

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 upon approval 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, or other designee, 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) The use of auto-pens, signature stamps, auto-signatures or similar devices to authorize checks and other financial transactions conducted by and for LAFCO are not allowed.
- (g) A budget update and financial statement will be reviewed by the Commission no less frequently than quarterly (Policy 2.6.7).
- (h) For ease of purchasing, LAFCO may have one credit card, which may be used for approved purchases up to five thousand dollars (\$5,000.00). The credit card may not in any circumstance be used by any LAFCO employee to pay for any non-LAFCO related items. Any LAFCO employee who uses the LAFCO credit card shall make their best effort to obtain a receipt for each credit card purchase. LAFCO should pay its credit card bill in a timely manner every month.

- (i) LAFCO will not request, obtain, acquire, accept, maintain or use a debit or ATM card from any financial institution.

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 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 outside financial audit of LAFCO's financial statements shall be conducted annually following the close of each fiscal year and presented to the Commission when complete.

2.7.3 Internal Financial Controls

Financial duties and responsibilities are separated so that no one person has sole control over cash receipts, disbursements, payroll, the signing of checks, and reconciliations. The following are the internal controls and safeguards of LAFCO:

- (a) The Office Manager/Commission Clerk, or other designee, and Executive Officer will follow adopted procedures for invoices, claims, disbursements, receipt and deposits of revenues. The Office Manager/Commission Clerk, or other designee, shall initiate transactions such as Check Request and/or Credit Card Request and payment of invoices and claims.

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- (b) The Executive Officer and/or the Commission shall authorize transactions. The Commission, in a frequency no less than quarterly, will review all claims as specified by Policy 2.1.8.
- (c) The Office Manager/Commission Clerk, or other designee, will prepare payments and checks as specified in the approved procedures.
- (d) The Executive Officer will review and sign all checks in a manner consistent with Policy 27.2(b).
- (e) The Office Manager/Commission Clerk, or other designee, shall maintain and reconcile records of all financial transactions. The Executive Officer will review reconciliations monthly; however, the Executive Officer is prohibited from reconciling any financial records. Financial updates and budget reports will be prepared and presented to the Commission no less frequently than quarterly.

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. This policy applies to any irregularity, or suspected irregularity, involving employees, consultants, vendors, contractors, outside agencies, and/or any other parties with a business relationship with LAFCO.

El Dorado LAFCO is committed to protecting its assets against the risk of loss or misuse. Accordingly, it is the policy of LAFCO to identify and promptly investigate any possibility of fraudulent or related dishonest activities against LAFCO and, when appropriate, to pursue all legal remedies available under the law.

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:

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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, including the temporary removal of “borrowing” of LAFCO assets.
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. Personal use of LAFCO Credit Card.
10. Claim for reimbursement of expenses that are not job-related or authorized by current Policy.
11. Authorizing or receiving payment for goods not provided by or services not performed by LAFCO.
12. Any violation of Federal, State, or Local laws related to dishonest activities or fraud .
13. Any similar or related irregularity as those delineated above.

Whistleblower Protection

Employees will be granted whistle-blower protection when acting in accordance with the reporting provisions of this policy. When informed of a suspected impropriety, LAFCO, anyone from LAFCO, or any person acting on behalf of LAFCO is prohibited from carrying out any of the following for retaliatory reasons:

1. Dismiss or threaten to dismiss the reporting employee,
2. Discipline, suspend, or threaten to discipline or suspend the reporting employee,

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3. Impose any penalty upon the reporting employee, or
4. Intimidate or coerce the reporting employee.

Violations of the whistle-blower protection will result in discipline up to and including dismissal. Nothing herein shall prevent LAFCO from otherwise taking non-retaliatory disciplinary action under these policies or under LAFCO's Personnel Policies and Procedures.

Investigation Procedures

Any investigation of fraud will be conducted in an objective and impartial manner without regard to the suspected wrongdoer's length of service, position, title, or relationship to LAFCO.

The Executive Officer is designated as the investigator for all allegations of fraud or other wrongdoing unless the Executive Officer is the subject of the investigation. In that case, the Chair of LAFCO will appoint an alternate investigator. The investigator has the primary responsibility for investigating suspected fraudulent acts and may use whatever internal and/or external resources are necessary to conduct an investigation.

Investigator Responsibilities

1. Upon receiving an allegation of Fraud or other irregularities, the Investigator will promptly conduct a thorough investigation, the scope of which is appropriate to the circumstances. To the extent that is possible, investigations should be conducted in a confidential manner 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 where the allegations are subsequently found to be unsubstantiated.
2. Employees must cooperate with the Investigator. Refusal to cooperate, or the conveyance of inaccurate information or deliberate attempt to manipulate the investigation, may subject an employee to disciplinary action up to and including dismissal.
3. The Investigator shall be available and receptive to receiving relevant, confidential information to the extent allowed by law.
4. Results of any investigation and subsequent actions will be reviewed by LAFCO Counsel and referred to the Commission if appropriate.
5. If evidence is uncovered showing possible dishonest or fraudulent activities, the Executive Officer, or the LAFCO Chair if the Executive Officer is the subject of the investigation, will proceed as follows:

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- a. Take immediate action, in consultation with LAFCO Counsel, to prevent the theft, alteration, or destruction of evidentiary records pertinent to the investigation. Such action may include, but is not limited to:
 - 1) Removing the records and placing them in a secure location or limiting access to the records.
 - 2) Preventing the individual suspected of committing the fraud from having access to the records.
 - b. Take immediate action to improve internal control. Such action shall result in the Executive Officer, or the LAFCO Chair if the Executive Officer is the subject of the investigation, having reasonable assurance that the changes in procedures will prevent similar future occurrences.
 - c. Following his or her review of the investigation results, the Executive Officer, or the Chair if the Executive Officer is the subject of the investigation, will take appropriate action regarding employee misconduct. Disciplinary action shall be imposed in accordance with LAFCO's Personnel Policies and Procedures and can include a disciplinary action up to and including termination.
 - d. If appropriate, take immediate action, in consultation with LAFCO Counsel, to notify law enforcement and the District Attorney's Office for possible arrest and prosecution of the wrongdoing parties.
 - e. Pursue every reasonable effort to recover any financial loss incurred by LAFCO from the offender or other appropriate sources.
5. Unless exceptional circumstances exist (as determined in the reasonable discretion of the Executive Officer or, if the Executive Officer is the subject of the investigation, the LAFCO Chair), a person under investigation for fraud is to be given notice in writing of the investigation so that the individual is apprised of the nature of the allegations against them. The person against whom allegations are being made may submit a written explanation to the investigator no later than five (5) business days after notice is received. At the conclusion of the investigation, the person against whom allegations are being made will be advised of the outcome of the investigation (i.e. whether the allegations were sustained or not sustained).

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.

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- 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).