

# Conservation Commission Grant Review

## Lincoln County Conservation District:

***Date Review is Performed at District Office: 9/22/04***

***Date Grant Review Results are Delivered to District: 10/13/04***

***Date Completed Review is Received Back from District:***

### **In Attendance at the District Office on the Date the Commission Grant Review was Performed:**

Deborah Skogen, Commission Grants Staff

Elsa Coffman, Bookkeeper/Admin. Assistant, Lincoln CD

David Lundgren, District Manager, Lincoln CD

### **Notes from last Grant Review** *(attach additional pages as needed)*

This is the first Commission Grant Review for Lincoln County Conservation District

### **Background**

The Commission Grant Review (CGR) is designed to be used in conjunction with the District Operations Review to ensure fiscal and programmatic accountability of Commission grant funds awarded to conservation districts. CGRs reinforce sound grant accounting methods and procedures, and identify opportunities for making improvements.

Known as Internal Controls, the grant accounting methods and procedures utilized by the district should ensure that:

- Grant expenditures and commitments comply with applicable law;
- Assets acquired with grant funds are safeguarded against waste, loss, unauthorized use, and misappropriation; and
- Grant transactions are recorded properly so that reliable financial and statistical reports can be prepared and accountability for assets is maintained.

The absence of adequate Internal Controls increases the district's risk of noncompliance with laws or regulations, of producing unreliable accounting data, loss from fraud, and incurring district embarrassment.

Conservation Commission grant funds administered by Conservation Districts are public funds and, as such, are subject to State Auditor and Conservation Commission [89.08.070(12)] policies and procedures. The chart of accounts and procedures contained in the "Budgeting, Accounting and Reporting System (BARS) for Conservation Districts" are prescribed for all conservation districts by the State Auditor's Office under RCW 43.09.200. (Conservation District Procedure Manual, Appendix N)

This Commission Grant Review utilizes "Specific Internal Control Standards" that are prescribed by the State Auditor in the BARS Manual, page 5-2, as its foundation. The following questions are categorized into the relevant Specific Internal Control Standards, and incorporate BARS Manual accounting principles and procedures, and Conservation Commission Grant Program administrative procedures.

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## SPECIFIC INTERNAL CONTROL STANDARDS

**1) DOCUMENTATION – TRANSACTIONS AND OTHER SIGNIFICANT EVENTS ARE TO BE CLEARLY DOCUMENTED, AND THE DOCUMENTATION IS TO BE READILY AVAILABLE FOR EXAMINATION.**

	Required?	Questions	Answers
A	BARS Manual	Is the grant contract file in one centralized place in the district office?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
B	BARS Manual	Does each expenditure in a grant voucher have supporting documentation in the form of invoices, billings, etc.?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
C	CC Grants Administrative Procedures	Does the in-kind / match claimed on a grant voucher have supporting documentation?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
D	BARS Manual	If the district utilizes a credit/debit card for grant related purchases, are original receipts available for all card purchases?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
E	Advised	Are copies of grant activity reports kept in the grant file?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
F	CC Grants Administrative Procedures	Does the district use a cost share application and agreement with all landowners receiving cost share?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
G	Advised	Are original cost share application and agreements for all landowners receiving cost share kept in the district office?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
H	BARS Manual	Does the district utilize a receipting system that provides either a manual, pre-printed, pre-numbered, duplicate receipt, or an accounting software-generated, non-alterable receipt?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
I	BARS Manual	Are assets purchased with grant funds tagged and inventoried according to the district's policies and procedures?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
J	RCW 89.08.220 (4)	Does the district have written agreements with other governmental agencies covering interlocal costs when used as in-kind contributions for grant match?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
<b>Comments:</b>			

**2) RECORDING OF TRANSACTIONS AND EVENTS – GRANT TRANSACTIONS AND OTHER SIGNIFICANT EVENTS ARE TO BE PROPERLY CLASSIFIED AND PROMPTLY RECORDED.**

	Required?	Questions	Answers
A	Advised	Does your district participate in Electronic Funds Transfer (EFT) of grant reimbursements?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA
B	Bars Manual	For EFT deposits, does the district prepare a receipt upon receiving notice from the state that the funds have been transferred in the district's bank account?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA

