

UMATILLA MORROW RADIO & DATA DISTRICT
ACCOUNTING GUIDELINES
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1. INTRODUCTION

Financial management is necessary for the control of district financial affairs. A financial management policy should be developed which includes rules for conducting all aspects of financial control and transactions. All phases of the financial management process should have documentation showing when and why money was received and disbursed.

Citizens entrust resources to you for the specific purpose of providing services. Therefore, it is not enough simply to ensure that assets are safeguarded; they also must be used efficiently and effectively to achieve their intended purpose.

2. ACCOUNTING SYSTEMS

A good accounting system should do the following:

- Assemble information on all finance-related transactions and events;
- Analyze all of the data collected (Determine how a given transaction or event affects recorded assets and liabilities);
- Classify data in accordance with the district's chart of accounts;
- Record data in the appropriate books of accounts (journals, ledgers);
- Report data to management and to outside parties in an appropriate format and in a timely manner; and

- Maintain accountability for all of the district's assets.

The complexity of the accounting system will be determined by the needs of the individual district. A basic accounting system will include at least the following:

- A general ledger.
- Subsidiary ledgers as necessary.
- Books of original entry, such as a general journal, revenue journal (cash receipts) and expenditures (cash disbursements) journal. A payroll journal may also be part of the disbursements journal.
- Written documents supporting, authorizing and explaining individual financial transactions such as invoices, bank statements, purchase orders, and fund transfers.
- Data necessary for the preparation of financial statements.

3. POLICY AND PROCEDURES MANUAL

An accounting policies and procedures manual should clearly outline the specific authority and responsibility of individual employees, thus providing the essential foundation needed for establishing employee accountability. It also serves as a reference tool for employees seeking guidance on the proper handling of less frequently Encountered transactions and situations. In addition, an accounting policies and procedures manual lessens the threat to continuity posed by employee turnover.

An accounting policy should state the types of funds that a district has, their definition, and where the resources and expenditures transfer to in the event the fund is dissolved.

To be effective, an accounting policies and procedures manual must be complete and up-to-date. Completeness requires that the manual state which employees are responsible for performing which functions in which manner. Being up-to-date requires that the manual be periodically revised to reflect policy changes, as well as to provide timely guidance on emerging issues facing management and employees.

It is also important that an accounting policies and procedures manual do more than simply describe the appropriate handling of transactions and events. The accounting policies and procedures manual should also clearly communicate the design and objective of the district's internal control structure. Employees are more likely to perform control procedures faithfully if they are aware of their purpose and importance.

4. CONTROL POLICIES AND PROCEDURES

Specific policies and procedures are needed to ensure an effective control environment and an effective accounting system.

A district's control policies and procedures should be adequate to ensure that:

- All transactions are properly authorized;

- Incompatible duties are segregated (i.e., no employee should be in a position to commit an irregularity and then conceal it);
- Accounting records and documentation are properly designed and maintained;
- Access to both assets and records is controlled; and
- Accounting data are periodically compared with the underlying items they represent.

A district's written policies and procedures should clearly state which individuals have the authority to authorize each different type of transaction (Who may authorize the "write off" of a delinquent receivable? Who may approve a purchase order?). Authorization should be obtained in advance and in writing. Finally, documentation of the authorization (including the date) should be maintained for later inspection.

5. SEGREGATION OF INCOMPATIBLE DUTIES

Ideally, no single individual should be able to (1) authorize a transaction, (2) record the transaction in the accounting system books and (3) ensure custody of the asset resulting from the transaction.

Duties can be segregated by department, or by individuals within a department. It may not be practicable in some instances to segregate incompatible duties. In that case, management may wish to institute a mandatory vacation policy or a policy requiring the periodic rotation of duties among employees. The idea behind such policies is to have other individuals perform an employee's duties for a while to see if there is any noticeable change. Such a change could be an indication of prior irregularities.

