



AGENDA ITEM NO. 9.B.1.

DATE: April 28, 2016

TO: Board of Directors

FROM: Tammy Rudock, General Manager
Candy Pina, Administrative Services Manager
Jeff Ira, CPA, District Treasurer

SUBJECT: PROCESS FOR PERIODIC BOARD FINANCIAL CONTROLS REVIEW

RECOMMENDATION:

Discuss proposed process for Board's periodic review of financial controls.

FISCAL IMPACT:

None.

DISCUSSION:

The Board previously discussed a more constructive process for assigned Directors to periodically review and test MPWD internal financial controls. District Treasurer, Jeff Ira, worked with staff and created the attached DRAFT procedures for the Board's consideration. The proposed procedures cover instructions for two of the three proposed testing cycles:

- Cash disbursements; and
- Other disbursements (e.g., credit cards, electronic fund transfer, and bank wire transfers).

The third proposed testing cycle will include a process for reviewing payroll calculations. District Treasurer Ira will present the attached DRAFT procedures at the Board meeting.

Attachment: DRAFT Procedures for Periodic Board Examinations of Cash Disbursements

BOARD ACTION: APPROVED:____ DENIED:____ POSTPONED:____ STAFF DIRECTION:____

UNANIMOUS____ ZUCCA____ WARDEN____ STUEBING____ VELLA____ LINVILL____

To: Mid-Peninsula Water District Board of Directors
From: Jeffery J. Ira, District Treasurer
Date: April 26, 2016
Re: Periodic Board Examinations of Cash Disbursements

Objective:

The Board desires to directly perform examination procedures on the Districts cash disbursements. This memo outlines those procedures. Performing these procedures will provide the Board with a greater understanding and additional oversight of the cash disbursement process. No system of controls can ever guarantee that a financial system is free from error.

Method:

The Board will rotate through three "types" of cash disbursement types and conclude that the sample selected was properly approved, authorized and paid. Each testing cycle will focus on one of the types. The types of disbursements are as follows:

1. Check Disbursements
2. Other Disbursements – Credit cards, Electronic Fund Transfers, Bank Wire Transfers
3. Payroll – calculations (*procedures and instructions pending*)

Procedures and Instructions:

Suggested procedures, instructions and documentation templates are available, however, the Board may expand testing as they deem appropriate.

Procedures and Instructions:

DRAFT

For Type "Check Disbursements"

Procedures:

- 1) Obtain the last three "Check Detail" reports as presented in the Monthly Board packages.
- 2) From these reports select a minimum of 10 check disbursements. Your selection can be systematic ("the 5th disbursement on every other page") or based on judgement (large dollar amounts or vendors you are not familiar with).
- 3) Request that Candy Pina provide a print out of the relevant bank statements and PDF images of the cancelled checks (as applicable).
- 4) Request the accounts payable backup for each of your sample selection.
- 5) Test your sample selection and document your results on the "Attributes Worksheet"

For Type "Other Disbursements"

Procedures:

- 1) Obtain the last three "Check Detail" reports as presented in the Monthly Board packages.
- 2) From these reports select a minimum of 5 Electronic Fund Transfers and Bank Wires. Your selection can be systematic ("the 5th disbursement on every other page") or based on judgement (large dollar amounts or vendors you are not familiar with).
- 3) Request that Candy Pina provide a print out of the relevant bank statements
- 4) Request the accounts payable backup for each of your sample selection.
- 5) Test your sample selection and document your results on the "Attributes Worksheet"
- 6) Obtain the credit card "file" of statements and support. Select one of the 3 most recent credit card statements.
- 7) Agree that each line item of charges has a corresponding, approved receipt and the charge appears reasonable.

Instructions and clarifications:

- 1) Support documentation will differ for the type of disbursement. Ideally support has an "outside party" source; however the District does have legitimate disbursements that are sourced internally. For example, refunds of customer deposits.
- 2) Approval to pay is not the stamp "Approved." This is completed by the check signer. Approval to pay is usually indicated by a 4X7 slip of paper attached to the support documentation. Another method will be a direct signature on the vendor invoice. This is the signature you are looking for when comparing to approval limits.
- 3) "Agreed" means that amounts are the same. "Reconciled" means that the amounts do not agree, but there is a reasonable explanation provided.

