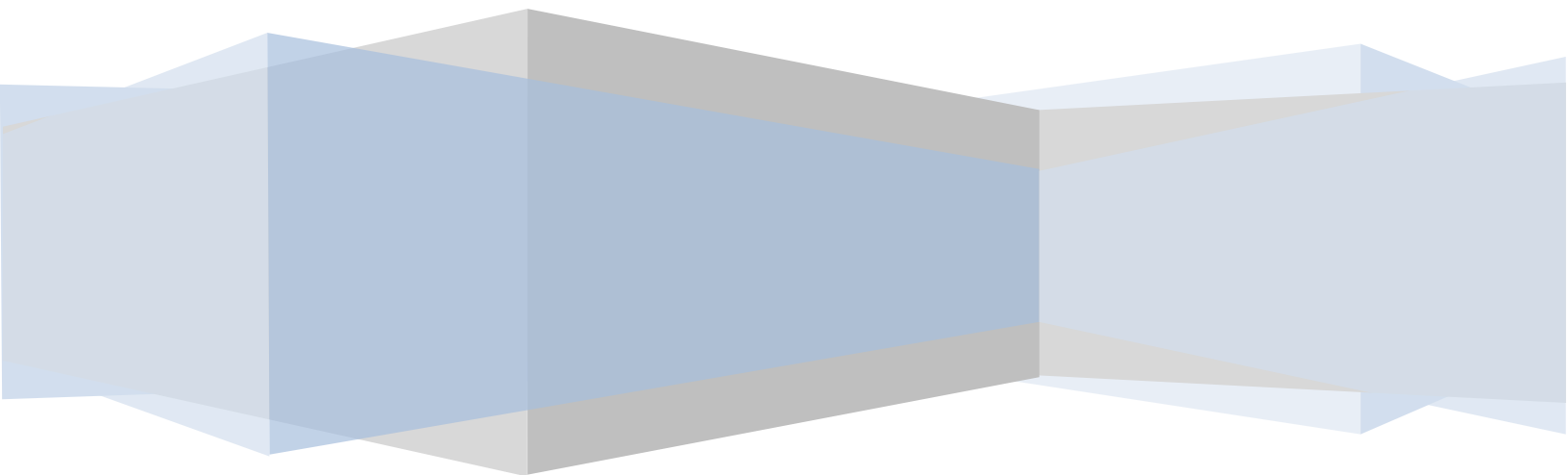




*New Canaan Board of Realtors*  
**Fraud Prevention Processes and  
Controls**



*New Canaan Board of Realtors*  
**Anti-Fraud Processes and Controls**

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# **1 Introduction**

*This document serves as a summary of New Canaan Board of Realtors anti-fraud prevention and detection practices.*

This document is intended to provide a summary of the steps taken through the official governance processes at **New Canaan Board of Realtors** to reduce the risk of material misstatement of financial statements due to fraud. However, most of the specific steps to avoid fraudulent acts are outlined in other procedural and policy documents.

## **2 Fraud Risk Oversight**

***The Finance Committee is charged with the responsibility for the identification and assessment of fraud risks.***

The Treasurer serves as chairman of this committee and is the custodian of the funds and securities and is the collecting and disbursing officer of the Association. The hierarchy of financial operations runs from the Board of Directors, through their elected Treasurer and appointed Finance Committee down to staff, managed on a daily basis by the Chief Financial Officer, under the supervision of the CEO.

*Reference Documents: By Laws and Finance Division Principles of Operation*

### **2.1 Annual Review**

***The New Canaan Board of Realtors constitution requires that the Association be reviewed annually by a CPA firm selected by the Finance Committee and approved by the Board of Directors.***

The Association's independent accounting firm meets with the Finance Committee at least once a year. The firm presents the year-end audited financial statements and discusses key financial data, issues, disclosures, etc. The firm also meets with the Committee, without the presence of staff, to address Committee questions or concerns, and may be asked to express their views on internal controls, fraud risks, management, financial statements, etc.

### **2.2 Strategic Plan**

***The New Canaan Board of Realtors Leadership Team and CEO have agreed on a set of guiding core principles called the New Canaan Board of Realtors Strategic Plan. The strategic plan is a living document and is reviewed and updated regularly from its current version rather than being re-built each year.***

The Strategic plan influences operational decisions and is a lens through which those decisions are considered, thus having some influence over budgeting and operations. However, the plan should focus on defining strategic objectives, rather than dictating operational details and initiatives, which is the role of the senior staff and Leadership Team.

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### ***2.3 Annual Budget***

***The Finance Committee is responsible for the review and approval of the Association's annual budget using the New Canaan Board of Realtors Strategic Plan as a guideline.***

The planning & budgeting process is conducted on a one year cycle. Budgets are developed at the program level to define the revenue, direct expense, and labor components for each program within the Association's operating budgets. Resulting Finance Committee recommendations are then submitted to the Executive Committee and the Board of Directors for final approval. Any subsequent changes to final budgets must be approved by the Committee which will recommend the changes to the Executive Committee and the Board of Directors for final approval. The budget documents contain very detailed information regarding divisional and program activities, revenue, expenses and expected results.

