

# McKINLEYVILLE



## COMMUNITY SERVICES DISTRICT



### **MCKINLEYVILLE COMMUNITY SERVICES DISTRICT EXPENDITURE CONTROL GUIDELINES**

## TABLE OF CONTENTS

TABLE OF CONTENTS.....	2
I. Introduction .....	3
II. Expenditure Classifications.....	3
III. Control System.....	4
IV. Purchase Order System Documentation and Implementation .....	6
V. Voucher System .....	7
VI. Disbursements.....	8
VII. Conflict of Interest Standards of Conduct.....	8
VIII. Summary .....	9
Attachment 1 .....	9
.....	9
Attachment 2.....	10
Attachment 3 .....	11
Attachment 4.....	12
.....	12

## I. Introduction

This expenditure control system is an integral part of the internal control structure of McKinleyville Community Services District (MCSD). As such, it is intended to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and those transactions are executed in accordance with management's authorization and recorded properly in the general ledger.

It is the intent of the District to control expenditures before it is obligated to pay for goods or services. This system is designed to accomplish this goal while providing a clearly documented record of the entire process.

The system is intended to be used in conjunction with the existing internal control structure. Any significant change in other aspects of the control environment will require a review of the effectiveness of this system.

In the event of an emergency, where time is limited, the General Manager or his authorized representative may assume the responsibility for deviating from this policy.

## II. Expenditure Classifications

The control mechanism and method of documentation are determined by the type of expenditure. MCSD recognizes the following types of expenditures:

1. **Recurring:** Included are utilities, debt service payments, payroll, payroll taxes and benefits, insurance, postage, postage meter rental, office supplies, etc.
2. **Contract:** Included are formal contracts for goods and services and informal contracts for services.
3. **Travel:** Included is advances and reimbursements for travel, mileage reimbursements for use of personal automobiles and local meals and entertainment expenses.
4. **Petty Cash:** Included are reimbursements of expenditures from the petty cash fund and increases in petty cash or change funds.
5. **Customer Refunds:** Included are refunds of deposits and overpayments to our customers.
6. **Purchase Order:** Included is all purchases of goods which require a purchase order.
7. **Emergency Procurement:** Included are purchases or expenditures necessary to permit the continued conduct of District operations, services, or construction work, or to avoid danger to life, health or property in cases of emergency.
8. **Other:** Included are all expenditures which cannot be classified in one of the above categories.

### III. Control System

Expenditures will be controlled in the classifications indicated in section II by the following procedures:

1. **Recurring:** These expenditures will be controlled by the budget. The Board will adopt a budget that will include line items such as electricity and natural gas, telephone, telemetry, payroll, payroll taxes and employee benefits, debt payments, insurances, and other budgeted line items. Such expenditures will not normally require a Purchase Order.

Management will monitor the relationship of year-to-date expenditures in these line items with the adopted budget. If it becomes apparent that there is not sufficient budget to cover the next anticipated expenditure in one of these line items, a budget transfer will be prepared by the Department Head and approved by the General Manger for the increases which are 10% or less cumulatively of the original budgeted amount. If a budgeted line item is projected to require cumulative increases beyond 10% in any year, the Board will approve such increases.

2. **Contract:** Contracts fall into three categories.
  - a. Construction work for projects expected to cost less than \$1,000 will be classified as Purchase Order Expenditures. Construction work expected to cost \$20,000 or more will require informal bidding procedures as defined in the UPCCAA (see MCSD Rule 66.01 et seq.). Construction work expected to cost \$75,000 or more will require formal bidding procedures as defined in the UPCCAA.
  - b. Professional Services (architectural, engineering, environmental, land surveying and construction project management) expected to cost less than \$1,000 will be classified as Purchase Order Expenditures. A Purchase Work Order Contract approved by a Department Director or the General Manager will be required for budgeted projects expected to cost \$1,000, but less than \$20,000. The Board will approve the formal contract required for individual projects expected to cost \$20,000 or more.
  - c. Other Services expected to cost less than \$1,000 will be classified as Purchase Order Expenditures. Other Services expected to cost \$1,000 or more will require a Purchase Work Order Contract. The Board will approve the formal contracts for Other Services expected to cost \$20,000 or more.
3. **Travel:** All employees will have a travel request form approved by Department Directors within four days before travel (see attachment 2). The General Manager's out of town travel, including travel to association conferences, needs to be approved in advance by the Board President or delegate where such travel exceeds the budget limits originally approved by the Board.

