants, Community Development Block Grants (CDBG), Job Training Partnership Act (JTPA) funding, and Environmental Protection Agency (EPA) grants for water and wastewater. The federal Single Audit Act of 1984, as amended imposes this requirement and the related rules are presented in the Office of Management and Budget's (OMB) Circular A-133, Audit of State, Local Government, and Non-Profit Organizations.

OMB Circular A-133 audits should be submitted to the Federal Audit Clearinghouse no later than nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. No State Statutes provide for the Department of Audit to contract for and withhold state funds to pay for such an audit; however, the federal granting agencies would most likely refuse to make further grants to a community that does not satisfy this audit requirement. In the most extreme instances, the federal government could require the return of grant monies already used by the recipient.

B. Towns not required to have a CPA audit:

Towns not required to have a CPA audit must provide the Department of Audit with other types of information based on the Department's Current Rules and Regulations. The level of information required by the Department of Audit depends on the amount of annual revenue or expenditures received or paid in the fiscal year, as reported on the Annual City and Town Financial Report (F-66(WY-2)).

Per the Department of Audit's Current Rules and Regulations, as provided by the Wyoming Secretary of State's office and website:

1. Towns with total annual revenue or expenditures \$100,000 or greater are a Level A Town and shall submit the following items to the Department of Audit no later than December 31st.

- a. A self-audit, which shall, under the direction of such officials, is performed by an independent third party, who is not a person or immediate family member of a person who has authorization, record keeping, or custody rights, over the reporting entity. The independent third party may not be a signor of the entity's checks. Suggested self-audit procedures are available in Section 10 of this handbook and are meant to verify the correctness of transaction recording and to provide management with reasonable assurance that assets are adequately safeguarded.
- b. An internal control evaluation, which shall be completed by officials, as it relates to the audit and review procedures, means and includes:
 - i. A documented analysis of the procedures established by the reporting entity to assure that financial transactions are properly recorded.
 - ii. Tests of the system sufficient to determine whether the system, and compliance with its procedures, provides reasonable assurance that the entity's assets are safeguarded and that liabilities are accounted for; to test that public funds are used in accordance with laws, regulations, and policies; that resources are safeguarded against waste, loss, or misuse; and in internal controls that reliable data are obtained, maintained, and fairly disclosed in reports.

- iii. A written summary of deficiencies in internal control significant in context to the audit objectives discovered and corrective measures, which should be implemented.
 - iv. For the internal control self-evaluation of those entities not required to have an independent accountant (CPA) audit or review, the Internal Control Evaluation Worksheet as provided by the Department and updated on an annual basis, may be used in fulfillment of this procedure.
- c. A bank reconciliation for each bank account, which shall be performed by an independent third party, who does not have authority to issue or sign checks or warrants of the entity. Documentation of the procedures followed in performing the reconciliation shall be made and retained.
 - d. A Local Government Annual Report Summary, for which, the officials of the entity shall certify, to the best of their knowledge, the F-66(WY-2), self-audit, internal control evaluation, and the bank reconciliations were correct and complete. Further, they must certify the record of procedures for the self-audit and the internal control evaluation is on file in the official records.
- 2. Towns with total annual revenues or expenditures less than \$100,000 are a Level B Town and shall submit the following items to the Department of Audit no later than December 31st.**
- a. A bank reconciliation for each bank account, which shall be performed by an independent third party, who does not have authority to issue or sign checks or warrants of the entity. Documentation of the procedures followed in performing the reconciliation shall be made and retained.
 - b. A Local Government Annual Report Summary, for which, the officials of the entity shall certify that, to the best of their knowledge, the reconciliation was performed in accordance with the documented procedures and that a report of this information was made to the Director of the Department of Audit.

Note: If the Town is having a CPA Audit or CPA Review, the entity does not have to complete a self-audit, internal control evaluation, or bank reconciliation. However, the Town must still complete and submit the Annual Report Summary and send two copies of the audit or review to the Department of Audit, Public Funds, no later than December 31st.

SECTION 10 – SUGGESTED SELF-AUDIT PROCEDURES

A self-audit may help a governing body discover potential issues, which then may lead to the body hiring a CPA to perform additional procedures. Types of services a CPA may provide are described in Section 12 of this handbook. A governing body may include these testing procedures to facilitate an independent third person's performance of a self-audit. In addition to these tests, the governing body should perform an internal control self-assessment. Refer to the Internal Control Section 11 of this handbook for further internal control explanation.

The following are types of testing relating to higher risk items (cash, investments, and capital assets).

1. Cash Receipts

- A. Taxes, royalties, and licensing fees** – A governing body can perform an analytical review of the entity's revenue (receipt) reports, since these revenue amounts are fairly well established and relatively stable year over year. The entity's revenue reports should present the budgeted current year, actual current year, and prior year balances. In addition, the reports should show each type of tax or licensing fee separately, so offsetting variations will not give misleading results.

Every significant fluctuation should be investigated and supported by explanation and documentation. Fluctuations without reasonable explanations should be researched further, as it could be a sign of fraud. The governing body should develop its own definition of "significant."

Investigative procedures should include one or more of the following:

- a. Directly contact the county assessor, asking whether there has been some sort of change which explains the variance.
- b. Consider changes in economic conditions that might impact the variances.
- c. Contact the Wyoming Department of Revenue to verify the amount transmitted to the municipality.
- d. Compare receipts per bank statements with receipts recorded in the receipts journal, for possible unrecorded items or items posted to the wrong revenue account.

- B. Grant and loan proceeds** are subject to large variations from year to year depending on the number, size, and activity of the related projects. As a result, comparisons to prior years are meaningless. Possible audit procedures include the following:

- a. Develop a list of projects being funded (in whole or in part) by grant and loan proceeds. The list should identify receipts by individual grant or loan number.
- b. Confirm (by letter or telephone) the amount remitted by the grantor or lender.
- c. Compare amounts with reimbursement requests submitted to the grantor or lender. The governing body may also trace information on reimbursement requests to the underlying

invoices and payments (a procedure which will be discussed in more detail in the disbursements portion of this section).

