

LOCAL AGENCY FORMATION COMMISSION
POLICIES AND GUIDELINES

2.7 FINANCIAL POLICIES (Approved June 23, 2004)

2.7.1 Accounts and Signatures

- (a) Bank accounts shall be authorized by motion of the Commission and established by the Executive Officer consistent with LAFCO's Investment Policy, Section 2.6 (Adopted April 28, 2004). Such accounts shall be used to manage LAFCO's financial affairs.
- (b) One or more accounts may be retained with the County Treasury to facilitate the purchase of County services until those services are no longer needed and for the County Auditor's convenience in implementing the provisions of Government Code §56381.
- (c) The Executive Officer is designated as the Financial Officer of LAFCO and shall have principal signature authority for all accounts, subject to procedures and safeguards adopted by the Commission.
- (d) Signature authority for any accounts retained with the County Treasury shall continue as defined in County policies and regulations. The Executive Officer will continue signature authority equivalent to the County Chief Administrative Officer and County Department Heads. The Office Manager/Commission Clerk will continue with signature authority previously authorized by the Executive Officer and allowed under County regulations.
- (e) Three commissioners, including the Chairman, Vice-Chairman and one additional designated individual, shall have signature authority for bank accounts and financial transactions.
- (f) A budget update and financial statement will be reviewed by the Commission no less frequently than quarterly (Policy 2.6.7).

2.7.2 Expenditures

- (a) The Executive Officer will review all claims and invoices received by LAFCO and may authorize payment as appropriate within the framework and limitations of the budget adopted by the Commission.
- (b) The signature authority allowed by this section is as follows:
 - i. Disbursements for the payment of the usual health insurance

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premiums for LAFCO employees in excess of \$7,000 will require two signatures.

- ii. Disbursements in excess of \$5,000 will require two signatures. At the discretion of the Executive Officer, a second signature for disbursements of less than \$5,000 may be required.
- (c) All claims for expenses, other than usual employee costs (salaries and benefits), are reviewed by the Commission (Policy 2.1.8).

Expenditure authorization for all expenses shall comply with Policy 2.9. The Executive Officer shall strive to authorize payment of routine claims in an expeditious manner in order to avoid late charges, ensure prompt payment and to qualify for early payment discounts.

- (d) An audit of LAFCO's financial statements shall be conducted annually.

2.7.3 Internal Financial Controls

The following are the internal controls and safeguards of LAFCO:

- (a) The Office Manager/Commission Clerk and Executive Officer will follow adopted procedures for invoices, claims, disbursements, receipt and deposits of revenues. The Office Manager/Commission Clerk shall initiate transactions such as Check Request and/or Credit Card Request and payment of invoices and claims.
- (b) The Executive Officer and/or the Commission shall authorize transactions. The Commission will review and approve all claims monthly as specified by Policy 2.1.8.
- (c) The Office Manager/Commission Clerk will prepare payments and checks as specified in the approved procedures.
- (d) The Executive Officer will review and sign all checks. Two signatures are required for any check in excess of \$5,000.
- (e) The Office Manager/Commission Clerk shall maintain and reconcile records of all financial transactions. The Executive Officer will review reconciliations monthly. Financial updates and budget reports will be prepared and presented to the Commission no less frequently than quarterly.

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- (f) An outside financial audit will be conducted following the close of each fiscal year and presented to the Commission when complete.

2.7.4 Fraud/Ethical Behavior

It is the policy of El Dorado LAFCO to follow ethical, responsible, and reasonable procedures related to purchasing, claims, auditing, money management, and other financial matters.

Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of personal gain or for the purpose of inducing another to act upon it to his or her injury. Each employee or member of LAFCO should be familiar with the types of improprieties that might occur in his or her area of responsibility and be alert for any indication of irregularity. Any fraud that is suspected or detected shall be reported immediately to the Executive Officer or alternatively to the Chair of the Commission.

Actions Constituting Fraud

The terms fraud, defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

1. Any dishonest or fraudulent act
2. Forgery or alteration of any document or account belonging to LAFCO
3. Forgery or alteration of a check, bank draft, or any other financial document
4. Misappropriation of funds, securities, supplies, equipment, or other assets of LAFCO
5. Impropriety in the handling or reporting of money or financial transactions
6. Disclosing confidential and proprietary information to outside parties
7. Accepting or receiving anything of material value from contractors, vendors, or persons providing goods or services to LAFCO
8. Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
9. Any similar or related irregularity
10. Personal use of LAFCO Credit Card

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The Executive Officer has the primary responsibility for investigating suspected fraudulent acts and may use whatever internal and/or external resources are necessary to conduct an investigation. Results of any investigation and subsequent actions will be reviewed by counsel and referred to the Commission if appropriate.

Investigation results are confidential and will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This will avoid damaging the reputations of persons who may be suspected, but subsequently found innocent of wrongful conduct.

- 2.7.5 To the extent that LAFCO's Plan with the California Public Employees' Retirement System has a funded ratio of less than 100%, and provided that the "Emergency Expense" fund is fully funded in accordance with Policies & Guidelines Section 2.10.5(c), it is the intent of this Commission to allocate any carryover monies that are in excess of the estimated carryover amount specified in the final budget towards paying down the unfunded accrued liability until the funded ratio reaches 100%. This allocation will continue until LAFCO's Plan's funded ratio is 100% or unless the "Emergency Expense" fund is not fully funded per Policies & Guidelines Section 2.10.5(c).