

CONSERVATION DISTRICT OPERATIONS AUDIT:

A conservation district's self-guide to better operations

Montana conservation district (CD) law (76-15-101 through –810, MCA) as well as laws pertaining to political subdivisions, set standards for conservation district operations in the areas, financial management, personnel management, and 310 administration.

Below is a checklist to be used to self-audit your CD programs to ensure compliance with standards outlined in the law. The checklist also includes many practices that are recommended. While those practices are not required by law, they are recommended to ensure that CDs operate in a fair manner or to safeguard public funds.

CD supervisors and employees are encouraged to sit down together and go over this list. Steps should be taken to implement any items where “No” was checked – especially if it is required by law. This list was developed to help CDs comply with the myriad of laws pertaining to them and is for your own use to improve your operations. It will be a lengthy review process, so you may want to break it up into management segments. But it is important that you go through the entire checklist.

This list may not be all-inclusive, as other laws may apply.

District Operations

Several sections of the law direct how conservation districts are formed, how supervisors are elected, how they operate. The section below deals mostly with these general operations, however, CD law contains a more detail about CD's authority to participate in a wide variety of natural resource issues. Those specific authorities are not included in this checklist.

DISTRICT OPERATIONS	YES	NO	COMMENT
Each supervisor has taken an oath of office for each term. <i>Required – 2-16-212, MCA.</i>			
Supervisors are nominated and elected at large. <i>Required – 76-15-30 and 76-15-303, MCA.</i>			If incorporated towns are within the district, the municipalities appoint two additional supervisors after consultation with the supervisors (76-15-311).
Urban supervisors are reappointed and take an oath of office every three years. <i>Required – 76-15-31 and 2-16-212, MCA.</i>			
If the CD requires a supervisor to live in the area he/she represents, a residency			A certified copy of a residency ordinance must be filed with the clerk and recorder's office and with DNRC's Conservation Districts Bureau.

DISTRICT OPERATIONS	YES	NO	COMMENT
ordinance was adopted. <i>Required -- 76-15-301, MCA.</i>			
A chairman is elected each year. <i>Required -- 76-15-313, MCA.</i>			76-15-313 only refers to electing a chairman, but CDs typically elect other officers, such as vice chairman and treasurer, at this time.
Officers are rotated on a regular basis. <i>Recommended.</i>			
Orientation is provided for new supervisors. <i>Recommended.</i>			Orientation materials should be available in the CD office.
Meeting dates are publicly noticed and are open to the public. <i>Required -- 2-3-201 through 221, MCA.</i>			
Code of Ethics – Supervisors disclose possible conflicts of interest. <i>Required -- 2-2-101 through 144, MCA.</i>			Supervisors are required to file a report stating the possible conflict with the Secretary of State or to abstain from business where conflicts could occur. Additionally, a supervisor must state for the record the nature of the conflict at the time of performing the act.
Code of Ethics – CD employees or supervisors do not accept personal gifts exceeding \$50 in value. <i>Required -- 2-2-101 through 144, MCA.</i>			
Nepotism – CD supervisors do not hire their relatives. <i>Required -- 2-2-301 through 303, MCA.</i>			Nepotism is prohibited.
Meeting minutes contain the date, time, place, and list of attendees. <i>Required -- 2-3-212, MCA.</i>			
Meeting minutes are officially approved. <i>Recommended.</i>			Minutes should be signed by the chairman and attested to by the secretary, if there is such a position, or by another supervisor.
Meeting minutes are kept permanently. <i>Required -- 2-6-401 et</i>			See CD records retention schedule 9 on this website: sos.state.mt.us/css/rmb/