6. FRAUD DETECTION AND PREVENTION

Cash

- Check-signing procedures
 - Limited signing authorization
 - Dual signatures
 - Voucher authorization
 - Invoice attachment, review, and cancellation
 - Protectograph security
 - Pre-signed check prohibition
 - Blank check prohibition
 - Unused check security
 - Signature stamp (facsimile) security
 - Sequential check usage
- Cash handling
 - Daily cash counts
 - Daily bank deposits
 - Cash till controls and reconciliations
 - Lockboxes

- Management review of bank reconciliations of all accounts
- Review of canceled checks (vs. bank retaining checks)

Purchasing

- Phantom vendors
 - Approved vendor list
 - Document matching: P.O., invoice, receiving report
 - Vendor data
 - Vendor v. employee data match
 - Invoice criteria
 - Employee criteria
- Conflicts of interest/kickbacks
 - Bidding process
 - Change orders
 - Merchandise returns
 - Vendor data
 - Employee criteria
- Personal use/resale
 - Document matching
 - Invoice review
 - Merchandise returns, without credits or refunds
 - Employee criteria

Personnel

- Hiring Policies
 - Application form
 - Statement that false information or misrepresentation can be cause for disqualification or dismissal
 - Questions about criminal convictions (but not arrests)
 - Background checks: solicit candidate's written approval
 - References
 - Credit checks (Employers must demonstrate that the information in a credit report is "substantially job-related" AND the employer's reasons for the use of such information are disclosed to the employee or prospective employee in writing.)
 - Criminal convictions
 - Various information databases
 - Hire professional to conduct background investigation
 - Checking references
 - Ask the "right" questions
 - Check more than one reference
 - Interview techniques: invite candidates to talk
 - Closely scrutinize resumes for inconsistencies, vagueness, suspicious credentials, job description euphemisms, and employment gaps
 - WARNING: Comply with current law and consult a qualified attorney!!!
- Written policies and procedures

- Adequate supervision and review of work
- Separation of duties
 - Opening mail/logging receipts/bank deposits/bank reconciliations
 - A/R maintenance/customer credits
 - Inventory: purchasing/paying/receiving/storing
 - Expense: authorization/paying
 - Payroll: accounting/paying/funding
- Mandatory vacations
- Rotation of duties/cross-training
- Periodic review of payroll and personnel records
- Employee counseling
- Ethical standards: communication and confirmation
- Employee fidelity coverage

Accounting

- Records safeguards
 - Pre-numbered documents (checks, purchase orders, invoices, shipping documents, sales orders, etc.)
 - Refunds and discounts
 - Trend analysis: sales, returns and allowances, gross profit
 - Documents: missing or voided checks, posting vs. deposit date comparisons, cash advances, expense vouchers, non-payroll checks to employees, cash register tapes, shipping and receiving reports, job cost sheets, material requisitions purchase orders, personnel records (vs. paychecks) etc.
 - Customer confirmations
 - Spoiled documents should be voided and retained.
 - Documents sent outside the district should be designed to produce automatic duplicates for the district's records.
 - Documentation should be discarded only in accordance with legal requirements governing records retention.
 - Employee work records should contain the detail to support the allocation of employee to specific cost centers.
- Outside
 - Financial statement audit; Generally accepted auditing standards (GAAS)
 - Operational audit
 - Specialized audit

Assets

- Physical custody of assets
- Periodic physical counts of inventory and other assets

The computer room should be environmentally secured (proper temperature and humidity). Computer records should be backed up daily, and the backup tape should be kept in a secure location offsite. A district should make arrangements to ensure that it would be able to continue functioning in the

aftermath of a disaster affecting the computer system.

Periodic reviews and testing are necessary to ensure that a district's policies and procedures on documentation are followed. Internal auditors commonly perform such tasks on behalf of management.

7. BONDING

The governing body of a district must require a bond or an irrevocable letter of credit of any member of the governing body or any officer or employee of the district who is charged with possession and control of district funds and properties. The amount of the bond shall be fixed by the governing body of the district, and the premium shall be paid from the district funds. The letter of credit shall be issued by a commercial bank (ORS 198.220).

All board members or employees can be bonded for a minimal additional charge to the cost (premium) of bonding only one board member. It is practical and beneficial to take the necessary steps to bond all board members and the district manager.

8. RECORDS RETENTION

Districts are required to follow the State of Oregon's Records Retention Policy. Unless otherwise provided in the schedules, the Division recommends that records not specifically be mentioned shall be maintained for a period of not less than two years. Minutes should be maintained forever. These schedules can be obtained from the Secretary of State's Archives Division at <http://arcweb.sos.state.or.us/recmgmt/schedule/gen/countymenu.html>.

