

**NH DEPARTMENT OF REVENUE ADMINISTRATION  
Municipal Services Division  
P.O. Box 487  
Concord, NH 03302-0487  
Phone (603) 230-5090**

**HANDBOOK  
FOR  
LOCALLY ELECTED AUDITORS**



**FOR TOWNS, CITIES,  
VILLAGE DISTRICTS,  
&  
SCHOOL DISTRICTS**

In accordance with the American Disabilities Act, if you need or prefer an alternate format of communication, please contact us at the number located on the front of this handbook.

Financial audits play a vital role in helping to preserve integrity of public finance and maintain citizen's confidence in their elected leaders. Audits provide independent assurance that financial information is reliable. This is particularly important given the issues we hear about in the news almost every day. The Association of Certified Fraud Examiners 2010 "Report to the Nations on Occupational Fraud and Abuse" reports that 16.3% of organizations that were defrauded were governments and public administrations with a median loss amount of \$100,000.

Transparency and accountability in government audits is essential to show that public functions are being carried out efficiently, ethically, and equitably. Auditors should conduct audits within the constraints of confidentiality of laws, rules, and policies, and in an independent and objective manner, demonstrating the highest standards of personal integrity, honesty, and fortitude.

Though an audit will not necessarily detect fraud, it will help to facilitate awareness and financial accountability within each municipality. Audits are not a new requirement so this fairly new legislation merely clarifies the requirement and tightens those processes already in place to ensure that ALL municipalities have their financial accounts examined regularly and that the financial information is reliable.

This handbook was prepared by the Municipal Services Division at the NH Department of Revenue Administration. It is intended to supplement training programs and to provide guidance for the locally elected auditor. Special thanks to the NH CPA Task Force, the locally elected auditor test group, and staff at the Local Government Center for assistance in developing, testing, or reviewing the procedures, rules, and forms for this important process.

## **Municipal Audit Law in New Hampshire**

### **41:31-a Purpose.**

Financial audits play a fundamentally vital role in helping to preserve the integrity of the public finance functions and by maintaining citizens' confidence in their elected leaders. Properly performed audits provide independent assurance that financial information presented is reliable.

### **41:31-b Choice; Election.**

Any municipality that has not hired an auditor under RSA 21-J:19 shall, at the annual meeting, under an article in the warrant, choose one or more auditors. The terms of office shall be staggered so that after the year of adoption one auditor shall be chosen for a term of office for the same number of years as there are auditors on the board, provided however that in the year of adoption the members of the board shall be chosen for varying terms so that the term of one member shall expire in the next succeeding year, the term of the second member, the next year, and so on for the number of years as there are members of the board. The auditor or board of auditors shall perform the duties under RSA 41:31-c and RSA 41:31-d. If a municipality has adopted an official ballot for the election of its officers, the election of an auditor or board of auditors shall not take place until the annual meeting following the meeting at which the provisions of this section are adopted.

### **41:31-c Duties.**

I. All municipalities shall annually, or more often as necessary, conduct an audit of the accounts of any officer or agent handling funds of the municipality. Elected auditors conducting such audits shall follow audit procedures in rules adopted by the commissioner pursuant to RSA 541-A.

II. Any municipality, or any political subdivision exclusively within a municipality, with a population of fewer than 750 as of the most recent federal census, provided a financial statement audit is not required by another law, regulation, or contract, may, not less than 45 days before the end of the fiscal year, petition the commissioner to waive the annual audit requirement for that fiscal year and provide an alternative plan for reviewing the municipality's financial accounts. If the commissioner approves the scope of services as proposed by the municipality, such services shall be completed by either the locally elected auditor or a CPA. If the commissioner does not approve or no alternative procedures or scope of services is provided by the municipality, then the commissioner shall determine the appropriate scope of services.

### **41:31-d Reports.**

I. A complete report of any audit or procedure conducted under RSA 41:31-c shall, upon completion, be made available to the public in accordance with RSA 21-J:19.

II. Within 10 days of the acceptance by the governing body of any completed audit, a complete copy of the audit and any accompanying management letter shall be submitted to the commissioner by the governing body. If the governing body has not accepted the audit and any applicable adjustments within 45 days of its receipt, the audit as received or adjusted and any accompanying management letter shall be submitted to the commissioner by the governing body with an explanation for non-acceptance. The governing body may, for good cause, petition the commissioner for an extension of time for submittal.

## Municipal Audit Law in New Hampshire

### **671:5 Auditors.**

At each district election, each district which is not a cooperative school district as defined in RSA 195:1 shall elect one or more auditors. In a district voting to elect 2 or more auditors, their terms shall be staggered so that one auditor shall be elected each year for a term of office of the same number of years as there are auditors; provided, however, that, in the first year, the auditors shall be chosen for varying terms so that the term of one auditor shall expire in the next succeeding year, the term of the second auditor, the next year, and so on for the number of years as there are number of auditors. When voters of the district direct the school board to request an audit by independent public accountants from outside the district, they shall not be required to choose auditors for the year covered by said audit.

### **RSA 198:4-d VI.**

If a city or school district is audited under RSA 671:5, the procedures in RSA 41:31-a through 41:31-d shall be followed.

### **197:25 Auditors.**

If a district has not hired an auditor under RSA 21-J:19, the locally elected auditors shall carefully examine the accounts of the treasurer and school board at the close of each fiscal year by following the procedures in RSA 41:31-a through 41:31-d.

### **669:68 Town Auditors.**

Vacancies in the office of town auditor shall be filled by appointment made by the supervisors of the checklist. If a supervisor is also the town treasurer, he shall abstain from the decision on the appointment, and the other supervisors shall make the appointment

### **670:12 Vacancies.**

The commissioners shall make appointments to fill vacancies in the offices of village district clerk, moderator, and treasurer, and their own board. In the case of a vacancy in the office of commissioner with a 2- or 3-year term, the remaining commissioners shall make an appointment to fill said vacancy until the next annual meeting of the district, at which time a commissioner shall be elected to fill the unexpired term.

### **671:33 Vacancies.**

Vacancies among members of cooperative or area school planning committees shall be filled by the moderator for the unexpired term. The school board shall fill vacancies occurring on the school board and in all other district offices for which no other method of filling a vacancy is provided. Appointees of the school board shall serve until the next district election when the voters of the district shall elect a replacement for the unexpired term. In the case of a vacancy of the entire membership of the school board, or if the remaining members are unable, by majority vote, to agree upon an appointment, the selectmen of the town or towns involved shall appoint members by majority vote in convention. Vacancies in the office of moderator shall be filled by vote at a school meeting or election, provided that, until a replacement is chosen, the school district clerk shall serve as moderator. Vacancies occurring on the budget committee of a cooperative school district shall be filled by appointment made within 5 days by the budget committee, or by the chairperson of the cooperative school board if the vacancy is that of a member appointed from the school board.

# INTRODUCTION

## THE NEED FOR AUDITS

New Hampshire Department of Revenue Administration (DRA) records indicate that in a recent year only 10% of village districts were audited and 8% of the towns and cities submitted a report by a locally elected auditor with 33% of towns submitting a timely report of audit by a certified public accountant (CPA).

