

## INTERNAL CONTROLS

### POLICY #3

Adopted May 23, 2024

1. There will be established procedures for the adequate separation of duties, including at least the following:

- a) All cashed checks received will be reported to the Board Treasurer and a receipt log will be prepared monthly, for the Board of Directors, by an employee or consultant not in the Finance department;
- b) The agency administrator or designee will prepare or oversee the deposit and ensure it is made using the check scanning machine and software provided by agreement with the district's banks and will confirm that the daily deposits agree with the original of the receipt log which the District maintains;
- c) The bank reconciliation will be prepared promptly after month-end by an employee or consultant with no authority to prepare or sign checks or authorize other debits against the account;
- d) All invoices presented for payment must be approved by a person authorized by the agency administrator or Board of Directors;
- e) Every check or electronic transaction greater in amount than \$10,000 must be signed by two authorized signers;
- f) All paid invoices shall be so marked and filed for reference;
- g) The same employee, consultant, or board member cannot be responsible for authorizing transactions, collecting or paying bills, and maintaining accounting records.
- h) The Board of Directors shall be responsible for authorizing all expenses and encumbrances on the District treasury.
- i) No Board member shall spend, or cause to be encumbered or spent, any District funds without the prior consent of the Board. Consent must be documented in writing or by email and shall become part of the District permanent record.

2. There will be an annual financial audit and any finding(s) shall be reported to the Board of Directors with simultaneous notice to the agency administrator.

3. There will be biennial audits of the Property/Liability claims paid by the District and those report(s) will be promptly presented to the Board of Directors.

4. In regard to the District's cash reserve account in the Local Agency Investment Fund (LAIF), the District will maintain a balance for all programs, not to exceed the amount as currently authorized by LAIF guidelines. Transfers out of LAIF may be initiated by the CFO and authorized by the following individuals: 1) Board Chair, 2) Board Secretary, 3) Treasurer. The requests for such transfers out of LAIF shall be signed by one of the three individuals above and be supported by detailed information which shall be maintained by the agency administrator.

5. That other excess funds shall be deposited in or transferred to such long-term investment accounts as the Board may, from time to time designate by resolution; and

6. That funds in the investment account(s) shall only be withdrawn upon approval of the 1) Board Chair, 2) Board Secretary, and 3) Treasurer. The requests for such transfers shall be signed by the CFO or the agency administrator and be supported by detailed information which shall be provided to the Director approving the transfer. Such information shall be maintained by the agency administrator.

7. To maximize interest earnings and manage the District's cash flow needs, the CFO will strive to maintain a reasonable balance in the checking accounts to off-set monthly bank charges, but at the same time recognizing that surplus funds should be transferred as appropriate to LAIF or the long-term investment accounts.

8. Templates for Fed-wire or Automated-Clearing House (ACH) Transfers out of the District's bank accounts may only be established by the CFO. Subsequent use of these Fed-wire or ACH templates shall require two individuals – an initiator and one of the approving board members: 1) Board Chair, 2) Board Secretary, 3) Treasurer.

9. The signing of any checks written on the accounts of the District will be in accordance with the district's procurement policy. All "fed wires" or ACH transfers that exceed \$50,000 (other than to/from LAIF) shall be considered similar to a "large check" and be disclosed monthly to the Board.

10. The Board of Directors confirms that the Board will review these internal control policies upon completion of each year's audit with input from its external auditor.



**Approval Signatures:**

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Chair, Board of Directors

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Date

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Secretary, Board of Directors

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Date