Records typically have a four-stage life cycle:

- The period of creation, when data or information is generated.
- The period of active use, which can range from a few days to several years. During this period, users frequently reference the record and need quick access to it. Therefore, the record should be maintained in the office area.
- The period of inactivity. During this period the record is in storage or is kept either because of legal reasons or because of infrequent reference needs. Some records have no inactive period while others may remain in this stage for several years, or permanently.
- The final stage in the cycle is destruction, which occurs when the district no longer needs the record or no longer is required by law to keep it. With confidential or proprietary records, special attention must be taken to ensure destruction is total and that records can in no way be recreated.

9. FUND ACCOUNTING

Public accounting and budgeting is based on funds. Revenues and expenses must be kept separate by each type of fund. The main types of funds include the General Fund, Special Revenue Fund, Debt Service Fund, Enterprise Fund, Trust Fund and Reserve Funds.

- General Fund - Composed of accounts for the financial operations of the district, which are not

accounted for in any other fund. The principal sources of revenue are property taxes and interest income. Primary expenditures in the General Fund are made for general district services and administration.

- Special Revenue Fund - Authorized for a specific purpose and generally operate on a year-to-year basis until the fund is discontinued or revised by proper legislative authority. In the event the fund is discontinued, any excess funds should be returned to the originating jurisdiction or the General Fund.
- Debt Service Fund - Used to account for the payment of principal and interest on all general obligation long-term debt, including that payable exclusively from revenue-producing enterprises. Resources cannot be diverted or used for any other purpose.
- Capital Projects Fund - Operate until the capital project is completed. Upon completion, any remaining cash is transferred to the Debt Service Fund, the originating source of the funds, or the General Fund.
- Internal Service Fund - Finances and accounts for services furnished by a department or agency to other departments or agencies within the district. Amounts expended from the fund are restored from either operating earnings or as operating expenditures from other funds to the Internal Service Fund.
- Enterprise Fund - Established to finance and account for acquiring, operating, and maintaining facilities and services which are self-supporting from user charges and fees (such as water and sewer).
- Trust and Agency Fund - Assets are sometimes held or revenue received by districts in a fiduciary capacity to be used for a certain specified purpose.
- Reserve Fund - Accumulates money for financing the cost of any service, project, property, or equipment that the district can legally perform or acquire. Some districts will even have a reserve fund established for debt service in the event revenues are insufficient to meet future payment obligations on long-term obligations.

10. INVESTMENTS

Districts should have an established and documented investment policy. Funds that are not needed for immediate cash flow should be invested in safe investments that offer the maximum yield possible. An investment policy should be adopted by the governing body and reviewed and updated periodically. The Oregon State Treasurer's Investment Policy for Local Governments is included at the end of this chapter and available online at

<http://www.ost.state.or.us/Services/SampleInvestment/Policy.asp>.

Public Funds Collateralization Program

ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. Bank depositories are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides

additional protection for public funds in the event of a bank loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. More information on the Collateralization Program is available at <http://www.ost.state.or.us/Services/PFCP/Overview.asp>.

11. AUDITS

Oregon local governments are subject to Municipal Audit Law, ORS 297.405 to 297.555. Unless otherwise specified in the Oregon Revised Statutes, all districts must be audited.

Audits and reviews must be conducted in accordance with the “Minimum Standards for Reviews of Oregon Municipal Corporations” adopted by the Secretary of State Audit’s Division. These rules prescribe the financial statements that must be included in audit or review reports, the minimum procedures that must be followed, and the standards that must be followed in an audit or review. Copies of these rules may be obtained from the Secretary of State’s Office at Division of Audits, Public Service Bldg., 255 Capital Street, NE, Suite 500, Salem, OR 97310 or on their website at: <http://www.sos.state.or.us/audits/municipal/index.html>.