Use of private vehicles by staff for local travel (i.e. within Humboldt County) will be approved in advance by a Department Director (Finance Director, Operations Director or Parks and Recreation Director), and reviewed by the General Manager. Such use by a Department Head will be approved in advance by the General Manager. If emergency use of private vehicles is required, the circumstances will be

documented in a memorandum and approved as above as soon as possible after the emergency has passed. All reimbursement for personal automobile use will be made at the currently applicable Federal business mileage rate approved by the Internal Revenue Service. Payment for local private automobile use will be made as reimbursement only – there will be no advances for this type of expense.

Local meals for, or entertainment, by staff will be approved by Department Directors or the General Manager. Local meals for, or entertainment by, the Department Directors will be approved by the General Manager. The Board may include in the budget a line item for meals and entertainment to be used by the General Manager and Board without prior approval. Any such expenditures beyond the budgeted line item for or by the Board President will be approved in advance by another Board Member.

Travel, meal or entertainment advances may be made no less than three days before the intended activity. Reimbursements for all meals will be done at the Federal per diem rate approved by the Internal Revenue Service (<http://www.gsa.gov/portal/category/100120>). Reimbursement requests for any meal charges over the allotted per diem amount must have a written explanation approved by Department Director or General Manager, and receipts for these must be turned in three days after the travel or event.

All receipts for travel expenses (airfare or similar) and lodging must be turned in five (5) days after the travel or event along with a MCSD Travel Expense Report (see attachment 3). An accounting must be made for these expenditures and any excess advance returned within three days of the completion of event or activity.

All expenditures described in this section III will require the completion of a MCSD Travel Approval Form and /or MCSD Travel Expense Report (see attachments 2 and 3). These expenditures will be limited by the budget as described for Recurring Expenditures (section III-I). Travel expenditures do not normally require a Purchase Order.

4. **Petty Cash:** Reimbursement expenditures require only an accounting of petty cash expenditures. Such reimbursements will be approved by the Human Resources Manager or Finance Director. Petty cash will be kept at a balance of \$400; increases in the amount of petty cash or change fund will be approved by the Board. Petty cash will be reconciled and replenished as needed when funds fall below \$100 total. Individual reimbursement requests are to not exceed a total of \$30; amounts in excess of \$30 should be processed through Accounts Payable.
5. **Customer Refunds:** These expenditures are processed as part of the utility billing system. Normally, a closing bill will be printed which shows a balance due to the customer. Such refunds will be approved by the Finance Director during the regular Accounts Payable process. Refunds of Recreation Department are approved by the Recreation Department Director before the regular Accounts Payable process. Occasionally, other types of funds owed will be refunded. These will be approved by the Department Director of the department with which the refunds are associated

and will have supporting documents. Customer refunds do not normally require a Purchase Order.

6. **Purchase Order:** The purchase of all non-recurring supplies, materials and capital assets will require a Purchase Order (see attachment 4). Vendors from whom the District purchases from frequently maybe offered a blanket purchase order for consideration

Purchases of supplies, materials, or capital assets of \$15,000 or more that are not already included in the approved budget must be approved in advance by the Board. Budgeted purchases expected to be between \$1,000 and \$15,000 will be approved by the General Manager. Purchases of supplies and equipment expected to be more than \$100 but less than \$1,000 require approval from a Department Director.

All Purchase Orders will be pre-numbered. See section IV for additional information regarding purchase orders.

7. **Emergency Procurement:** California Public Contract Code Section 22050 governs procurement procedures when emergencies exist. When the Board of Directors declares an emergency by a four-fifths vote, when repair or replacements for services and materials are necessary to permit the continued conduct of District operations or services or to avoid danger to life, health or property, the General Manager may then proceed, at once, to replace or repair District facility(s) or infrastructure and/or procure the necessary goods and/or services without the benefit of competitive purchasing, either formal or informal. The General Manager shall report to the Board at successive regular meetings stating the justification for continuing with the emergency work.
8. **Other:** All other expenditures will be approved in advance when possible and upon receipts of goods or services otherwise. Approval will be by the Board, General Manager or Department Director in accordance with the limits on approval of purchase orders (see section III-6). Expenditures of \$100 or less will require a voucher only.

