



Auditing Tips

Purpose: Conservation district supervisors are accountable to the public for how conservation district funds are spent and accounted for. Supervisors should know how much money is available and how it is being spent. Good financial records are essential for creating a good budget. Responsibility for setting up internal controls and safeguarding funds from misuse rests with the district board.

In the following section, here are some tips from CPA firm Hamilton-Misfeldt & Company, Inc.

General

1. A good computer program can save time and organize records in a clear, concise way. They recommended QuickBooks.
2. Create a paper trail for every transaction.
3. Set up a formal approval process for every expenditure.
4. Document authority to sign for board.
5. Separate duties for financial management to decrease risk of theft.
6. By law, all persons that have access to CD funds must be bonded.

Area of Risk: Signing blank checks at meetings.

Solution: Purchase supplies and equipment on account. Usually, there is a 30-45 day period before payment is due. Attach checks already made out to vendor to invoices and present at meeting for Treasurer (or other supervisor) signature.

Area of Risk: One person responsible for financial management—receiving incoming cash, writing checks and cashing them.

Solution: Separate duties. The bookkeeper should not write checks. Stamp incoming checks immediately with “For Deposit Only” stamp.

Area of Risk: Several checking or savings accounts.

Solution: Consolidate accounts and run all incoming cash through one checking account. They should make deposits first to checking and then they should write a check for deposit into savings. Advantage is that one account shows all transactions. Keep track on paper balances for each fund.

Area of Risk: “For Sale” and “For Rent” items, small office equipment

Solution: Develop inventory for all “For Sale” items. Require a receipt for each item sold. Receipts should also exist for documentation purposes for “For Sale” items given away. Develop an inventory for all conservation district owned equipment and require sign-out sheets for use. Verify and update periodically.



Auditing Tips Continued

Area of Risk: No oversight of conservation district funds.

Solution: Have Treasurer or other conservation district supervisor reconcile bank statements regularly. Review budget and expenses regularly. Approve all expenses and record in minutes. Separate financial duties.

Area of Risk: Questionable expenditure of public funds. Gifts (going away, baby gifts, job well done, campaign contribution, etc.)

Solution: Don't do it!

Area of Risk: Petty cash, stamps for conservation district use.

Solution: Do not have a "petty cash" fund, unless absolutely necessary. Keep no more than \$100.00 in the "petty cash" fund—\$50.00 is a better amount to keep on hand. Do not pay bills out of "petty cash" fund. The individual must pay for postage stamps for private use. Make sure there are receipts and a ledger for "petty cash" transactions. Reconcile once a month. Conservation district oversight is required.

Area of Risk: Travel expense, bring blank checks. Going outside statutory limits

Solution: Submit estimates of expenses and give travel expenses in advance. Reconcile upon return. All payments should be authorized by conservation district supervisor and receipts for reimbursable items should be provided.