FINANCIAL MANAGEMENT

AND

ACCOUNTING PROCEDURES

CONTENTS:

Introduction

The management of AGENCY is responsible for establishing and maintaining a system of internal accounting control and that transactions are executed in accordance with generally accepted accounting principles.

The *Accounting Procedures Manual* is intended to be a guide for the fiscal procedures of AGENCY. The manual will serve both the management and the accounting staff to maintain good internal accounting and administrative controls, assist in the expected flow of accounting documentation, and to establish a uniform and systematic accumulation of information and statistical data necessary to fulfill the financial and accounting requirements of AGENCY.

Annual audits of AGENCY by an Independent Certified Public Accountant will be performed in accordance with the State of California audit requirements. The California Legislation has mandated the performance of financial for all local governmental entities in the State of California.

A single audit report is also prepared in accordance with generally accepted government auditing standards in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and in conformance with 2 CFR 200.

AGENCY's annual audit is routinely filed with each member government, the California State Controller's Office and the Federal Automated Clearinghouse.

AGENCY incurs costs which must be borne by specific projects. These costs can be identified as either direct or indirect costs. Direct costs (i.e., payroll, contractual and items purchased for a specific project) can be identified specifically with a particular project. Indirect Costs (i.e., telecommunications, postage, office supplies, depreciation, building maintenance, utilities, and risk insurance) cannot be easily identified specifically with a particular project. These costs are designated as indirect and this methodology is used when preparing the AGENCY's Indirect Cost Allocation Plan (ICAP) for acceptance by the AGENCY's cognizant agency. These indirect costs are reimbursed through the Indirect Cost Rates accepted by the AGENCY's cognizant agency and charged against direct costs from Federal and State grants.

The AGENCY's cost accounting system for labor provides for identification of all labor costs directed to a particular project or work element. Indirect labor costs are calculated each pay period and appropriately allocated to eligible direct cost work elements. Staff timecards are reviewed by supervisors each pay period to ensure consistent and proper coding of time. AGENCY's financial accounting system provides the means for payment of invoices, staff salaries, and interdepartmental charges. The system provides a General Ledger, expenditure reports by cost center or project, and trial balance. A customized query compiles staff costs into direct and indirect cost categories. Again, this methodology is used when preparing the AGENCY's ICAP for acceptance by the AGENCY's cognizant agency.

AGENCY prepares its financial statements in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

All **governmental fund** revenue and expenditures are recognized on the modified accrual basis and financial resources measurement focus. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the period incurred, if measurable.

Proprietary fund revenues and expenses are recognized on the accrual basis and economic resources measurement focus. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

All **Fiduciary Funds** are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The modified accrual basis of accounting is used by all Fiduciary Funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues which are accrued include sales tax and interest income. Expenditures are recognized in the accounting period in which the liability is incurred.

Financial Management and Accounting

Organization of the Account System

General

Financial records shall be maintained in accordance with generally accepted accounting principles, applicable grant agreements, 2 CFR 200, applicable state regulations, and grant requirements.

Basis of Accounting

Financial transactions are accounted for by the use of the modified accrual basis of accounting, whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period, and expenditures are generally recognized when the related fund liabilities are incurred.

Funds and Accounting Groups

AGENCY maintains separate and distinct funds for each governmental activity.

Road Fund: The Road Fund is used to account for all revenues and expenditures associated with design, construction and maintenance of AGENCY road infrastructure. This fund is managed as a general fund used to account for all financial resources and activity not accounted for in another AGENCY fund.

Transit Operations Fund: This fund is managed as governmental funds for recording the financial activity related to the operation of the Transit agency.

Surveyor Fund: Accounts for land division activities subsidized by the AGENCY Auditor; this fund is a part of the AGENCY's General Fund. Expenditures are recognized in the period incurred, if measurable. Fees are recognized as earned, and the AGENCY Auditor deposits an amount to ensure the fund is self-balancing at year end, up to the amount budgeted in the approved and final budget.

Local Transportation Funds: This fund shall be managed as an agency trust fund to account for financial activity under Articles 3, 4, 4.5 and 8 of the Transportation Development Act.

State Transportation Assistance Funds: This trust fund shall be managed as an agency trust fund to account for financial activity under Article 6.5 of the Transportation Development Act.

Flood Control & Water Resources Funds: Special District Funds to account for financial activity of administration and flood control projects.

Sanitation District #1: The Sanitation District is an enterprise fund, and accounts for financial activities of Wastewater treatment operations.