DISTRICT OPERATIONS	YES	NO	COMMENT
<i>seq., MCA.</i>			local_forms.asp
Minutes, rules, forms, contracts, and other documents are sent to DNRC and MACD. <i>Required -- 76-15-315, MCA.</i>			The requirement is to send copies to DNRC; sending copies to MACD recommended.
No official business is conducted without a quorum. <i>Required -- 76-15-313, MCA.</i>			A quorum is a majority of the board, not a majority of those present.
Supervisors attend meetings regularly or are excused from attending if meetings must be missed. <i>Required -- 76-15-312, MCA.</i>			Supervisors are automatically removed from office for three consecutive unexcused absences.
Planning – The CD board is actively involved and participates in developing annual and long-range plans. <i>Recommended.</i>			A CD is more effective if the supervisors know what they want to accomplish.
Plans are reviewed and updated regularly. <i>Recommended.</i>			Date last annual plan was revised _____ Date last long-range plan was revised _____
CD records and files are disposed of only according to CD records retention schedule. <i>Required -- 2-6-403, MCA.</i>			See CD records retention schedule 9 on this website: sos.state.mt.us/css/rmb/local_forms.asp
CD has a current handbook where basic information about the CD is kept. <i>Recommended.</i>			Make it easy on your successors and put important district information in one place.
CD supervisors are aware of their liability, protections, and exposures. <i>Required -- 2-9-101 through 318, MCA.</i>			
CD has a current inventory of equipment and other property owned by the CD. A policy is in place to ensure that property is			

DISTRICT OPERATIONS	YES	NO	COMMENT
protected from theft and personal use. <i>Recommended.</i>			

Financial Management

CD supervisors are responsible for the safekeeping and lawful expenditure of all funds collected – no matter the source. CD supervisors have the duty to protect CD funds and equipment from theft, loss, or misuse. Because CDs usually have only one employee, it is difficult to separate financial duties, which is the normal safeguard to protect funds from theft. This makes supervisor oversight and review of monthly reports, statements, and other financial information more important.

Listed below are standards that are either required by law or recommended to implement checks and balances to safeguard the public's resources that are entrusted to the CD.

FINANCIAL MANAGEMENT	YES	NO	COMMENT
Checks always have two supervisor signatures. <i>Required -- 76-15-525, MCA.</i>			
Blank checks are not signed ahead of time in anticipation of expenses that arise between CD meetings. <i>Recommended.</i>			It is not good internal control procedure to sign blank checks. This is an area of risk.
The treasurers' report is reviewed at the board meeting and documented in minutes. <i>Recommended.</i>			
An audit or outside review of the CD's books is conducted annually. <i>Required -- 76-15-315 (4), MCA.</i>			
CD complies with the Single Audit Act requirements of an audit if total revenues exceed \$200,000. <i>Required -- 2-7-503, MCA.</i>			The auditor must be a CPA on the Department of Administration's (DOA) roster (2-7-506, MCA). The audit must be contracted for through the DOA using a standard prescribed contract signed by the CD chairman and DOA.

FINANCIAL MANAGEMENT	YES	NO	COMMENT
Audits are performed regularly.			Date last audit was performed _____
Support documentation, such as receipts, invoices, claims, and travel vouchers, are required for every expenditure and are kept on file to prove that expenses are legitimate. <i>Recommended – Good Internal Accounting Control Procedures.</i>			
All individuals with access to CD funds are bonded. <i>Required -- 76-15-315 (4), MCA.</i>			
The person who writes checks is a different person from the one who receives funds, reviews bank statements, and prepares monthly financial reports. <i>Recommended – Good Internal Accounting Control Procedures.</i>			Separation of duties.
Someone other than the person handling funds reconciles bank statements regularly. <i>Recommended – Good Internal Accounting Control Procedures.</i>			Separation of duties. Preferably the treasurer would be the one to receive the bank statements and reconcile them.
All financial transactions (including savings account deposits and investments) go through one checking account. <i>Recommended – Good Internal Accounting Control Procedures.</i>			Having only one source of records makes it easier to track all CD's financial transactions.
Only state rates are used for travel reimbursement for supervisors. <i>Required -- 76-15-313 (3) and 2-18-501, MCA.</i>			

