

May 28, 2022

Town of North River  
P.O. Box 104  
North River, NL AOA 3C0

Attn: Mr. Brian Hurley, Mayor

Dear Mr. Hurley and members of Council,

Re: Forensic Audit of 2022 records

At Council's request, I visited the Town Office on May 20, 2022, and again on May 27, 2022, to investigate the books and records of the Town of North River with respect to the fraud perpetrated by the former Town Clerk. During this visit, the goal was to determine if there was any evidence that the fraud that occurred was a singular event, or a repeated action.

First, testing was designed to cover the most likely scenario whereby the same fraud was repeated. The event that triggered this was that a cheque written to a supplier was subsequently cashed by the clerk, as flagged by the banking system as suspicious. After a thorough audit of all cheques written in 2022, and a review expenses posted in 2021, nothing was found to indicate that this occurred on more than one occasion.

Second, testing was designed based on several scenarios that were deemed plausible for fraud to have taken place. Again, after thoroughly auditing receipts, deposits, and revenue transactions posted and subsequently reversed in the Sage Accounting software, there was nothing found to indicate other suspicious or fraudulent events.

While it could never be fully determined that fraud did not happen on more than one occasion, based on the facts obtained and testing completed, we conclude that it is unlikely to be the case.

In addition to this conclusion, we have compiled a list of recommendations to be implemented in the town office to increase confidence in the security of town assets:

#### Recommendations

- proper vendor filing system to be maintained on a regular basis
- when posting invoices to Sage, the date of the invoice should be used (not the current date) as well as the proper invoice number to decrease the possibility of duplication as well as proper timely reporting
- invoices should be stamped/marked with:
  - o motion number/reference for approval for payment
  - o initials as noted below

- cheque number/online payment confirmation
- payment date
- presentation to council of AP listing for approval at meetings, with invoices attached for review. After approval at meeting, one councilor to initial invoice as approval
- cheques to be printed from Sage (noted that this transition already in progress)
- cheques should only be signed once they have been printed
- cheque stub should be attached to invoice (or online confirmation printout)
- cash should no longer be accepted as a form of payment
- proper expense reports for councilors, requiring invoice to be attached as support
- use payroll function in SAGE – make sure to deduct EI from councilor remuneration
- consider requesting invoice from cleaner and any other casual labour
- should motion pay rates in every year for the record, as well as blanket approval for payment of regular payables (NL Power, Bell, insurance, cleaner, Magnet Signs, Municipal Assessment)

Should Council have any additional questions or concerns with regards to this engagement or it's conclusions, please do not hesitate to contact me at (709) 999-2711, ext 101.

Regards,



Teri Hofmann, CPA, CA  
Principal/Owner