#### IV. Purchase Order System Documentation and Implementation

1. **Regular Purchase Orders:** Blank pre-numbered Purchase Orders are kept in the Vault. A group or series of blank pre-numbered Purchase Orders (P.O.) (see attachment 4) will be issued by the Finance Director to Department Directors at the beginning of the fiscal year or upon request.

Purchase orders will be completed and signed by the General Manager or Department Director in accordance with the limitations in section III-6. The original P.O. (white) is the vendor's copy. The yellow copy will be held by Accounts Payable. The pink copy will be retained by the requesting employee. When goods are received, the requesting employee will mark his/her copy of the P.O. "Received", date and sign it. This copy will then be given to the Accounts Payable to match with the invoice when received. In the case of a partial shipment, a photocopy of the P.O. may be made. The requesting employee will indicate which items were received and forward it to Accounts Payable.

Upon receipt and invoice, Accounts Payable will compare the amounts and descriptions to the "Receiving Copy" of the P.O. If, in total, the invoice is no more than 10% greater than the P.O., the invoice may be entered for payment. If the invoice total is more than 10% greater than the P.O., then the new amounts will be entered on the Accounts Payable copy of the P.O. and the appropriate person will counter-sign and date the corrected P.O.

Department Directors are responsible for P.O.'s issued to their department and for ensuring that total departmental Purchase Order expenditures do not exceed the Board-approved budget line item. To assist with this, the Finance Director will provide a monthly Status Report to the Department Directors and the General Manager.

2. **Blanket Purchase Orders and Charge Accounts:** For vendors from whom numerous regular purchases are made, the District will employ annual Blanket Purchase Orders or open charge accounts. A list of active blanket purchase orders (BPO's) and charge accounts will be maintained by Accounts Payable and reviewed by the Department Directors on an annual basis for best pricing and any needed changes in vendors. The final list will be reviewed by the Finance Director and signed by the General Manager.

Each BPO and charge account authorization will indicate an annual expiration date, a total monthly dollar limit allowed on that BPO or charge account, a list of employees authorized to make purchases, and the maximum dollar amount for any one purchase. No more than one BPO or charge account may be active at any time for a particular vendor. Department Directors will have copies of active BPO's and charge account authorizations for their departments. All orders or invoices received against a BPO or charge account will be checked and signed by the Department Director before being processed by Accounts Payable.

MCS D Company Credit Cards: For routine irregular purchases too small to warrant regular or blanket purchase orders, but too large for petty cash, and also for facilitating business travel expenditures, Department Directors may be provided with an MCS D credit card. Receipts from credit card purchases must be retained, signed or initialed by the Department Director, and matched to the statement at the end of the month before the statement is paid by Accounts Payable. Statements will be reviewed monthly by the Finance Director and General Manager as part of the payment process (see Section VI – Disbursements).

## V. Voucher System

A Voucher form will be completed by Accounts Payable for each invoice or statement to be paid (see attachment 1). The classification of expenditure will be clearly indicated on the voucher. The Voucher will indicate all invoices or statements to be paid with one check.

All supporting documents including invoices, Purchase Order, Proof of receipt, packing slip, etc. will be attached to the Voucher. The voucher will be approved in accordance with the chart in the disbursement section and the signers will verify that the documents are

internally consistent, that invoices being paid are original, that receipt of goods or services has been acknowledged by the appropriate MCSD employee and that amounts agree between documents.

The check stub will be attached to the voucher when the check is sent to the vendor. All paid vouchers are filed by vendor, separated by the fiscal year in which the payment was made, and retained for 9 years, per District Document Retention Policy.

## **VI. Disbursements**

The MCSD checking account will require signatures by any two of the following officials:

General Manager

Finance Director

Human Resources Manager

Checks will be issued only after the Voucher has been signed indicating approval by the Department Director and Finance Director, with a final review by the General Manager. Lost checks will be re-issued less the amount of the bank's Stop Payment fee, to cover the cost of the stop payment order for the lost check.

