



**2020-03 RESOLUTION FOR “INTERNAL FINANCIAL CONTROLS FOR ENTITY WITH LIMITED STAFF POLICY”**

WHEREAS: the Rivergrove Water District is aware the organization would benefit if a comprehensive code of control and policies addressing acceptable internal financial procedures and acceptable operating procedures is adopted,

WHEREAS: The Rivergrove Water District recognizes that limited staffing is a concern and those charged with governance must be ever vigilant in fulfilling their responsibilities,

WHEREAS: all duly elected officials and employees of the Rivergrove Water District are required to comply with the Rivergrove Water District’s “**Internal Financial Controls for Entity with Limited Staff Policy**”.

**THEREFORE, BE IT RESOLVED** that the Rivergrove Water District has limited resources and is unable to increase staffing to prevent recommendations of significant deficiencies and material weaknesses. The Rivergrove Water District believes the current internal controls in place and the adoption of Internal Financial Controls for Entity with Limited Staff Policy, which becomes an integral part of this resolution, is a sufficient and appropriate plan of action in the circumstances for an entity with limited staffing.

This Resolution moved by Commissioner Roth.

Seconded by Commissioner McDowell.

Adopted by the Board of Commissioners of the Rivergrove Water District this 23rd day of March 2020, by the following vote:

Ayes: Commissioner Roth, Commissioner Magura, Commissioner McDowell, and Commissioner Patterson.

Nays: None

Signed Christine K Roth  
Chair Christine K. Roth

Attest Lawrence M. Magura  
Treasurer Lawrence M. Magura

RIVERGROVE WATER DISTRICT

## **Rivergrove Water District**

### **Internal Financial Controls for Entity with Limited Staff**

The following internal controls govern the financial management of the District. These controls have been adopted by the Board of Commissioners by Resolution 2020-03.

#### **Key Controls for Control Environment**

- Governing body, management and employees have high integrity; “Tone at the Top”
- Management and employees follow existing internal controls, policies and procedures
- Management is present daily unless on vacation or at a conference
- Management observes employee activity and communicates with them daily
- Municipality uses adequate computer software to record business transactions
- Municipal records are maintained on a current basis
- Reports generated by the software are used by management and governing body
- Accounting personnel are reasonably qualified for their positions

#### **Cash – Key Controls**

- Management or member of the governing body will:
  - Receive bank statements and credit card statements unopened by mail or electronically
  - Review bank and credit card statements and investigate unusual items
  - Sign vendor checks
  - Review vendor invoices and other applicable documents when signing checks
  - Review documentation of payroll calculations when approving payroll direct deposits
  - Review list of daily deposits
  - Periodically pick up the mail or have a designee other than accounting personnel
  - When possible, periodically have a designee open the mail and prepare the bank deposit and bookkeeping entries
  - Ensure tax collections and state revenues are deposited directly into the Investment Pool Account
  - Review and initial the bank reconciliation
  - Review monthly balance sheets and budget reports
  - Ensure mail and cash receipts are recorded as received daily
  - Ensure duplicate deposit slips are prepared and matched with bank statements
    - *Note: Due to limited staffing mail and cash receipts are not counted by independent persons, pre-numbered receipts are not present and cash registers are not utilized*
  - Ensure all checks are signed by a member of the governing body and/or management
  - Ensure checks are never signed in advance and blank
  - Ensure check signer reviews documentation for the reason a check was written
  - Ensure checks are entered into the books of record when written
  - Ensure only pre-printed and pre-numbered checks are used and measures are in place to account for the numerical sequence
  - Ensure all journal entries are approved by management or a member of the governing body

### Accounts Receivable and Sales

- Management or the governing body monitors Accounts Receivable and will:
  - Approve requests for credit by customers
  - Monitor accounts receivable procedures
  - Monitor the receipts and sales journal
  - Review aged accounts receivable transactions and past due balances
  - Resolve accounts receivable customer complaints and disputes
  - Ensure sales journals are prepared and balanced
  - Retain records of customer payments
  - Ensure customers statements are mailed bi-monthly
  - Ensure receivables are aged on a regular basis and written off where appropriate
  
- Management or a member of the governing body will:
  - Approve and authorize all credit sales
  - Approve and authorize unusual sales
  - Periodically review customer statements before mailing
  - Review monthly aged accounts receivable and authorize write-offs of bad accounts
    - *Rivergrove Water District operates on a cash basis*

### Vendors and Payables

- Management or the governing body will:
  - Approve all vendors and creditors
  - Monitor all vendor and creditor payments
  - Receive and approve all unpaid invoices and statements monthly
- Ensure vendor invoices are entered into the books when received or paid
- Ensure supporting documents are reviewed by the check signers at the time they are paid
- Ensure supporting documents are marked paid and cancelled after the checks are signed
- Ensure unpaid invoices are maintained in a separate file other than the paid files
- Approve all disbursement support documents
- Monitor account classification charged
- Investigate any unapproved or unusual disbursements
- Investigate any duplicate payments
- Investigate inadequate documentation
- Possess a descriptive Chart of Accounts
- Approve checks only when appropriate supporting documentation has been received
- Ensure the person preparing the checks does not sign the checks unless co-signed by management
- Ensure the person preparing the deposits and posting customer payments is monitored by management
- Ensure vendor invoices are cancelled by the person signing the checks

### Payroll

- Management or a member of the governing body will:
  - Approve all employee hires and terminations
  - Authorize wage rates
  - Approve or sign all payroll tax returns and related documents
  - Respond to all inquiries from state and federal agencies

- Ensure payroll checks are pre-numbered by direct deposit and the sequence is monitored and kept in tact
- Ensure payroll checks are prepared using computer software
- Ensure employee Form W-4, I-9 and other payroll documents are maintained by the accounting staff
- Ensure employee time records are maintained and used to prepare payroll checks
- Ensure payroll checks are distributed by direct deposit
- Ensure any payroll check not processed by direct deposit (bonus checks) are distributed by a member of management or a member of the governing body
- Ensure employee hires, terminations, wage rates and time off are approved by management or a member of the governing body

### **Inventory**

There is no substantial inventory maintained by the Rivergrove Water District. Any unused supplies are inconsequential to the audited financial statements.

### **Fixed Assets**

- Management or a member of the governing body will:
  - Ensure supporting documents are retained for all fixed asset purchase
  - Ensure a detailed depreciation schedule is prepared on an annual basis
  - Ensure a capitalization limit has been set by the governing body

The District is in full compliance with these internal controls. This document, titled Internal Financial Controls for Entity with Limited Staff Policy, was adopted by the Board of Commissioners of the Rivergrove Water District on March 23, 2020 at the monthly Board of Commissioners Meeting by District Resolution 2020-03.