The remaining 59% of towns submitted financial statements with no indication that they were audited. True, those statistics can increase up to 65% for CPA audits if audit reports are eventually submitted, sometimes up to 3 years after the close of the fiscal year, but that is not timely for the Department or for taxpayers.

We recommend that municipalities be proactive in setting aside funds for future audits by a CPA so the cost is spread over a few years. It is believed that the benefits of an audit will outweigh the costs and financial risks of not having an audit in the long run.

Audits will provide citizens with a greater assurance that their tax dollars are being prudently managed, particularly if there is improved financial accountability by local officials.

## THE PROCESS

1. Choice of Audit - Every municipality (town/city/village district/school) has the ability to choose how to audit financial accounts; by certified public accountant (CPA), locally elected auditor, or locally elected audit board. *There could be other audit requirements for your municipality that would require an audit by a CPA. If your municipality expended federal assistance in excess of \$500,000 you may be required to have a special audit under OMB Circular A-133. Check with the federal assistance granting authority for further information.*

The form MS-60A, Auditor Option and Schedule, is used to report to DRA which type of audit will be conducted and the schedule for completion. This form is submitted to DRA no later than 10 days after the close of the fiscal year.

2. Locally elected - Conduct the audit using procedures and forms in rules adopted by DRA. See APPENDIX C for the rules.

3. Audits Waived - If the municipality has a population less than 750 and there is not another financial statement audit requirement, they could petition DRA 45 days before the end of the fiscal year to waive the requirement for that year on form MS-60W.

If the waiver is authorized by DRA, instead of a comprehensive annual audit, the municipality will follow alternative procedures by the locally elected auditor or by a CPA. At a minimum, the municipality must complete Sections 1 and 2 of the MS-60.

## **STATUTORY AUDIT REQUIREMENTS**

### **Audit by Certified Public Accountant**

#### **Single Audit Act**

If the municipality expended federal assistance in excess of \$500,000 it may be required to have an audit under the requirements in Governmental Auditing Standards or the Single Audit Act (*OMB Circular A-133*). Check with the federal granting authority regarding the type of audit necessary.

#### **Process**

Complete form MS-60A "Auditor Option and Schedule Report" indicating the name of the selected CPA or intention to contract with a CPA. Send the form to DRA within 10 days after the close of the fiscal year for which the audit is being conducted.

#### **Funding an Audit**

Even if a municipality does not have a specific requirement for a CPA audit this year, there may be a year in the future where federal funds are accepted or some other event triggers the need for a CPA audit. In addition, it is a good practice in managing the prudential affairs to provide independent assurance to the taxpayers that their financial records are reliable. The DRA recommends putting funds aside on an annual basis in anticipation for a future audit conducted by an independent accounting firm. An expendable trust fund (ETF) could be established and an appropriation be made annually to the ETF so the impact of the costs of an audit might be mitigated over a few years rather than incurred in just one year. See DRA's "Suggested Warrant Articles" for sample wording or contact your DRA Municipal Accounts Advisor.

#### **Attestation Standards**

Agreed upon procedures conducted by a CPA will be performed in accordance with attestation standards as promulgated by the American Institute of Certified Public Accountants. Sample attestation engagements might consist of assessment of internal controls or assessment of a program or the program's effectiveness.

### **Audit by Locally Elected Auditor**

#### **Process**

Complete form MS-60A "Auditor Option and Schedule Report" indicating the intention to have the audit conducted by a locally elected auditor or board. Send the form to DRA within 10 days after the close of the fiscal year for which the audit is being conducted.

#### **Elected Auditor**

Locally elected auditors will conduct the audit following RSA 41:31-b through 41:31-d and using procedures and forms in rules adopted by DRA. The form MS-60 is the document used to gather data, test data, and report the findings to DRA and to the municipality. See the following statutes regarding the election and general duties of the elected auditor or auditor board: Town RSA 41:31-b; School RSA 41:31-b, RSA 198:4-d, VI and 197:25; Village District RSA 41:31-b, RSA 670:2.

### **Appointed Auditor**

If there is a vacancy in the office of town or district auditor, that position will be filled under procedures in RSA 670:12, RSA 669:75, and RSA 671:33. Generally the vacant position is filled by appointment by the governing body or supervisors of the checklist.

<b>ETHICS FOR LOCALLY ELECTED AUDITORS</b>
--

Although a locally elected auditor doesn't need to be a CPA, the locally elected auditor must adhere to certain requirements of the United States Government Accountability Office (GAO) and in general, follow government auditing standards and maintain levels of integrity, objectivity and independence. A conflict of interest can create an appearance of impropriety that can undermine confidence in the auditor or the audit. For more information go to the website for the U.S. General Accounting Office at [www.gao.gov](http://www.gao.gov).

The elected auditor must also take the oath of office under RSA 42:1 and be fair, honest, and respectful of others and of municipal property.

### **Statement of Ethical Behavior**

It is suggested that all auditors agree to abide by this sample statement of ethical behavior in the daily conduct of all the audit activity including the gathering, dissemination, and use of information for the purposes of the audit.

1. Recognize that the chief function is to serve the best interests of the municipality in a manner that is independent in fact and appearance.
2. Accept as a personal duty the responsibility to conduct the audit to the best of their ability and in fairness, impartiality, efficiency, and effectiveness.
3. Conduct the audit within the constraints of confidentiality laws, rules, or policies.
4. Serve with respect, concern, courtesy, and responsiveness.
5. Demonstrate the highest standards of personal integrity, truthfulness, honesty, and fortitude in all activities in order to inspire confidence and trust in the process.
6. Avoid any interest or activity that is in conflict with the conduct of the official duties.
7. Respect and protect privileged information to which there is access in the course of official duties.

## UNDERSTANDING THE BASICS

### Fiscal Year and Budget Process

The municipality's legislative body annually adopts a budget for a fiscal year. In general, a municipality may not spend amounts over that authorized budget. Some exceptions include expenditures from grants or capital reserve funds (CRF) that have agents appointed to expend from those funds.

Schools and some towns and cities have a fiscal year that runs from July 1 through June 30. Most towns have a calendar fiscal year that runs from January 1 through December 31. A few village districts have a completely different fiscal year pursuant to the charter that originally established the district.

### Accounting System

A municipal entity's accounting system should be organized and operated on a fund basis to ensure the proper segregation of assets and the ability to maintain suitable accountability. The Department of Revenue Administration's rules provide guidance on reporting requirements including method and basis of accounting and account numbers to use (See Chart of Accounts in Appendix B). The rules also provide the governmental accounting hierarchy to follow as authoritative sources. The rules were promulgated under RSA 21-J:17 and are REV 1700s for towns and cities, REV 1100s for schools, and REV 2000s for village districts.

Funds are grouped by category and then by fund within each category. Each fund is a separate fiscal entity and is established to conduct specific activities and objectives in accordance with statutes, laws, regulations, and for specific purposes.