Internal Controls

AGENCY shall organize and assign work duties and responsibilities in a way that ensures that established procedures shall require proper authorizations by designated officials for all actions taken. Both manual and automated financial systems development provide for review by qualified accounting personnel to verify the adequacy of the accounting procedures, internal controls, and audit trails. The systems covered include not only purely financial/accounting systems but also those with financial/accounting elements.

Elements of Internal Control:

The COSO Report describes the internal control process as consisting of five interrelated components that are derived from and integrated with the management process. The components are interrelated, which means that each component affects and is affected by the other four. These five components, which are the necessary foundation for an effective internal control system, include: Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

An effective control environment is an environment where competent people understand their responsibilities, the limits to their authority, and are knowledgeable, mindful and committed to doing what is right and doing it the right way; they are committed to following AGENCY's policies and procedures and its ethical and behavioral standards.

Control activities performed by AGENCY include (but are not limited to):

Adequate segregation of duties over financial transactions and assets. Duties are segregated among different people to reduce the risk of error or inappropriate action.

1) Personnel & Payroll Activities:

    a) Individuals responsible for hiring, terminating and approving promotions should not prepare payroll or personnel transactions or input data. The Director or designee is responsible for hiring, terminating and approving promotions. Payroll and personnel transactions are input by Accounting Technicians.

    b) Management reviews and approves payroll deductions and electronic time sheets before it is submitted to the AGENCY for payment, but are not be involved in preparing payroll transactions. Payroll changes are only made with a properly completed and duly authorized personnel change form. The Finance Manager approves payroll processing.

    c) Individuals involved in payroll data entry do not have payroll approval authority. The employees input their own hours into the payroll system. Their time is reviewed and approved by their immediate supervisor and then sent to the Accounting Technician to complete the Auditor's payroll control forms.

2) Other Expenditure Activities:

    a) Individuals responsible for data entry of encumbrances and payment vouchers are not to be responsible for preparing or approving these documents. Accounting technicians perform data entry; the Office Manager or Finance Manager are responsible for approving encumbrances and payment vouchers.

    b) Division Managers approve expenditure transactions. Individuals responsible for acknowledging the receipt of goods or services must also not be responsible for purchasing or payment activities. The Finance Manager is the immediate supervisor of data entry staff; and is not involved in the approval of transactions.

3) Inventories:

    a) Individuals responsible for monitoring inventories should not have the authority to authorize withdrawals of items maintained in inventory. Currently, the Inventory is managed by the Infrastructure Manager.

    b) Individuals performing physical inventory counts should not be involved in maintaining inventory records. The Infrastructure Manager both conducts physical inventory counts and maintains records, however, all records are reviewed by the Accountant or Accounting Specialist at month end and discrepancies are brought to the Finance Manager's attention and resolved.

4) Check Writing Activities:

   a) Persons preparing checks should not be signing the checks: All vouchers (checks) are prepared by the Controller/Auditor. No checks are written in the AGENCY office.

   b) Persons signing the checks should not be reconciling the checking account: Reconciliation activities are performed by AGENCY accounting staff. The Controller/Auditor has no involvement in our reconciliation activities.

5) Revenue Activities:

   a) Individuals receiving cash into the office should not be involved in authorizing bank deposits. Accounting Technicians perform the receipt of cash into the office; the Finance Manager authorizes bank deposits.

   b) Individuals receiving revenue or making deposits should not be involved in reconciling the bank accounts: The Accountant II or Accounting Specialists perform reconciliations while Accounting Technicians receive revenue and make deposits.

Other elements of internal control in place:

1) Proper authorization of transactions and activities:

   a) The department prepares an annual budget, with input from component units. The budget is submitted to the AGENCY Auditor/Controller and AGENCY Administration, and is approved by the Board of Supervisors.

   b) Specific authorization is achieved by approval of individual transactions. Management personnel with approval authority review supporting documentation and ensure that the transaction is appropriate, accurate and complies with applicable laws, regulations, policies and procedures. Unusual items are questioned prior to approval.

2) Adequate documents and records:

   a) AGENCY keeps and maintains complete and accurate financial records and prepares required reports in accordance with the uniform system of accounts and records, adopted by the Controller of the State of California. AGENCY reconciles financial information with policies that are developed by the AGENCY in its capacity as treasurer and auditor/controller.

3) Physical control over assets and records and back up of information systems' records.

   a) Management reviews annual and spot check inventory of physical assets, and staff follows up on any discrepancies from the recently prior inventory.

   b) The Information Systems Manager is responsible for ensuring weekly full backup of data, and daily incremental backup of AGENCY's servers.

