

Travis County E.S.D. #4



Financial Operations Policy and Related Work Flow

Revision Date 11-17-2020

INTRODUCTION

A properly designed accounting system must meet the needs of the business organization for which it is being created. Provisions must be made for the accurate accumulation, recording and reporting of data. This is especially true for governmental agencies such as Travis County E.S.D. #4.

Since we are funded by taxpayer dollars, our accounting and reconciliation of these assets must be very carefully guarded to ensure that no fraud or misappropriations occur. Taxpayers want to know that their tax dollars are being expended for the intended purposes only. This creates the need for Internal Controls in order to safeguard these precious assets.

Internal Controls are a plan of organization and all the methods and measurement used to monitor assets, prevent fraud, minimize errors, verify the correctness and reliability of accounting data, promote operational efficiency, and ensure that established managerial policies are followed.

Internal Control extends to functions beyond the accounting process. Accounting controls encompass safeguarding assets and the accuracy of financial records. They are designed to give assurance that transactions are properly authorized and are recorded to allow for financial statement preparation in accordance with GAAP. Administrative or managerial controls deal with operational efficiency, adherence to managerial policies, and management's authorization of transactions. Accounting and administrative controls are not mutually exclusive since some procedures and records falling under accounting control may also be used for administrative control.

<p>The major organizational change that occurred in November of 2017- contracting with the City of Austin to provide emergency response services - acted as the impetus for a thorough review of this policy.</p>

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- Travis County ESD 4

- Governing Documents and General Procedures

- Purpose:
 - To establish a description and policy concerning the Governing Statutes and documented guidelines relative to the operations of ESD 4.
- Scope:
 - Travis County ESD4, like all Texas ESD's operates in accordance with Texas Health and Safety code # 775 and associated Government Code. In addition, the District operates in accordance with the guidelines set forth in "Emergency Services Districts" Operating Guide published by the Texas Office of Rural Community Affairs (ORCA). This guide is simply a summary of ESD policies and procedures and is intended to serve as an overview for ESD Commissioners.
 - The District also operates in accordance with numerous state and federal government statutes and guidelines. A complete listing is outside the scope of this document.
- Procedure General:
 - ESD 4 accomplishes it's financial operations in accordance with generally accepted financial practices of a local government entity.
- ESD 4 uses QuickBooks software for accounting.
- ESD 4 employs a Financial Manager who executes approved expenditures, tracks revenues and prepares financial reports.
- ESD 4 accounting year is January through December.
- ESD 4 budget year is October through September.
- ESD 4 uses the Cash basis of accounting throughout the year and converts it's Financial Statement to the Full Accrual and Modified Accrual at year end.
- ESD 4 operates on a strict Budget which is adopted prior to the new year, and prior to the adoption of the effective tax rate.
- ESD 4 contracts its annual Audit services with Medack and Oltman, LLP (CPA).
- ESD 4 is in compliance with GASB as determined by our annual audit.
- ESD 4 conducts audits and prepares the annual Financial Statement at year end. Copies are provided to the County Government and Taxpayers on request.

- The required GASB "MD&A is prepared by the District management and the District bookkeeper with input and direction from the full Board of ESD 4 Commissioners.
- Comprehensive financial reports are prepared and presented monthly to the ESD 4 Board of commissioners.
- ESD 4 has Internal Controls to safeguard Taxpayer funds and prevent fraud.

• Bank Accounts

- Purpose: To establish a description of and uses of the various bank account used by ESD 4.
- Scope: ESD 4 maintains three (3) Bank Accounts: A primary account, a secondary Checking account , and a third Reserve account.
- All **Property Tax and Sales Tax revenue** will be deposited into TexPool as our primary account.
- Funds can only be transferred from TexPool into the checking account.
- No checks will be written from TexPool.
- Money is only transferred from TexPool into the checking account via electronic transfer:
- For budgeted expenditures approved by the Board.
- When requested by the Finance Manager to pay Accounts Payable.
- When the request is approved by the Treasurer.
- The Finance Manager, the Treasurer and other Board Members may be authorized to make the electronic transfer via password.
- Our account at Wells Fargo Bank will be our **operating checking account**, to be used for on-going Accounts Payable (bills), Account Receivable and Misc. Deposits.
- A **Reserve Account** will be established to satisfy the requirements of the service-contract with the City of Austin.