- A district with expenditures of less than \$150,000, and whose chief fiscal officer is bonded for the total amount of money received during the year may file unaudited financial statements with the Secretary of State’s Office within 90 days after its fiscal or calendar year ends.
- A district, other than a county or school district, with expenditures of more than \$150,000 but less than \$500,000, and whose chief officer responsible for receiving or disbursing moneys on behalf of the district was covered during the entire year by a fidelity or faithful performance bond in an amount at least equal to 10 percent of the total receipts for the year, but not less than \$10,000 and whose financial statements have been reviewed by a licensed municipal auditor may file “review reports” with the Secretary of State’s Office within 180 days after its fiscal or calendar year ends.
- A district, including counties and school districts, that must have its financial statements reviewed or audited, must contract with an accountant licensed as a municipal auditor by the Oregon Board of Accountancy. A copy of this listing may be obtained by writing them at 3218 Pringle Road SE, #110, Salem, OR 97302-6307. Phone (503) 378-4181 or visit their website at <http://www.oregon.gov/BOA/index.shtml>.

Purpose of the Audit

The auditor’s main purpose is to independently review the financial statements to attest to their fairness. In addition to this, the auditor will also:

- Comment on the compliance of the district’s financial affairs with applicable laws and budget requirements.
- Assist the district in revising its accounting system to increase efficiency and ease of function.
- Help the district institute procedures that will increase accuracy of record keeping and strengthen internal controls.

Audit Request for Proposal

Districts which must use an outside auditor to conduct their annual audit should conduct a formal *Request for Proposal* process to select an auditor. This process is designed to help districts select the most qualified and cost effective service. A sample RFP for auditing services is included at the end of this chapter.

Documents to be Audited

- General ledger and related subsidiary ledgers posted accurately and up-to-date.
- Books of original entry that provide, in an orderly manner, the summarization of transactions.
- Source documents supporting the transactions in the books of original entry filed in a neat and orderly manner. (Source documents include all revenues as well as all expenditures).
- Explanations of apparent differences between general ledger balances and source documents.
- Copies of reports required to be filed with government agencies and an explanation of any differences between amounts reported and the accounting reports.
- Specifically, the above would include such items as minutes of regular meetings, budget committee meetings, insurance forms and policies, copies of adopted resolutions that may not be included in the regular minutes, copies of the ballot title and abstracts of any bond issues, copies of published newspaper notices of budget committee meetings and hearings, a copy of the proceeding year's budget, county tax turn over documents, right-of-way documents, and copies of lease contracts on equipment.

The Audit Report

At the conclusion of the audit examination, the auditor will issue an audit report. This report will contain:

- The financial statement of the district with appropriate notes.
- The auditor's opinion on these statements.
- The auditor's comments about the district's financial affairs and its compliance with legal requirements.
- Recommendations on how the district may improve its accounting system or more effectively conduct its financial affairs.

RESOURCES

Audits of Public Funds and Financial Records (ORS Chapter 297): <http://landru.leg.state.or.us/ors/297.html>

Borrowing and Bonds of Local Governments (ORS Chapter 287): <http://landru.leg.state.or.us/ors/287.html>

Depositories of Public Funds and Securities (ORS Chapter 295): <http://landru.leg.state.or.us/ors/295.html>

Financial Accounting Standards Board: <http://www.fasb.org/>

Government Finance Officer's Association: <http://www.gfoa.org>

Minimum Standards of Audits for Municipal Corporations (Oregon Administrative Rules 162-001-000 through 162-020-0330): http://arcweb.sos.state.or.us/rules/OARS_100/OAR_162/162_040.html

Oregon Board of Accountancy: <http://boahost.com>

Oregon Local Budget Law (ORS Chapter 294): <http://www.leg.state.or.us/ors/294.html>

Oregon Municipal Finance Officers Association: <http://www.omfoa.org>

Oregon State Treasury: <http://www.ost.state.or.us>

Property Tax Rates and Amounts; Tax Limitations; Tax Reduction Programs (ORS Chapter 310):

<http://landru.leg.state.or.us/ors/310.html>

Public Funds Collateralization Program: <http://www.ost.state.or.us/divisions/finance/Collateral/Index.htm>

Secretary of State Archives Division (Records Retention):

<http://arcweb.sos.state.or.us/recmgmt/sched/gen/countymenu.html>

Secretary of State Audits Division: <http://www.sos.state.or.us/audits/>

12. SAMPLE INVESTMENT POLICY FOR LOCAL GOVERNMENTS

I. SCOPE

This policy applies to the investment of short-term operating funds and capital funds including bond proceeds and bond reserve funds. Investments of employees' retirement funds, deferred compensation plans, and other funds are not covered by this policy.