Checks will be issued as needed to meet deadlines and take advantage of discounts. Except under unusual circumstances check writing will be batched and done at the first part of each week (Monday or Tuesday). Invoices to be included in a batch must be received by Accounts Payable no later than 5:00 pm the Friday prior. Checks cut outside of a regular batch (hand-checks) may only be authorized by the General Manager or Finance Director. Payroll will be issued on the 10<sup>th</sup> and the 25<sup>th</sup> of each month.

The Finance Director will reconcile the checking account within five (5) working days of receipt of monthly bank statements and verify that all checks were written in accordance with these guidelines.

## **VII. Conflict of Interest Standards of Conduct**

Per Title 2 Code of Federal Regulations ("CFR") Section 200.318, this section addresses the required standards of conduct covering conflicts of interest and governing the actions of any and all District Board Members, employees or agents engaged in the selection, award and administration of contracts. No employee, Board Member, or agent of the District may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. As used herein, "Federal award" shall include any financial assistance received by the District directly or indirectly from a "Federal awarding agency" as said terms are defined in Title 2 CFR Section 200.1. Such a conflict of interest would arise whenever the District employee, Board Member, or agent, any member of the immediate family of any of the foregoing, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. Furthermore, all District Board Members, employees, and agents are precluded from soliciting or accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts under contract with the District.



The State of California's Political Reform Act (California Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The California Fair Political Practices Commission has adopted a regulation (2 California Code of Regulations, Section 18730) that contains the terms of a standard conflict of interest code, which can, and is, incorporated by reference into this District Policy. After public notice and hearing, the standard code may be amended by the Fair Political Practices Commission to conform to amendments to the Political Reform Act. Therefore, the terms of 2 California Code of Regulations, Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference and shall constitute the policy of the District.

All District Board Members, employees and/or agents must identify any real or apparent conflict of interest and recuse themselves from engaging in the selection, award or administration of any contract or work proposed for award by the District. Failure to comply with the provisions of this Policy or failure(s) to disclose conflicts of interest may result in the censure or removal of District Board Members or any other actions deemed appropriate by the Fair Political Practices Commission or State or Federal law. Non-conformance to this Policy by District employees or agents may result in disciplinary actions up to and including termination from employment, separation or legal action.

### VIII. Summary

Good control over expenditures depends upon advance authorization and adequate documentation. The use of purchase orders and vouchers provides a basis for such control and documentation.

The success of this system depends upon the understanding and cooperation of all staff. Questions are welcomed and will be promptly answered by the General Manager or Finance Director. Unusual situations should be documented by memorandum or letter. Suggestions for improvement are welcome and will be carefully considered by management.

## Attachment 1

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
ACCOUNTS PAYABLE VOUCHER

VEN DOR ID: \_\_\_\_\_ VEN DOR: \_\_\_\_\_

- Recurring
- Travel/Employee Reimbursement
- Customer Refund
- Contract
- Petty Cash
- Blanket Purchase Order
- Purchase Order by: GOCTLFJH (attached)

INVOICE	DESCRIPTION	FUND	ACCOUNT	DEPT	JOB #	AMOUNT

## Attachment 2

### MCS D TRAVEL APPROVAL FORM

Employee: \_\_\_\_\_ Date Submitted: \_\_\_\_\_

Description of Activity: \_\_\_\_\_

Destination: \_\_\_\_\_ Date(s) of Attendance: \_\_\_\_\_

Departure date \_\_\_\_\_, departure time \_\_\_\_\_ on 1<sup>st</sup> day of travel/left MCS D

Arrival date \_\_\_\_\_, arrival time \_\_\_\_\_ on last day of travel/arrived MCS D

Estimated Costs	
Registration/ Tuition	
Personal Car _____ gas receipts	
Plane Fare	
Cabs/ Rental Car/ Parking	
Lodging _____ nights x \$ _____	0.00
Meals: \$ _____ /Day x _____ days	
Extra meals/incidentals _____	
Per Diem Rates - <a href="http://www.gsa.gov/portal/category/100120">http://www.gsa.gov/portal/category/100120</a>	
Total Estimated Costs	\$0.00

#### REQUEST FOR TRAVEL ADVANCE

I request \$ 0.00 as a travel advance. I understand that I must complete a "MCS D Travel Expense Report" at the conclusion of my trip whether or not I request a travel advance.