- C. Interest and other investment income** relate directly to the underlying investments. The most common test is for reasonableness. Multiply the total amount invested by the average rate of return (interest rate). If the result does not agree, within reason, with actual revenues, the variance must be investigated. Possible inquiries include:
- a. Have the treasurer (who is charged by statute to make the investments authorized by the governing body) prepare a list of investments, showing amount, rate of return, date of acquisition, and dates of earnings distributions.
 - b. Confirm the information on this list with the issuers of the investments.
 - c. Compare the information on this list to actual receipts and deposits of earnings.
- D. Utility revenues**, like taxes and licenses, are usually consistent from year to year. The analytical review, as described above in the taxes, royalties, and licensing fees section, can be applied to the utility revenues as well. The most likely reason for change is a rate change ordered by the governing body. Then, it is a simple matter of comparing the rate change to the revenue change (in percentage terms).

However, utility receipts are also the most susceptible to loss, simply because of the large volume of transactions. Because of this problem the governing body should consider the occasional application of some of the following procedures:

- a. Randomly select some utility customer account files for inspection. Be sure to select files for all categories of customers.
 - b. Inspect the files for correct charges.
 - c. Make sure payments credited to the file are deposited in the bank.
 - d. Consider confirming with customers the amount of their balances. This procedure becomes especially important in the case of delinquent accounts.
 - e. Require a monthly report of delinquent utility accounts.
- E. Other Revenue** - Most other types of revenue a city or town receives have certain attributes in common with at least one of the revenue types described above. The governing body should perform a similar analysis of this revenue and apply the appropriate procedures to determine the reason for any unusual variances.

As a result of the analysis presented above, the governing body has also given itself some assurance that receipts are properly classified within the cash receipts journal. If they are satisfied the journal is reasonably correct; statements taken from that journal should also be reasonably correct.

2. Cash Disbursement

W.S. 15-1-125 gives the governing body the sole authority to approve claims for payment; however, it stipulates those claims must be certified under penalty of perjury. W.S. 15-1-110(a) requires the published meeting minutes to reflect the amount of each claim, the amount allowed for payment, the purpose for the claim, and the name of the claimant.

A. Reviewing Presented Claims – In most cases, the governing body reviews a list of claims compiled by the clerk-treasurer and approves the list for payment. This review should include the governing body inspecting the actual bills to make certain they are properly certified and agree with the claim list. The governing body should decide on the best method for their city or town to perform such a review. For instance, rather than each governing member reviewing each claim, a sample of claims may be reviewed. Another option, one governing member may review all or a sample of claims at a time. If the governing body chose this method, the governing members performing the review would rotate. When reviewing claims, the objective is to become satisfied a claim is valid and appropriate. To achieve this objective, a reviewer should apply the following questions to each claim:

- a. Is the claimant known? *If the claimant is not known, independently confirm its existence by referring to the telephone book or the internet. Do not rely upon the address printed on the bill.*
- b. Is the governing body aware the city or town is conducting business with this claimant?
- c. Is there any proof the product or service was received by the city or town?
- d. Is the bill mathematically correct? Do the quantities multiplied by the unit prices compute correctly? Does the total sum correctly? *Note: Do not assume a bill is correct just because a computer prepared it. While computers rarely make computational mistakes, formulas could have been entered into the system incorrectly.*
- e. Does the correct bill total agree with the amount on the claims list submitted to the governing body?
- f. In the case of payroll checks, does the gross amount agree with the employee's authorized pay rate?
- g. Is the claim certified under penalty of perjury?

The member(s) who make this review before each meeting may then make a “committee report” to the governing body stating they have reviewed the list of claims to be paid, and the claims satisfied the tests listed above. The rest of the governing body can then review the list, ask whatever questions they might have, and the entire list can be approved for payment.

B. Reviewing Correctness of Payments Made – In addition to testing for the propriety of the bills, as described by the review procedures above, governing body members need to review the correctness of the payments (paid amounts). The following procedures address that need:

- a. Select items from the list of approved bills and inspect the canceled checks in the bank statement which paid them, to make sure the payee and amount agree, and there is no

- indication either of these entries shows any signs of alteration. (This test makes sure the payments are made in accordance with official authorization.)
- b. Select some canceled checks from the bank statements and find the items they paid on the list of approved bills. (This test looks for unauthorized disbursements.)
 - c. Inspect canceled checks for authorized signatures, either the board chairman or president, the treasurer or his designated substitute. (Also to look for unauthorized disbursements.)
 - d. Decide whether the expenditure is charged to the correct account and fund. (This test is to evaluate the reliability of the cash disbursements journal. Remember: The budget is the entity's legal authorization to expend funds; thus one way to disguise unauthorized expenditures is to charge them to accounts with budget surpluses.)

As a result of the analyses presented above, the governing body has also given itself some assurance disbursements are properly classified within the cash disbursements journal. If they are satisfied the journal is reasonably correct, statements taken from that journal should also be reasonably correct.

3. **Cash and Investments**

Cash and investments are, by their nature, the assets most easily misappropriated or lost. For this reason, the governing body must perform testing to verify the existence of these assets.

WARNING: The tests presented below are valid only if the receipts and disbursements tests presented above have also been applied. The tests presented below are designed to determine if all cash and investments are accounted for, not whether all money received was deposited or all money disbursed was done so legitimately.

A. **Review Reconciliations**

Obtain the bank reconciliations from the clerk-treasurer and perform the following tests. Please note the reconciled balance of a bank account, which is called the book balance, should agree with the balance on general ledger. If it does not, an error has occurred. The error must be located and corrected prior to approving the reconciliation. See Proof of Cash section below for guidance.

- a. Inspect the bank statement for any signs of alterations.
- b. Compare the ending balance on the bank statement to the one used in the reconciliation and ensure they agree.
- c. Examine the reconciliation for any deposits in transit. Deposits in transit are deposits showing in the receipts journal which do not appear on the bank statement, since they were recently deposited. If there are any such items, ask the treasurer for an explanation. In the following month's review, ensure the deposits in transit from the prior month cleared the bank statement in the following month.