II. GENERAL OBJECTIVES

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. Safety Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. **Credit Risk** The [entity] will minimize credit risk, the risk of loss due to the financial failure of the security issuer or backer, by:

Limiting exposure to poor credits and concentrating the investments in the safest types of securities.

Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the [entity] will do business.

Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

Actively monitoring the investment portfolio holdings for ratings changes, changing economic/market conditions, etc.

b. **Interest Rate Risk** The [entity] will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Investing operating funds primarily in shorter-term securities or short-term investment pools.

2. Liquidity The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in the Oregon Short-Term Fund which offers next-day liquidity for short-term funds.

3. Yield The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The majority of the portfolio is limited to highly rated/low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

III. STANDARDS OF CARE

1. **Prudence** The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.
2. **Ethics and Conflicts of Interest** Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees, officers and their families shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the [entity]. Officers and employees shall, at all times, comply with the State of Oregon Ethics Commission code of ethics set forth in ORS 244.
3. **Delegation of Authority** Authority to manage the investment program is granted to [designated official], hereinafter referred to as investment officer, and derived from the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810. Responsibility for the operation of the investment program is hereby delegated to the investment officer who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

IV. SAFEKEEPING AND CUSTODY

1. **Authorized Financial Dealers and Institutions** A list will be maintained of financial institutions authorized to provide investment and safekeeping services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following, as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration.
- Completed broker/dealer questionnaire
- Certification of having read and understood the [entity's] investment policy
- Certification of agreement to comply with [entity's] investment policy

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officer. (See the GFOA Recommended Practice on "Governmental Relationships with Securities Dealers" in Appendix 3.)

2. **Internal Controls** The investment officer is responsible for establishing and maintaining an adequate internal control structure designed to reasonably protect the assets of the [entity] from loss, theft or misuse. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion.
- Separation of transaction authority from accounting and record keeping.
- Custodial safekeeping.
- Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary.
- Clear delegation of authority to subordinate staff members.
- Written confirmation of transactions for investments and wire transfers.
- Development of a wire transfer agreement with the lead bank and third-party custodian and implementation of the appropriate safeguards described in the GFOA Recommended Practice on "Electronic Transactions for State and Local Governments."
- Compliance and oversight with investment parameters including diversification and maximum maturities.

3. **Delivery vs. Payment** All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

4. **Safekeeping** Securities will be held by a third-party custodian as evidenced by safekeeping receipts.
5. **Pooling of Funds** Except for cash in certain restricted and special funds, the [entity] will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

V. SUITABLE AND AUTHORIZED INVESTMENTS

1. **Investment Types** Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and ORS 294.035 and 294.810:
 - *US Treasury securities and other lawfully issued general obligations of the United States*
 - *Oregon Short-Term Fund*
2. **Collateralization** All bank deposits, time deposits, certificates of deposit, and savings accounts, shall be held in qualified Oregon depositories in accordance with ORS Chapter 295. Such deposits are designated cash management tools and not investments under this policy or otherwise. ORS 294.035 (11) requires repurchase agreement collateral to be limited in maturity to three years and priced according to percentages prescribed by written policy of the Oregon Investment Council or the Oregon Short-Term Fund Board. On March 12, 1996, the OSTF Board adopted the following margins:
 - US Treasury Securities: 102%
 - US Agency Discount and Coupon Securities: 102%
 - Mortgage Backed and Other*: 103%

*Limited to those securities described in ORS 294.035(1)

VI. INVESTMENT PARAMETERS

1. **Diversification** The investments shall be diversified by:
 - Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
 - Limiting investment in securities that have high credit risks,
Comment: What about interest rate risk, e.g., floaters?
 - Investing in securities with varying maturities, and
 - Continuously investing a portion of the portfolio in readily available funds such as the Oregon Short-Term Fund.
2. **Maximum Maturities** To the extent possible, the [entity] shall attempt to match its investments with anticipated future cash flow requirements. The maximum maturity shall be the anticipated use of the cash or 18 months, whichever is shorter, unless:
 - This investment policy has been submitted to the OSTF Board for comment prior to being approved by [governing body] and complies with the requirements of ORS 294.135. In this case, the maximum maturity shall be defined in policy.