4) Independent checks on performance (active senior management oversight):

a) Management compares information about current performance to budgets, forecasts, prior periods, or other benchmarks to measure the extent to which goals and objectives are being achieved and to identify unexpected results or unusual conditions that require follow-up.

b) Management reviews such information for propriety, consistency, and reasonableness. Management reviews of performance provide a basis for detecting problems.

Risk Assessment: Management continuously reviews the relevant risks of the control environment and makes adjustments as necessary to achieve the departments' goals.

Purchasing

Responsibility and Control

General Responsibility

Except as otherwise specified, the Director or designee shall be deemed responsible for all purchases of and contract execution for materials, supplies, furnishings, equipment and services required by AGENCY in the performance of daily operations. Each such purchase shall be made on behalf of the AGENCY department.

Purchase orders (POs) are prepared by an accounting technician or accountant, other than the account technician who is responsible for paying those invoices.

Expenditure Control

Once the annual operating budget has been adopted by the Board, it shall be considered the controlling plan of expenditure. As such, purchases and acquisitions shall be processed within the limitations established by the budgeted resources allocated to each object classification by the AGENCY.

Requisition, Purchasing, Procurement, and Contracting Procedures

Purchase Orders and Requisition of Supplies

The following procedures will be used: First, check with the Administrative Assistant to determine if the item needed is in stock. If the item is in stock, the responsible staff member will obtain it and deliver it. If the item is not in stock, and is needed immediately, the Administrative Assistant or Accounting Specialist will request the approval of the proper Manager to purchase the item(s).

If the item can be purchased through an existing purchase order established between the AGENCY, a vendor, i.e. Office Depot, the Administrative Assistant will place the order once they receive approval from the appropriate manager. If the item(s) must be ordered from another vendor, the Administrative Assistant will request a purchase order number from the Accounting Specialist. It is the responsibility of the Accounting Specialist to maintain the purchase order number log which will include the following information: purchase order number, staff person requesting the item, description of the item(s), vendor, and date purchased and received and purchase price.

After the purchase is made, receipts and packing slips will be returned to the responsible Accounting Technician. All merchandise will be inspected by the requestor. If the order is incomplete or unacceptable the responsible Accounting Technician will take steps to clear up any discrepancies. The receipt will then be channeled to the A/P Accounting Technician.

For minor purchases of supplies, less than $20.00 and with the prior approval of the Director or designee, an employee may purchase the item and be reimbursed for the cost by including the item on the expense sheet.

All invoices will be approved by the division manager, then given to the A/P Accounting Technician who will match the purchase order, receipt or packing slip and the invoice, and prepare the claim for the Finance Manager's signature. Once signed, the A/P Accounting Technician will send them to the Controller/Auditor's office for processing.

Procurement of Supplies and Equipment

Procurement processes are conducted pursuant to AGENCY ordinance procedures, Chapter 10 of the Local Assistance Procedures Manual (LAPM) for all Caltrans-funded projects, and Uniform Guidance 2 CFR Part 200.

Labor: Labor of any amount requires an AGENCY blanket purchase order (PO) or purchase agreement. New vendors must submit a Payee Data Record (PDR) and, if they are doing work on AGENCY property, an insurance certificate.

Materials: A purchase order is required for invoices totaling $1,000 or more, including tax and freight.

Effective July 15, 2011, the Board of Supervisors authorize the Purchasing Agent to sign Purchasing Agreements for services and Purchase Orders of equipment, supplies or materials in the amount of $25,000 or less. Contractor services for the erection, improvement or repair of public buildings or works, and/or installation work involving the bolting, securing or mounting of fixtures to a public building or works requires the AGENCY to pay prevailing wages rates if the total project cost exceeds $1,000. In most instances, the Purchasing Agent will sign a standard contract for a public project as long as the contractor is being paid prevailing wage and the contract does not exceed $6,500.

Contracts for public projects that cost between $6,500 and $10,000 require informal bidding procedures and bonding. Contracts for public projects in excess of $10,000 require formal bidding procedures, bonding, and must go to the Board of Supervisors for approval.

The Board of Supervisors hereby authorizes the Director of Public Works to make purchases of materials, supplies, equipment and rentals, and to approve agreements for contractual services for a road or bridge construction project in the amount of twenty five thousand dollars or less whenever the Director of Public Works has been authorized to construct that road or bridge project pursuant to the provisions of Sections 20395 or 20409 of the Public Contract Code of the State of California.

Professional Consultant Selection Procedure

The purpose of this policy is to establish an open, fair and competitive process for selection of qualified professional consultants to perform work for AGENCY. A Request for Proposals an (RFP) will be issued whenever there is a need for work to be performed by other than AGENCY staff.