- d. Review the list of outstanding checks. Outstanding checks are checks that have been issued per the cash disbursements journal but have not been withdrawn from the bank as of month's end. In the following month, ensure the bank statement shows the debit (withdrawal) of the outstanding checks. If the check has not been withdrawn from the bank in the following month, the governing body should contact the payee to resolve the issue.
- e. Inspect the reconciliation for any other reconciling items and determine their nature, explanation, and appropriateness.
- f. Once the reconciliation has been reviewed and found to be mathematically correct, make sure each item on the statement has supporting documents (cancelled checks, other charges, credits, or deposits). Performing this review helps to limit any unauthorized disbursements or transfers.

B. Proof of Cash

The most common way of locating an error in an operating account is through the use of a proof of cash. Use this analysis and the bank reconciliation to identify any errors in the journals and ledgers. The basic formula is as follows. Please note, a Proof of Cash worksheet is available on the Department's website.

$$\begin{array}{r}
 \text{Beginning reconciled cash} \\
 + \text{ Adjusted cash receipts} \\
 - \text{ Adjusted disbursements} \\
 \hline
 = \text{Ending reconciled cash}
 \end{array}$$

The key to working with the proof of cash is determining the correct amounts for adjusted receipts and disbursements. The idea here is to reconcile total receipts or disbursements per the bank statement to the related journal.

a. Formula for adjusted receipts:

$$\begin{array}{r}
 \text{Receipts (e.g., deposits) per current bank statement} \\
 + \text{ Deposits in transit per the current month's bank reconciliation} \\
 - \text{ Deposits in transit per the prior month's bank reconciliation} \\
 +/- \text{ Other reconciling bank items} \\
 \hline
 = \text{Receipts per the receipts journal}
 \end{array}$$

b. Formula for adjusted disbursements:

$$\begin{array}{r}
 \text{Disbursements (e.g., checks clearing, per current bank statement)} \\
 + \text{ Outstanding checks per current month's bank reconciliation} \\
 - \text{ Outstanding checks per prior month's bank reconciliation} \\
 +/- \text{ Other reconciling disbursement items} \\
 \hline
 = \text{Disbursements per the disbursement journal}
 \end{array}$$

Usually, the “other reconciling items” shown in these formulas have not been recorded in the receipts or disbursements journal. These items must now be recorded in the appropriate journals and posted to the general ledger.

C. Investments

The clerk-treasurer should maintain a listing of investments as described in the Cash Receipts portion of this section. The governing body should use that list as a starting point to do the following procedures:

- a. Inspect the original, not copies of, investment documents to determine if the investment really exists.
- b. Inquire of the issuer whether the city or town actually owns the listed investments.
- c. Perform an analysis similar to the proof of cash (above) to determine changes in the investment portfolio. Trace (i.e., follow the cash portion of the transaction) all changes to the appropriate journals. If an investment is cashed in, there should be a deposit to the bank account. If one is acquired, there should be a check recorded in the disbursements journal.

D. Inventories

Inventories for cities and towns usually refer to supplies used in the public utilities operations that have a significant dollar value, such as water meters. However, the audit procedures presented below can be applied to any inventory type item.

The important consideration when testing inventory is the potential loss to the city or town. Inventories with small dollar values normally are not worth the time or effort to audit, as inventories with material balances. As such, the governing body must determine which inventories represent significant investments to the city or town.

The basic objective when testing inventories is to determine whether inventories are susceptible to unauthorized use. The following procedures can help meet this objective.

- a. Perform a physical count of all inventory items.
- b. Determine what records (reports) are prepared for receipts (purchase) and issuance (sale) of inventory items.
- c. Using the receiving and issuing reports, perform a test to determine if the inventory balance is reasonable based on the supporting documentation. To do this, use the following formula:

$$\begin{array}{r}
 \text{Beginning inventory} \\
 + \text{ Inventory received} \\
 - \text{ Inventory issued} \\
 \hline
 \hline
 \text{= Ending inventory}
 \end{array}$$

If the “Ending inventory” balance does not agree to the physical count, the inventory balance must be updated to agree to the physical count.

4. Property and Equipment

Unauthorized use or dispositions are the two primary concerns with property and equipment. The following procedures are intended to monitor the community’s capital assets through proper internal controls over their usage:

- a. Create a policy that tags or otherwise place identifying marks on all of the community’s equipment. This policy is particularly critical to any asset that could be converted to private purpose and has a significant value, usually such things as office equipment and hand tools.
- b. During inspection visits to various operational sites, look for the tags or marks on the city’s or town’s assets.
- c. Generate and routinely update a capital asset register. A capital asset register is a listing of all items with a dollar value in excess of some minimum amount, which have useful lives in excess of one year. It is the governing body’s responsibility to determine the minimum amount used for the asset register. The register should include a description, tag or identifying number, cost, date of acquisition, and location where it is held.
- d. Periodically, perform an existence test. Select items on register and locate them to make sure they exist and are still functional. If the asset is no longer functional, it may have to be written off of the books.
- e. Periodically, perform a completeness test. Before looking at the register, identify the community’s property. Once identified, agree the asset to the capital assets register. If the asset is not listed, the register is not complete and the total assets are understated. Therefore, appropriate adjustments must be made to properly account for the community’s capital assets.
- f. Any asset purchased with a federal grant must be documented as such on the accounting records and on the tag or identifying mark on that asset.

SECTION 11 – INTERNAL CONTROLS

Any type of audit may be performed in conjunction with an internal control self-assessment. Proper internal controls provide reasonable assurance assets are adequately safeguarded. If a city or town does not have an external auditor perform a review of the internal controls, the governing body should perform such a self-assessment of the internal controls and implement internal controls where necessary to reasonably safeguard the entity's assets.

Accounting responsibilities, procedures, and policies should be designed to help prevent:

- Misstatement of account balances because errors (both intentional and unintentional) go undetected
- Misappropriation of cash and other resources of the governmental entity

These objectives are pursued through a sound internal control structure which is carefully established and meticulously followed by accounting personnel. Such an internal control structure can also tend to promote operational efficiency.

COSO Framework

For a governmental entity to achieve sound internal controls surrounding their financial statements, it is recommended to use The Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s Integrated Framework for guidance. This framework is recognized as a leading framework for designing, implementing, and conducting internal control and assessing the effectiveness of internal control.