● Bank Statements

- Procedure: a.) Finance Manager enters data in QuickBooks from Bank Statements
- Property Tax deposits - compares to Travis County report
- Sales Tax deposits - compares to Comptroller report
- Interest and Dividends earned.
- Investments Proceeds.
- Credit card charges.
- Bank "services charges".
- Reconciles to the statement
- Includes all data from statement into "Monthly Treasurers Report"
- Finance Manager files all accounting reports

● Accounts Payable

- Policy: Expenditures of public funds require a transparent process that is strictly followed. All expenditures are expected to be accounted for in the current year Operating budget, which has been approved by the Board. Emergency purchases beyond those are extremely rare and again require Board approval prior to the expenditure.
- Procedure:
- All payments will be initiated by an invoice or bill.
- All invoices will be opened and stamped with the date of receipt.
- All invoices will have a signature authorizing payment by either the District Administrator or a Board Member, **prior to** the issuance of a check or electronic payment.
- A check requires two written Board members signatures. Rubber stamps are not to be utilized.
- There will be no cash withdrawals or cash advances from the checking account or via a credit card.

- Bookkeeper

- **Steps**

- Enters bills into QuickBooks software and creates/prints a check.
- Consideration is given to the bill amount and the district budget.
- Checks are taken to the board meeting and signed by 2 commissioners.
- Stuffs envelopes with vendor payment return stub and ESD4 check.
- Seals envelope, stamps and mails.
- **Notes:** The process of creating a check to pay bills may require the setup of:
 - A new vendor and the necessary 1099/W9 as required.
 - Research to verify this is not a duplicate payment.
 - If payment amount is over \$2000 and/or questionable in any way, a quick meeting with the District Administrator may be in order to verify and resolve.

• Credit Cards

- Policy: Travis County ESD 4 has credit cards associated with its checking account at Wells Fargo. Credit cards are used to pay for goods and services by the authorized users.
- Procedure:
- Credit Cards from Wells Fargo will be issued to the Financial Manager and District Administrator only.
- All expenditures made by credit card must be documented via a printed receipt, which is to be returned to the District office.
- The receipt should be signed by the user.

Bookkeeper

- Steps:
- 1) Charges entered in QuickBooks
- 2) Account coded according to purchased item.
- 3) Each transaction entered.
- 4) File maintained by Month for all charges.
- 5) Each purchaser must sign receipt.
- 6) Available supporting document(s) matched.
- 7) Payment record/invoice stapled and filed

- Accounts Receivable - Checks/Cash

- Policy: Checks or Cash income can be from a variety of sources, including:

- IC Process - Billing for services
- Sale of Surplus Apparatus or used equipment
- Reimbursed expenses from another agency.
- Reimbursed expenses from -an employee or member.
- Grants or Contracted services or Other...

- Procedure:

- Reviews the payment for accuracy
- Enters the payment into QuickBooks (Deposit)
- Consideration is given to the proper account code(s)
- Can be multiple transactions or a single transaction
- Loads preprinted Deposit Slip into printer
- Stamps the back of the Check(s) with ESD4 Deposit to Stamp
- Tears off Deposit Slip Stub and staples to supporting document(s)

- Notes:

- Normally, the Deposits are deposited to Wells Fargo checking.
- Deposits are secured by Finance Manager until deposit is made.
- If Deposit amount is over \$2000 and/or questionable in any way, a quick meeting with the District Administrator may be in order to verify and resolve.
- Special consideration is always given to the proper recording of data in the memo field to identify Date range(s), Source, Type and reasons for the payment.

- Accounts Receivable - Property and
- Sales Taxes, Other revenue.