All Requests for Proposals and Request for Qualifications will be submitted to the Director or his designee for review and approval prior to distribution outside of AGENCY. Before a department enters into an agreement for other types of contractual services in excess of twenty-five thousand dollars or not otherwise approved by the purchasing agent, except for those contractual services which are AGENCY charges such as expert witness fees, the cost of defense counsel, and the like, said agreement shall be submitted to the Board of Supervisors for its approval.

Contract Preparation and Administration

The purpose of this procedure is to establish an effective and efficient way to prepare and administer contracts and/or agreements between AGENCY and a third party.

It will be the responsibility of the Project Manager assigned to the project, and Office Manager to prepare a draft contract using the standard AGENCY contract, including date and signature lines. The draft contract/agreement shall be reviewed by the Finance Manager or Office Manager**.** If the draft differs from previously approved contracts, the draft may be submitted to AGENCY Counsel for review and approval as to form.

All contractors or subcontractors who bid or work on a public works project must register and pay an annual fee to the Department of Industrial Relations.

A contract folder shall be created, for each contract. Each contract shall be prepared utilizing the following basic elements:

- A clear and accurate identification of the parties;
- The date on which the agreement was entered into;
- A statement or series of statements explaining why consultants are being used rather than staff;

- A clear and complete statement as to the purpose of the agreement;
- A clear and complete statement of the work, service or product to be performed, rendered or provided (i.e., work activities and end products);
- A time schedule for performance and completion of the contract;
- A clear and complete statement as to the procedures that will govern progress reports; an explicit statement of the exact amount of payment and basis upon which payment is to be made;
- A project budget which itemizes expenditures and revenues of the agreement (including in-kind); and
- A contract termination date.

Contracts which were subject to the approval of the Board of Directors must also have such approval for a modification or amendment or termination, unless expressly stated as terms of the agreement and with the following exception:

> An amendment to a contract or agreement which only extends the original time for completion of performance to a date within the same fiscal year, and does not increase the monetary amount is exempt.

Contracts which were subject to the approval of the Director must have such approval for modifications, amendments of $25,000 or less and terminations. Any modification/amendment of more than $25,000 must be approved by the Board.

It shall be the responsibility of the Project Manager to monitor the progress of the work as performed by the consultant. The Project Manager shall be responsible for reporting to the Director any discrepancies which occur between the performance of the task and the requirements of the approved contract.

It shall be the responsibility of the Project Manager to monitor the fiscal arrangements of the contract. The Project Manager shall ensure that all appropriate fiscal reports are completed and maintained in accordance with the terms of the contract and acceptable accounting procedures. In addition, the Office Manager shall maintain the official signed contract and any support material. Such files shall be kept until the project has been audited.

Fixed Assets

Fixed Assets shall be defined as those items of tangible property which are of significant value ($1,500 and over), and which have a useful life of at least one fiscal year.

- A fixed asset is defined as any singular piece of equipment with a total acquisition cost equal to or greater than $1,500. The total acquisition cost shall include all costs necessary to make the inventory item operational. The charges would have been included in your original purchase order, such as purchase price, software installation, fees, taxes, and shipping.

- All assets meeting the above criteria will require a AGENCY inventory tag. An original A-100 must accompany the claim in order to process payment. Claims not accompanied by an A-100, or that do not meet the established dollar amount, will be returned to the department.
- Any item that is equal to or greater than $750, but less than $1,500 will require a AGENCY inventory tag, but does not require an A-100. Items in this category must be placed on your Misc. Inventory List.
- All electronic equipment, with the exception of low value items like calculators, keyboards, and desktop printers less than $200 in value, will require a AGENCY inventory tag, but do not require an A-100. Items in this category must be placed on your Misc. Inventory List.
- All AGENCY departments will be required to maintain Misc. Inventory Lists and will need to furnish a copy, signed by the department head, at the end of each fiscal year. This list should accompany the signed Auditor's Inventory List that is sent to departments at year end.

Capitalization

Individual inventory records shall be established and maintained in accordance with the following capitalization policy:

Equipment: All equipment is tracked by the AGENCY. Unit value shall be set at an amount equal to the original cost of acquisition, plus any costs associated with bringing the asset to an operating or useful condition. Such costs include, but are not necessarily limited to, taxes, freight, installation, testing and related costs. In cases where an asset has been acquired by gift or other means by which costs are not readily available, cost shall be established using an estimate of fair market value. All items valued in excess of $1,500, and with a useable life in excess of one year, are identified and tagged with an inventory serial number. Fixed assets are depreciated by the AGENCY's Auditor's Office, and depreciation expense is posted to departments annually. Computer equipment inventory is updated, verified and audited by the Information Technology (IT) department. Fixed asset inventory is updated, verified and audited annually by the Auditor's Office.