The COSO framework defines internal control as follows:

“Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.”

Further, the COSO framework states that internal control consists of five integrated components. These components are as follows.

1. The **control environment** sets the tone of the organization, generally flowing as an attitude from the management (governing body), of the entity. When this is communicated to everyone in the organization, it becomes the foundation for all of the other components.
2. **Risk Assessment** refers to any of the risks to the entity, associated with external as well as internal sources. Looking at cities and towns, all of the risks are not easily or readily apparent, but financial risk can range from funding sources which dry up, costly Environmental Protection Agency (EPA) regulations, to lawsuits, and misappropriations of funds.

3. **Control activities** are the policies and procedures that help ensure managements' directives are carried out. They include approvals for purchases, authorizations, reconciliations, monitoring for compliance with laws and regulations, security of assets and segregation of duties. The activities occur at all levels of the entity.
4. **Communication and information** are the ways and means used by management and the organization in achieving their objectives, in carrying out their responsibilities, and in understanding each of their roles and how it relates to others. Communication needs to flow upward, across, and externally, as well as downward from management.
5. **Monitoring** is the last component of internal control and it is a process that assesses the quality of the system over time. This can be best accomplished through two methods – **activity monitoring** and **evaluation**. When a government body approves the bills at council meetings that is activity monitoring. Completing an Internal Control Self-Assessment is part of the second method.

Professional Internal Control Guidance

For more information on COSO framework, refer “Internal Control – Integrated Framework” from the Committee of Sponsoring Organizations of the Treadway Commission, available from the American Institute of CPAs (AICPA).

For guidance for establishing an internal control structure, refer to the Government Accountability Office's Standards for Internal Control in Federal Government or The Green Book.

Internal Control Self-Assessment

Performing a self-assessment and following the COSO framework to create, apply, and monitor internal controls will help to create an environment where the objectives of preventing and detecting a misstatement of account balances because errors (both intentional and unintentional) do not go undetected and cash and other resources are less likely to be misappropriated.

When performing the internal control self-assessment, the objective is to identify areas of weakness within a governmental entity's internal control structure. Based on the identified weaknesses and the related risk level of each weakness, an entity can create appropriate internal controls to reasonably prevent or detect a misstatement or misappropriation of assets.

As the objective is to identify weaknesses within the entity, as a whole, it is suggested to have all officials and related boards and councils involved in performing the self-assessment. Further, if the governmental entity uses an accountant, consult with them on this self-assessment. They are in a good position to evaluate the entity's operation and offer suggestions.

Having these parties involved will help the members of the entity have a comprehensive understanding of every role's responsibilities. With this understanding, identifying weaknesses and any related controls, or lack thereof, will be more effective and efficient.

For the Department of Audit’s Internal Control Self-Assessment, refer to Appendix B, Illustration 3.

Examples of Internal Controls

- Proper authorization of transactions and activities.
- Segregation of duties to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of his or her duties. A sound segregation of duties entails assigning different people the responsibilities of authorizing transactions, recording and reconciling transactions, and maintaining custody of assets.
- Design and use of adequate documents and records to help ensure proper recording of transactions and events, such as monitoring the use of pre-numbered checks.
- Adequate safeguards over access to and use of assets and records, such as secured facilities and authorization for access to computer programs and data files.
- Independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparisons of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer-generated reports.

*******Note:** Often, the fiscal staff is too small, that they alone, cannot have an adequate internal control environment. In these instances, the governing body must become actively involved in the day-to-day financial activities. They must provide the checks and balances needed to properly safeguard the community’s assets. This duty is implicit in the power conferred upon the governing body by W.S. 15-1-103(a)(vii), which says they.....” [Control] the finances of the corporation...”

SECTION 12 – CPA SERVICES

Certified Public Accountants (CPAs)

CPAs are bound by professional standards to perform an adequate level of testing, investigation, and analytical procedures to support their expressed level of assurance. As such, officials often turn to CPAs when they become aware of a known or suspected problem.

Town officials may find (suspected) problems by performing a self-audit. A few indicators of a problem are as follows:

- a. Incorrect record-keeping, such as the books and records not balancing
- b. Inadequate explanations for journal entries
- c. Assets are not properly accounted for
- d. Inadequate safeguards on assets

In addition, even if no problems or suspected problems are apparent, when a clerk-treasurer plans to leave the entity, the Department recommends, at a minimum, the town request for services (or an audit) from a CPA. Having a professional accountant review or audit the financials will help to ensure the records are materially stated and in proper condition for the new clerk-treasurer.

Hiring a CPA

Once the governing body agrees to hire a CPA, the CPA will determine the procedures to perform and the amount for which they will charge the town or city. The type of performed procedures and the related charges can be different for each entity, depending on the size of the entity, the type of transactions they perform, the quantity of transactions performed, and even the clerk-treasurer's level of knowledge and experience. In addition, the type of procedures performed will depend on the areas of concern found within the entity. The following are a few common concerns.

1. The books do not balance to the cash.
2. The records are not complete.
3. The payroll records do not reconcile with other reports or records.
4. Entity officials have not regularly reviewed any cumulative reports of the entity's activities.
5. Budget to actual comparisons have not been performed by the clerk-treasurer or provided to officials.
6. Segregation of duties is not strong (e.g., only one person has been involved in the record keeping and collection of funds).

Types of CPA Services

Based on the CPA's assessment and the governing body's wishes and any federal or state statutory requirements, the CPAs may provide several services. Some of these are as follows:

- 1. Compilation** – A compilation is the presentation of financial statement data without the accountant's assurance as to the conformity with GAAP.

2. **Agreed Upon Procedures** – A city or town may also engage a CPA to apply agreed-upon procedures to one or more specified elements, accounts, or items of a financial statement. For example, if the entity wishes to have a CPA report on only a specific account or type of transaction, such as the cash balances or cash receipts and disbursements, they may enter into an agreement with a CPA for only those ‘agreed upon procedures.’ This type of engagement provides a great deal of flexibility since the municipality or town only receives a report for those items they select. In many cases, this may result in significant cost savings over a full audit.
3. **Review** – A review consists of a CPA performing inquiry and analytical procedures on financial data to provide a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the statements in order for them to be in conformity with GAAP.
4. **Audit** – There are multiple types of audits. The three significant types of audits are financial, compliance, and performance.