- The funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the [governing body], the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3)).

If this investment policy has been submitted for review by the OSTF Board as specified above and in accordance with ORS 294.135(1)(a), debt service reserves may be invested to a maturity date not exceeding five years. Otherwise debt service reserves shall not be invested to a maturity date exceeding one year.

- 3. Maximum Percentages of Investments** Surplus funds available for investment are those funds not required for immediate expenditure, and include: investments, savings accounts, CDs and OSTF deposits. Balances in checking accounts, negotiable order of withdrawal (NOW) accounts and demand deposit accounts are not considered surplus funds.

The maximum percentages for investments of surplus funds are as follows:

<i>Security</i>	<i>Limitation</i>	<i>Maximum Maturity</i>
US Treasury	None	
OSTF Balances	None, except the maximum balance imposed by statute	N/A

Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase of a particular security. Securities need not be liquidated to realign the portfolio, however, consideration should be given to this matter when future liquidations are made.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds, such as the OSTF or overnight repurchase agreements, or held in bank balances to ensure that appropriate liquidity is maintained to meet ongoing obligations.

- 4. Bond Funds** The investment of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this policy. Bond proceeds shall be invested in accordance with the most restrictive parameters of this policy and the applicable bond covenants and tax laws.
- 5. Securities Lending and Reverse Repurchase Agreements** The [entity] shall not lend securities nor directly participate in a securities lending or reverse repurchase program.
- 6. Bids and Offers** Before any security purchase or sale is initiated, the Investment Officer shall first determine the appropriateness of seeking competitive bids or offers. Such factors to consider include where the securities are held, the size of the transaction, and the term to maturity. In the event competitive bids or offers are not sought, the decision to do so shall be documented. Competitive bids and offers shall always be sought for security purchases and sales of bond funds, when tax laws or bond covenants require such action.
Comment: Another factor to consider should be 'best execution.'

VII. REPORTING

1. **Methods** The investment officer shall prepare an investment report at least monthly including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last month. This management summary will be prepared in a manner which will allow the [entity] to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report shall be provided to the [governing body] within ___ days of the period end. The report will include the following:
 - Listing of transactions occurring during the reporting period.
 - Listing of individual securities held at the end of the reporting period.
 - Average weighted yield to maturity of portfolio on investments as compared to applicable benchmark(s).
 - Listing of investments by maturity date and call date.
 - Percentage of the total portfolio that each type of investment represents along with the percentages authorized in this policy.
 - Performance of the portfolio relative to benchmark(s).
2. **Performance Standards** The investment portfolio will be managed in accordance with the parameters specified within this policy. An appropriate benchmark(s) reflective of investment parameters shall be established and approved by the [governing body] against which portfolio performance shall be compared on a regular basis. It is anticipated the portfolio should attain a benchmark average rate of return over time. Factors influencing performance deviations will be described by the investment officer in [periodic, e.g. monthly, quarterly, ...] reports to the [governing body].
3. **Marking to Market** The market value of the portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least monthly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools." (See GFOA Recommended Practices, Appendix 3). In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

VIII. POLICY ADOPTION AND RE-ADOPTION

This policy shall be reviewed on an annual basis. OSTF Board review is required only if:

1. [Entity] elects to invest to maturities described under VI. 2. above; and, either
2. the policy has never been submitted to the OSTF Board for comment; or
3. Any material changes have been made since the last review by the OSTF Board.

Regardless of whether the policy is submitted to the OSTF Board for comment, the policy shall be re-submitted not less than annually to the [governing body] for approval.