Cost Allocation

Cost Allocation Plan

AGENCY maintains an Indirect Cost Allocation Plan. This plan is designed in accordance with 2 CFR 200 (Uniform Guidance) and set forth in writing. The plan is used to provide for the reasonable and consistent allocation or distribution of costs to its many funding programs.

Agency Trust Funds – Transportation Development Act

Designation

Pursuant to the Transportation Development Act (Act) and this manual, AGENCY shall create and maintain the following agency trust funds:

Local Transportation Funds: These funds shall account for all financial activity generated pursuant to the Transportation Development Act, Articles 3, 4, 4.5 and 8.

State Transit Assistance Funds: These funds shall account for all financial activity generated pursuant to the Transportation Development Act, Article 6.5.

Basis of Tax Revenue Apportionments

AGENCY shall apportion all fund revenues as prescribed by the Act. Population based apportionments shall be based on the annual certified estimates developed by the California Department of Finance. Operating revenue based apportionments shall be based on the apportionment schedule prepared by the California State Controller.

Apportionment of Fund Tax Revenues

AGENCY in cooperation with the Auditors' Office shall, by Board resolution, annually determine the apportionment of fund revenues pursuant to the provisions of the Transportation Development Act. All prospective claimants shall be advised in writing of the amounts of all area apportionments for the following fiscal year.

Apportionment of Fund Interest Revenues

The AGENCY Auditors' Office shall apportion fund interest revenues to each subsidiary cash account on the basis of its average monthly balance.

Disbursement of Fund Assets

Fund assets shall be disbursed in accordance with the following procedures:

Claims: All disbursements to eligible claimants shall be supported by and in accordance with an annual written claim filed as prescribed by AGENCY TDA Rules and Regulations.

Approval: All claims shall be duly approved by Board resolution in accordance with the Act and AGENCY Rules and Regulations. A copy of the approval resolution shall be forwarded to the Auditor-Controller in support of each disbursement of fund assets.

Instruction: Disbursements of fund assets to eligible claimants shall only be made in response to a written disbursement instruction issued by AGENCY to the Auditor-Controller. Disbursement instructions shall only be issued according to written claims approved by AGENCY resolution.

Grant Tracking

Grant Activities

Grant funding source activity is managed by the division manager or designee and is tracked in the following manner: A copy of the signed grant is filed with the Office Manager. The Project Manager records all pertinent information on the grant tracking spreadsheet. This spreadsheet reports information on all funding sources including: original dollar amount of grant, beginning and ending dates, extensions of terms and amounts if any, draw downs and available balances. The grant tracking spreadsheet is updated continually and is periodically reviewed by the Director.

Revenues

Fee and Charges

AGENCY shall reserve the right to assess fees and charges for services rendered or products delivered in connection with its operation. Said fees and charges may be set at a level sufficient to recover the fully allocated cost, including direct and indirect costs related to the service of product. Fees currently assessed and charged by AGENCY to member agencies are membership dues, LTF administration and LTF planning contributions. The Board shall retain approval authority with respect to the establishment and amount of fees and charges.

Invoicing and Accounts Receivable

Unless otherwise stipulated by contract or necessity, AGENCY shall maintain its accounts receivable and invoice the accounts maintained therein on a monthly or quarterly basis. For the Road department, the Accounts Specialist is responsible for billing Caltrans for contract work. For interdepartmental charges, the Accounting Specialist prepares invoices for work performed by the Road Department for other divisions or agencies.

Final Report of Expenditures and supporting documentation for Caltrans are prepared by Accounting Technician, reviewed by the Director or Responsible Charge, and emailed to the Caltrans District Office for approval and processing. The Final Report of Expenditures reconciles all prior charges and invoices for final costs.

All LTF administration and planning contributions are invoiced before January 1 of the current fiscal year. The Director shall approve all amounts determined to be uncollectible and written off.

Deposits

Processing Deposits from Customers/Clients/Agencies

Sources

- Federal Transit Administration grants funds awarded that are reimbursable expenses submitted quarterly
- Cities and AGENCY (which is part of their match)
- State of California
  - **Local Transportation Fund (LTF)** (under the Transportation Development Act, TDA) as it relates to the ¼ % general sales tax and is deposited for each participating city.