Agreed-Upon Procedures

Agreed-upon procedures have a limited scope, normally much smaller than the scope of an audit. Below is a list of a few procedures an accountant could potentially perform for a local governmental entity.

1. First, the accountant would look at the books to gain answers to the following questions. Having an understanding of these questions will help determine useful special procedures.
 - a. Does the entity use a “double-entry system?”
 - b. Is there more than one “fund?”
 - c. Are there any federal or state grants?
 - d. Are there any construction projects?
 - e. Is everything entered on the computer?
2. After a review of the books and records, below are common procedures that may be agreed upon:
 - a. A “proof of cash” performed for a certain time period, usually gives a level of assurance the accounting records are accurate.
 - b. Perform bank to book reconciliations at various time intervals.
 - c. Perform an annual payroll reconciliation – financial records to all payroll reports.
 - d. Review all non-cash journals entries, especially on computer driven systems.
 - e. Perform analytical and rate review on utilities with some transaction testing.
 - f. Confirm balances on cash, investments, and loans.
 - g. Inquire about related party transactions, reviewing all payments for goods and services for a certain time period.

- h. Review official minutes and other records, then report on personnel and compliance issues.
- i. Verify and prepare budget to actual reports.
- j. Verify vendor certification on vouchers, checking invoice extensions and other supporting documents.
- k. Document the process of receipts received and disbursements made and evaluate the procedures.
- l. Evaluate internal controls and report to officials.
- m. Provide forms and training on problem procedures.
- n. Review construction contract and special projects.
- o. Select a sample of transactions and trace them through the records to the posting of the journal.

When agreed upon procedures are performed outside the scope of an audit, the independent accountant will report the results of their limited procedures to management, but will not express an opinion. Without having to express an opinion, the CPA's liability is significantly reduced. With a lower liability (risk), the CPA can minimize their procedures, unlike when they provide a higher risk service (e.g., an audit), which requires a wide variety of procedures. Therefore, agreed upon procedures is a cost effective approach to receiving CPA services.

Types of Audits

Auditing serves a number of purposes, depending on the type of audit performed. Financial auditing focuses on the correctness of recorded transactions and financial statement information. Compliance auditing tests transactions and activities for compliance with laws and regulations. Performance auditing has historically focused on economy, efficiency, and achievement of program objectives.

1. **Financial auditing** involves inspecting documentation supporting individual transactions and account balances to determine whether the transactions are appropriate and the balances are correct. The underlying purpose of such audits is to provide reasonable assurance, but not absolute assurance, that the financial statements are presented fairly, in all material respects, and give a true and fair view in accordance with the financial reporting framework.
2. **Compliance auditing** can also be performed in conjunction with a financial audit. As the auditors review individual transactions and the related supporting documentation, not only do they determine if the transaction was recorded in the proper accounts, for the accurate amount, but also to determine if the transaction was permissible under applicable laws and regulations.
3. **Performance auditing** refers to an independent examination of a program, function, operation or the management systems and procedures of a governmental entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources.

APPENDIX A – DOCUMENTATION OF DEPOSITORIES

Illustration 1 – Resolution by the Board of Directors of an Approved Depository

"WHEREAS, it is necessary for (name of designated depository) to properly secure the political division or subdivision for all monies deposited in the bank by the Treasurer of the political division or subdivision, hereinafter called the Treasurer; and

WHEREAS, no deposit will be made in the bank by the Treasurer unless the deposit is properly secured, and the giving of proper security is one of the considerations for receiving the deposits; and

WHEREAS, the Treasurer may, when furnished proper security, carry a maximum credit balance with the bank of Dollars; and

WHEREAS, the Treasurer is willing to receive securities designated by laws of Wyoming as legal collateral security as security for the deposit;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the depository bank that any two of the following named persons, officers of the bank, are authorized and empowered to pledge to the Treasurer of the state or political subdivision securities of this bank which are legal for collateral security for deposit of public funds, and which the Treasurer is willing to accept as collateral security, and in amounts and at the time the Treasurer and bank officers agree upon:

(Bank Officer's Name) (Title)

" " " "

" " " "

BE IT FURTHER RESOLVED that this authority given to the officers of the bank named herein to furnish collateral security to the Treasurer shall be continuing and shall be binding upon the bank until the authority given to the bank officers named herein is revoked or superseded by another resolution of this Board of Directors, verified copy of which shall be delivered by a representative of the bank to the Treasurer or mailed to the Treasurer by registered mail. The right given the officers named herein to pledge security as collateral also includes the right to give additional collateral security and to withdraw such collateral as the Treasurer is willing to surrender and the right to substitute one piece or lot of collateral for another, provided the Treasurer is willing to make such exchange or substitution.

BE IT FURTHER RESOLVED that the bank officers named herein are fully authorized and empowered to execute in the name of the bank such collateral pledge agreement in favor of the Treasurer as the Treasurer requires, and any collateral pledge agreement executed or any act done by the bank officers named herein under the authority of this Resolution shall be as binding and effective upon this bank as though authorized by specific Resolution of the Board of Directors of this Bank."

Illustration 2 – Joint Custody Receipt

(This document is to be executed in triplicate. One copy for the Public Entity, One Copy for the Depository Bank, and One Copy for the Custodian Bank. This form shall be used for Joint Custody Receipts other than those of the Federal Reserve.)

Receipt Date _____ Receipt Number _____

_____ hereinafter called the CUSTODIAN, has
(Custodian Bank Name and Address)

Received to be held in safekeeping subject to the joint order of _____
(Treasurer)

Hereinafter called the TREASURER and _____ hereinafter called
(Depository Bank)

The DEPOSITORY BANK, the following described securities:

<u>Security Description</u>	<u>Interest Rate</u>	<u>Par Value</u>
-----------------------------	----------------------	------------------

MATURITY: Month: _____ Day: _____ Year: _____

Total Par Value: _____ Dollars _____
(Written Amount) (Numerical Amount)

The custodian will detach as they mature and enter for collection the coupons from the securities (as applicable) and the proceeds when collected will be credited to the account of the depository bank unless otherwise ordered by the public entity treasurer.

