OFFICE OF THE STATE AUDITOR

E-Update

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State Auditor
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February 6, 2009

1. Released: 2008 Revenue Thresholds for Audit Requirements

2. Pension Reminder: Investment Transfer Verifiers

3. New: Statements of Position

4. Avoiding Pitfalls: Policy for Account Adjustments and Write-offs

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1. Released: 2008 Revenue Thresholds for Audit Requirements

The 2008 annual revenue levels at which towns, cities and special districts are required to have audits performed have been calculated:

Small Cities with Combined Clerk/Treasurers - A city with a population of 2,500 or less and a combined clerk/treasurer must have an annual audit for 2008 if its annual revenue is greater than $187,000. A city with a combined clerk/treasurer and annual revenue of $187,000 or less must have an audit once every five years.

Large Cities - A city with a population over 2,500 must have an annual audit performed.

Large Towns - A town with a population over 2,500 and 2008 annual revenue greater than $834,000 must have an annual audit.

Towns with Combined Clerk/Treasurers - A town with a combined clerk/treasurer must have an annual audit for 2008 if its annual revenue was greater than $187,000. A town with annual revenue of $187,000 or less must have an audit once every five years.

Special Districts - A special district must have an annual audit for 2008 if its annual revenue was greater than $187,000. A special district with annual revenue of $187,000 or less must have an audit once every five years. This requirement is new in 2008.

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2. Pension Reminder: Investment Transfer Verifiers

Trustees of relief associations that invest through the State Board of Investment (SBI) should make sure that transfer verifiers are on file with the SBI. A verifier is an officer of the relief association whom the SBI will contact when it receives a wire transfer, requesting confirmation for the account number to which the money should be transferred. It appears that very few relief associations have a verifier on file with the SBI. Having a designated individual who will be the contact person to confirm transfer requests is a good internal control and helps to protect the pension assets.

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3. New: Statements of Position

The Office of the State Auditor has issued two new Statements of Position related to Tax Increment Financing (TIF). Correction of TIF Errors describes the procedure a county auditor can use to correct errors or mistakes made by the county or authority in certifying or decertifying a TIF district or errors made in calculating the tax capacity.

TIF's Four-Year Knock-Down Rule discusses the Four-Year Knock-Down Rule, which requires authorities to certify that development activity has occurred within four years of certification on each parcel in a district.

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4. Avoiding Pitfalls: Policy for Account Adjustments and Write-offs

Public entities that bill for services, such as water or rubbish hauling, must sometimes make adjustments to accounts (e.g., to correct an error) or write-offs for accounts (e.g., uncollectible accounts).

We recommend that public entities adopt a written policy requiring employees to obtain authorization (e.g., from a supervisor) for an adjustment to or a write-off for an account. The policy should contain sufficient controls to prevent an employee from unilaterally adjusting or writing off accounts of their choosing, such as the employee's own account or the accounts of family members or friends.

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