



Presentation Requested:

i Assistance to and
relationship building

with conservation districts
boards

By Washington State Conservation
Commission – Field Staff (Regional Managers)

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Topic: **Building Relationships in WA with**

i Internal Audits

and

i District Operations Reviews
(DOR)

What are some \$\$\$\$ Red Flags ?



For potential financial problems
for Conservation Districts





What are some \$\$\$\$ Red Flags ?



Your
Thoughts?

Some \$\$\$\$ Red Flags:

mismanaged petty cash.



"secret" district bank accounts

improper cash and check receipts

District grants without CD approval

Some \$\$\$\$ Red Flags:

checks written to a person vs the district



false invoices for products-paid to unknown accounts

Selling district-owned property without approval

Some \$\$\$\$ Red Flags:



Excessive credit limits and lack of accountability for credit card

Allowing 1 individual to withdraw or transfer funds from accounts

Overly trusting employee
(should “Trust but Verify”)





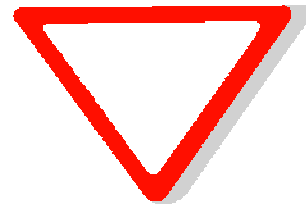
How do Districts reduce
the risk of these problems?





Reduce Financial risk by:

1. separating duties
2. system of checks and balances.
3. proper controls.





Checks and Balances and Control Mechanisms

INTERNAL

- ı daily supervision of staff
- ı separation of duties
- ı oversight by district manager
- ı Oversight by district board



Checks and Balances and Control Mechanisms

EXTERNAL

- annual reviews by Commission,
- regular audits by State Auditor.



CONTROL MECHANISMS

DAILY / WEEKLY

- * Day-to-day supervision of staff
- * Separation of duties



CONTROL MECHANISMS

MONTHLY

- * Auditor (Financial Supervisor) disburses checks
- * Treasurer (Staff Person) reports to board
- * Board reviews all transactions
- * District provides minutes and treasurer reports to Commission



CONTROL MECHANISMS

ANNUALLY

- * Internal audit (RCW 89.08.210)
- * District Operations Review (DOR)



CONTROL MECHANISMS

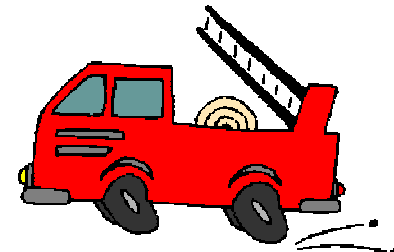
REGULARLY

* Audit by State Auditor



We help Districts stay out of trouble
and *help them when get into trouble.*

We “Provide Assistance to”
& “build relationships”
with Districts by helping
them to have proper controls.





Two of Washington's Annual CONTROL MECHANISMS

- * Annual Internal audit
- * Annual District Operations Review (DOR)



Internal Audit Introduction says:

. . . .An internal audit performed every year assures that **board members** remain **aware of** the way **district business** is transacted & recorded.

(AS WELL AS THE REGIONAL MANAGER)