Procedure:

- a.) Records total Property Tax deposit in QuickBooks
- b.) Compares total Property Tax deposit to Tax office report
- c.) Records total Sales Tax deposit in QuickBooks
- d.) Compares total Sales Tax deposit to Comptroller report
- e.) Reconciles Bank statement in QuickBooks
- f.) Prints reconciliation and attaches to report to statement
- g.) Reports Property and Sales Tax deposits monthly: Treasurer Report presented to Board of Commissioners

Interest Revenue (Dividends, Bonds and Investment Pools)

Note: Investment Pools earn interest daily, but are posted to the account, monthly.

Procedure:

- a.) Records total Share Dividend Interest income in QuickBooks
- b.) Records total Bond (CD) Interest income in QuickBooks

Recording and Documenting
Investments

- Records purchase of CD as indicated on Bank statement
- Moves CD purchase amount to Asset account
- Records Matured (Redeemed) CD as indicated on Bank statement
- Moves CD Redeemed amount from Asset to Bank account
- Reports all CD activity monthly on Treasurers Report

- **Note: The District has an Investment Policy, revised in 2020, that clearly identifies its practices, its safeguards and its goals.**

• Financial Record Keeping

- Purpose: To establish a description of and the policy concerning the filing of ESD 4 Financial Data related to the accounting process.
- Scope: Travis County ESD 4 maintains a large amount of data relating to the financial operations of the district. This policy and procedure relates to financial records only. The filing and storage of all ESD 4 organization related data is outside the scope of this document.

• Filing System - Financial Data

- The broad definition and/or list of "financial data" is as follows:
- Employee and Payroll history.
- Accounts Receivable documents.
- Accounts Payable documents.
- Banking, Statements, Reconciliations and related documentation.
- District Treasurer and financial reports
- Budgets and associated documents
- Audits and Financial Statements
- ESD 4 Practices:
- Employee folders which contain all hire information and related forms.
- Each Vendor has a separate folder and contains all A/P data.
- Bank Statements and Reconciliations are filed by month in folders.
- All Contracts are filed in a large notebook for ease of review.
- All Payroll related data is filed by date of activity along with EFTPS data.
- Accounts Receivable documents are filed in folders in month of activity.
- Property Taxes and Sales Tax information is filed in month of activity.
- All Other financial data and related information is filed in folders by subject.

- The district Financial Manager performs the same procedure for each of the various transaction types. All transactions (A/P, A/R and Deposits, Payroll etc.) are entered into QuickBooks and supporting documentation is attached to the instrument (check or deposit slip). The transaction is then filed in the appropriate cabinet or storage box.
- Note: All transactions are previously reviewed and approved by the Office Manager and Fire Chief.



- **Accounting System Hardware, Software and Recovery**

- Purpose: To establish a description and policy concerning ESD 4 equipment, software and data protection methods used in the accounting process.
- Scope: Travis County ESD 4 maintains a laptop, printer and related software (QuickBooks) and (MS Windows) to accomplish its accounting related activities.
- Procedure: All typical accounting activities are performed on the computers location at the secured district office. Activities such as A/P, A/R and Payroll. All Vendor, Customer and Employee data is entered and/or updated daily.
- Security- All systems are password protected. In addition, a sign has been placed on this system to enhance security. "For Accounting Use Only". Access is highly restricted to the Finance Manager only. Backups of the passwords are kept in the secured remote location.
- Data backups - Two (2) Flash drives are secured by the Finance Manage. There is also a secured external hard drive. Backups are stored in a remote location under lock and key at all times. "Cloud" backups of the office systems are provided by our internet provider each evening.
- Data Recovery- Up to date data can be easily recovered by using the "restore" feature in QuickBooks software.
- Software - The QuickBooks software can easily be recovered by the Finance Manager and the hardware technician who was hired to install the systems.
- Disaster - If a disaster occurred at the district office, a complete recovery could be made by the district Finance Manager. All accounting activities could be accomplished within a short period of time.