- **State Transit Assistance fund (STA)** (under the Transportation Development Act, TDA) as it relates to the statewide sales tax on gasoline and diesel fuel and is deposited into this fund.

Recording and Tracking Payments

Payments are received as wire transfers, cash and check by walk-in and by mail. The cash and checks are recorded on receipts by the Accounting Specialist who opens the mail. The Finance Manager verifies and signs the deposit permit before the items are deposited with the AGENCY Treasurer.

Wire Transfers are recorded by AGENCY on the day the Auditor/Treasurer informs us that money is available. This is done by email and the Accountant II is alerted.

Accounting for receivables is not maintained in the accounting system. A manual ledger is maintained by the Accounting Technician, and is reconciled by the Accounting Technician and approved by the Accountant II.

Mail Receipts

A. Checks or warrants received by mail shall be immediately channeled to the Accounting Technician responsible for mail handling. The Accounting Technician shall immediately affix on the check or warrant an endorsement stamp which states the date of receipt.

B. Supporting documentation accompanying a check or warrant shall be stamped with the date of receipt.

C. The check or warrant shall be logged into a cash receipts log, and then photocopied.

D. The photocopy and original will be channeled to the Accountant; the check or warrant channeled to the Auditors Office daily with a cash receipt. Any check or warrant received after the daily deposit will be placed into the safe by the Accountant until the next working day deposit.

E. If needed, the Accountant shall identify the remittance and shall affix the proper fund number and revenue code number to the supporting documentation.

F. The Accounting Technician prepares Cash Receipt(s).

G. The Accountant (or designee) shall deposit the receipt in the AGENCY Treasury no later than the close of business on the day following receipt. In the interim, checks shall be kept in a locked place. At no time shall cash or checks be left unattended in an unsecured location.

Over the Counter Receipts

A. Payments received in the front office shall be supported by a hand-written receipt issued by a AGENCY employee at the time of transaction.

B. The Accounting Technician or Accountant shall affix the appropriate fund number and revenue code to the receipt and initial. All receipts shall be kept in a locked place for safekeeping. The Accounting Specialist will create a deposit permit in the accounting system and print out a deposit permit for the AGENCY Treasury.

C. The Accounting Technician shall deposit the receipts in the AGENCY Treasury no later than the next business day.

D. The documentation supporting this transaction shall be forwarded to the Finance Manager to verify the entry and approve it for final posting.

E. At month end, the Accountant reconciles the AGENCY Budget Reports to the cash receipts journal in the accounting system. Accounts Receivable and the General Ledger are reconciled and updated and reports are delivered to the Finance Manager.

F. The Fiscal Staff is responsible for billing and collecting receivables. An invoice is prepared for each receivable with a copy going to the customer; a copy is retained by Fiscal Staff, and a copy is delivered to the Accountant.

Expenses

Payroll

The Finance Manager, in cooperation with the payroll division, shall be responsible for administering the payroll system in accordance with these directives and applicable AGENCY procedures. In addition to established AGENCY procedures, the AGENCY payroll system shall require the following:

Every employee of the Agency completes an electronic timecard which records the actual hours worked each day or time away from work, the hours to each Project identified by activity code and project number the allocation of that day's work. The departmental supervisor approves this record the end of each period. The Payroll Accounting Technician runs a timecard audit and uses that information to fill out the Auditor Office's Payroll Control Sheets. These are reconciled and the Finance Manager verifies the information and signs before they are emailed to the Auditor's office. Indirect charges are identified by the nature of the activity performed, are necessary and beneficial to all programs, and do not correlate to a specific project. Administrative employees may charge their salaries to both direct and indirect activities. A customized query compiles staff costs into direct and indirect cost categories.

- Nonproductive (release) time is budgeted as a part of salaries & wages. As a result, separate claims for release time costs are not made. AGENCY Public Works' accounting system records release time as a direct or indirect cost in the same manner that salary costs are recorded.

Benefits

A full description of benefits is available to employees in the MOU.

Travel Reimbursement

The Director is charged with the responsibility of approving or disapproving requests for travel related to AGENCY business. All travel for AGENCY and consultant staff must follow the California Human Department of Resources (CalHR) travel rates. Out-of-state requests require approval of the Board of Supervisors. These requests shall be submitted to the Board with the Director's recommendation. The Director, or designee, shall review, verify and approve all expense claims. Out-of-state travel for more than one person per department per event shall be allowed only if approved in advance by the AGENCY Director or his/her designate.

It is the duty of the Accounting Technician to review and approve the requests, before being submitted to the Director for final approval.

