RESOLUTION R1314-25

A RESOLUTION ADOPTING FINANCIAL INTERNAL CONTROL POLICIES

WHEREAS: The City received information from the League of Oregon Cities and the City's auditors on best practices related to financial internal controls; and

WHEREAS: The Council has determined that formal policies related to financial internal controls are in the best interest of the City.

NOW, THEREFORE BE IT RESOLVED that the Gold Beach City Council hereby adopts the Financial Internal Control Policies attached to this Resolution as Exhibit A.

PASSED BY THE CITY COUNCIL OF THE CITY OF GOLD BEACH, COUNTY OF CURRY, STATE OF OREGON, and EFFECTIVE THIS 9th DAY OF JUNE, 2014.

Karl Popoff, Mayor

ATTEST:

Candy Cronberger, City Recorder

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CITY OF GOLD BEACH FINANCIAL INTERNAL CONTROL POLICIES

Controls over Financial Records

Establish and maintain adequate systems and processes for accounting and reporting.

The City of Gold Beach shall maintain an accounting system that allows financial transactions to be recorded, easy retrieval of the data for analysis, and generation of timely reports to maintain accountability for the City's assets.

The system shall include detailed cash receipts and cash disbursements journals, as well as a detailed general ledger and subsidiary ledgers where appropriate. The subsidiary ledgers shall be regularly reconciled with the general ledger to ensure that transactions were recorded properly and that all transactions have been included. All general journal entries shall by performed by the bookkeeper and reviewed by a second staff member.

No single individual shall perform all related elements of an individual transaction. No employee should be able to (a) authorize a transaction, (b) record the transaction in the accounting records, and (c) maintain custody of the assets resulting from the transaction. For example, individuals responsible for the data entry of accounts payable should not be able to authorize transactions. For a small city, this may simply mean that the limited number of staff will have to alternate certain duties to ensure that there is a second set of eyes for each type of transaction.

Bank reconciliations shall be performed by someone who is not directly involved in the cash receipt or cash disbursement transaction process. Reconciliations should be prepared on a timely basis, preferably immediately on receipt. A responsible and knowledgeable official other than the preparer should review the completed bank reconciliation. This may include another staff member and/or council member.

In addition to the bank reconciliation, other reconciliation procedures should be performed monthly. Regularly reconcile accounts receivable balances to the original invoices and accounts payable balances with actual invoices. Reconcile payroll withholdings with payroll reports and invoices for benefits. These reconciliations will indicate if the subsidiary information contains errors or irregularities.

All financial recording documents (checks, receipts, purchase orders, etc.) shall be prenumbered, and all forms should be accounted for. Check stock will be kept in the vault at all times.

Three part receipts (customer, cash receipting, one left in book) will be issued for all cash transactions.

Accounting records shall be protected from theft and manipulation. Records shall remain in the Administration/Finance office at all times.

Controls over Cash

Establish adequate processes for safeguarding receipts.

The Administration/Finance office staff shall issue three part receipts (customer, cash receipting, one left in book) for all cash transactions. Cash will be immediately placed within the locked cash drawer and at close of business shall be locked in the lock box within the vault.

No expenditures shall be paid from the cash drawer. No checks shall be cashed from the cash drawer. The cash drawer will be reconciled to the cash receipts and the Caselle report daily. Cash will be deposited at least once weekly and more often if necessary.

Daily check deposits shall be made and franked checks shall be placed in the vault and destroyed after 90 days per bank regulations. Only authorized staff may review deposited check originals.

Establish adequate processes for controlling cash disbursements.

All disbursements, except for occasional small petty cash items, shall be made by check, debit card, or direct deposit transactions. All debit card receipts will be provided to the bookkeeper immediately.

Checks shall be pre-numbered, and unused checks shall be stored in the vault at all times. Checks shall be made payable to a specific individual, never to "cash" except for the monthly Petty Cash reimbursement.

Checks shall require two signatures. *Best practice method is to have one staff member and one councilor/mayor signature on all checks.*

Petty cash funds are an imprest (replacing only what is spent), or fixed amount, basis. The amount of cash on hand, plus receipts for cash items paid out, must at all times equal the total of the fund. The petty cash fund shall be reconciled and reimbursed monthly.

Controls over Accounts Receivable and Collections

Establish and maintain processes that will ensure that account balances are accurate.

Duties involving accounts receivable should be separate from those involving cash receipts. Persons involved in the collection process should not also be responsible for the billing process or the credit/adjustment process.

All receivables (taxes, utility charges, other miscellaneous receivables) shall be recorded in the general ledger. Subsidiary ledgers shall be reconciled to the general ledger control account on a regular basis.

Establish and maintain processes that will ensure that outstanding amounts due are collected.
Monthly aging reports shall be ran and reviewed for utility and business license receivables. Penalties pursuant to Council resolution shall be charged on overdue accounts. Every effort to collect outstanding balances shall be diligently pursued. Liens shall be filed on utility accounts pursuant to the processes in the Utility Code.

Controls over Purchasing and Disbursements
Establish and maintain processes that ensure adequate oversight.
The City has adopted Public Contracting regulations. The Administrative Code describes the lines of authority for approving purchases and indicates when to use competitive bidding.

No one person shall be involved in the purchasing, receiving, and payment functions.

A purchase requisition (order) system is in place to document purchasing details and demonstrate that policies were adhered to. An appropriate authority must approve all invoices before payment—City Administrator for purchases up to $75,000 and Council for purchases over $75,000. All purchase requisitions and receiving documents shall be prepared prior to payment.

The City Administrator shall review all new vendors to help detect fictitious vendors and prevent duplicate payment of invoices. The City Administrator shall review activity for vendors regularly to detect any suspicious activity.

Controls over Payroll
Establish and maintain adequate systems for ensuring accuracy and oversight. The City shall maintain a personnel file for each employee that includes hiring and compensation information and authorization for all deductions taken. The Council shall annually adopt salary schedule for all employees.

Use direct deposit for payment of net pay is strongly encouraged.

All payroll additions, removals, or changes should be authorized by someone other than the employee who processes payroll. Any additions/removals/changes shall be reviewed by the City Administrator.

Financial Reporting to the Council
Establish and maintain adequate financial communication with the governing body.
At the monthly Council meetings the City Administrator or Finance Officer shall provide the following reports to the Council and Mayor:

1) Check register for accounts payable paid from the prior month

2) Financial statements from the second month prior (i.e.-for the May council meeting the March financial statements would be presented)
3) Brief statement of reconciled cash balances of the main City checking and savings/money market accounts (currently two checking accounts and two savings accounts) for the second month prior.