



Deschutes County Internal Audit

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BRIEFING ON INTERNAL CONTROLS – COUNTY POLICIES

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Internal Controls

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1. County managers are responsible for establishing and maintaining a positive control environment.
2. Control environments are the foundation for an internal control system. These systems provide the discipline and structure, which influence the overall quality of internal control.

What are Internal Controls

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An integral component of an entity's management that provides reasonable assurance that the objectives of an entity are being achieved. These objectives and related risks can be broadly classified into one or more of the three following categories:

1. Operations – effectiveness and efficiency of operations
2. Reporting – reliability of reporting for internal and external use
3. Compliance – compliance with applicable laws and regulations

What are the components of a system?

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COSO and the Green Book identify the five components of internal control to include:

1. Control environment – provides discipline and structure to help an entity achieve its objectives.
2. Risk assessment - assesses risks facing the entity and develops appropriate risk responses as it seeks to achieve its objectives.
3. Control activities – establish policies and procedures to achieve objectives and respond to risks.
4. Information and communication – supports quality information management and personnel use to support the internal control system.
5. Monitoring - establishes activities to assess performance and resolve findings.

An effective internal control structure encompasses all of these.

Where do policies come in to play?

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Control activities are what we tend to think of first when asked about a control environment because they include things like segregation of duties, authorization, and review.

- One of the principles within this area is that management should implement control activities through policies.

What fiscal policies are in affect at the County?

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High Level guidance

- Oregon Government Ethics Law
- General Financial Policies (DC No. F-14)
- Legal review of County documents (DC No. GA-17)

What fiscal policies are in affect at the County?

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Other guidance

- Reimbursement for misc. expenses and expenses incurred while traveling on County Business (No. F-1)
- Traveling on County Business (No. F-2)
- Purchasing card policy (No. F-3)
- County issued credit cards – Sheriff's Office (No. F-3)
- Capital Asset Disposal or transfer policy (No. F-4)
- Capital asset, capital outlay expenditure, and theft sensitive asset thresholds (No. F-5)
- Capital Outlay Expenditures (No. F-6)

What fiscal policies are in affect at the County?

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Other guidance - continued

- Opening bank accounts (No. F-7)
- Petty cash policy (No. F-8)
- Cash over/short reporting policy (No. F-9)
- Investment Policy guidelines (No. F-10)
- Payment card policy (No. F-12)
- Reserve policy for the Health Benefits Trust (No. F-13)
- Payments to suppliers (Department purchasing thresholds)(No. F-15)

General Financial Policies (F-14)

General Financial Policies (F-14)

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Policy statement:

Deschutes County has an important responsibility to its citizens to carefully account for public funds, manage municipal finances wisely, manage growth, and plan adequate funding of services desired by the public, including the provision and maintenance of public facilities...

- The following Financial Policies are designed to establish guidelines for the fiscal stability of the County.
- Present fairly and with full disclosure the financial position and results of financial operations of the County in conformity to Generally Accepted Accounting Principles (GAAP) ...

General Financial Policies (F-14)

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Applicability:

This policy applies to all financial operations of Deschutes County and all other entities governed by the Deschutes County Board of County Commissioners.

General Financial Policies (F-14)

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Policy areas discussed:

- Financial planning policies
- Revenue policies
- Expenditure policies
- Cash management policies

General Financial Policies (F-14)

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Financial planning policies

- Budget process
- Balanced budget
- Budget adjustments
- GFOA awards program
- Financial reporting policy
- Budgeting for working capital and contingencies
- Operating funds
- Reserve and insurance funds
- Long range planning
- Capital assets

General Financial Policies (F-14)

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Revenue policies

- Revenue diversification
- Fees and charges
- Use of one-time revenues
- Use of unpredictable revenues
- Grants
- Revenue management

General Financial Policies (F-14)

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Expenditure policies

- Debt capacity, issuance, and management
- Operating/Capital expenditure accountability
- Internal service funds

General Financial Policies (F-14)

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Cash management policies

- Investments
- Banking services
- Annual validation of County bank accounts
- Credit cards
- Internal controls and Performance auditing policies
- Purchasing

Review of Legal Documents (GA-17)

Legal review of documents DC No. GA-17

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Policy statement:

All documents prepared by or presented to the County for official approval or adoption which would bind the County or may have legal implications, shall first be reviewed and approved by County Legal Counsel.