*Locally elected auditors will primarily be looking at transactions in the general fund.*

<b>Category of Fund</b>	<b>Used To Account For</b>
<i>Governmental funds</i>	Most typical municipal functions and their related financial resources. This includes the general fund.
<i>Proprietary Funds</i>	A government's ongoing activities that are similar to those found in the private sector.
<i>Fiduciary Funds</i>	Assets held by a municipality in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Financial transactions of the funds and account groups of the municipality need to be in compliance with generally accepted accounting principles (GAAP).

### Basis of Accounting for Governmental Funds - Modified Accrual

Modified accrual basis of accounting means revenues are recognized in the accounting period in which they become available and measurable, and expenditures are recognized in the period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due. The general fund is reported to the Department on the MS-5, MS-25, or MS-35 form using modified accrual so only the current interest due is shown on the general fund balance sheet.



## Basis of Accounting for Proprietary and Fiduciary Funds - Accrual

Accrual basis of accounting means revenues are recognized in the accounting period in which they are earned and become measurable, and expenses, rather than expenditures, are recognized in the period incurred, if measurable.

### Accounting Process Cycle

1. **Recognize Transaction**
2. **Prepare Adequate Source Documents** – This step provides the accounting documentation from the beginning of step 1. Examples of source documents would be invoices, time sheets, bank deposit slips, or receiving reports.
3. **Validate the Transaction** – Verify the transaction is proper and in order. Make sure everything matches (for example, does the purchase order number match the invoice).
4. **Record the Transaction and File the Source Document** – The transaction is entered in the journal (book of original entry). The transactions are usually recorded chronologically using the double entry system. That means both a debit and credit are recorded. The Department of Revenue Administration rules define double entry but do not require it.
5. **Post the General (and any Subsidiary) Ledgers** – This process transfers the data from the journal (book of original entry) into the ledgers that are classified according to the chart of accounts. Examples of these accounts would be cash, accounts payable, payroll taxes, or motor vehicle registrations.
6. **Prepare a General Ledger Trial Balance** – The trial balance is a listing of the period ending balances in accounts and is the source for the preparation of all subsequent financial reports.
7. **Periodic Closing of the Books** – The books should be reconciled and closed on a monthly and annual basis. The trial balance in step 6 is the first step in this process. Generally the transactions have been recorded on a “cash” basis so adjusting entries are needed to bring the books into the basis of accounting required by GAAP.

## **INTERNAL CONTROL PROCEDURES**

NH law requires the governing body to be responsible for establishing and maintaining internal control procedures to ensure the safeguarding of all town assets and properties. Internal control consists of all the methods and measures used by a municipality to monitor assets, prevent fraud, minimize errors, verify the correctness and reliability of accounting data, promote operational efficiency, and ensure that established managerial policies are followed. Internal control extends to functions beyond the accounting and financial departments. It is a process used by management to provide reasonable assurance regarding the achievement of their goals and objectives and to meet their responsibilities.

One of the most understood reasons for a policy for internal control procedures is to **protect assets**, cash being the most obvious. Other objectives are to ensure the effectiveness and efficiency of operations, to ensure the reliability of financial reporting, and to ensure compliance with applicable laws and policy objectives.

- Some basic techniques to **protect assets** are to make timely deposits, store cash in a safe place, and segregate duties. For example, the same person should not be allowed to authorize a transaction, record the transaction or maintain custody of the asset resulting from the transaction.
- To ensure the **effectiveness** and **efficiency** of operations. This could be thought of as getting the most “bang for the buck.” Examples would include policies requiring competitive

bidding for inventories and fixed assets and maintenance schedules that insure the maximum useful life of all assets.

- To ensure the **reliability of financial reporting**. Are duties properly assigned and segregated? Are account reconciliations done on a regular basis? Are records audited on an annual basis?
- To ensure **compliance with applicable laws and policy objectives**. The governing body needs to identify these laws, institute policies, establish controls, and document compliance.

Once internal control procedures are in place, they should be **monitored** and assessed on a regular basis and if necessary, revised. Some activities that could be used for monitoring are periodic reconciliations, verifications, and analytic reviews. Some examples of these are:

- Reconcile the cash reported in accounting records with the balance reported on bank statement;
- General ledger accounts (such as taxes receivable) should be reconciled to related amounts reported in subsidiary ledgers (individual tax payer accounts);
- Undertake a physical inventory and compare with accounting records;
- Occasionally confirm balances in receivables and payables directly with taxpayers and suppliers;
- Compare budget to actual for revenues and expenses.

Many of the questions and procedures in the MS-60 will assist the local auditor in determining if the municipality has at least some of these internal control measures.

## **Conducting an Audit - Locally elected Auditor**

### **Audit Preparation and Plan of Action**

If a newly elected auditor is not sure what to do, a good start would be to read this manual and refer to terms defined in Appendix A. Another good thing to read would be the most recent annual meeting and tax rate documents, financial statements, and the prior audit report (either the MS-60 form or the audit report by a CPA). If the auditor is not sure which type of audit the municipality has had in the past, that information can be obtained from the municipality's Municipal Accounts Advisor at DRA at 271-3397.

Annual meeting and tax rate documents will provide a basic understanding of the amount of appropriations authorized by the voters and amount of revenue that would have been processed by local officials during the year. Examining current or prior financial statements will provide an understanding of the municipality's financial position, outstanding debt and receivables, and types of accounts utilized. Reading prior audit reports can provide information such as whether there is an existing policy for internal control procedures or an investment policy; prior audit findings in areas of concern; or pending litigation or other financial obligations.

Next, the auditor should develop a timetable and a plan of action for the audit and objectives to be accomplished. Instructions for the MS-60 are part of the form. Determine how information will be gathered, compiled, tested, and reported on the MS-60, along with any suggestions for changes. Support and cooperation from the municipal offices being audited is essential.

### **Cooperation From Offices**

Undoubtedly, many questions and challenges will be experienced by some municipalities as they strive to comply with the newly clarified audit statutes. One of the challenges for the local auditor, particularly one who is new to the position, is to gain the cooperation and support of other town officials. This cooperation is vital in order to ensure a positive working relationship during the audit, as well as an effective and efficient overall audit process.

To properly conduct an audit and prepare any resulting reports required, the local auditor must consult with other municipal officials such as the town clerk, tax collector, trustees of trust funds and treasurer (not all are applicable for schools and village districts). A key part of this consultation is to request relevant records and documents, including but not limited to vouchers, bills, invoices, property tax records, and receipts.

In some states, such as Vermont, the law specifically requires various town officials to submit their books, accounts, vouchers and tax bills to the auditors upon request, and provides sanctions against any officials that refuse to do so. However, in New Hampshire, the statutes do not specifically address this issue so cooperation is necessary.

How should the auditor go about gaining cooperation from the other officials? One step that the auditor can take is to simply inform the governing body and other officials about the new law, perhaps providing them with a copy of the newly enacted statute so they are aware of the law. Sometimes awareness is all that is necessary in order to gain cooperation.

Another step is to conduct a pre-audit conference with the other officials. The goal of this meeting is to explain the audit process and the desired results, as well as setting the tone for a positive, cooperative process. Some of the specific topics that should be discussed include the scope of the audit, a list of

documents that will be required, and a schedule and timeline for examination of those documents, and perhaps a work area or table set aside for the review.