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C	BARS Manual	Are reimbursement checks received in the mail reviewed for accuracy against the grant voucher?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> NA
D	BARS Manual Pg 5-7	Are board approved disbursement check numbers recorded in the meeting minutes, or included as an attachment?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> NA
E	BARS Manual	Does the district use BARS codes for the purposes of reporting all grant transactions?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> NA
F	BARS Manual	Are all incoming grant reimbursements noted in an official, numbered receipt book or accounting software capable of producing receipts?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> NA
G	Advised	If the district uses composite rates for grant vouchering, are they current?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> NA
H	Advised	Does the district reconcile gas receipts to travel logs?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> NA
I	CC Grants Administrative Procedures	Does the district consistently voucher for grants at least quarterly, but no more frequently than monthly?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> NA
J	Grant Contract	Is the district up to date in reporting grant activities?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> NA
K	BARS Manual	Are grant reimbursement checks received by the district restrictively endorsed "For Deposit Only" immediately upon receipt?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> NA
L	BARS Manual	Are grant reimbursement checks and money collected and/or received deposited within 24 hours of receipt?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> NA
M	RCW 39.58	Are all deposits made into a public depository?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> NA
<p><b>Comments:</b></p> <p>A. The district has EFT accounts set up for Ecology and NRCS grants.</p> <p>B. Receipts are prepared for all money received, including EFT deposits.</p> <p>H. NRCS vehicles are available for district use. Reimbursement of mileage expense is requested with a Travel Expense voucher.</p>					

**3) EXECUTION OF TRANSACTIONS AND EVENTS – TRANSACTIONS AND OTHER SIGNIFICANT EVENTS ARE TO BE AUTHORIZED AND EXECUTED ONLY BY PERSONS ACTING WITHIN THE SCOPE OF THEIR AUTHORITY.**

	Required?	Questions	Answers		
A	CC Grants Administrative Procedures	Does the district have a current Authorized Signatures form on file with the Commission for each of its grants?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> NA
B	RCW 89.08.210	Are all persons who handle grant funds appropriately bonded?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> NA
C	Advised	Does the district have a board-approved, written cost share policy that includes policies and procedures for prioritizing and awarding landowner cost share requests?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> NA
D	RCW	If the district utilizes credit/debit cards for grant related purchases, does the district have board-approved, written policy and	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> NA

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	43.09.2855	procedures for card usage?	
E	BARS Manual	Does the district have board-approved, written policies and procedures for an Asset Management System?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA
F	BARS Manual	Does the district have board-approved, written policy for reimbursement of board and employee travel expenses.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
G	BARS Manual	If the district utilizes a petty cash fund, has it been authorized by board resolution?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> NA
H	Advised	Does the district have board-approved, written policies and procedures for contracting?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> NA
I	CC Grants Administrative Procedures	After installation of cost shared practices, is final implementation checked and certified by the appropriate personnel on the cost share agreement?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA

**Comments:**

C. The district doesn't have a written cost share policy, but uses the Agriculture Conservation Practice handbook for ranking and prioritizing cost share practices.  
 E. The district does not have a policy, but tags items purchased and maintains a list for insurance purposes.  
 G. The district does not have a petty cash fund.  
 H. The district does not contract out for services.

**4) SEPARATION OF DUTIES – KEY DUTIES AND RESPONSIBILITIES IN AUTHORIZING, PROCESSING, RECORDING, AND REVIEWING TRANSACTIONS SHOULD BE SEPARATED AMONG INDIVIDUALS.**

Required?	Questions	Answers
A	BARS Manual Is there a system for an independent review of bank deposits in addition to the initial review done by the bookkeeper/accountant who prepares the deposit to ensure that grant reimbursement checks match up to bank deposits?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
B	BARS Manual Does the district board approve grant related expenditures during a board meeting?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
C	BARS Manual Is the board approval of expenditures entered into the board meeting minutes?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
D	BARS Manual Are there two signatures on all checks?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
E	RCW 89.09.215 Does the district auditor sign all checks?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
F	Advised Are checks always filled out before being signed?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
G	Advised Are all travel vouchers completed and signed by the traveler, then reviewed and signed by supervisory personnel?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
H	Advised Are all timesheets completed and signed by the employee, then reviewed and signed by supervisory personnel?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA

