



Office of the Public Auditor

Rota Municipal Treasurer

October 6, 2021 to October 8, 2021

The Office of the Public Auditor (OPA) performed an observation and walkthrough of the Rota Municipal Treasury's (RMT) cash management system on October 6, 2021 through October 8, 2021. Our objective was to gain an understanding of RMT's processes relating to its cash receipts/collections, purchases/disbursements, reporting and accounting of funds.

During our observation of the cash receipts/collections, purchases/disbursements and reporting processes, we noted various practices, that with properly designed control activities, the RMT could utilize to improve current processes to meet its objectives, respond to risks, improve efficiency, promote transparency and accountability.

The U.S. Government Accountability Office's Standards for Internal Control, also known as the Green Book, states that to have an effective internal control system, "management should design control activities to achieve objectives and respond to risks". Control activities include established policies and procedures, segregation of duties, supervisory/management review(s), timely recording of transactions, reconciliations, controls over information processing and physical control or safeguarding of assets.



Cash Receipts and Collections

Assets including cash and cash equivalents are high risk areas susceptible to theft or fraud. By establishing policies and procedures over the cash handling process, the risk of loss can be minimized or deterred. The RMT should establish policies and procedures to ensure cash collections are properly safeguarded, cash handling duties are segregated, transactions are adequately supported, recorded, and supervisory review be performed on a regular basis. We recommend policies and procedures include the following:

1. Preparation of daily collection reports;
2. Recording daily collections when received;
3. Review of daily collections by a supervisor/manager prior to and after deposit;
4. Obtain, attach, and maintain supporting documentation of all collections, fees, and funds transferred into RMT's checking account;
5. Perform bank reconciliations utilizing proper reconciliation format; and
6. Establish and properly account for a minimum change fund.

Purchases and Disbursements

Controls for disbursements are designed to ensure transactions are authorized by management, properly recorded and accounted for, and for valid business purposes/use. We recommend that the acknowledgements for the receipt of goods from purchases be submitted to RMT in a timely manner.

Reporting

Recording and reporting of the sources and uses of funds provides accountability and transparency of an organization's activities. We recommend the RMT establish policies and procedures or implement an accounting system or process to account and record revenues and expenditures by source and classification (and if applicable, by project), respectively. With a financial reporting process in place, RMT will be able to prepare financial statements that reports on its activities timely and gives decision makers valuable information to make meaningful decisions that affect the community.

Based on our observations and recommendations, management should evaluate the adequacy of RMT's internal control activities to achieve its objectives and ensure the municipality can respond to risks timely. There should be adequate supervision and review of processes, as well as the segregation of duties among personnel involved throughout for internal controls to be effective. In addition, implementing the above improvements may require the RMT to dedicate staff and/or resources to efficiently and effectively manage the day-to-day operations of the RMT.