See following sections for suggestions in the areas of gathering information, compiling the information, and testing the information.

### **Gathering Information**

The auditor should have a main contact person in the municipality. The best practice is to let the contact person be responsible for collecting all the documents needed to perform the audit. It would be prudent to know who to contact in each area that will be tested, the hours of operation, phone number and email address in case follow up is required.

Set up a meeting with the contact person, usually the town administrator or town manager, chairman of the board of selectmen or school board or village district commissioners. The responsibility may be delegated to the administrative assistant or secretary. Outline the course of action, the intended length of stay, and as mentioned previously, workspace needs.

Provide the contact person with a list of documents required from each department and the date needed. Per the MS-60, the documents needed are:

#### **Governing Body's (Finance) Office**

- General ledger
- Trial Balance
- Current financial report - MS-5, MS-25, or MS-35
- Journal accounting records – trustee of trust funds

#### **Treasurer's Office**

- Cashbook – treasurer
- Investment policy – treasurer
- List of all municipal bank accounts with names, numbers and signers
- List of non-general fund accounts
- 14 months of bank statements and reconciliations (fiscal year + 2 months)

#### **Tax Collector's Office, if town**

- Current and prior year MS-61
- Tax warrants
- Abatements/remittances
- Property tax lien deed waivers
- Policy for off-site storage of tax receivable system software back-up

#### **Town Clerk, if town**

- Cashbook
- 14 months of bank statements and reconciliations (fiscal year + 2 months)
- Year end bank reconciliations
- Motor vehicle/boat permits
- Marriage licenses and dog licenses

#### **Trustees of Trust Funds, if town**

- Current and prior year MS-9 and MS-10

Approved warrant articles for additions and expenditures to trust funds

**Library Trustee, if town**

Investment policy – Library trustees and trustee of trust funds

General ledger and vendor invoices – library

List of all bank accounts with names, numbers and signers controlled by the library

From these documents a random sampling of documents will be performed. When the sampling is complete, the list should be given to the contact person to distribute to each department with a due date. Original documents are required. While the documents of the sampling are being gathered, the interview section of the audit could be completed. The auditor should call ahead to schedule days and times convenient for everyone and arrange to meet in a private room away from interruptions.

**Treasurer's Office**

2 vendor invoices

2 payroll disbursements

3 deposit entries from cashbook

3 months of bank statements

**Tax Collector's Office, if town**

1 day of cash out/deposit records

deposit remittance form

batch of duplicate tax stubs/cash register tape

actual deposit records (bank statement)

day sheet (list of receipts by customer)

3 abatements - signed and approved abatement forms

3 months of bank statements

**Town Clerk, if town**

1 day of deposit ticket and record

5 entries in cash book from the deposit ticket above

5 paid permits (such as motor vehicle, marriage licenses, dog licenses)

3 months of bank statements

**Trustees of Trust Funds, if town**

MS-9 and MS-10 forms as signed and submitted

5 disbursements to vendors

**Library Trustee, if town**

Library general ledger

5 disbursements to vendors

**Testing the Information**

After the locally elected auditor has gained cooperation from the other municipal officials and compiled the necessary information, the next step is to test the information in order to draw conclusions about the accuracy and reliability of the municipality's financial data. The MS-60 is a multi-purpose document designed to assist the auditor in determining what documents to look at and how to test the information.

When testing the general ledger, the auditor can observe whether the general ledger receivable balances agree with the tax collector's year-end MS-61 report. The balances in property taxes, water and sewer accounts, and unredeemed taxes can be compared to the general ledger figures.

The overall objective in testing the information is to reach a conclusion as to whether the municipality's financial statements are reliable taken as a whole. After the auditor has drawn conclusions, the next step is reporting the results.

### **Audit Report**

As mentioned before, the MS-60 is a multi-purpose document that is also used as the reporting tool for the results of the audit. The report is issued to the governing body and within 10 days of their acceptance of the report, they must submit it to DRA. If the governing body has not accepted the audit and any applicable adjustments within 45 days of its receipt, the audit as received or adjusted and any accompanying management letter shall be submitted to the commissioner by the governing body with an explanation for non-acceptance. The governing body may, for good cause, petition the commissioner for an extension of time for submittal. The report must also be made available to the public in accordance with RSA 21-J:19 which says in part,

*"... A written or printed report of every completed audit shall be made to the proper local officials including a summary of the findings and recommendations of the auditors and a copy of such summary shall be published in the next annual report following the fiscal year in which the audit was completed."*

Each of the six parts of the MS-60 has a summary and recommendation section. This is the section where the locally elected auditor comments on the procedures or areas of discrepancy or weakness discovered while completing the question and testing sections. The page is then dated and signed.

### **Audit Waiver For Population Less Than 750**

In the absence of other legal requirements for a financial statement audit, municipalities with a population of less than 750 may petition the DRA 45 days before the end of the fiscal year to waive the requirement for that year. Form MS-60W should be used for this waiver petition process.

If the waiver is authorized by DRA, instead of an annual audit, the municipality will complete certain alternative procedures, at a minimum Parts 1 and 2 of the MS-60 form. Additional possible procedures might be conducting testing and reconciliation of certain revenues or accounts, deposits, bank statements, or expenditures.

#### **Sample Alternative Procedures**

- Schedule of Budget to Actual Expenditures
- Schedule of Budget to Actual Revenues
- Accounts Payable - Balance Reconciliation or listing of - including to other governments (where and who has authorization)
  
- Accounts Receivables - Balance Reconciliation or listing - including to other governments (where and who has authorization)
- Cash Balances - Confirm with banks, submit treasurer's report and trustees of trust funds
- Schedule of federal grants received and amounts; listing of expenditures to date (approval for grant, draw down, amount spent)
- Investment policy per RSA 41:9, VII. How or where are funds invested?

- Schedule of Debt (bonds, TANs, line of credit)
- Look at reports to see if the cash balances with the report/bank/office- treasurer, town clerk, tax collector, trustees.
- Fund Balance per MS-5, MS-25, MS-35 - is it within DRA and GFOA recommended retainage amounts; Is there a balance sheet deficit? If so follow RSA 41:9, IV and 52:3-a, I-b and 189:28-a.
- Review of Internal Control Procedures RSA 41:9, VI.

**Alternative Procedures - CPA**

Another option would be certain attestation engagements by a CPA firm. Sample attestation engagements done by a CPA might consist of assessment of internal controls or of a program or the effectiveness of the program.

## Appendix A DEFINITIONS

**Abatement form** - “Abatement Application” means the written request filed by a taxpayer with the municipality, pursuant to RSA 76:16 or RSA 79-A:10, seeking a tax abatement.

**Abatements** - RSA 76:16-20; 76:1-a. Rev 1901.01 - a complete or partial cancellation of a tax levy, special assessment, interest or service charge imposed by a governmental unit.

**Accounts payable balances** - Outstanding amounts owed by the municipality at the end of the fiscal year for liabilities incurred during the year, such as supplies received but not yet paid for.

**Actual warrants** - RSA 76:10 Selectmen's Lists and Warrant.

**Adjusting journal entries** - Journal entries usually made at the end of an accounting period to allocate income and expenditure to the period in which they actually occurred.