All Department employees are encouraged to attend training courses pertaining to their work duties. All requests for travel and training must be approved by the employee's supervisor and Director of Public Works.

The following procedures will be used to process claims for travel and out-of-pocket expense reimbursements by employees of the Public Works Department:

1. Hotel Accommodations:

   a. Advances for 100% of the hotel costs can be made if a form is completed and processed, and payment is made directly to the hotel. If it is expected that an AGENCY car will be used for transportation to the conference, the completed form will be annotated "An AGENCY car is expected to be used for this trip" to assist the auditor in tracking the claims.

   b. Upon return, process a travel claim and include the receipt for the hotel. All claims must be properly itemized listing dates, location and the business purpose for the travel.

      The receipt for the hotel must be included, even if a 100% advance was paid directly to the hotel, as proof that you actually stayed in that hotel.

   c. Hotel costs can also be reimbursed to the employee after the fact. The employee may pay for the hotel and submit the travel claim upon your return noting the lodging costs in the appropriate space. The original hotel receipt must be attached to the claim form.

2. Seminar/Conference Registrations or AGENCY Directed Training:

   a. Advances for 100% of the seminar costs can be made if a form is completed and processed and paid directly to the hosting agency/company. An advance of 75% of the seminar costs can be made directly to the employee.

   b. Upon return, process a travel claim and include the receipt and agenda as documentation of attendance. The receipt for the seminar must be included, even if a 100% advance was paid directly to the host agency/company, as proof that you actually attended the conference.

3. Mileage

   a. Employees may use their private autos for travel on AGENCY business if the following conditions are met

      1. No AGENCY vehicle is available for use.

      2. It is impractical to use a AGENCY vehicle due to the duration or location of travel and the use of a private auto is approved by management prior to making the trip.

   b. Actual miles must be noted on the travel claim. Reimbursement will be made at the current Internal Revenue Service mileage reimbursement rate (provide mileage verification from Google Maps or Mapquest).

   c. Advance to an employee for 75% of the anticipated mileage expense may be obtained by the employee prior to departure. Upon return, a travel claim form must still be submitted to show the actual mileage on the trip even if it means no adjustment to the employee is due.

4. Meals:

All meals will be reimbursed at the CalHR per diem rules and rates. In signing the travel claim form, the employee certifies the accuracy of the information provided under penalty of perjury.

6. Other Reimbursements and General Information:

a. When an employee is required to make an out-of-pocket expenditure for an AGENCY operational need, the employee is entitled to a reimbursement. Provided the expense was pre-approved by management, the employee will simply submit a travel claim (even if the reimbursement is not travel related) along with the original receipts for the item. Please note that significant delays in payment may be experienced if prior approval by management is not obtained. Especially if the dollar amount to be reimbursed is over the Board of Supervisors authorized spending limit for AGENCY Departments.

b. Reimbursement for any item may be expected approximately 2 weeks after the submission of all required receipts and approval of a signed travel claim form. Since advances are processed in a similar fashion, please plan ahead if you will be requesting an advance.

c. The department encourages submittal of all claims for reimbursement on the next working day after your return to the area. Claims that are submitted over 90 days old may require Board of Supervisors approval prior to payment, which will delay the reimbursement.

<u>Business Meetings:</u> Regardless of location, meals and other costs incidental to the conducting AGENCY business shall be reimbursed at cost based on supporting documentation and approval of the Director. When supporting documentation is not available, a memo is required stating no alcohol was purchased and less than 15% gratuity was paid.

Accounts Payable Processing

The Accounts payable function is currently performed by two Accounting Technicians. One is responsible for "Road" department payables and the other is responsible for "special district" payables. Special district refers to Flood Control and Water Resources, Surveyor, Transportation, and Sanitation district.

- All invoices are to be mailed to Public Works' main office. Mail is opened and date stamped as it arrives by an accounting technician who also distributes the mail to appropriate parties. All invoices are distributed to the responsible manager for approval before processing the claim form to maintain control of charges.

- Only original invoices are accepted for payment. In the event that the vendor insists on electronic processing, the technician checks the accounting system to ensure the same invoice hasn't already been processed.

- Before paying any vendor, the technician ensures that there is a payee data record and 1099 on file for the vendor. New vendors are entered by the Accountant II to ensure integrity of the vendor ledger. In addition, contractors or subcontractors working on public works projects must be registered with the State Department of Industrial Relations. The Accountant II confirms that the registration is valid and current before the vendor record is created. If required, proof of insurance naming the AGENCY, its elected officials, officers, employees and volunteers as additional insured.