### ***2.4 Chief Financial Officer/SVP of Finance Responsibilities***

***On an annual basis, the Chief Financial Officer updates the Finance Committee regarding fraud risks. In addition, if there are any material fraudulent activities, transactions, losses, etc., they are reported to the Committee as in appropriate.***

Many of the responsibilities of the Treasurer are delegated to the Chief Financial Officer who must be a Certified Public Accountant. The Chief Financial Officer is responsible for the administration of policies outlined in the Finance Division Principles of Operation.

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### **3 Process Level Anti-Fraud Controls**

***New Canaan Board of Realtors has implemented a number of internal process controls which help prevent, deter and detect fraud risks. The following sections in the Finance Division Principles of Operation and Cash Management Policies and Procedures documents highlight significant controls to help lessen fraud risks.***

Reference Documents: *Finance Principles of Operations, Cash Management Functions Procedures*

#### ***3.1 Payment Policies***

***The payment policies of New Canaan Board of Realtors are designed to maintain positive vendor relationships, preserve credit worthiness, and maximize the benefits of positive cash flow in the organization.***

***Review and modify policy below as necessary.***

Authorized check signers are those designated by the CEO/Corporate Secretary and who hold one of the following offices of the Corporation: President, President Elect, Treasurer, CEO and CFO. Corporate credit cards (defined as cards where ***New Canaan Board of Realtors*** bears the responsibility for card payment, as well as risks of card usage) are only issued to the CEO.

***Refer to Finance Principles of Operation Section 3.3 -Association Payment Policies, Section 3.4-Check Signing Authority, Section 3.5-Corporate Credit Cards, and Section 3.7-Petty Cash.***

In addition to the policies outlined above, certain steps increase the controls over the Accounts Payable (AP) process, including the following (as outlined in the AP Procedures):

- Access to the AP system is password protected and limited to certain personnel.
- AP enters additional notes to assist in accountants' review of payments.
- Certain fields require input to continue processing (also, some fields do not allow duplication of information entered previously for another disbursement).
- Checks written and signed are logged into a control register for security purposes.
- The AP system verifies check numbers has not been previously issued.
- AP staff verifies that all check requisitions are signed by appropriate approvers (also that invoices are properly coded and authorized).
- All checks over \$10,000 are reviewed by the CFO before distribution occurs.
- Any two authorized signatories are required to manually sign checks exceeding \$25,000.

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### ***3.2 Dues and Other Revenue Processing***

***Certain guidelines and policies are in place for due payments and other revenue processing to minimize financial risk to the Association.***

Only certain forms of payment are deemed acceptable by ***New Canaan Board of Realtors***. ***New Canaan Board of Realtors*** has implemented a dues refund policy that fairly addresses the needs of the members while maintaining fiscal prudence for the organization.

*Refer to Finance Division Principles of Operation Section 6.1-Acceptable Forms of Payment, Section 6.3-Allowance for Bad Debt Reserve, and Section 6.4-Dues and Assessment Refund Policy.*

### ***3.3 Compensation***

***Compensation for staff of New Canaan Board of Realtors is determined by the BOD.***

All position salaries are reviewed on a one year rolling schedule for market reasonableness and competitiveness.

*Refer to Finance Division Principles of Operation Section.*

### ***3.4 Financial Reporting and Accounting Policies***

***New Canaan Board of Realtors prepares monthly, interim financial statements and maintains accounting policies in accordance with Generally Accepted Accounting Principles (GAAP).***

*Refer to Finance Division Principles of Operation Section 7.1-Financial Reporting and 7.3-Accounting Policies.*

### ***3.5 Capital Assets***

***A Capital Acquisition policy is in place to track and monitor New Canaan Board of Realtors capital purchases to ensure adherence to the capital budget.***

An acquisition can be considered capital if it is over \$1,000 and its useful life is over 1 year.

*Refer to Finance Division Principles of Operation Section 9.2 Capital Policy.*

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### ***3.6 Investment Policy***

*The Investment policy guideline for all operating and reserve funds of New Canaan Board of Realtors is approved by the Board of Directors. The Treasure, and CEO, or other authorized staff as designated by the Treasurer or President of the BOD, are authorized to invest excess cash in the funds within policy guidelines.*

*Refer to Finance Division Principles of Operation Section 10.2-Investment Policy.*

### ***3.7 Cash Management Procedures***

*New Canaan Board of Realtors has developed stringent guidelines that are followed to minimize fraud for the cash management functions.*

Guidelines are specifically followed in the areas of bank activity (review/verification and cash log entry), positive pay transmissions, and reconciliation of paid check data and receipt of bank statements.

*Refer to Cash Management Policies and Procedures.*

### ***3.8 Other Risks/Controls***

*New Canaan Board of Realtors recognizes the risks of misappropriation of assets which may not materially affect the financial statements however, it is believed that the overall company culture and internal controls act as deterrent to these activities.*

The following is a list of some of these risks and the controls designed to offset them:

- Employee purchase of “personal property” items (ex. equipment less than \$1,000 do not fall under the capital acquisition policy, office supplies, etc.) – The risk is offset by AP invoice payment process.
- Employees unsupported expense reimbursements – Requirement of receipts for expenses over a certain dollar amount discourages improper reimbursement requests.