**Approved vouchers** - Approved invoices or similar documents which have been signed by a majority of the governing body.

**Balances per bank** - A phrase used in reconciling the bank statement. It refers to the ending balance shown on the bank statement.

**Bank reconciliation report** - A report by which a municipal official determines whether and why there is a difference between the balance shown on the bank statement and the balance of the cash account in the general ledger.

**Bank statements** - A periodic statement, usually monthly, that a bank sends to the holder of a checking account showing the transactions and balance in the account at the beginning of the month, during, and at the end of the month.

**Batch of duplicate tax stubs** - A group of tax payment receipts which have been grouped together for financial reporting purposes.

**Beginning of year** - First day of the fiscal year (accounting period). The fiscal year for municipalities operating on the calendar year basis begins on January 1 and for those that have adopted the optional fiscal year basis, July 1.

**Boat registrations** - RSA 72-A:2, Boat fee. RSA 72-A:3, Amount of fee. To be collected by an agent of the NH Department of Safety under the provisions of RSA 270-E.

**Basis of accounting** - When revenues, expenditures, expenses, transfers, and the related assets and liabilities, are recognized in the accounts and reported in the financial statements.

**Budget** - Local governments estimate of expected expenditures/revenues for the year. RSA 31:95.

**Capital Reserve Funds** - A municipal fund established in accordance with RSA 35:1, for the purpose of saving money to finance a specific capital improvement at a future date. Capital reserve funds are held by the Trustee of Trust Funds.



**Cash outs proofs** - To compare actual receipts and disbursements to those that are applicable to a specified time period.

**Cashbook** - Journal in which all cash receipts and payments (including bank deposits and withdrawals) are recorded first, in chronological order, for posting to general ledger.

**Celebration accounts** - Any financial accounts for the purposes of local festivities, such as Old Home Day, Fourth of July Fireworks, etc.

**Certificates of deposits** - Formal instrument issued by a bank upon the deposit of funds, which may not be withdrawn for a specified time period. Typically, an early withdrawal will incur a penalty.

**Chart of accounts** - The account titles, descriptions and numbering system expressed in the accounting rules established by the Department of Revenue Administration in accordance with RSA 21-J:13, IV.

**Check signing machine** - A mechanical device used for writing a facsimile of an authorized signature.

**Clerk fees** - Processing fees paid to the town clerk after submitting an invoice to the treasurer per RSA 41:25.

**Close out** - Entry made at the end of the period to return the balance in all accounts to zero and prepare the account for the next reporting period.

**Computer back-ups** - Copies of computer files made to a separate storage device.

**Conversion to lien** - The process by which the tax collector places an overdue tax account into lien status, at which point the taxpayer is subject to a higher interest rate.

**Credit** - Accounting entry that represents the reduction of an asset or expense, or an increase to a liability or revenue account.

**Customer accounts** - Any set of accounts unique to a particular taxpayer.

**Day sheet** - A form that permits systematic record keeping of monies received and spent.

**Debit** - Accounting entry that represents an increase to an asset account or expense, or reduction to a liability or revenue account.

**Deed waiver** - A formal written statement signed by a majority of the assessors (could be Board of Selectmen) instructing the tax collector not to deed a liened parcel that is up for deeding. The lien then stays in place (see RSA 80:76, II).

**Deposits in transit** - Receipts that appear on the records but do not yet appear on the bank statement. For example, receipts of March 31 are deposited after banking hours on March 31 or on the morning of April 1. Those receipts are in the general ledger cash account on March 31, but are not on the March 31 bank statement. As a result they are said to be "in transit" on March 31. On the bank reconciliation a deposit in transit is an adjustment (an addition) to the balance per bank.

**Disbursement manifest** - Documentation providing for the payment(s) of cash or check(s).

**Documented** - Furnished with or supported by documents.

**Dog licenses** - RSA 466:1 Procuring License; Tag. Issued by the town clerk.

**End of year fair value** - Value at year end at which property would change hands between a buyer and a seller without any compulsion to buy or sell, and both having reasonable knowledge of the relevant facts.

**Expendable trust fund** - A municipal trust fund established in accordance with RSA 31:19-a, for maintenance and operation purposes. Expendable trust funds of a town, school, and village district are held by the Trustee of Trust Funds of the associated town.

**Financial records** - Records of the municipality's financial transactions and items documenting those transactions. Examples could be journals, check stubs, bank statements, canceled checks, or cash receipts.

**Foot** - A word that means to add a column of numbers as in “Foot the amounts listed in column A.”

**Fund** - A fiscal and accounting entity with a self-balancing set of accounts used to record cash and other financial resources, with all related liabilities and equities or balances, and is segregated for the purpose of carrying on specific activities or attaining certain objectives.

**General fund** - One of the governmental fund types. The general fund typically serves as the chief operating fund of a government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

**General ledger** – Transactions of all asset, liability, owner’s equity, revenue, and expense accounts.

**Grand total of principal and income at end of year** - The total principal and interest at year end. This amount should agree with the total amount invested in bank deposits, stocks, bonds, or other legal investments plus accrued interest.

**Investment policy (trustees)** - RSA 31:25 requires the trustees to adopt an investment policy and review and confirm this policy at least annually. A copy of this policy must be filed with the Director of Charitable Trusts (RSA 31:25, 34:5, 35:9).

**Investment portfolio report** - A report generated by the trustee or custodian of an investment portfolio, showing the portfolio’s securities, gains, losses, and investment results over a specified time period.

**Journal accounting records** - Accounting records that contain a book or books of original entry.

**Levy year** - Tax year for which a levy is being assessed. For New Hampshire municipalities the “assessment year” for taxing purposes runs from April 1 to March 31 of the following year.

**Lien conversion** - The process by which the tax collector places an overdue tax account into lien status, at which point the taxpayer is subject to a higher interest rate.

**Manifests** - Document that serves as a tally-sheet, and gives a detailed summary of all bills issued.

**Marriage licenses** - RSA 457:26. The town clerk shall deliver to the parties a marriage license embodying the facts required in RSA 457:22, specifying the time when the application was entered,

which license shall be delivered to the minister or magistrate who is to officiate, before the marriage is solemnized. The license shall be valid for not more than 90 days from the date of filing.

**Motor vehicle permits** - RSA 261:148. An application for registration of motor vehicle.

**MS-9** - Report of Trust and Capital Reserve Funds. Form MS-9 is used to report the status of each individual trust and capital reserve fund held in the custody of the trustees. The MS-9 form is due March 1 if filing for a calendar year, and September 1, if filing for optional fiscal year.

**MS-10** - Report of Common Trust Fund Investments. When the principal and/or accumulated income of separate trust funds are commingled and invested in common for the purpose of facilitating growth of investments or obtaining more reasonable income, the trustees of trust funds shall file form MS-10.

**MS-5, MS-25, MS-35, or MS-45** - RSA 21-J:34, V. A financial report for each city, town, school district, village district, or county shall be filed showing the summary of receipts and expenditures, according to uniform classifications, during the preceding fiscal year, and a balance sheet showing assets and liabilities at the close of the year. This report shall be submitted on or before April 1 if the municipality keeps its accounts on a calendar year basis, or on or before September 1 if the municipality keeps its accounts on an optional fiscal year basis pursuant to RSA 31:94-a. School districts shall submit financial reports on or before September 1 of each year.