Annual Internal Audit Form

Document11 - Microsoft Word

File Edit View Insert Format Tools Table Window Help

100%

Times New Roman 12

Page 1

Reference	Question	Answer
A - ACTIONS AND REPORTS		
RCN 00.02.219	1. Are official minutes of all regular and special board meetings available for review?	☐ Yes ☐ No ☐ NA
RCN 00.02.219	2. Are motions made, seconded, and passed (or not passed) recorded in minutes?	☐ Yes ☐ No ☐ NA
Best practice	3. Are resolutions kept safe by storing your decision book with the minutes?	☐ Yes ☐ No ☐ NA
BAR3	4. Are boarder journals included with minutes?	☐ Yes ☐ No ☐ NA
B - PROTECTION OF PUBLIC FUNDS AND ASSETS		
BAR3	5. Are all bank or vendor accounts only in the name of the conservation district?	☐ Yes ☐ No ☐ NA
Best practice	6. Do all checks or the similar name of the district go into district name?	☐ Yes ☐ No ☐ NA
BAR3	7. Are all authorized signs on those accounts correct?	☐ Yes ☐ No ☐ NA
RCN 00.03.0	8. Are all funds held in approved financial institutions?	☐ Yes ☐ No ☐ NA
DARD	9. Are all checks into federal public funds or sign checks adequately bonded?	☐ Yes ☐ No ☐ NA
BAR3	10. Are original certificate bonds available for review?	☐ Yes ☐ No ☐ NA
C - REVENUES AND RECORDING		
BAR3	11. Is money received from all sources accepted in the receipt book?	☐ Yes ☐ No ☐ NA
BAR3	12. Is one order displayed note on the receipt book, check, or bill of sale receipt?	☐ Yes ☐ No ☐ NA
Best practice	13. Do receipts for EFTs and other EARS added?	☐ Yes ☐ No ☐ NA
Best practice	14. Does the treasurer purchase DARD online and make up a receipt?	☐ Yes ☐ No ☐ NA
BAR3	15. Is the District name printed on receipts?	☐ Yes ☐ No ☐ NA
BAR3	16. Are receipts in the receipt book signed and numbered?	☐ Yes ☐ No ☐ NA
Best practice	17. Is a receipt book on a separate file or receipt?	☐ Yes ☐ No ☐ NA
DARD	18. Are receipts held in secure bags or similar secure containers and deposited?	☐ Yes ☐ No ☐ NA
BAR3	19. Are Javaca (state) the same day as received?	☐ Yes ☐ No ☐ NA
Best practice	20. Are receipts kept by the treasurer or other the person and receipt for money?	☐ Yes ☐ No ☐ NA
D - DISBURSEMENTS AND RECORDING		
BAR3	21. Are funds only released after approval by the Conservation District board?	☐ Yes ☐ No ☐ NA
BAR3	22. Are all disbursements accounted for including unused/wasted canceled checks?	☐ Yes ☐ No ☐ NA
Best practice	23. Are voided checks properly stored and available for inspection?	☐ Yes ☐ No ☐ NA
BAR3	24. Do cancelled checks remain in receipt book and run out?	☐ Yes ☐ No ☐ NA
Best practice	25. Is a release one necessary to make checks voided/unused?	☐ Yes ☐ No ☐ NA
Best practice	26. Are forms and table of cancelled checks available for inspection?	☐ Yes ☐ No ☐ NA



Washington's Conservation District Internal Audit **INTRODUCTION**

- ; What is an internal audit?
- ; Required by RCW89.08
- ; Required Yearly
- ; Recommendation
- ; Risks
- ; Format and steps



Washington's Conservation District Internal Audit **7 QUESTION CATEGORIES**

A – ACTIONS AND REPORTS

B – PROTECT PUBLIC FUNDS / ASSETS

C – REVENUES AND RECORDING

D – DISBURSEMENTS AND RECORDING

E – PAYROLL AND TAX RECORDS

F – PETTY CASH

G – TRAVEL, CREDIT CARDS, DEBT



Washington's Conservation District Internal Audit **QUESTION GUIDANCE**

Example:

- i SECTION A: Actions and Reports
- i *Question 1 – Are minutes of all open board meetings available for review?*
- i RCW 89.08.210 says, in part: “supervisors shall provide for the keeping of a full and accurate record of all proceedings, resolutions, regulations, and orders issued or adopted.”
- i Meetings of conservation district boards are subject to the Open Public Meetings Act (RCW 42.30) which requires regular and special meetings to be open to the public.



Washington's Conservation District Internal Audit **ACTION PLAN**

H – ISSUES AND ACTION PLAN

Issue & what to do to resolve it.	By Who	By when



Washington's Conservation District Internal Audit **REPORT FORM**

- i Only the Report Form sent to commission saying audit done.
- i Includes a statement from the audit members.
- i Audit member signatures.



DOR = (District Operations Review)

Another Annual Control Mechanism:

The DOR

done with Regional Managers



DORs are designed to:

- i Help **build District capacity** by reinforcing sound operational procedures and identifying opportunities to improve District operations



DORs are designed to:

- i **Strengthen accountability** by reviewing operating procedures under applicable local, state, and federal laws, regulations, and policies



DOR – Introductory Page

Background

i Statement of Purpose



DOR – Question Categories

DISTRICT CAPACITY

OPERATIONS

PERSONNEL POLICIES AND
PROCEDURES

BIG THREE LAWS

REPORTING



DOR – Actions

- i EXIT CONFERENCE COMMENTS
to help both District & Commission
- i DOR Action Plan
Action / Who / When



The **Internal Audit** and the **DOR** assist the District to do their job and can help build a relationship when the Regional Managers help them.



Questions?

Comments!