IX. LIST OF DOCUMENTS USED IN CONJUNCTION WITH THIS POLICY

The following documents are used in conjunction with this policy:

- Listing of authorized personnel
- Relevant investment statutes and ordinances

Description of benchmark(s)

Master repurchase agreements and tri-party agreements

Listing of authorized broker/dealers and financial institutions

Credit studies for securities purchased and financial institutions used

Safekeeping agreements

Wire transfer agreements

Sample investment reports

Methodology for calculating rate of return

Broker confirmations and safekeeping receipts

13. SAMPLE REQUEST FOR PROPOSAL FOR AUDITING SERVICES

DATE: [DATE]
TO: Invited Parties
FROM: [NAME OF OFFICIAL, TITLE]
SUBJECT: Professional Auditing Services

The [DISTRICT] is soliciting proposals from qualified firms of certified public accountants to audit the [DISTRICT]'s financial statements for the fiscal year ending [DATE], with the option of auditing the [DISTRICT]'s financial statements for the [NUMBER] subsequent fiscal years.

Your proposal should contain, but not be limited to the following considerations:

- Eligibility - authorization by the State Board of Accountants to conduct municipal audits.
- Experience of your firm in relation to the scope of audits for the District.
- A list of similar local governments or pertinent accounts served by your firm.
- Your staff assignments and availability to complete the audit on a timely basis.
 - Participation of senior audit personnel assigned to the engagement.
 - Frequency of contact with fiscal personnel.
 - Availability of staff to respond to questions within the scope of the engagement and the hourly charge, if any, for services outside the scope of the audit.
- Audit firm staff stability history - what assurances can you provide the District regarding the assignment of your permanent personnel to the engagement.
- Describe capability to audit computerized accounts receivable systems and to audit during the development of a completely computerized bookkeeping system.
- Procedures used to transmit audit adjustments and the reasons for them along with management recommendations to the responsible personnel within the District structure.
- Detailed audit plan.
- Your fee proposal to conduct the basic audit function, along with your fee schedule for additional services that may be required beyond the scope of the audit engagement. The proposal should also state that any increase in the audit fee will be immediately disclosed to the District Manager. This disclosure should include an estimation of the increased fees and the reason for the increase.
- Estimated number of hours to complete the audit by classification of your employees, i.e. partners, senior, junior.
- Detail of expenses expected to be incurred, i.e. mileage, per diem, telephone, etc.
- Audit firm to produce statements and to print annual report.
- Proof that the firm is certified to conduct municipal audits by the Board of Accountancy.

Enclosed is a copy of the audit proposal information to provide you with information about the District's financial records. I have enclosed the unaudited statement from the previous fiscal period as well.

The final decision of the selection of the firm to conduct the audit will be made by the Board of Directors. The final agreement will be in the form of a written contract following the standard agreement form used by CPA firms conducting audits.

All questions and correspondence should be directed to [NAME OF OFFICIAL] in writing at the above address or by calling [TELEPHONE NUMBER]. Contact with [DISTRICT] personnel other than [NAME OF OFFICIAL] regarding this RFP may be grounds for elimination from the selection process.

We will look forward to receiving your proposals on or before [DATE]. Sincerely,

Audit Proposal Information

Sealed audit proposals will be accepted by the _____ District until ____ p.m., on _____. Please direct proposals to the attention of _____. All proposals become the property of _____ District.

All proposals will become part of the requester's files without obligation.

Nature of Services Required

- Audit period will be _____ through _____. (one year)
- Special reports, exhibits, and schedules required:
 - Accounts report.
 - Balance sheet.
 - Schedule of cash.
 - Statements of changes in financial position.
 - Notes of financial statement.
- Conferences:
 - Exit conference with _____ and District Manager.
 - Exit conference with office personnel.
- Description of Entity and Records to be Audited:
 - General ledger, fixed assets ledger, accounts receivable, general journal, accounts payable.
- Available Manuals and Information Sources:
 - Minutes of the board meetings of the District.
 - Accounting function work description of General Ledger Bookkeeper.
- Details of fixed assets are maintained. Fixed assets are based on cost when available otherwise on estimates authorized by the Board of Directors. The fixed assets ledger was constructed with historical information by the District Manager during an audit period.
- A budget is maintained and is available for examination.
- Staff members will be available to pull and reproduce documents. Legal counsel will be made available with prior staff approval.
- Work areas will be provided by the District in close proximity with the financial records on the premises.
- Report Requirements
 - The report will be addressed to the Board of Directors and will contain items listed in item #2.
 - State the scope of the examination and that the audit was performed with generally accepted accounting principles and include a statement of opinion as to whether the statements conform to generally accepted accounting principles.

