

Internal Audit Guidance for SWCDs

NC General Statutes, Chapter 139-7 allows for an internal audit of SWCD accounts. Specifically, "The supervisors shall provide for the execution of surety bonds for all employees and officers who shall be entrusted with funds or property; shall provide for the keeping of a full and accurate record of all proceedings and of all resolutions, regulations, and orders issued or adopted; and shall provide for an annual audit of the accounts of receipts and disbursements. In any given year, if the supervisors provide for an internal audit, and the supervisor serving as chairman certifies, under oath, that this internal audit is a true and accurate reflection of the accounts of receipts and disbursements, then the supervisors shall not be required, notwithstanding the provisions of G.S. 159-34, to provide for an audit of the accounts of receipts and disbursements by a certified public accountant or by an accountant certified by the Local Government Commission." Guidance for SWCDs is that internal audits may be conducted on accounts with balances below \$10,000, with an external audit conducted once every 5 years.

The following checklist is intended to provide guidance when conducting your SWCD's internal audit. This checklist should be used only as a guide. It is not intended to be all inclusive. The questions below are designed to be answered with a "YES". "NO" answers indicate possible statutory violations and internal control weaknesses that should be investigated.

Attribute	Yes	No
Does the SWCD have a budget officer appointed by the Board? Is this listed in the minutes of an official Board meeting?		
Does the SWCD have an annual balanced budget ordinance?		
Was the budget, together with a budget message, submitted to the Board in an open public meeting by June 1?		
Was the budget available for public inspection from the date submitted to the Board until the budget ordinance was adopted?		
Was a copy of the budget available to all news media in the county? Was a statement published stating that the budget has been submitted to the Board and is available for public inspection, and which gave the time and place of the budget hearing?		
Was a public hearing on the budget held?		
Was the budget ordinance approved in an open public meeting, at least 10 days after the budget message was submitted, and prior to July 1?		
Was the adoption of the budget ordinance recorded in the minutes of the open public meeting?		
Does the budget ordinance authorize all expenditures except those authorized by project ordinances?		
If the SWCD has capital projects or grant projects, were these adopted either: a) in the budget ordinance, or b) in a project ordinance?		
If the SWCD intended to authorize a capital project or a grant project by project ordinance, was the project ordinance adopted before the project was begun?		
If a project ordinance was adopted, was it entered in the minutes of an official Board meeting?		
If applicable, did the budget officer include in the annual budget information concerning: a) the projects expected to be authorized by project ordinances during the budget year, and b) those previously adopted project ordinances that will have appropriations available for expenditure during the budget year? [The project ordinance itself does not have to be in the budget ordinance.]		
If budget amendments were made during the year, did the budget ordinance as amended remain balanced?		
Is the transfer of any monies by the budget officer within the limits adopted by SWCD resolution? If the budget officer transferred monies from one appropriation to another within the same fund, was the transfer reported to the Board in its next regular meeting and recorded in the minutes?		

Attribute	Yes	No
Were all actions with respect to the adoption or amendment of the budget ordinance or the project ordinance taken at a meeting of the Board by a simple majority of those present and voting with a quorum being present?		
Were all meetings for the budget ordinance announced in accordance with Open Meetings Law?		
Does the SWCD have a finance officer appointed by the Board? Is this listed in the minutes of an official Board meeting?		
Has the finance officer kept the financial records in accordance with generally accepted principals of governmental accounting?		
Has the finance officer disbursed all funds in strict compliance with applicable budget/project ordinances?		
Has the finance officer preaudited all obligations and disbursements?		
Are the checks or drafts on the official depository signed by the finance officer and countersigned by another official of the Board designated by the Board for this purpose?		
If all checks are not signed by the finance officer and countersigned by another official, has the Board waived the dual signature requirement?		
Does the finance officer have a true accounting and faithful performance bond with sufficient sureties in an amount fixed by the Board of not less than \$50,000?		
Does each officer, employee, or agent handling or having in his custody over \$100 at any time or who has access to the Board's inventories, have a faithful performance bond before being entitled to assume his duties?		
Are the Board's deposits in banks, savings and loan associations, or trust companies, which are located in North Carolina?		
Has the Board designated its official depositories?		
If the Board has designated a state bank or trust company located in another state as an official depository for the purpose of acting as fiscal agent, has the Secretary of the LGC given written permission?		
Has the Board reported the name and address of each designated depository to the Secretary of the LGC? This is usually done with submission of COLL-91 every July 31.		
Has the Board reported its depository and investment information to the LGC on form LGC-203? This form is submitted twice a year.		
Are all monies received by officers and employees deposited daily with the finance officer or in an official depository, unless the Board has given its approval to require depositions only when the monies on hand amount to as much as \$250?		
If the Board has given its approval to require deposits only when monies on hand amount to as much as \$250, is the \$250 deposit requirement adhered to, and are deposits made on the last business day of the month?		
Has the Board had its accounts audited annually? An external audit is recommended at least once every five years.		
For cash accounts: have bank reconciliations been completed in a timely manner? Has a Board member (or other designated official) signed off on the reconciliation? Does the reconciled cash balance agree to the balance on the books?		
For payroll: area all taxes paid and payroll forms filed timely and accurately? Are the payroll records secured so that only those persons who are authorized have access to the records?		

The Internal Audit should review the books, financial statements, deposit slips, preaudits, bills, and receipts, for all expenditures from the SWCD account in the fiscal year (July 1 through June 30); supporting documentation should be available for all expenditures.

A *budget to actual* comparison should be made and included. Significant variances from budget and/or prior periods should be investigated. The Chair should certify, under oath, that the internal audit is a true and accurate reflection of the accounts of receipts and disbursements.