- While Departments are authorized to develop internal policies and procedures, such policies and procedures must be consistent with and, in terms of employment policies, no less restrictive than, County-wide policies and procedures. In order to ensure such consistency, all proposed new internal Department policies are subject to this policy.
- Before entering into contracts, adopting policies or undertaking official activities that are reduced to a written form, County Departments should consider what potential liabilities are presented. Unless such liabilities are considered, the County may be unnecessarily exposed to risk that can affect the County's fiscal condition. Legal review shall not be treated as an excuse from or substitute for consideration of whether the transaction, policy or official action is advisable or in the public interest.

Legal sufficiency

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Procedure:

- County Legal Counsel provides legal sufficiency approval of County documents solely for the County's benefit.
- Approval for legal sufficiency means that the reviewing attorney finds that:
 1. The subject matter, promised performance, and consideration of the contract are within the County's authority;
 2. The contract, on its face, contains all the essential elements of a legally binding contract, such as a sufficient description of consideration (money, performance, or forbearance) when consideration is required;
 3. The document, on its face, complies with federal and state statutes and administrative rules regulating the subject matter of the document, and all provisions required by Oregon law to be incorporated have been included either expressly or by reference;
 4. The document includes and requires execution of any certification required by Oregon law or by the agreement of the parties;

Legal sufficiency

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Procedure (continued):

5. The document, on its face, does not violate any State of Oregon or federal constitutional limitation or prohibition, such as by creating an unlawful "debt" under section 10, Article XI, of the Oregon Constitution, or by impermissibly binding a future governing body to funding in the future;
6. Any statement of work or comparable provisions, and any business or commercial terms used in the contract are sufficiently clear and definite under the circumstances to be binding and enforceable; and
7. The contract allows the County, if appropriate, to terminate the contract, declare defaults, and pursue its rights and remedies.

Legal sufficiency is not

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Procedure:

- Approval for legal sufficiency does not include:
 1. Consideration of facts or circumstances not apparent on the face of the document, unless the attorney reviewing the document has current, actual knowledge of those facts or circumstances;
 2. A determination that the technical provisions used in the document that are particular to a profession, trade or industry, reflect the County's intentions, are appropriate to further the County's stated objectives, or are sufficiently clear and definite to be enforceable;
 3. A determination that the contract is a good business deal for the County, weighing relative risks and benefits, although the attorney reviewing the document may provide advice regarding significant risks and issues in any particular transaction. The County Department remains responsible for risk assessment, the decision concerning whether the agreement reflected in the contract is a good business deal for the County, and the decision whether to proceed despite exposure to risks;

Legal sufficiency is not

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Procedure - continued:

4. A determination that any particular remedy, whether or not expressly set forth in the contract, will be available to the County. However, if the Department requesting legal review specifically requests the attorney reviewing the document to address the availability of specific remedies, the reviewing attorney may do so;
5. A determination that the document complies with grant conditions or federal funding requirements, if any, or contains terms or assurances required under a grant or federal funding program. However, if the Department requesting legal review specifically requests the attorney reviewing the document to address the compliance with grant conditions, federal funding requirements, or required assurances, the reviewing attorney may do so; or
6. A stylistic or grammatical review, including spelling, punctuation and the like, unless such errors create ambiguity or otherwise are substantive. The attorney reviewing the document may address matters of this nature as time allows; however, these matters are primarily the responsibility of the Department submitting a document for review.

Other

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Procedure:

- County Legal Counsel is authorized to prepare model forms, including, without limitation, contracts and notices, as well as appropriate instructions for use of same, for distribution to and use by County Departments; provided, however, that use of such forms shall not render appropriate legal review unnecessary or otherwise excuse legal review pursuant to this policy.
- Contracts prepared or approved by legal counsel may incorporate by reference appropriate provisions of Section 2.37.150, Standard Contract Provisions, and, if so, such provisions shall become a part of the contract.

Reimbursements (F-1)

Reimbursement for miscellaneous expenses and expenses incurred while traveling on County Business No. F-1

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Policy statement:

It is the policy of Deschutes County that reasonable and necessary travel (including lodging, meal and transportation) expenses and certain miscellaneous expenses shall be approved for reimbursement.