**MS-60A** - Auditor Option and Schedule. Form to be filed by all municipalities (except counties), within 10 days after of the close of their fiscal year, to inform DRA as to the type of audit they will have and the anticipated completion date.

**MS-60W** - Audit Waiver - Alternative Plan. Form filed by a municipality with a population of 750 or less to request a waiver to the annual audit requirement and offer alternative procedures. It must be filed with DRA within 45 days prior to the end of the fiscal year to be considered.

**MS-61** - Tax Collector's Report. The MS-61 form shall be filed by the tax collector to report to the municipality and the Department of Revenue Administration on all tax collection activities of the municipality. Form MS-61 shall be filed by March 1 by municipalities reporting on a fiscal year basis pursuant to RSA 31:94, and September 1 by municipalities reporting on an optional fiscal year basis pursuant to RSA 31:94-a.

**New funds created** - Funds added during the current year (generally refers to trust funds or capital reserve funds).

**New lien** - A newly created creditor's claim against property.

**Off site** - Located separate from main office or place of business.

**Other funds** - Funds not classified or accounted for under other headings.

**Other reconciling items** - Accounting transactions or adjustments not readily classified under standard revenue, expenditure, adjustment, or balance sheet accounts.

**Outstanding checks** - A check that has been written by the drawer and deducted on his or her records but has not reached the bank for payment and is not deducted from the bank balance by the time the bank issues its statement.

**Passbook accounts** - Once the most widely used form of savings account and now largely replaced by statement accounts that provide a monthly statement mailed to the depositor.

**Payable balance** - Amount that the municipality owes to others.

**Proven** - Having been demonstrated or verified without doubt.

**Random** - By chance. A sampling.

**Receipt proof** - Evidence to substantiate the receipt of a bill or invoice paid.

**Receivable balances** - Amount(s) owed by customers to the municipality.

**Related parties** - Persons who do not have an arm's-length relationship (e.g., a relationship with independent, competing interests). The most common is between family members or controlled entities.

**Remittance form** - Form used to document amounts remitted.

**Retained** - Withheld.

**Revolving fund** - A fund established by town meeting vote for the purpose of recreational programs, facilitating or encouraging recycling, ambulance services, providing public safety services, creating affordable housing, or providing cable access for public, educational, or governmental use, in accordance with RSA 31:95-h or RSA 35-B:2, III. These funds are to be held by the Town or City Treasurer.

**RSA** - Revised Statutes Annotated, NH statutes.

**School committee** - Board of Agents appointed/elected for school purposes.

**Secure location** - In the context of cash or record retention, refers to a locked vault or safe at a municipality's offices.

**Separate funds** - Any debt service fund, construction fund, debt service reserve fund, or other fund established and accounted for separately.

**Signature stamps** - Device used to create facsimile of authorized signature.

**Signed deed waiver** - Document signed by the Governing Body notifying the Tax Collector that they will not accept the deed in accordance with RSA 80:38, II-a or 80:76, II-a.

**Software system** - Computerized accounting or tax collection program.

**Statutorily deeded** – Deeded in accordance with state statutes.

**Subsidiary ledger** - A record of the details to support a general ledger account. The general ledger account is often referred to as the control account. For example, the account receivable subsidiary ledger provides the details to support the balance in the general ledger control account Accounts Receivable.

**Tax commitments** - The tax commitments are the amounts on the tax collector's warrant to be collected for a particular tax year.

**Tax deed** - RSA 80:76 Tax Deed states in part that "I, the collector, after 2 years from the execution of the real estate tax lien, shall execute to the lien holder a deed of the land subject to the real estate tax lien and not redeemed."

**Test** - Method of determining the presence, quality, or truth of something.

**Timely** - Within the statutory time frame (see RSA 261:65 for town clerk).

**Trial Balance Report** - A listing of the accounts in the general ledger along with each account's balance in the appropriate debit or credit column. The total of the amounts in the debit column should equal the total of the amounts in the credit column.

**Trust fund** - Fund established for the purpose of saving money to finance a specific improvement or item at a future date. These funds are held by the Trustee of Trust Funds.

**Unredeemed taxes** - Taxes that are past due.

**Voucher** - Form and documents used to verify all information about a bill to be processed or paid.

**Warrant** - For purposes of the MS-60 and in accordance with RSA 76:10, a list of all property taxes assessed by the selectmen to the tax collector, requiring the collector to collect the same, and to pay to the town treasurer such sums.

**Withdrawals from town/school/village established expendable trust funds** - Expenditures from municipally held expendable trust funds by either vote or by named agents.

**Yield Taxes** - Tax at the rate of 10 percent on the stumpage value at the time of cutting shall be assessed by the assessing officials within 30 days after receipt of a report of wood or timber cut is filed, for any person who cuts or causes to be cut, within the tax year, up to 10,000 board feet of logs and 20 cords of wood or the equivalent in whole tree chips, from the person's own land within a municipality, for land conversion purposes other than timber growing and forest uses, in accordance with RSA 79:3.

**Appendix B**  
**Chart of Accounts - Cities and Towns (REV1700)**  
**REVENUES**

**Revenue From Taxes**

Account 3110 Property taxes  
Account 3120, Land use change taxes  
Account 3121 Land use change taxes deposited in the conservation fund pursuant to RSA 36-A.  
Account 3180 Resident taxes  
Account 3185 Yield taxes  
Account 3186 Payments in lieu of taxes  
Account 3187 Excavation tax  
Account 3189 Other taxes  
Account 3190 Interest and penalties on delinquent taxes

**Revenue From Licenses, Permits and Fees**

Account 3210 Business licenses and permits  
Account 3220 Motor vehicle permit fees  
Account 3230 Building permits  
Account 3290 Other licenses, permits and fees

**Revenue From the Federal Government**

Account 3311 Housing and urban renewal  
Account 3312 Environmental protection  
Account 3319 Other federal grants and reimbursements

**Revenue From the State of New Hampshire**

Account 3351 Shared revenue - block grant  
Account 3352 Meals and rooms tax distribution - block grant  
Account 3353 Highway block grant  
Account 3354 Water pollution grant  
Account 3355 Housing and community development  
Account 3356 State and federal forest land reimbursement  
Account 3357 Flood control reimbursement  
Account 3359 Other state grants and reimbursements

**Revenue From Other Governments**

Account 3379 Intergovernmental revenues - other

**Revenue From Charges For Services**

Account 3401 Income from departments  
Account 3402 Water supply system charges  
Account 3403 Sewer user charges  
Account 3404 Garbage-refuse charges  
Account 3405 Electric user charges  
Account 3406 Airport fees  
Account 3409 Other charges

**Revenue from Miscellaneous Sources**

Account 3500 Special assessments  
Account 3501 Sale of municipal property (including tax-deeded property)  
Account 3502 Interest on investments  
Account 3503 Rents of property  
Account 3504 Fines and forfeits  
Account 3506 Insurance dividends and reimbursements  
Account 3508 Contributions and donations

