

GARIBALDI COUNCIL WORK SESSION AGENDA

Monday, November 29, 2021 – 4:00-5:30 p.m.

Meeting Hall, Garibaldi City Hall, 107 6th Street, Garibaldi, OR 97118 & via Zoom

* Go to [zoom.us / join](https://zoom.us/join).

* Enter the meeting ID: 503 322 3327 / Required meeting password: 97118

* Optional call-in phone number: (253) 215-8782: enter meeting ID and password when prompted.

Objective: To determine council actions to implement the Action Plan, approved by council on November 15, 2021, to improve city financial operations. It addresses the *INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.*

I. PLEDGE OF ALLEGIANCE

II. CONVENING OF MEETING

III. COUNCIL WORK SESSION

#1: Councilor review of the monthly bank reconciliation. Options:

- Rotating councilors monthly or quarterly to review and sign off
- Assigning a councilor for each full fiscal year
- Other

#2: Monthly financial reports. Options:

- All reports in the packet (or emailed) monthly
- Select reports monthly, while others are reviewed by a liaison, reporting back to the whole
- How can financial reports be made more useable for the council?
 - Checklists of items to review for each report
 - Reports for specific purposes
 - Other

#3: Other financial processes to improve for the Action Plan, per the auditor's recommendations:

- closing process
- bank and general ledger reconciliations
- bank deposits
- purchasing limits
- payroll reconciliations
- prompt payment of taxes (to avoid penalties)
- other policies and procedures?

IV. ADJOURNMENT



BEST PRACTICES

Policies and Procedures Documentation

Document accounting policies and procedures, have an appropriate level of management and authority, and documentation of policies and procedures should be readily available to all employees.

Communication is one of the elements of, and an essential component of, a comprehensive framework of internal control.[1] One method of communication that is particularly effective for controls over accounting and financial reporting is the formal documentation of financial and accounting policies[2] and procedures. A well-designed and properly maintained system of documenting financial and accounting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff.

GFOA recommends that every government should document its financial and accounting policies and procedures. Traditionally, such documentation has taken the form of a financial and accounting policies and procedures manual. The policies and procedures manual should be in a searchable, electronic format and available on the employee portal or intranet site. To reduce the level of fraud risk, GFOA recommends that this manual should not be posted on the entity's external website.

An appropriate level of management should openly promote accounting policies and procedures to emphasize their importance and authority. The documentation of financial and accounting policies and procedures should be evaluated annually and updated periodically, at least every three years, according to a predetermined schedule. Changes in policies and procedures that occur between these periodic reviews should be updated in the documentation promptly as they occur. Governments should also update any related internal control documentation associated with the updated policy and procedure. For example, if a procedure related to cash disbursements is changed, the internal control documentation for cash disbursement should be updated accordingly. An employee who is knowledgeable about and has the responsibility for oversight of the government's procedures and internal controls should be assigned the duty of overseeing this process.¹ Management is responsible for ensuring that this duty is performed consistently, and an audit committee or governing body should oversee management's administration of the government's internal control system.

The published version of the financial and accounting policies and procedures should be readily available to all employees who need it and contain the following information:

- A date stamp to inform the user the last time the item was updated.
- A list of key control activities and delineation between authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records.
- A description of which employees (by title, as well as the identity of incumbents) are assigned to perform which procedures.
- A reference to the board policy the procedure supports.
- A practical, step-by-step explanation of how procedures should be performed rather than descriptions of controls that are vague or stated in an idealized form.
- Written as directly and succinctly as possible. Highly detailed step-by-step instructions, while necessary for employees to perform their job assignments, should not be included in the policies and procedures manual.

- Explain the design and purpose of control-related procedures to increase employee understanding of and support for controls.
 1. See GFOA's best practice Internal Control Framework.
 2. Including but not limited to accounts receivable, accounts payable, payroll, procurement, information technology, treasury, and debt management.
 3. If a group of employees are assigned to oversee this process, one employee should be ultimately responsible.