DRAFT

Date:

Check number

Review the date of the support documentation to the date of cash disbursement and inquiry as to any unusual delays between the invoice date and the cash disbursement. Do the dates appear reasonable or where you able to satisfy yourself that any delays were reasonable?

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EXCEL WORKSHEET TO BE COMPLETED

DRAFT

Months Tested:

Performed by:

Date:

Sample Number

Check Disbursement Amount

Check number

1	2	3	4	5	6	7	8	9	10

Compare the signature approval on the support documentation to the approval limits schedule below and determine that the approval limits were not exceeded. Were approval limits not exceeded?

If a check disbursement, compare the PDF of the cancelled check to the check stub (check number, payee amount and date). Agree the endorsement on the back of the cancelled check PDF to the payee. Does the check disbursement agree to the cancelled Check PDF?

If any of the answers were "No," Describe the resolution of the matter below.

EXCEL WORKSHEET TO BE COMPLETED

DRAFT

Months Tested:
 Performed by:
 Date:

Sample Number
 Check Disbursement Amount
 Check number

1	2	3	4	5	6	7	8	9	10

Approval
 Limit

Tammy Rudock	\$ 25,000
Rene Ramirez	\$ 20,000
Candy Pina	\$ 20,000
Henry Young	\$ 10,000
Mike Anderson	\$ 10,000
Brent Chester	\$ 10,000
Rick Bisio	\$ 10,000
Stan Olsen	\$ 10,000
Jeanette Kalabolas	\$ 10,000
Misty Malczon	\$ 10,000
Chris Michaelis	\$ 2,500
Robby Piccolotti	\$ 2,500
Ron Leithner Leithner	\$ 2,500
Jonathan Anderson	\$ 2,500
Tava Mataele	\$ 2,500
Jon Tscharnner	\$ 2,500
Brad Burwell	\$ 2,500
Laura Ravella	\$ 2,500

EXCEL WORKSHEET TO BE COMPLETED

Months Tested:

Performed by:

Date:

DRAFT

Electronic Fund Transfers/Bank Wire

Sample Number

Cash Disbursement Amount

Disbursement Number

Review the description of products or services provided. Does the account it was charged against on the "Check Listing" appear reasonable?

Agree the amount of disbursement from the "Check Listing" to the check stub and the support documentation. Do all amounts agree or reconcile?

Agree the Name from the "Check Listing" to the check stub and the support documentation. Does the name agree?

Review the date of the support documentation to the date of cash disbursement and inquiry as to any unusual delays between the invoice date and the cash disbursement. Do the dates appear reasonable or where you able to satisfy yourself that any delays were reasonable?

Compare the signature approval on the support documentation to the approval limits schedule below and determine that the approval limits were not exceeded. Were approval limits not exceeded?

	1	2	3	4	5

EXCEL WORKSHEET TO BE COMPLETED

Months Tested:

Performed by:

Date:

DRAFT

Electronic Fund Transfers/Bank Wire

Sample Number

Cash Disbursement Amount

Disbursement Number

1	2	3	4	5

If an Electronic Fund Transfer or Bank Wire, obtain the bank statement and agree the date, amount and payee to the bank statement. Does the Electronic Fund Stransafer or Bank Wire agree to the bank statement?

If any of the answers were "No," Describe the resolution of the matter below.

Credit Card Statement

Month Reviewed:

Does each line item of the credit card statement charges have a corresponding receipt and do the charges appear reasonable?

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EXCEL WORKSHEET TO BE COMPLETED

Months Tested:

Performed by:

Date:

DRAFT

Electronic Fund Transfers/Bank Wire

Sample Number

Cash Disbursement Amount

Disbursement Number

1	2	3	4	5

Approval
Limit

Tammy Rudock	\$ 25,000
Rene Ramirez	\$ 20,000
Candy Pina	\$ 20,000
Henry Young	\$ 10,000
Mike Anderson	\$ 10,000
Brent Chester	\$ 10,000
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Stan Olsen	\$ 10,000
Jeanette Kalabolas	\$ 10,000
Misty Malczon	\$ 10,000
Chris Michaelis	\$ 2,500
Robby Piccolotti	\$ 2,500
Ron Leimer <i>Leimer</i>	\$ 2,500
Jonathan Anderson	\$ 2,500
Tava Mataele	\$ 2,500
Jon Tscharner	\$ 2,500
Brad Burwell	\$ 2,500
Laura Ravella	\$ 2,500