




Encouraging Financial Sustainability of Small Systems

Implementing Financial Control Policies


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A high percentage of Idaho SRF borrowers are very small systems. They may have no paid staff and may have no accounting expertise to draw upon during the normal course of business.

Implementing a separation of accounting duties can be a challenge.



Regardless of their size we need all of
our loan recipients to be good
stewards of their system's resources.

A common theme to the resistance to
implement financial control policies is:

“We don't have the staff.”

“We're volunteers without professional
expertise.”

The table below provides some guidance as to how 2 staff can provide a good reduction in risk of errors and/or fraud. (Look at options #5 and #7)

Exhibit 7.3 Risks of Errors and Defalcations Under Varying Control Conditions

<i>Condition (see notes below)</i>	<i>Individual(s) with Access to</i>		<i>Performs Accounting Procedure</i>	<i>Performs Basic Control</i>	<i>Risk of</i>	
	<i>Accounting Records</i>	<i>Assets</i>			<i>Unintentional Errors</i>	<i>Defalcations</i>
1	A	B	A	No basic control	High	Low
2	A	B	A	A	High	Low
3	A	A	A	A	High	High
4	A	A	A	B	Low	High
5	A and B	A	A	B	Low	Low
6	A	A	B	A	Low	High
7	A	B	A	B	Low	Low
8	A and B	A and B	A	B	Low	High

Getting past the objection of lack of staff.

We provide our loan applicants with specimen financial control policies that require their governing boards or city councils to take a role. We do not micromanage the specific content of their financial control policies, but (when necessary) we **do** require that they take official action to strengthen their existing policies.

Examples That Hit Home

- Fraud Talk: “Former Head of Idaho Non-Profit Embezzled More Than \$100k. 30 Employees Claim to Have Lost Benefits.” (Pocatello, Idaho)
- Idaho Statesman: “Idaho is fertile ground for embezzlers. Small businesses are the ones at greatest risk because, typically, they have very little infrastructure or controls. The business owner ends up relying on a single bookkeeper for 15 years. **More than 70% of the crimes were committed by employees who had finance, booking and accounting positions.**”

Examples That Hit Home

- Fraud Talk: “Former Idaho Municipal Clerk Sentenced In \$170+k Embezzlement Scheme” (Bancroft, Idaho)
- KTVB.COM: “Former Notus clerk accused of stealing \$57k in public funds. She wrote checks for her personal use from the City of Notus checking account **payable to cash.**” (Notus, Idaho)

Examples That Hit Home

- Spokesman-Review: “Kootenai County Clerk’s Auditor accused of embezzling a sizable amount of money.” (Kootenai County, Idaho)
- Fraud Talk: “Idaho Woman Sentenced In \$1.3m Embezzlement Case....**She had been an employee of the agency for nearly 20 years.**” (Middleton, Idaho)

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