

INTERNAL CONTROLS FOR THE TOWN OF DURHAM

Internal controls are techniques used by management to achieve its objectives and to meet its responsibilities. It is the objective of the Board of Selectmen to safeguard town funds and have administrative procedures in place that will enable them to meet this objective and thereby fulfill their responsibility.

In most Maine municipalities, motor vehicle excise tax poses the greatest risk for fraud. The high risk comes from the potential loss, to the Town of Durham, of over \$600,000 in excise taxes per year. The potential loss is due in part to the fact that many people pay their excise tax in cash. The second risk comes from not issuing a receipt for the transaction. Many towns have used the registration form as the receipt. The State registration forms are sequentially numbered, and all forms are accounted for. In Durham however, the policy is that anytime money is received a receipt is issued. Having a printed receipt is a method of insuring that money goes in the right place.

In order to have general oversight over revenues collected the Town of Durham will:

- Issue a receipt for all money received
- Transactions will not be completed until payment has been received
- Reconcile cash receipts daily
- Deposit funds in a timely manner (daily)
- Reconcile to general ledger daily
- Reconcile bank statements monthly
- Maintain cash drawers individually
- Randomly audit cash drawers on a monthly basis
- Make an effort to ensure that there is always more than one person on duty
- Overpayments shall not be accepted when the intention is to provide a cash refund back to the customer.
- Upon any suspicion of fraud, appropriate personnel will be notified
- Checks returned for non-sufficient funds will be posted to the General Ledger and tracked through the use of certified letters to the individual(s) requiring cash, money order, or bank check along with an assessed fee (to be determined yearly by the Board of Selectmen) be presented to the Town within 10 days. If transaction is on real-estate, payment is reversed until full payment is received, if it is motor vehicle, registration is suspended. Checks returned over \$100 face value are submitted to the Sheriff's Office for potential prosecution, if unpaid after a second notice is disregarded.
- All bank statements and reconciliation of bank accounts will be reviewed.

Financial accountability is a top priority for the Town of Durham. This policy formalizes the expectations of personal honesty and integrity required of Town officials and employees. The Town of Durham is committed to protecting its revenue, property, information and other assets from any attempt, either by members of the public, contractors, sub-contractors, agents, intermediaries or its own employees, to gain by deceit, financial or other benefits. This policy prohibits fraud or misuse of the Town of Durham's assets and sets forth specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.

DEFINITIONS:

As used in this policy, the terms listed below shall have the following definitions:

1. Embezzlement is any loss resulting from the misappropriation of Town of Durham assets.
2. Misappropriate is to take or make use of any item without authority or right.
3. Loss is defined as the Town of Durham losing possession or control of any type of asset through fraudulent activities.
4. Fraud is the intentional misrepresentation or omission of facts for personal gain.
5. Employee (s) refers to all Town of Durham employees, independent contractors, consultants, and temporary workers.

6. Assets refer to the entire property of the Town, association, corporation, or estate applicable or subject to the payment of debts. Assets include, but are not limited to, all Town vehicles and building properties, computers and software and cash receivables.
7. Equipment is defined as a fixed asset that is not consumable or expandable; it is movable, even though sometimes attached to other objects or buildings; and its removal does not create a readily observable physical impairment or deterioration. Examples include, but are not limited to: Office equipment including computers, desk cabinets, printers and scanners, any electronic data processing equipment, training/educational equipment, medical supplies, and furnishings, audio-visual, cameras and recording devices. Equipment also includes, but is not limited to, all construction and maintenance equipment, air conditioners, fire-fighting equipment, and tools, rescue equipment and tools.

STATEMENT OF POLICY:

The Town of Durham has adopted a zero tolerance policy regarding fraud. No employee of the Town, Town of Durham resident, or Town of Durham property owner who reside outside the Town limits shall remove any Town of Durham asset from the property, misuse any Town asset for ones personal gain, or willfully misappropriate any Town of Durham asset. Any evidence supporting fraud, theft or embezzlement of Town of Durham assets and equipment may be subject to the following actions including but not limited to: suspension, termination, restitution, and criminal charges.

PROHIBITED ACTS

Fraud and misuse of Town of Durham assets are prohibited. Examples of fraud and misuse of Town assets include but are not limited to:

1. Embezzlement
2. Misappropriation, misapplication, destruction, removal, or concealment of Town of Durham property.
3. Alteration or falsification of documents.
4. Theft of any asset (money, tangible property, etc.)
5. Authorizing or receiving compensation for goods not received or services not performed.
6. Authorizing or receiving compensation for hours not worked.
7. Misrepresentation of fact

COMPLAINT PROCEDURE

1. Employees shall read and it is recommended that residents of the Town of Durham should read and understand this policy. Additionally, suspected or known fraudulent acts by employees shall be reported to their respective supervisor or to the Administrative Assistant to the Board/Town Administrator. If the employee has reason to believe that their supervisor may be involved, the employee shall notify the Administrative Assistant to the Board/Town Administrator or the Board of Selectmen.
2. Supervisors shall a) communicate the provisions of this policy to all staff, b) take no action without consulting the Department Head, and c) recommend appropriate temporary disciplinary action when there is evidence of wrong-doing.
3. Supervisors and/or Department Heads shall communicate any suspected or known fraudulent act to the Administrative Assistant to the Board/Town Administrator. The Administrative Assistant to the Board/Town Administrator may initiate internal investigative actions of the suspected act after consulting with the Chairman of the Board of Selectmen and Town Attorney. The internal investigation may include but is not limited to surveillance, either electronic or visual. Document research may include, but is not limited to, cash terminal journal rolls, ledgers, and accounting records.
4. All participants in a fraud investigation shall keep the details and results of the investigation confidential.

5. No supervisor or person acting on behalf of the Town of Durham shall dismiss or threaten to dismiss an employee; discipline or suspend or threaten to discipline or suspend an employee; impose any penalty upon an employee; or intimidate or coerce an employee because the employee has acted in accordance with the requirements of the policy. Any violation of this section may result in disciplinary action up to and including termination of employment.

PREVENTION

Each department will maintain an internal control environment to protect the department and the Town from loss or other damages as a result of a fraudulent act.

FALSE ALLEGATIONS

False allegations of suspected fraud with the intent to disrupt or cause harm to another may be subject to disciplinary action up to and including termination of employment.

CORRECTIVE ACTIONS AND DISCIPLINE

Appropriate and timely action will be taken against those proven to have committed a fraudulent act. These remedial actions may include, but are not limited to:

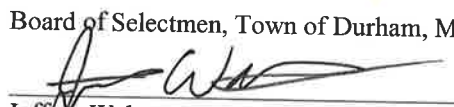
1. Disciplinary action (up to and including immediate termination of employment).
2. Restitution for all losses, including investigation and legal expenses, to the fullest extent of the law.
3. Forwarding information to the appropriate authorities for criminal prosecution.
4. Institution of civil action to recover losses.
5. Where the Town of Durham elects to take corrective or disciplinary action, it will proceed under the procedures in place under policy.
6. The Town of Durham may take corrective or disciplinary action without awaiting the resolution of criminal or civil proceedings arising from the fraudulent conduct.

CONFIDENTIALITY


All investigations will be conducted in confidence insofar as reasonably possible. The name or names of those communicating information about a fraudulent act and the name or names of those suspected of a fraudulent act will only be revealed when required by law in conjunction with the investigation or legal action.

Approved on March 26, 2013

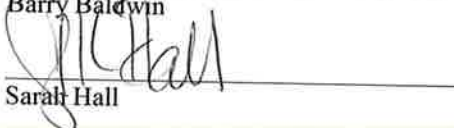
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