Board approval date: Friday, October 1, 2021



BEST PRACTICES

Internal Control Environment

Governments should demonstrate a commitment to the framework, assume responsibility for overseeing internal control, develop organization structures and accountability, commit to attracting and retaining competent employees, and hold individuals accountable.

In its *Establishing a Comprehensive Framework for Internal Control (Framework)* best practice, GFOA recommended that state, provincial, and local governments adopt the Committee of Sponsoring Organizations' (COSO) *Internal Control—Integrated Framework* (2013) as their conceptual basis for designing, implementing, operating, and evaluating internal control so as to provide reasonable assurance that they are achieving their operational, reporting, and compliance objectives. To support governments' efforts in this area, GFOA is developing best practices that explain how to implement each of the five components of that framework. This best practice focuses on the first of those five components, the control environment, which the COSO has defined as a set of standards, processes, and structures that provide the basis for carrying out internal control.

GFOA recommends that governments do all of the following to establish a strong internal control environment:

1. The governing body, upper level management, and all levels of staff throughout the organization should demonstrate a commitment to the framework, as follows: Officially adopt the framework (governing body);

- a. Adopt a policy to incorporate the implementation, maintenance, and updating of the framework into the government's strategic goals (governing body);
 - b. Develop standards of conduct for employees and provide training on those standards;
 - c. Require management and employees to sign a statement that they will follow the standards of conduct and to reaffirm that commitment periodically; and
 - d. Include compliance with standards of conduct as part of employee evaluations to ensure accountability.
2. The governing body should assume responsibility for overseeing internal control by:
- a. Actively overseeing management's development and implementation of the framework;
 - b. Actively monitoring the performance of the framework;
 - c. Obtaining training about the nature and purpose of internal control sufficient to allow members of the governing body to meaningfully perform their oversight function with the assistance of an expert;
 - d. Obtaining expert advice, independent of management, to help it perform its oversight function if no member of the audit committee possesses that expertise;
 - e. Establishing an audit committee made up of members of the governing body;
 - f. Documenting that it has reviewed the framework and its updates;
 - g. Approving significant control-related policies; and
 - h. Determining how often policies and procedures need to be reviewed, reaffirmed, and updated.
3. Management should develop organizational structures and ensure staff accountability by:
- a. Creating a formal organizational chart for both the government as a whole and for each of its departments;

- b. Requiring written procedures for important government processes (for example, payroll);
 - c. Developing flowcharts of each significant process;
 - d. Maintaining electronic copies of process flowcharts to facilitate updating;
 - e. Identifying responsibilities for workflow approvals in their systems; and
 - f. Making sure systems incorporate compensating controls.
4. Governments should commit to attracting and retaining competent employees by:
- a. Developing comprehensive job descriptions;
 - b. Ensuring that hiring panels include experts in the desired skill sets;
 - c. Providing opportunities for employees to gain continuing professional education to stay current in their field;
 - d. Encouraging membership in professional organizations to develop networking;
 - e. Supporting the development of succession planning;
 - f. Cross-training staff;
 - g. Thoroughly documenting the responsibilities of each position and appropriate processes for succession planning;
 - h. Providing managerial training, in addition to technical training, for staff members who will be promoted;
 - i. Requiring that supervisors give staff members hands-on training on key responsibilities; and
 - j. Developing an ongoing mentoring program to enhance employees' skills.
5. Governments should hold individuals accountable for their internal control responsibilities by:
- a. Preparing comprehensive, fact-based performance appraisals;

- b. Providing performance appraisals on a timely basis;
- c. Taking disciplinary action if conduct is not consistent with expected performance;
- d. Including internal control goals as part of employee performance reviews;
- e. Identifying zero-tolerance policies (e.g., theft) and adhering to them; and
- f. Ensuring that union agreements clearly delineate responsibilities up front.

Notes:

1. If the governing body is elected, rather than appointed, the term *governing body* would apply to both members of the governing body and the elected officials to whom they report

This best practice was previously titled Framework for Internal Control: The Control Environment.

Board approval date: Friday, January 22, 2016