The custodian will enter matured principal for collection and hold the proceeds when collected subject to the joint order of the public entity treasurer and depository bank.

It is understood by the public entity treasurer and the depository bank that the custodian assumes no responsibility for the nonpayment of interest or principal nor for the validity, genuineness or enforceability of any of the securities deposited in safekeeping hereunder nor makes any representation or warranties expressed or implied, as to the value or worth thereof, nor for the giving of notice of maturity, calls for redemption or the exercise of any rights, priorities, privileges of exchange or conversion or for the timely presentation of maturing principal or interest of any securities deposited under this agreement.

The custodian assumes no responsibility with respect to the safekeeping and condition of deposited property beyond the care and custody it gives its own securities held on its own premises. Any and all forms of protective insurance are to be furnished by the public entity treasurer and depository bank at their option and expense. The custodian is not required to furnish any form of protective insurance.

The custodian shall deliver the securities to the public entity treasurer upon the sole order of the public entity treasurer when supported by a verified certificate of the Director of the Wyoming

Department of Audit certifying under seal that the depository bank has failed or refused to pay all or a portion of the deposit due the public entity treasurer by the depository bank and that under the terms of the pledge agreement executed by the depository bank the public entity treasurer is entitled to deliver of the securities described in this report or the proceeds thereof. Otherwise, the securities shall be delivered only upon the written joint order and instructions of the public entity treasurer and depository bank.

NAME: _____ TITLE: _____
 SIGNATURE AND TITLE of Authorized Person of CUSTODIAN BANK

RELEASE

This receipt is hereby surrendered and the custodian is authorized to release the above securities and make disposition as follows:

NAME: _____ NAME: _____
 (Depository Bank) (Public Entity Treasurer)

TITLE: _____ TITLE: _____

DATE: _____ DATE: _____

NOTE: The securities shall be delivered only upon the written joint order and instructions of the public entity treasurer and depository bank. In the case of a bank failure, the securities shall be delivered on the sole order of the public entity treasurer when supported by a verified certificate of the Wyoming Director of the Wyoming Department of Audit certifying under seal that the depository bank has failed.

APPENDIX B – INTERNAL CONTROL SELF-ASSESSMENT

The internal control self-assessment may be used for all governmental entities. As such, some of the questions may not apply to every entity. Prior to answering “No” or “Not Applicable (N/A),” carefully discuss with the governing body and determine if it is properly excluded from the entity. If it is determined the question applies to the entity and a “No” has been entered, then answer the question, “Should it be a concern?” If it is a concern, a weakness has been identified. As such, the entity should create an appropriate internal control to reasonably prevent or detect a misstatement or misappropriation of assets.

Attention to these details will help make the entity create an environment where the objectives of preventing and detecting a misstatement of account balances are achieved because errors (both intentional and unintentional) do not go undetected and cash and other resources are less like to be misappropriated.

Illustration 3 – Internal Control Self-Assessment

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
PREPARED BY THE OFFICIALS OF THE CITY OR TOWN OF _____ on (date) _____.				
I. CONTROL ENVIRONMENT				
<i>Budgets and Planning</i>				
1. Are responsibilities for budget preparation segregated?				
a. Budget preparation _____				
b. Adoption _____				
c. Execution _____				
d. Reporting _____				
2. Are budgets prepared for every significant activity regardless of whether the preparer thinks they are required by law?				
3. Is the type of budgeting performed (traditional, program, performance) the same as the accounting system?				
4. Is the budget prepared in sufficient detail to provide a meaningful tool used to monitor subsequent performance?				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
5. Are interfund and interdepartmental transfers included in the budget?				
<u>Adoption</u>				
6. Is citizen input obtained through budget hearings?				
7. Are estimated revenues and appropriations recorded in the accounting records for later comparison to actual amounts realized or incurred?				
8. Are budgets that have been approved by grantors, for using with grant activity, recorded in the accounting system?				
9. Are budgets and hearings published as per Wyoming Statutes?				
<u>Execution</u>				
10. Have procedures been adopted and communicated establishing authority for transfers between budget categories?				
11. If expenditures are to exceed budgeted expenditures, then do accounting personnel submit budget amendment requests before the issuance of a purchase order or expenditure commitment?				
12. Are budget amendments processed and approved in the same manner as the original budget?				
<u>Reporting</u>				
13. Are actual expenditures compared to budget with reasonable frequency and on a timely basis? (usually monthly)				
14. Does the governing body request explanations for significant variations from budget?				
<u>Conflicts of Interest</u>				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation	
15. Does a formal policy regarding conflicts of interest exist?					
16. Are written representations required from appropriate personnel as to compliance with accounting policies and procedures and ethics policies?					
17. Are loans of any kind to officials and employees prohibited? (see Accounting Handbook Introduction)					
<u>Monitoring</u>					
18. Are the adequacy and effectiveness of the internal control structure policies and procedures periodically evaluated?					
19. Are measures implemented to correct weaknesses when found?					
II. ACCOUNTING SYSTEM					
<u>General</u>					
1. Does the entity have adequate written statements and explanations of its accounting policies and procedures for the following?					
a.	Chart of accounts				
b.	Computer system documentation				
c.	General ledger documentation				
d.	Transaction approval and authorization				
e.	Bad debt write off procedure				
f.	Closing journal entries/procedures				
<i>(If the processes and policies within the Wyoming Governmental Entity Budgeting, Accounting, and Reporting Manual (Manual) are adopted, the accounting manual would serve this purpose.)</i>					
2. Are accounting manuals updated as necessary?					