\_\_\_\_\_  
Employee Signature                      Department Head Approval                      District Manager Approval

Vendor ID: \_\_\_\_\_ Acct#: \_\_\_\_\_ Check #: \_\_\_\_\_ Check Date: \_\_\_\_\_

## Attachment 3

### MCS D TRAVEL EXPENSE REPORT

Employee: \_\_\_\_\_ Date Submitted: \_\_\_\_\_

Description of Activity: \_\_\_\_\_

Destination: \_\_\_\_\_ Date(s) of Attendance: \_\_\_\_\_

Departure date \_\_\_\_\_, departure time \_\_\_\_\_ on 1<sup>st</sup> day of travel/left MCS D

Arrival date \_\_\_\_\_, arrival time \_\_\_\_\_ on last day of travel/arrived MCS D

Actual Costs	Employee Paid	MCS D paid	Total Cost
Registration/Tuition			0.00
Personal Car _____ gas receipts MCS D vehicle _____			0.00
Cabs/Rental Car/Parking			0.00
Lodging ____ nights x \$ _____ \$ 0.00 \$ _____ Lodging Notes Additional fees			0.00
Meals: \$ _____/Day x _____ days + \$ _____ x _____ meal + \$ _____ x _____ meal <small>Breakfast/lunch/dinner</small>			0.00
Other:			0.00
<b>Total Cost</b>	0.00	0.00	0.00
Less Travel Advance Paid to Employee	( 0.00 )		
<b>Total Due to (from) Employee</b>	0.00		

All receipts and MCS D Travel Approval Form must be attached

\_\_\_\_\_  
Employee Signature                      Department Head Approval                      District Manager Approval

Vendor ID \_\_\_\_\_ Acct. # \_\_\_\_\_ Check # \_\_\_\_\_ Check Date \_\_\_\_\_

# Attachment 4



**McKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
 P.O. BOX 2037  
 McKINLEYVILLE, CA 95519  
 707-839-3251

**PURCHASE ORDER**  
9525

T  
O

S  
H  
I  
P  
T  
O  
  
M  
C  
S  
D

VENDOR NO.	REQUISITION NO.	DATE REQUIRED	P.O. DATE	TERMS	SHIP VIA
ITEM NO.	DESCRIPTION	ORDERED	RECEIVED	UNIT PRICE	AMOUNT
<b>TOTAL</b>					

ACCOUNT NUMBER	AMOUNT

- INSTRUCTIONS TO VENDORS**
1. THE DISTRICT RESERVES THE RIGHT TO CANCEL THIS ORDER IF GOODS ARE NOT FURNISHED AS PROVIDED HEREIN OR AS OTHERWISE DIRECTED.
  2. INCLUDE MEMO INVOICES WITH ALL SHIPMENTS. MAKE SEPARATE INVOICES FOR EACH SHIPMENT AND ORDER. INVOICE MUST STATE WHETHER COMPLETE OR PARTIAL DELIVERY.
  3. EACH SHIPMENT MUST BE PLAINLY MARKED TO SHOW THE ORDER NUMBER AND DEPARTMENT FOR WHICH THE GOODS ARE INTENDED.
  4. ALL ORDERS ARE F.O.B. McKINLEYVILLE, UNLESS OTHERWISE SPECIFIED.
  5. SHIPMENTS WILL BE RECEIVED ONLY DURING OUR REGULAR BUSINESS HOURS OF 9 A.M. TO 4 P.M. MONDAY THROUGH FRIDAY.
  6. NO SHIPMENTS ACCEPTED ON HOLIDAYS.
  7. IF SHIPMENT WILL BE DELAYED FOR ANY REASON, ADVISE US IMMEDIATELY, STATING ALL THE NECESSARY FACTS.

\_\_\_\_\_  
 PURCHASING AGENT  
 BY \_\_\_\_\_

WHITE - VENDOR
CANARY - FINANCE
PINK - RECEIVING