FINANCIAL MANAGEMENT	YES	NO	COMMENT
Supervisors do not receive compensation (except mileage and other expenses such as meals, if any) for attending regular monthly meetings of the board. <i>Required -- 76-15-313 (3), MCA.</i>			
Funds are used only for lawful purposes (related to CD law) in a manner appropriate for governmental spending. <i>Required 76-15-501, 76-15-503, MCA.</i>			For example, funds may not be used for gifts, campaign contributions, or for any expenses outside conservation district business.
Contracts and legal documents are signed only by the supervisor with authority to sign for board. <i>Recommended – Good Internal Accounting Control Procedures</i>			Separation of duties. Note: DNRC requires a supervisor's signature on contracts and invoices for grant payments.
Rubber stamps with a signature are not used for signing contracts, invoices, or other financial documents. <i>Recommended – Good Internal Accounting Control Procedures.</i>			Rubber stamps should not be used. This is an area of risk.
Petty cash has no more than \$50. <i>Recommended – Good Internal Accounting Control Procedures.</i>			
Petty cash – 1) ledgers are kept, and receipts are required for use. 2) Board oversight is required. 3) Funds are safeguarded from personal use. <i>Recommended – Good Internal Accounting Control Procedures.</i>			Petty cash accounts are an area of risk and require oversight.
Savings Accounts – Large savings accounts are not			Public money should be put to use to benefit the public.

FINANCIAL MANAGEMENT	YES	NO	COMMENT
allowed to accumulate indefinitely without a specific plan to put the funds to use locally. <i>Recommended.</i>			
Savings Accounts – Funds or interest from accounts are used to fund CD operating budget or projects regularly. <i>Recommended.</i>			
Savings Accounts and Certificates of Deposit – Records are kept with the location of accounts and account balances known to each supervisor. <i>Recommended.</i>			
Checks and receipt books are kept locked. <i>Recommended.</i>			
1099s are completed for payments over \$600 a year that are made to individuals (including supervisors) or contractors. <i>Required – Internal Revenue Service</i>			
Receipts for incoming payments are recorded and can be traced to bank deposits. <i>Recommended.</i>			
Financial reports are submitted annually to Department of Administration. <i>Required -- 2-7-503, MCA.</i>			
CD requires 1) proof of independent contractor status, and 2) that a contractor is licensed and insured before			This is important to protect the CD from liability if a contractor should be injured while working for a conservation district.

FINANCIAL MANAGEMENT	YES	NO	COMMENT
work is conducted. <i>Recommended.</i>			
CD gives preference to Montana vendors. <i>Required -- 18-1-102, MCA.</i>			

Personnel Management

Because most CD employees are located in Natural Resources and Conservation Services (NRCS) offices, a tendency of some conservation districts is to leave personnel management issues to NRCS. However, CD employees are the sole responsibility of conservation districts – even day-to-day supervision must not be delegated to NRCS. CDs should strive for an amiable working relationship with whomever the CD employee shares space with, but must realize that supervision cannot be delegated. While, as a professional courtesy, each agency may share information regarding schedules, etc., one agency does not “answer” to the other.

It is highly recommended that CD supervisors adopt personnel procedures and policies, know what is in these policies, and strictly adhere to them. The checklist below outlines only some of the recommendations and laws pertaining to CDs. DNRC has a model personnel policy for conservation district use, which is more thorough than the items listed below. Going over these items together will be helpful in identifying some of the most significant personnel management issues.

PERSONNEL MANAGEMENT	YES	NO	COMMENT
At least one supervisor is appointed to handle personnel matters. <i>Recommended.</i>			
Supervisors have training in personnel management. <i>Recommended.</i>			
CD has a written, current personnel policy. <i>Recommended.</i>			
Current, accurate job descriptions are in place for each CD employee. <i>Recommended.</i>			
Signed time sheets (not calendars) are required and are reviewed and signed by a board member at the end of each pay			Calendars are Okay to keep track of time, but hours should be transferred to a regular time sheet signed by both the employee and the supervisor.

