

Key takeaways from RCAC accounting controls two-hour webinar Held on August 15, 2023

When I signed up, I was concerned that this workshop would not address tiny districts where it is not always possible to separate duties. Separation of duties is one of the main tools for internal control. Happily, they did discuss smaller districts and things that we can do.

Many of the things that they suggested ACWD already has: Accounting Policies & Procedures, Record Retention Policy, External Audit, the Bookkeeper is NOT a signer on bank account.

They did stress that just having the Policies is not enough. They must be looked at regularly and adhered to. Usually, the General Manager is the person responsible for verifying compliance with district policies.

Fostering an environment that encourages accountability and integrity is important. This is accomplished by clearly stating performance expectations in Policies, Job Descriptions, Bylaws and other district documents. They stressed the importance of employee performance reviews (something we are lacking).

With tiny districts where it is difficult to separate duties because of limited staff, the board is a good resource. While you don't want the board to "micro-manage" things, individual board members (or trusted volunteers) can be asked to handle a specific task, such as getting the mail, opening it and distributing it. This is a way to have a separate set of eyes looking at the bills and other mail.

Water utilities are most vulnerable to embezzlement in the area of cash customer payments. They suggested having a triplicate sales ticket book for cash receipts. The original is given to the customer, second copy goes with cash for deposit and the third copy stays in the book. This way all ticket numbers are accounted for and can be audited by referring to the book at any time.

Along this same vein they suggested that the billing program be audited against the accounting program by a person other than the bookkeeper periodically and that credits posted to accounts be reviewed as well.

They recommended outsourcing Payroll as a means of internal control and to ensure compliance with sick-leave rules etc. This might not be a bad idea. I have been a little nervous about some of the payroll compliance issues that change regularly.

Cross-training the accounting tasks so that at least two people know how to do everything is important for both practical reasons and for internal control.

They also suggested that the billing clerk should not handle customer complaints, because it can create a conflict for them.

Another area that they discussed is accounts payable. They recommended a procedure for adding vendors to the accounting program. (Vendor verification) We have so few vendors, that I don't think we need this. Everyone sees all the checks that are written on the Treasury report.

The Monthly Treasury report is (in my opinion) our best tool **if** the board members take the time to look at it each month. The board is responsible for verifying that beginning balances match the previous month's ending balances and that all check numbers are accounted for.

To-date the GM has been signing off on the Treasurer's report, but I think it would be better to have a board member do this since I am directly involved with overseeing the bookkeeper.

I sent a copy of the ACWD treasury report to RCAC as an idea to share with other small districts. One thing that is very good about it is that it doesn't require an accounting background to understand. This is our own "innovation" that goes back to a handwritten sheet that Donna Hauck used for the fire department and that has been refined over the years. It does have its limitations and having other controls in place is important.