Account 3509 Revenue from other miscellaneous sources not otherwise classified

**Interfund Operating Transfers In**

Account 3911 Transfers from the general fund  
Account 3912 Transfers from special revenue funds  
Account 3913 Transfers from capital projects funds  
Account 3914 Transfers from proprietary funds  
Account 3915 Transfers from capital reserve funds  
Account 3916 Transfers from trust and fiduciary funds  
Account 3917 Transfers from conservation funds

**Other Financial Sources**

Account 3934 Proceeds from long-term notes and general obligation bonds  
Account 3935 Proceeds from all other bonds  
Account 3939 Other long-term financial sources

**EXPENDITURE AND EXPENSE FUNCTIONS AND PROGRAMS**

**General Government**

Account 4130 Executive  
Account 4140 Election  
Account 4150 Financial administration  
Account 4152 Revaluation of property  
Account 4153 Legal expense  
Account 4155 Personnel administration  
Account 4191 Planning and zoning  
Account 4194 General government buildings  
Account 4195 Cemeteries  
Account 4196 Insurance not otherwise allocated  
Account 4197 Advertising and regional associations  
Account 4199 Other general government

**Public Safety**

Account 4210 Police  
Account 4215 Ambulance services  
Account 4220 Fire  
Account 4240 Building inspection  
Account 4290 Emergency management  
Account 4299 Other public safety

**Airport or Aviation Center**

Account 4301 Administration  
Account 4302 Airport operations  
Account 4309 Other

**Highways and Streets**

Account 4311 Administration  
Account 4312 Highways and streets  
Account 4313 Bridges  
Account 4316 Street lighting  
Account 4319 Other highway

**Sanitation**

Account 4321 Administration  
Account 4323 Solid waste collection

Account 4324 Solid waste disposal  
Account 4325 Solid waste clean-up  
Account 4326 Sewage collection and disposal  
Account 4329 Other sanitation

### **Water Distribution and Treatment**

Account 4331 Administration  
Account 4332 Water services  
Account 4335 Water treatment  
Account 4338 Water conservation  
Account 4339 Other water

### **Electric**

Account 4351 Administration  
Account 4352 Generation  
Account 4353 Purchase costs  
Account 4354 Electric equipment maintenance  
Account 4359 Other electric costs

### **Health**

Account 4411 Administration  
Account 4414 Pest control  
Account 4415 Health agencies and hospitals  
Account 4419 Other health

### **Welfare**

Account 4441 Administration  
Account 4442 Direct assistance  
Account 4444 Intergovernmental welfare payments  
Account 4445 Vendor payments  
Account 4449 Other welfare

### **Culture and Recreation**

Account 4520 Parks and recreation  
Account 4550 Library  
Account 4583 Patriotic purposes  
Account 4589 Other culture and recreation

### **Conservation**

Account 4611 Administration  
Account 4612 Purchase of natural resources  
Account 4619 Other conservation

### **Redevelopment and Housing**

Account 4631 Administration  
Account 4632 Redevelopment and housing

### **Economic Development**

Account 4651 Administration  
Account 4652 Economic development  
Account 4659 Other economic development

### **Debt Service**

Account 4711 Principal – long term bonds and notes  
Account 4712 Principal – other debt  
Account 4721 Interest – long term bonds and notes



Account 4722 Interest – other debt  
Account 4723 Interest on tax and revenue anticipation notes  
Account 4790 Other debt service charges

**Capital Outlay**

Account 4901 Land  
Account 4902 Machinery, vehicles and equipment  
Account 4903 Buildings  
Account 4909 Improvements other than buildings

**Interfund Operating Transfers Out**

Account 4911 Transfers to the general fund  
Account 4912 Transfers to special revenue funds  
Account 4913 Transfers to capital projects funds  
Account 4914 Transfers to proprietary funds  
Account 4915 Transfers to capital reserve funds  
Account 4916 Transfers to expendable trust funds  
Account 4917 Transfers to health maintenance trust funds  
Account 4918 Transfers to nonexpendable trust funds; and  
Account 4919 Transfers to any agency funds.

**Payment to or Property Tax Assessments on Behalf of Other Governments**

Account 4931 Taxes assessed for the county  
Account 4932 Taxes assessed for precincts or village districts  
Account 4933 Taxes assessed for school districts  
Account 4934 Taxes assessed for the state  
Account 4939 Payments to other governments

**BALANCE SHEET ACCOUNTS FOR REPORTING ON FORM MS-5, ANNUAL CITY/TOWN  
FINANCIAL REPORT**

**Classification of Assets and Other Debits**

Account 1010 Cash and equivalents  
Account 1030 Investments  
Account 1080 Taxes receivable  
Account 1110 Tax liens receivable  
Account 1150 Accounts receivable  
Account 1260 Due from other governments  
Account 1310 Due from other funds  
Account 1400 Other current assets

**Liabilities**

Account 2020 Warrants and accounts payable  
Account 2030 Compensated absences payable  
Account 2050 Contracts payable  
Account 2070 Due to other governments  
Account 2075 Due to school districts  
Account 2080 Due to other funds  
Account 2220 Deferred revenue  
Account 2230 Notes payable - current  
Account 2250 Bonds payable - current  
Account 2270 Other payables

**Fund Equity and Other Credits**

Account 2440 Reserve for encumbrances  
Account 2450 Reserve for continuing appropriations  
Account 2460 Reserve for appropriations voted from surplus  
Account 2490 Reserve for special purposes  
Account 2530 Unreserved fund balance

**For Chart of Accounts for Village Districts refer to:**

**[www.gencourt.state.nh.us/rules/state\\_agencies/rev2000.html](http://www.gencourt.state.nh.us/rules/state_agencies/rev2000.html)**

**For Chart of Accounts for School Districts refer to:**

**[www.gencourt.state.nh.us/rules/state\\_agencies/rev1100.html](http://www.gencourt.state.nh.us/rules/state_agencies/rev1100.html)**

## Appendix C RULES

### PART Rev 1904 REQUIREMENTS OF AUDITORS

Rev 1904.01 Definitions. For purposes of this part, the following definitions shall apply:

(a) “Government auditing standards” means the federally required standards set forth by the Comptroller General of the United States in the “Yellow Book” and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Nonprofit Organizations which interpret the Single Audit Act.

(b) “Independent public accountant” means a certified public accountant or a public accountant licensed by the state of New Hampshire under RSA 309-B.

(c) “Locally elected municipal auditor” means a municipal auditor or board of auditors elected under RSA 41:31-b, RSA 671:5, or RSA 670:2 for town, school district, or village district.

(d) “Single Audit Act” means Public Law 98-502 (31 U.S.C. 7501-7507), amended by Public Law 104-156.

Source. #5356, eff 3-16-92, EXPIRED: 3-16-98

New. #6732, eff 4-18-98; ss by #8599, eff 4-6-06; ss by #9826, eff 11-25-10

Rev 1904.02 Independent Public Accountant. If a municipality uses an independent public accountant to conduct an audit, the following shall apply:

(a) The independent public accountant shall conduct the audit according to generally accepted auditing standards; and

(b) If the local governmental unit being audited expends federal assistance in excess of \$500,000, the independent public accountant shall conduct the audit either by following:

(1) The Single Audit Act; or

(2) If the \$500,000 consists of federal assistance from a single agency, the program specific audit designated by the granting agency.