PERSONNEL MANAGEMENT	YES	NO	COMMENT
period. <i>Recommended.</i>			
All employees who work over 40 hours in a <u>week</u> are compensated at the rate of time and one-half for the number of <u>hours</u> over 40. <i>Required – Fair Labor Standards Act.</i>			
If an employee opts to be compensated in time and one-half compensatory time in lieu of time and one-half overtime pay, the supervisor and the employee sign an agreement each time extra hours are worked. <i>Required – Fair Labor Standards Act.</i>			According to federal regulations, a form must be signed each time that overtime comp time credits are given instead of overtime pay. Overtime comp time accrues at 1.5 times the hours worked over 40, and overtime pay is paid at 1.5 times the salary per hour worked over 40.
Employees are provided sick and annual leave at state rates. <i>Required -- 2-18-601, MCA.</i>			Annual leave is described in 2-18-611, MCA and sick leave is described in 2-18-618, MCA.
Sick and annual leave records are kept, documenting leave credited and leave used. Employee's supervisor reviews records. <i>Recommended.</i>			
CD employee takes holidays in accordance with state holidays. <i>Required -- 2-18-603, MCA.</i>			A list of holidays appears at 1-1-216, MCA.
Holiday pay is prorated for part-time employees and does not exceed 8 hours for any employee. <i>Required -- 2-18-603, MCA.</i>			Example: Even if an employee regularly works four 10 hour days a week, the maximum pay for a holiday is 8 hours. If an employee works half time, the maximum time holiday pay would be 4 hours.
Employee history cards (date of hire, rate of pay, payroll register,			See CD records retention schedule 9 on this website: sos.state.mt.us/css/rmb/local_forms.asp

PERSONNEL MANAGEMENT	YES	NO	COMMENT
W-4s, I9s, and other documents) kept on record permanently. <i>Required- 2-6-401 through 2-6-405, MCA.</i>			
All CD employees, no matter the funding source, are treated equally and under the same policies. <i>Required – Governmental Code of Fair Practices.</i>			
Payroll checks are signed by supervisors only. <i>Recommended – Good Internal Accounting Control Procedures.</i>			Separation of duties.
Annual performance appraisals are conducted. <i>Recommended.</i>			Follow your policy.
CD employee and board have good, open lines of communication. Problems are dealt with quickly and fairly. <i>Recommended.</i>			
Board has an orientation program in place for a new employee. <i>Recommended.</i>			

310 Administration

CDs have been administering the Natural Streambed and Land Preservation Act (commonly referred to as the “310” law) since 1975 and have developed a wealth of knowledge of streams within their boundaries. Title 75-7-101 through 75-7-124, MCA; Chapter 36.2.401 through 410 of the Administrative Rules of Montana; and the conservation district’s local rules govern the administration of this law.

310 ADMINISTRATION	YES	NO	COMMENT
All supervisors are knowledgeable about the 310 law and have ready access to			

310 ADMINISTRATION	YES	NO	COMMENT
the law and rules. <i>Recommended.</i>			
All local rules are current. The CD has filed a copy of their rules with DNRC. <i>Required -- 76-15-315, MCA.</i>			The last required rules update occurred April 1997, so CD rules should have been updated then at least.
If the CD has revised forms, copies are filed with DNRC's Conservation Districts Bureau. <i>Required -- 76-15-315, MCA.</i>			
CD uses team inspection reports to document and assess the potential impacts of projects. <i>Required -- 75-7-112, MCA.</i>			
Decisions are not made by individuals, but rather by motions at meetings attended by a quorum of the supervisors. <i>Required 76-15-313 and 75-7-112, MCA.</i>			
CD notifies Department of Fish, Wildlife and Parks of each 310 application received within 10 working days. <i>Required -- 75-7-112, MCA.</i>			
CD notifies the applicant of the board decision within 60 days of receipt of the application, or it formally extends the time period. <i>Required -- 75-7-112, MCA.</i>			
If necessary, in the case of difficult 310 analysis, the CD requests assistance from contractors hired to provide technical assistance or from other sources. <i>Recommended.</i>			

The board of supervisors and district employees reviewed this self-audit form on this _____ day of _____, 20____.

Signature