- Reports of compliance examinations must include a statement that the audit was conducted in accordance with applicable standards. The audit report must state where the examination disclosed instances of significant non-compliance with laws and generally accepted accounting principles. Findings of non-compliance and ineligible expenditures must be presented in enough detail for management to be able to understand them.
- A management letter will be required. It should contain a statement of audit findings and recommendations affecting financial systems and statements, internal control, legality of actions, other instances of non-compliance with laws and generally accepted accounting principles, and any other material matters.
- Time Requirements
 - Proposals will be delivered to the District office at _____ not later than ____ p.m. on _____.
 - If presentations of possible finalists are necessary, no one with personal bias will interview proposers.
 - The Board of Directors has made no decision as to the date of the award of the audit. All proposers will be notified of the Board action in a timely manner.
 - Once a contract has been signed, work may begin immediately to generate the audit in a progress manner with costs to be billed to the District as the charges generated by the proposer in accordance with the original agreement.
 - Preliminary work to close accounts can begin immediately.
 - The preliminary report and exit conference will be completed prior to ____.
- Report Review Timing and Number of Copies.
 - Prior to the submission of the completed audit report the audit firm will be required to deliver and review the draft and the proposed management letter with the District Board.
 - Copies required
 - Audit report, __ copies.
 - Management letter, __ copies.
 - Working papers, __ copies.
- The District Reserves the Right:
 - To reject any and all proposals submitted.
 - To request additional information from all proposers.

Standard Form of Agreement

This contract, made this _____ day of _____, 20____, in accordance with OAR162-40-010(1) of the Minimum Standards for Reviews of Oregon Municipal Corporations between (Independent Accountant), Certified Public Accountant(s) of _____, Oregon, and the (Client), Oregon, provides as follows:

It is agreed the (Independent Accountant), shall conduct a review of the accounts, financial statements, and fiscal affairs of (Client), Oregon for the period beginning _____, and ending _____, (and annually thereafter) in accordance with the Minimum Standards for Reviews of Oregon Municipal Corporations. The review shall be undertaken in order to express limited assurance upon the basic financial statements of (Client), Oregon, and that (Client) has substantially complied with appropriate legal provisions.

A review consists principally of inquiries, observations and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of opinions regarding the basic financial statements. Accordingly, no such opinions will be expressed.

A review cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations that may exist. However, will inform you of any such matters that come to our attention.

(Independent Accountant) agrees that the services required under this agreement will be performed by or under personal supervision and that the work will be faithfully performed with care and diligence.

It is understood and agreed that, should unusual conditions arise or be encountered during the course of the review whereby the services of (Independent Accountant) are necessary beyond the extent of the work contemplated, written notification of such unusual condition shall be delivered to the (Client), Oregon, who shall instruct in writing (Independent Accountant) concerning such additional services, and that a signed copy of each such notification and instruction shall be delivered immediately to the Secretary of State by the issuing party.

The review shall be started as soon after this agreement is executed as is agreeable to the parties hereto and shall be completed and a written report thereon delivered within a reasonable time, but not later than 180 days, after the close of the period covered by this agreement. Adequate copies of such report shall be delivered to the (Client), Oregon and its form and content shall be in accordance with and not less than that required by the Minimum Standards for Reviews of Oregon Municipal Corporations.

It is understood and agreed that the (Client), Oregon, is responsible for such financial statements as may be necessary to fully disclose and fairly present the results of operations for the period under review and the financial condition at the end of that period. Should such financial statements not be prepared and presented within a reasonable period of time, it is understood that (Independent Accountant) shall draft them for (Client), Oregon. The cost of preparing such financial statements shall be the fee for conducting the review set forth in Paragraph 9 below. It is understood and agreed that either party may cancel this agreement by giving notice in writing to the other party at least (ninety days) prior to the end of any review period.

In consideration of the faithful performance of the conditions, covenants, and undertakings herein set forth, the (Client), Oregon, hereby agrees to pay (Independent Accountant) the sum of _____ (a reasonable fee) and the (Client), Oregon, hereby affirms that proper provision for the payment of such fee has been or will be duly made and that funds for the payment thereof are or will be made legally available.

(Independent Accountant)

by _____

(Client)

by _____