- The technicians review vendor invoices for accuracy by comparing charges to purchase orders or agreements. Mathematical calculations are validated, and the adding machine tape is added to the invoice package to show proof of the calculation(s). Verification of receipt of the goods being invoiced for is made by matching receiving documents to invoices.

- Each invoice is coded with the proper fund, account number, activity where indicated, project if applicable and amounts to be charged to each fund/account. Invoices are entered individually in order to maintain a complete audit trail. Batching of invoices is not acceptable.

- A copy of all contractor invoices is routed to the Sr. Civil Engineer, who will review the progress billings against the contract, and either return the invoice to the contractor for revision or approve it and return it to the Technician.

- The Director or Manager with approval authority will review the expenditure and if acceptable, affix his/her signature or initials to indicate approval.

- The special district accounting technician prepares the forms, with original documents attached, for submittal to the Auditor's Office. The Director or designee will approve the Form A-106 in the first blank next to the word "signed". A full copy of the invoice package is retained by the department for posting to the accounting system and audit trail purposes. The same process is followed for the Road claims.

- The Auditor/Controller's office cuts all checks for the AGENCY. No checks are issued directly by Public Works.

Year End Processing

General Ledger Reconciliation

Each month, the auditor's office sends via email the month end reports for Expenditures, revenues and general ledger. The Accountant II reconciles the expenditures with the Auditor's reports monthly. Any discrepancies are researched, documented, and corrected. An audit trail is printed and filed each month.

At year end, the Auditor's office will apply accrued payroll and benefits charges, which must be captured in the accounting system as well. Once both systems are in agreement, and all adjusting and correcting entries are recorded for the year, the fiscal year is closed.

Reporting

Audit Preparation and Reporting

Audits are performed by a contracted by an Independent Certified Public Accountant (CPA) firm. Each AGENCY department must report their annual expenditures for services performed through the end of the fiscal year to the Auditor/Controller. The Auditor/Controller will reconcile the expenditures to the accounting system prior to providing these records to the Independent CPA firm. The annual audits required are:

- The Consolidated Annual Financial Reports
- The Single Audit Report

The annual audits are submitted to the State Controller's Office, the Federal Automated Clearinghouse, a copy is emailed to the caltrans.federal.funds.award@dot.ca.gov inbox, and via the internet website.

Budget Administration

Purpose

The purpose of the annual budget shall be to serve as a comprehensive, detailed financial plan, which estimates annual revenues and allocates resources according to functional priorities and related expenditures. As such, the budget serves as a financial statement of annual operations.

Organization

The AGENCY shall use the program budget format. Such a format shall first involve the development of proposed work or project activities.

Contents

In addition to current budgetary requests by object class, the budget shall include comparative revenue and expense data for at least two (2) prior years. Also, a detailed organizational chart, and staffing authorization shall be included.

Fiscal Year

The annual budget shall be prepared on the basis of the July 1 to June 30 fiscal year.

Preparation, Review and Adoption

General Participation

The Board and staff management team shall jointly participate in the formulation of the annual budget. The Board shall establish overall budgetary policy, set long-term goals, assess long-term program and service needs, analyze current and anticipated financial conditions and approve the final budget. Based on Board direction, the management team shall develop programs designed to meet established goals, estimate and recommend allocation of resources, recommend program priorities and provide detailed justification and support for all requests.

Preparation

Following adoption of the budget calendar by the Board, the staff management team shall meet to discuss budget preparation within established guidelines. The management staff team shall then solicit budget requests from staff. These requests shall be consolidated into an object-classification format for purposes of review and approval. However, a detailed line-item format shall be used with respect to the presentation of data regarding salaries and benefits, consultant contracts, service and supplies and fixed assets.

Adoption

The Board shall review the proposed budget before May 1 and approve it thirty (30) days before the initiation of the new fiscal year. Such budget shall serve as the approved budget for the fiscal year.

Expenditure Control, Transfers, and Supplemental Requests

Expenditure Control

The annual budget, once approved, shall be considered the controlling financial plan for expenditures. Expenditures in excess of the Board approved budgetary control amount for each object class will not be permitted.

Budgetary Transfers

In the event that total expenditures within one or more object class are projected to be greater than the budgetary appropriation in an object class and lesser in others, a transfer of budgeted funds may be processed. Any such budgetary transfer between object classes must receive prior approval of the Board. The Director shall be authorized to approve budget transfers between accounts within a single object class.

Supplemental Requests

As soon as a required addition to the budget becomes known, the Director shall submit a detailed request and justification to the Board. This request shall include supporting documentation and recommendations regarding the means for financing.