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
3. Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure?				
4. Are the principal accounting, treasury, and custody functions segregated?				
5. Are the responsibilities for maintaining the general ledger segregated from those for maintaining subsidiary ledgers? And segregated from those for custody of assets?				
6. 6. Are records maintained in a secure facility such as fire resistant locked cabinets, limited access areas, with alarms and detection devices?				
7. If records are maintained in a secure facility, does the facility have alarms or detection devices?				
8. Is insurance coverage reviewed and adjusted on a yearly basis? Are equipment, programs, and data files covered by insurance?				
9. Are journal entries properly approved, adequately explained and in accordance with management’s authorization?				
10. Are all journal entries reviewed, approved, and supported by adequate descriptions or documentation?				
11. Were gifts or donations provided (except for “necessary support of the poor”), or support for any political activity by use of public funds?				
<u>Computerized Data Processing</u>				
12. Is the data processing system documented such that the organization could continue to operate if important data processing employees leave?				
<u>Financial Reporting</u>				
13. Do procedures exist providing reasonable assurance that all data required to be included in legal, as well as public				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
reports, are properly disclosed?				
14. Are financial reports reviewed and approved by the governing body before public release?				
15. Are there procedures to ensure that all requirements for filing of financial reports are met?				
III. CASH				
<u>Receipts</u>				
1. Are collection and deposit preparation functions segregated from those for recording cash receipts and general ledger entries?				
2. Are responsibilities for cash receipts functions segregated				
a. From those for cash disbursements?				
b. From voucher preparation?				
c. From bank reconciliations?				
d. From journal entry process?				
e. From accounts receivable utility and assessments posting?				
3. Are all receipts deposited on a timely basis (preferably daily and at the end of each month)?				
4. Are the same controls for receipt requirements and deposits maintained and enforced in all collection locations?				
5. Are receipts and bank deposits compared and balanced daily?				
6. Is a restrictive endorsement placed on each incoming check upon receipt?				
7. Are receipts written for every payment of money to the entity?				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
8. Are “not sufficient funds” checks delivered to someone independent of processing and recording of cash receipts? Are they monitored to make sure that they are clear?				
9. Are receipts pre-numbered and recorded consecutively in the Receipts Journal? Are the originals of “voids” retained?				
10. Do facilities exist for protecting undeposited receipts?				
11. Do controls exist providing reasonable assurances that restricted revenues are expended only for restricted purposes (e.g., deposited to separate bank accounts)?				
12. Are the deposits made complete and in tack with no cash being withheld?				
<u>Disbursements</u>				
13. Are claims only paid after “the claim is certified under penalty of perjury by the vendor or by an authorized person employed by the entity receiving the items or for whom the services were rendered,” per Wyoming Constitution, Article 16, Section 7?				
14. Are bills paid only from original invoices (not statements)?				
15. Does control exist over warrant or check-signing machines as to signature plates and usage?				
16. Are the facsimile signatures registered with the Secretary of State? Is the facsimile signature plate in custody of the person whose signature it is, when not in use?				
17. Are procedures provided for immediate notification to banks when check signers leave the unit or are no longer authorized to sign?				
18. Are invoices and vouchers furnished to check signer at the time of signing? Are invoices supporting documents cancelled or marked “Paid” to prevent reuse?				

INTERNAL CONTROL SELF-ASSESSMENT		YES	NO	N/A	Other Explanation
19. Is the drawing of warrants or checks to “cash or bearer” always prohibited?					
20. Are unused checks and voided checks adequately secured?					
21. Does anyone ever sign blank checks?					
<u>Bank Accounts</u>					
22. Are signature cards and depository agreements reviewed and updated at least yearly?					
23. Are there adequate controls and security over petty cash?					
24. Are separate bank accounts maintained for each fund legally required to be segregated?					
25. Are bank transfers reviewed each month and the transactions authorized/approved by the governing body?					
26. Are check number sequences checked for completeness in the bill approval or check signing process with all checks used in sequence and accounted for?					
27. Has any member of the governing body reviewed an unopened bank statement (for each bank account) at least once this year? (Check for unauthorized vendors, unauthorized transfers, and authorized payer signatures.)					
28. Do procedures exist for steps essential to an effective 2nd person financial statement reconciliation, such as:					
	a. Comparison of warrants or checks in appropriate detail with disbursements records?				
	b. Examination of signature and endorsement, at least on a test basis?				
	c. Accounting for numerical sequence of warrants/checks used?				
	d. Comparison of book balances used in reconciliations with general ledger accounts?				

INTERNAL CONTROL SELF-ASSESSMENT		YES	NO	N/A	Other Explanation
	e. Comparison of deposit amounts and dates with cash receipts entries?				
	f. Footing of cash books?				
29. Are all reconciliations and investigations of unusual reconciling items reviewed and approved by an official who is not responsible for receipts and disbursements? Is there evidence of the review and approval by signing on the reconciliation?					
30. Are checks outstanding for a considerable time periodically reviewed for propriety?					
31. Has the Unclaimed Property – Annual Reporting been completed and timely filed?					
Investments					
32. Are custodial responsibilities for documents evidencing ownership assigned to an official who has no accounting duties?					
33. Are investment policy guidelines consistent with Wyoming Statutes, formally established and periodically reviewed?					
34. Are competitive bids sought for bank certificate purchases?					
35. Are individuals with access to safe deposit boxes bonded?					
36. Are periodic comparisons made between income received and the amount specified by the terms of the security?					
37. Does the governing body receive a monthly detailed report of the securities and certificates of deposit held? (These should include the original bank or investment statements)					
Accounts Receivable					
38. Are aggregate collections on accounts receivable reconciled against posting to individual receivable					

