

Town of Milford  
Town Hall  
1 Union Square  
Milford NH 03033

## Internal Control Policy

The Board of Selectmen for the Town of Milford, New Hampshire hereby establishes an Internal Control Policy under the provisions of NH RSA 41:9 (VI), which reads:

*The selectmen shall be responsible for establishing and maintaining appropriate internal control procedures to ensure the safeguarding of all town assets and properties.*

The Board of Selectmen agrees that:

- 1.) The Board of Selectmen and appointed managers have a responsibility to citizens to protect the Town's assets against the danger of loss or misuse and to ensure that all transactions are properly authorized.
- 2.) The Board of Selectmen must make sound control policies and procedures a priority item on management's agenda by taking an active interest in the adequacy of controls.
- 3.) Internal controls are the practical techniques employed by management to accomplish its objectives and meet its responsibilities. Broadly speaking, internal control is a process designed to provide management and the Board of Selectmen reasonable assurance regarding the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws and regulations.
- 4.) The essential elements for Effective Internal Control are:
  - a. Control Environment
    - i. Management is aware of an importance of internal controls and communicates this importance to employees at all levels
    - ii. The government has a rational and well-defined organizational structure that clearly assigns responsibility and accountability to individual employees
    - iii. Sound personnel policies and practices are in place
    - iv. Management actively monitors operations and investigates discrepancies between actual performance and anticipated results
    - v. The governing body oversees management on a continuing basis.
  - b. Accounting System: The accounting system collects all of the data needed to present and disclose assets, liabilities, transactions and events in general purpose external financial reports in conformity with General Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB).
  - c. Control Policies & Procedures:
    - i. Properly authorized transactions by employees, management and Board of Selectmen
    - ii. Segregation of duties
    - iii. Accounting records and documentation properly designed and maintained
    - iv. Access to assets and records controlled (permissions and backups)
    - v. Accounting data periodically compared to underlying documentations (reconciliations)

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- 5.) In establishing appropriate internal controls, management must give careful consideration to the cost of a particular control and the related benefits to be received.
- 6.) Fraud prevention is maintained by an effective internal control structure
- 7.) Internal controls are spread over all aspects of Town Government
- 8.) All reporting and compliance with applicable laws and regulatory agencies is reliably maintained.
- 9.) Management is primarily responsible for maintaining an effective internal control structure. Consequently, management periodically evaluates the effectiveness of internal controls.
- 10.) Each department maintains a complete and up-to-date policy and procedure manual .

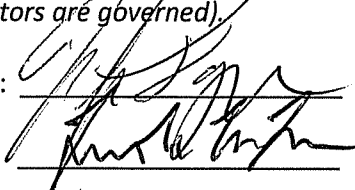
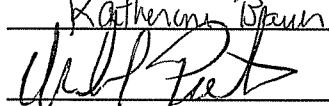
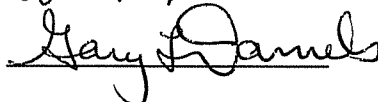
Referenced in this policy are the following organizations and rules:

GAAP, General Accepted Accounting Principles  
GASB, Government Accounting Standards Board  
GFOA, Government Finance Officers Association  
NHGFOA, New Hampshire Government Finance Officers Association  
LGC-NH, Local Government Center, New Hampshire  
AICPA, American Institute of Public Accountants  
SAS-112, Standards on Auditing Standards, No. 112  
COSCO, Committee of Sponsoring Organizations  
NH-DRA, New Hampshire Department of Revenue Administration  
GAO, Government Accountability Office

Referenced in this policy are the following publications:

An Elected Official's Guide to Internal Controls and Fraud Protection, GFOA  
Evaluating Internal Controls, A Local Government Manager's Guide, GFOA  
Governmental Accounting, Auditing, and Financial Reporting, GFOA:  
Chapter 18, The Internal Control Framework  
Basic Financial Policies, A guide for New Hampshire Cities and Towns, LGC-NH  
Report on Internal Control Based on An Audit of Basic Financial Statements, Town of Milford  
Financial Statements and Independent Auditor's Report  
*Statement of Auditing Standards (SAS) No. 112, "Communicating Internal Control Matters Identified in an Audit". This has been part of our audited Financial Statements since year ending December 31, 2006. This has been adopted by the American Institute of Public Accountants (AICPA) and the Government Accountability Office (GAO). SAS-112 has been incorporated into the "Government Auditing Standards" (the "Yellow Book", rules by which the auditors are governed).*

Approved by Board of Selectmen:

  
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Katherine Braun  
  
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Gary Daniels  
  
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