

POLICY TITLE: Internal Controls

POLICY NUMBER: 2160

A policy of the board of directors or CVPCSD defining financial internal controls

Whereas, the district is a district created pursuant to LAFCo; and

Whereas, the Board of Directors may establish, policies for the conduct of the district's business; and

Whereas, the Board of Directors has previously reviewed and approved several policies which reference an established a program of "internal controls"; and

Whereas, the Board of Directors are cognizant of its duty to ensure that proper controls are established and implemented to ensure the financial integrity of district operations; and

Whereas, the Board of Directors desires to formalize a policy to define the internal financial controls that have been developed through various practices and procedures to date;

Now therefore, it is the policy of the Board of Directors of the district, until such policy shall is amended or rescinded:

2160.1 There will be established procedures for the adequate separation of duties, including at least the following:

- a) a receipt log of all cash/checks received will be prepared daily by an employee not in the Finance department;
- b) the Accounting Technician prepares or oversees the deposit and ensures it is made using the check scanning machine and software provided by agreement with [bank];
- c) the Finance Director confirms that the daily deposits agree with the original of the receipt log which he/she maintains;
- d) the bank reconciliation will be prepared promptly after month-end by an employee with no authority to prepare or sign checks or authorize other debits against the account;
- e) all invoices presented for payment must be approved by an authorized person;
- f) every check [above \$x] must be signed by two authorized signers;
- g) all paid invoices shall be so marked and filed for reference;
- h) the same employee cannot be responsible for authorizing transactions, collecting or paying bills, and maintaining accounting records,

2160.2 There will be an annual financial audit and any finding(s) shall be reported to the Board of Directors with simultaneous notice to the General Manager.

2160.3 There will be biennial audits of the Property/Liability and Workers' Compensation Program claims paid by the district and those report(s) will be promptly presented to the Board of Directors. 2160.4 In regard to 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, and that transfers out of LAIF may only be made to district's [Property/Liability General Account, Workers' Compensation General Account or Health Benefits Account] and must have the approval of one of the following individuals: 1) President, 2) Vice President, 3) Secretary of the Board, 4) General Manager, 5) Finance Director. The requests for such transfers out of LAIF shall be signed by one of the five individuals above and be supported by detailed information which shall be maintained by district's Finance Director.

2160.5 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

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2160.6 That funds in the investment account(s) shall only be withdrawn upon approval of the Board's President, Vice-President, or Secretary. Such withdrawals must then be remitted only to one of the checking accounts referenced above in Section 2160.4 of this policy. The requests for such transfers shall be signed by the General Manager and be supported by detailed information which shall be provided to the Director approving the transfer. Such information shall be maintained by district's Finance Director.

2160.7 To maximize interest earnings and manage district's cash flow needs, the Finance Director 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. [However, the Workers' Compensation Program - Claims Account will maintain a higher balance to ensure funds are available for timely payment of claims and projected growth of the program.]

2160.8 Templates for Fed-wire or Automated-Clearing House (ACH) Transfers out of the district's bank accounts may only be established by the Finance Director. Subsequent use of these Fed-wire or ACH templates shall require two staff – an initiator and an approving staff person.

2160.9 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 or from the [Health Benefits Account]) shall be considered similar to a "large check" and be disclosed quarterly to the Board.

2160.10 Any payment of funds for claims and/or allocated loss adjustment expenses will be made in accordance with the district's [Claim Settlement Policy].

2160.11 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.

This Policy No. 2160 supersedes any policy inconsistent with the provisions included above.