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
accounts?				
39. Are totals of individual accounts receivable balanced to a GL Control account each month, by someone other than the accounts receivable clerk, and records maintained of the reconciliation?				
IV. GRANTS				
1. Is responsibility for monitoring grant activities properly fixed? The Compliance Monitor is _____.				
2. Do procedures exist to monitor compliance with:				
a. Financial reporting requirements?				
b. Use of funds and other conditions in accordance with grant terms?				
c. Timely billing of amounts due under grants?				
3. Is all grant activity/financial transactions, separated from the accounting for local funds, or as required by the grant agreement?				
4. Are grant revenues and disbursements processed under the same degree of controls applicable to the entity’s other transactions or under more stringent control standards?				
5. Are procedures in place that ensures that all General Requirements as well as all Specific Compliance Requirements are being met, according to rules established by OMB Circular A-133 for all Federal Grants?				
6. Has the local government reviewed all State Land and Investment Board rules and regulations, when receiving any SLIB money?				
7. When applicable, do sub-grantee agreements contain the same compliance requirements as the primary grantee’s agreement and are they being monitored for compliance,				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
by the primary grantee?				
V. CAPITAL ASSETS				
1. Is a separate capital project’s budget prepared?				
2. Do procedures exist for approving decisions regarding financing alternatives and accounting principles, practices, and methods?				
3. Are grant-funded acquisitions subject to the same controls as internally funded acquisitions?				
4. Are project cost records established and maintained for capital expenditures and repair projects?				
5. Are detailed property records maintained for all significant self-constructed, donated, purchased, or leased assets?				
6. Is the accountability for each asset established?				
7. Do procedures exist for periodic inventory of documents evidencing property rights (for example: deeds, leases, etc.)?				
8. Do physical safeguards over all assets exist?				
9. Are detailed property records periodically compared with existing assets and differences investigated and resolved?				
10. Is equipment properly identified by metal numbered tags, engraved ID #s, or other means of positive identification?				
11. Are all items purchased with Federal funding so identified on the item and in the property records?				
12. Do procedures exist for the proper disposition of assets in compliance with State and Federal laws?				
13. Has the governing body established a policy which governs depreciation rates, capitalization of assets and determines leasing policies?				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
VI. PURCHASING				
1. Are responsibilities for the requisitioning, purchasing, and receiving functions segregated from the invoice processing, accounts payable and general ledger functions?				
2. Are responsibilities for the disbursement preparation and disbursement approval functions segregated from those for recording cash disbursements and general ledger entries?				
3. Are responsibilities for the disbursement approval function segregated from those for the disbursement preparation function?				
4. Are policies regarding conflicts of interest and business practice policies established, documented and distributed?				
5. Are procedures modified when funds disbursed under grant or loan agreements and related regulations impose requirements that differ from the organization’s normal policies?				
6. Do approval procedures and bidding procedures exist for purchase order and contract issuance?				
7. If construction contracts are to be awarded, are bid and performance bonds considered and used?				
8. Is a record of suppliers who have not met quality or other performance standards by the purchasing department maintained?				
9. Are invoices (vouchers) reviewed and approved by a senior employee for completeness of supporting documents and required clerical checking?				
10. If an invoice is received from a supplier not previously dealt with, are steps taken to ascertain that the supplier actually exists?				
11. Is responsibility fixed for seeing that all cash discounts are taken and if applicable, that exemptions from sales, federal				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
excise, and other taxes are claimed?				
VII. PAYROLL AND PERSONNEL				
1. Are all changes in employment (additions and terminations), salary and wage rates, and payroll deductions properly authorized, approved and documented?				
2. Are appropriate payroll records maintained for accumulated employee benefits (sick leave, vacations and retirement)?				
3. Do written personnel policies exist?				
4. Are controls established to ensure that payroll costs charged to grants are in compliance with grant agreements?				
5. Are hours worked, overtime hours, compensatory time, and other special benefits reviewed and approved by the employee’s supervisor?				
6. Are time cards or other time reports reviewed for completeness and approved by the employee’s supervisor?				
7. Do procedures exist for authorizing, approving, and recording vacations, holidays, and sick leave?				
8. Is a separate, imprest-basis, payroll bank account maintained?				
9. Are payroll checks periodically distributed by the internal auditors (or others) to ascertain that employees exist for all checks prepared?				
10. Are accrued liabilities for unpaid employee compensation and benefit costs properly recorded or disclosed?				
11. Are employer payroll liabilities being paid on a regular basis and are reports being timely filed?				
VIII. GENERAL PROCEDURES				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
1. Is there a formal plan of organization for the unit of government under which reporting responsibilities are clearly defined and reasonably aligned?				
2. Is the principal accounting officer over accounting records and accounting employees supervising at all locations?				
3. Are employees in positions of trust bonded in amounts required by statutes or organization policy?				
4. Are written accounting, policy, and procedural manuals distributed to appropriate personnel?				
5. Do procedures exist to ensure that financial reports are prepared on a consistent basis?				
6. Are the adequacy and effectiveness of the internal accounting controls related to the organization’s transaction systems (procurement, revenues and receivables, etc.) periodically evaluated?				
7. Has a drug-awareness policy been adopted by the governing body?				
8. Has a continuing procedure for drug-awareness been implemented and followed up on for all employees?				
9. Does the governmental entity have a written plan addressing the provisions of the Americans with Disabilities Act?				
10. Has someone in the organization been designated as the ADA Coordinator?				
11. Have any sexual harassment issues been brought to the attention of anyone in the entity’s organization?				
12. If yes to question #11, has the city or town’s attorney been informed of all the details disclosed?				
IX. INFORMATION TECHNOLOGY (IT) CONTROLS				
1. Does the entity have written IT policies and procedures				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
manual?				
<i>Physical Security</i>				
2. How is physical access to the computer system controlled?				
3. How is access to the above location monitored (are there sign in sheets, video surveillance, etc.)?				
<i>Logical Security</i>				
4. Are usernames and passwords required to access the network? If so, answer the following questions.				
a. Is there a required format for passwords and what is it?				
b. Is the format enforced?				
c. Are passwords required to be changed regularly?				
d. Is this enforced?				
e. Are users locked out after a number of failed login attempts?				
f. Are users logged off after a short period of inactivity?				
5. Does each computer user have a unique username and password that is restricted only to their use?				
6. Are there procedures for adding, modifying, and deleting users promptly?				
7. Are there firewalls in place to protect email and applications accessible via the internet?				
<i>Disaster Recovery</i>				
8. Is there a formal disaster recovery plan?				
9. If so, is the disaster recovery plan reviewed in a timely manner?				
10. Are IT systems backed up?				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
11. Are backups of IT systems performed timely? (Ideally IT systems should be backed up daily.)				
12. Are backups stored on-site?				
13. Are backups stored off-site?				
14. Is access to the backups restricted?				
15. In case of power failure, does the entity have a procedure to restore data?				
16. In the event of an emergency when critical personnel are unavailable (sick or vacation) are there procedures or personnel in place to handle IT issues?				
17. Is there a maintenance schedule for computer equipment?				