Source. #5356, eff 3-16-92; amd by #6127, eff 11-23-95; ss by #6732, eff 4-18-98; ss by #8599, eff 4-6-06; ss by #9826, eff 11-25-10

Rev 1904.03 Locally Elected Municipal Auditors.

(a) The municipality may rely on locally elected municipal auditors provided a financial statement audit is not required by another law, regulation, or contract.

(b) If the municipality relies on locally elected municipal auditors, the following shall apply:

(1) Locally elected municipal auditors shall not be required:

a. To have formal training in auditing procedures; or

b. To meet the standards of the Government Auditing Standards or the Single Audit Act;

(2) Locally elected municipal auditors shall not be used when the local governmental unit expends federal assistance in excess of \$500,000, unless those auditors meet the requirements in Governmental Auditing Standards or the Single Audit Act;

(3) Locally elected municipal auditors discovering, during their examination of the accounts of various municipal officials pursuant to RSA 41:31-a through 41:31-d, that the local governmental unit expended federal assistance in excess of \$500,000 shall notify the governing body the federal government requires an audit be performed as outlined in Rev 1904.02 (b); and

(4) Locally elected municipal auditors furnishing their report of audit to the municipality:

a. Shall use the MS-60 form as prescribed by the commissioner for reviewing accounts and for reporting to the municipality and to the department.

b. Shall not use the language of the independent public accountant's report or imply that their report meets any other national standard, unless the locally elected municipal auditor(s) is also a certified public accountant or a public accountant licensed by the state under RSA 309-B and follows the requirements of Rev 1904.02.

Source. #6732, eff 4-18-98; ss by #8599, eff 4-6-06; ss by #9826, eff 11-25-10

## PART Rev 1907 FORMS

### Rev 1907.01 Local Auditor Report.

(a) Form MS-60, local auditor report, shall be filed by locally elected auditors to report to the municipality and the commissioner on the audit conducted of all town officials.

(b) Form MS-60 shall be filed with the commissioner by the governing body within 10 days of acceptance of the audit:

(c) If the governing body has not accepted the audit and any applicable adjustments within 45 days of its receipt, the audit as received or adjusted and any accompanying management letter shall be submitted to the commissioner by the governing body with an explanation for non-acceptance.

(d) The commissioner shall grant an extension of time for good cause, which shall include, but not be limited to, hardship preventing the governing body from timely filing the MS-60 due to unforeseen circumstances delaying the completion of the audit adjustments by the auditor or the governing body's review of the audit adjustments, upon petition for an extension of time through a written submission by the governing body.

Source. #9826, eff 11-25-10

### Rev 1907.02 Auditor Option and Schedule.

(a) Form MS-60A, auditor option and schedule, shall be filed by the municipality to report to the department on the type of audit that will be conducted of the municipality and the schedule for completion of the report.

(b) Form MS-60A shall be filed 10 days after the close of the fiscal year.

Source. #9826, eff 11-25-10

### Rev 1907.03 Audit Waiver.

(a) Form MS-60W, audit waiver request, shall be used by governing body of a municipality with a population fewer than 750 to petition the department for a waiver of the annual audit requirement and to offer alternative procedures.

(b) Alternative procedures shall, contain, at a minimum, the following:

(1) Review of General Ledger Financial Records (Part 1 of the MS-60); and

(2) Review of Treasurer (Part 2 of the MS-60).

(c) Form MS-60W shall be filed 45 days before the end of the fiscal year for the year to which it applies.

(d) The Commissioner shall deny the audit waiver request or approve the audit waiver request requiring additional procedures when:

- (1) Financial statements for current year or any of the 3 prior years in a deficit position;
- (2) There is an over expenditure of the voted budget;
- (3) No audit or an audit with numerous findings has been made in the past three years;
- (4) There are other repeated failures to file documents with the department timely or accurately;
- (5) There are other circumstances that indicate the financial controls, expenditures or records may be deficient.

(e) The Commissioner shall approve the audit waiver request requiring additional procedures when additional procedures address the deficiencies and records in paragraph (d) above.

[Source.](#) #9826, eff 11-25-10

## APPENDIX D

### APPLICABLE RSAs (*in part*)

**RSA 21-J:19 II.** (*in part*) A written or printed report of every completed audit shall be made to the proper local officials including a summary of the findings and recommendations of the auditors and a copy of such summary shall be published in the next annual report following the fiscal year in which the audit was completed.

**RSA 31:25.** (*in part*) The trustees shall formally adopt an investment policy for all investments made by them or by their agents for any trust funds in their custody in conformance with the provisions of applicable statutes. Such investment policy shall be reviewed and confirmed at least annually. A copy of the investment policy shall be filed with the attorney general.

**RSA 41:25 II.** Town clerks shall deposit all fees received with the town treasurer or in a municipal account controlled by the town treasurer at least monthly, or as directed by the selectmen, for the use of the town. In the event that any portion of the town clerk's compensation consists of statutory fees, the clerk shall submit an invoice for the amount of those fees to the treasurer, who shall pay out that amount to the clerk, notwithstanding RSA 32.

**RSA 41:9 VII.** The selectmen shall annually review and adopt an investment policy for the investment of public funds in conformance with applicable statutes and shall advise the treasurer of such policies.

**RSA 41:29 IV.** Whenever the town treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the town treasurer shall invest the same in accordance with the investment policy adopted by the selectmen under RSA 41:9, VII.....

**RSA 41:29 VI.** The treasurer may delegate deposit, investment, record keeping, or reconciliation functions to other town officials or employees provided such delegation is in writing and includes written procedures acceptable to the selectmen, or in the case of a town operating under RSA 37, to the town manager, and is agreeable to all parties involved. However any such delegation shall only be made to a town official or employee bonded in accordance with RSA 41:6 and rules adopted by the commissioner of revenue administration under RSA 541-A. Such delegation shall not eliminate the responsibility of the treasurer to comply with all statutory duties required by law.

**RSA 41:31-a through 41:31-d.** (*See introductory section of this manual*).

**RSA 80:76, II-a.** In addition to the circumstances described in paragraph II, the governing body of the municipality may refuse to accept a tax deed on behalf of the municipality, and may so notify the collector, whenever in its judgment acceptance and ownership of the real estate would subject the municipality to undesirable obligations or liability risks, including obligations under real estate covenants or obligations to tenants, or for any other reason would be contrary to the public interest. Such a decision shall not be made solely for the private benefit of a taxpayer.

## Appendix E

### OTHER RESOURCES

Government Accounting Standards Board  
<http://www.gasb.org>

United States General Accounting Office  
<http://www.gao.gov>

Governmental Accounting, Auditing, and Financial Reporting, by Stephen J. Gauthier, published by Government Finance Officers Association, <http://www.gfoa.org>

Association of Certified Fraud Examiners, “2010 Report to the Nation on Occupation Fraud and Abuse”  
<http://www.acfe.com/>