



Office of the Public Auditor

Tinian Municipal Treasurer

October 7, 2021 to October 8, 2021

The Office of the Public Auditor (OPA) performed an observation and walkthrough of the Tinian Municipal Treasury's (TMT) cash management system on October 7, 2021 through October 8, 2021. Our objective was to gain an understanding of TMT'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 TMT 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 TMT should establish policies and procedures to ensure cash collections are properly safeguarded, cash handling duties are segregated, transactions are adequately supported and recorded, and supervisory review is performed on a regular basis. We recommend policies and procedures include the following:

1. Recording daily collections for all programs when received;
2. Preparation of daily collection reports;
3. Review of daily collections by a supervisor/manager prior to and after deposit;
4. Deposit cash collections on a daily basis;
5. Perform bank reconciliations utilizing proper reconciliation format;
6. Establish and properly account for a minimum change fund; and
7. Review the nature, purpose, and efficiency of managing and maintaining multiple bank accounts, including consolidating accounts to reduce recurring bank fees.

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 all internal documents (i.e., Account Purchase Requisition/Purchase Order Routing Log Sheet) be reviewed by a supervisor/manager prior to and after the preparation of Purchase Requisitions and Purchase Orders.

Reporting

Recording and reporting of the sources and uses of funds provides accountability and transparency of an organization's activities. We recommend the TMT establish policies and procedures for data backup to ensure recovery of information in the event of a system failure. With an adequate backup system set in place, TMT will be able to mitigate the risk of data corruption or primary data loss.

Furthermore, OPA recommends that TMT formally adopt regulations covering the core functions of the TMT office to establish internal controls, standardize policies and procedures, and promote accountability. Officially adopted regulations will help strengthen TMT's established policies and procedures.

Based on our observations and recommendations, management should evaluate the adequacy of TMT'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 TMT to dedicate staff and/or resources to efficiently and effectively manage the day-to-day operations of the TMT.