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Report of the LD 1462 Working Group "Resolve, Regarding the Department of Audit's Municipal Internal Control Observation Program," 2008

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Report of the
LD 1462 Working group “*Resolve, Regarding the Department of Audit’s*
***Municipal Internal Control Observation Program*”**
January 7, 2008

The Maine Department of Audit assembled a working group to address the issues posed by LD 1462 regarding the Municipal Internal Control Observation Program (MICO). The working group consisted of members representing the Maine Municipal Association (MMA), municipal officials, law enforcement, and the certified public accountant (CPA) community. A list of the Task Force members is attached. The State Auditor and Deputy State Auditor attended to facilitate discussion, provide information, and staff the working group.

The Task Force met and reviewed: the Resolve; the website content on MICO; a summary of towns visited by county; and recommendations issued to towns visited. The questions and issues posed by the resolve were discussed at two meetings. A sub-group met and provided input to the Task Force as well. Various additional considerations were discussed such as the implementation of a new Statement of Auditing Standards (SAS) in 2008 that would somewhat mitigate the need for the MICO program. Each municipality’s auditor will be required to assess internal control risks under that requirement. Also discussed were other means of providing education to towns, such as information provided on the internet, and maintaining the summary of data collected for communication and explanation to towns by request.

Members of the Task Force considered the current situation. The MICO program has already been to 355 of 489 towns in Maine, covering all but Cumberland and York Counties. The Department has fewer staff and resources now than when MICO started. Given these facts, Task Force members suggested that the current program end. They recommended a more limited program for York and Cumberland Counties, where towns could request the MICO program from the Department. The Task Force did not believe the program should return to towns already visited.

Task Force members further recommended that the Maine Department of Audit provide help to individual municipalities that request assistance as resources and circumstances allow. In addition, they suggested that the Department provide educational information addressing internal control and fraud risk factors to all communities by posting the summary of recommendations made on the internet and whatever other means of communication become available.

The Maine Department of Audit stands ready to implement these recommendations.