**Comments:**

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**5) SUPERVISION – QUALIFIED AND CONTINUOUS SUPERVISION IS TO BE PROVIDED TO ENSURE THAT INTERNAL CONTROL OBJECTIVES ARE ACHIEVED.**

	Required?	Questions	Answers
A	RCW 89.08.215 2 <sup>nd</sup> paragraph	Does the board receive, understand, and approve monthly district treasurer reports that include all grant reimbursement deposits and checks by number, payee, and purpose?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
B	Advised	Is the liability for sick and vacation hours earned by employees tracked and reported at least quarterly to the board of supervisors?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA
<p><b>Comments:</b>                      B. The liability for sick and vacation hours earned by employees is tracked internally. However, this information is not shared with the district board on a regular basis.</p>			

**6) ACCESS AND ACCOUNTABILITY FOR RESOURCES – ACCESS TO RESOURCES AND RECORDS IS TO BE LIMITED TO AUTHORIZED INDIVIDUALS, AND ACCOUNTABILITY FOR THE CUSTODY AND USE OF RESOURCES IS TO BE ASSIGNED AND MAINTAINED.**

	Required?	Questions	Answers
A	Bars Manual	Are cash receipts properly protected during the day?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
B	Bars Manual	If cash receipts cannot be deposited that day, are they locked up overnight?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
C	Grants Program Administrative Procedures	Are all Basic Funding expenditures “Allowable Costs”?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
D	BARS Manual	Is the district checkbook kept in a secure locked place with access limited to the appropriate bonded personnel?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
<p><b>Comments:</b></p>			

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## TESTING OF TRANSACTIONS

<p><b>1) Cost Share Agreements</b> – Perform a random check of two different landowner cost share agreements to review for signatures, backup documentation, verify reimbursements were not made before date application approved by district chair, etc.</p> <p>COMMENTS: Cost share applications and backup documentation checked out OK.</p>
<p><b>2) Travel Vouchers</b> – Perform a random check of two different employee/supervisor travel vouchers for two signatures, backup documentation, completeness, etc.</p> <p>COMMENTS: Travel Expense vouchers checked out OK.</p>
<p><b>3) Composite Rates</b> – Perform a random check of two different employee composite rate sheets for completeness, accuracy, are they up to date?</p> <p>COMMENTS: Composite rate sheets for employees are updated as needed and on file with grant files.</p>
<p><b>4) Employee Time Sheets</b> – Perform a random check of two different employee time sheets for employee name, time period covered, hours worked on each grant, by activity, sick leave, annual leave, holidays, and compensatory/exchange time taken, signature of employee and date, and signature of supervisor and date.</p> <p>Verify for districts that are Technical Assistance Providers for NRCS that timesheets reflect hours spent for TSP work.</p> <p>COMMENTS: The district does not participate in the Technical Assistance Provider program. Time sheets reviewed were OK.</p>
<p><b>5) Grant Vouchers</b> – Perform a random check of two grant vouchers – track voucher through board authorization of expenditures in the district meeting minutes, verify backup, track cost share reimbursements to landowners / vendors payments through actual mailing of check.</p> <p>COMMENTS: Random check of cost share reimbursements checked out. The Financial Report attached to board meeting minutes includes a list showing the check number, payee, and date of payment.</p>
<p><b>6) Grant Reimbursement Warrants</b> – Perform a random check of two grant reimbursements – track warrant from receipt by district to deposit into bank. Is it reflected in the monthly Treasurer’s Report? Was the deposit made within 24 hours of receipt?</p> <p>COMMENTS: The district still gets cancelled checks with the bank statements. Paper trail for deposit of funds checks out with receipt book entries.</p>
<p><b>7) Basic Funding</b> -- Review Basic Funding expenditures documentation – are the expenditures “allowable” as defined in the CC Grants Administrative Procedures?</p> <p>COMMENTS: Basic funding is used for grant approved expenses including meeting refreshments, advertising, and copy machine rental.</p>
<p><b>8) Vehicle Logs</b> – Perform a random check of two grant vouchers containing mileage against district vehicle log. Verify method used for grant reimbursements (actual costs or mileage).</p> <p>COMMENTS: The district does not use vehicle logs for agency vehicle use. Employees use a travel expense voucher to record trip mileage.</p>
<p><b>9) Site Visits</b> – Visit at least two sites to view projects implemented with Commission grant funds.</p> <p>COMMENTS: Grassed water ways were viewed at both Mike Kunz and Loren Houger farms.</p>



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Mike Kunz farm above – Grassed water way to help minimize soil erosion from runoff – not yet planted.



Loren Houser Farm above and to the right – Grassed water way to help minimize soil erosion from runoff.



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## SUMMARY AND RECOMMENDATIONS

### GRANT REVIEW SUMMARY & RECOMMENDATIONS:

It was a pleasure meeting David Lundgren and Elsa Coffman to do their first Commission Grant Review. The value of the questions, discussion, and feedback generated by the Grant Review goes far beyond what is captured in the review and summary below.

The following issues and recommendations are provided as an opportunity for the district:

**Issue 1 – Section 2, Question A** – Does your conservation district participate in Electronic Funds Transfer (EFT) of grant reimbursements?

**Comment** – The district does currently participate in EFT with Ecology and NRCS grants. An application was provided for their use.

**Recommendation** – This is not required, but the district was encouraged to use for EFT for all Commission grants.

**Issue 2 – Section 3, Question C** – does the district have a board-approved, written cost share policy that includes policies and procedures for prioritizing and awarding landowner cost share requests?

**Comment** – The district does not have a cost share policy in place, but used the Agriculture Conservation Practice handbook for cost share practices.

**Recommendation** – This is not currently a requirement, but to safeguard the district, it is recommended that they develop written policy and procedures for distribution of cost share funds. A sample policy developed by Kitsap Conservation District was provided for review.

**Issue 3 – Section 3, Question E** – does the district have board-approved, written policies and procedures for an Asset Management System?

**Comment** – Currently, items purchased with grant funds are tagged and a list is maintained for insurance purposes. Items are purchased only with prior board and grant approval.

**Recommendation** – This is a requirement in the Budget Accounting and Reporting System Manual (BARS) (see Page 5-11 through 5-14). The district should develop an Asset Management System to comply with this requirement from the State Auditor. A sample policy was provided.

**Issue 4 – Section 5, Question B** – Is the liability for sick and vacation hours earned by employees tracked and reported at least quarterly to the board of supervisors?

**Comment** – The liability for earned employee sick and vacation hours is tracked internally, but is not available to the board of supervisors on a regular basis.

**Recommendation** – The board of supervisors should be advised at least quarterly about the district's liability for sick and vacation hours earned by employees.



# Conservation Commission Grant Review

## COMMUNICATION OF GRANT REVIEW RESULTS TO CONSERVATION DISTRICT BOARD & STAFF

### CONSERVATION COMMISSION:

The checked box indicates which of the following methods was used to deliver a Commission-signed, hard copy of the Commission Grant Review results to conservation district board members and staff.

- 1) Commission staff presented the Grant Review results to the district board and staff at a regular district meeting.
- 2) Commission staff mailed the Grant Review to the district.

\_\_\_\_\_  
Commission Staff

\_\_\_\_\_  
Date

### CONSERVATION DISTRICT:

I hereby certify that 1) A Commission-signed, hard copy of the Grant Review was received by the conservation district; 2) The Summary and Recommendation sections of the Grant Review were reviewed and discussed at the \_\_\_\_\_ (month) district board meeting; 3) The Grant Review discussion is reflected in the minutes of that meeting; and 4) The district's response is included in the section below or attached as a separate letter.

\_\_\_\_\_  
Conservation District Board Member

\_\_\_\_\_  
Date

### Conservation District Comments:


*(Attach additional pages as necessary)*