- It is preferable that payments are made directly to vendors for purchases; however, in some cases an employee may need to incur expenses on behalf of the County.

Reimbursement guidelines

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1. Request for reimbursement must be submitted in the manner prescribed by the Deschutes County Finance Department. The submission must be complete and must be signed by the employee and approved by the employee's department head or the department head's designee.
2. Generally, requests for reimbursement must be made within 60 days of the date the expense was incurred. If the reimbursement request is \$10 or less, employees MAY be reimbursed through the department's petty cash fund, if such funds are available and if appropriate documentation is submitted to the department's petty cash custodian.

Reimbursement guidelines - continued

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3. Each reimbursement request for any out-of-state travel MUST be accompanied by a copy of the approved Out-of-State Travel Authorization Form (see attached copy). The form must be completed in its entirety and authorized by the initiating department head prior to the initiation of any travel arrangements.
4. Mileage will be reimbursed at the rate allowed by the IRS at the time the mileage was incurred. The rate is adjusted periodically, as announced by the IRS (normally each January).
 - a) Employees including elected officials must deduct any miles driven on County business that are considered "Daily Commute Miles". Daily commute miles are the round trip distance between the employee's residence and the employees regular place of business and are not reimbursable. If an employee or elected official is provided office space at a county facility, that location is assumed to be their regular place of business for mileage reimbursement purposes. Any mileage driven on normal work days must deduct commute miles from total miles driven for reimbursement purposes

Reimbursement guidelines - continued

5. When possible, employees shall use the County's existing accounts with vendors, local and non-local, or shall establish credit with vendors instead of using their personal funds for payment of expenditures incurred for the benefit of the County. It may be more convenient and expedient for an employee to incur expenses on behalf of the County; however, employees are encouraged to make these County-related expenditures only when necessary. Such purchases should be limited to the following items:
 - a. Lodging and meals purchased while on County-related business.
 - b. Public transportation (buses, personal vehicle mileage, subways, & taxis)
 - c. Airfare, if Internet fare is less than that available through local travel agency.

Reimbursement guidelines - continued

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6. Payment to vendors for lodging and conferences can be made in advance when appropriate supporting documentation (e.g. lodging reservation invoice, conference registration form) is attached to an approved Accounts Payable entry
7. No cash advances for travel will be allowed.
8. Original receipts or invoices must be submitted with reimbursement requests, with the exception of reimbursement requests for the actual cost of meals incurred during employment-related travel (see #11. a.). Receipts and invoices are itemized listings of all charges. An exception may be granted if a written explanation is provided when a receipt or invoice is either unavailable or lost.
9. It is expected that the least expensive mode of transportation available will be used.

Reimbursement guidelines - continued

10. Lodging expenses will be reimbursed at actual cost and generally should not exceed the maximum amounts established by the U.S. General Services Administration "GSA" (see #13). See exceptions to this maximum discussed in paragraph 13.
11. Meal reimbursement.
 - a. MEAL COST INCURRED DURING EMPLOYMENT-RELATED TRAVEL: Employees will be reimbursed for **actual cost** of meals incurred while on overnight employment-related travel outside of Deschutes County, **up to the maximum amounts** established by the GSA for employment-related travel.

As the County cannot reimburse for alcoholic beverage purchases, such expenditures should not be included in the requested reimbursement.

Receipts for meals incurred during employment-related travel are not required if the meals are less than the federal per-diem rate. Cities not listed or located in listed counties will be reimbursed at the standard CONUS rate noted on the Per Diem tables, as required by IRS regulations. Meal and lodging costs related to overnight travel are not reimbursable if the stay is within Deschutes, Jefferson or Crook Counties.

Reimbursement guidelines - continued

11. Meal reimbursement.

b. OTHER MEAL COST:

Employees will be reimbursed for actual cost of meals incurred while attending employment-related meetings, also referred to as business meetings. Receipts for such meals are required for reimbursement (See #8 for description of receipt.) In addition to the receipt, the business purpose of the meeting and the names of those attending the meeting should be noted on the reimbursement request. If names of those in attendance at the business meeting are not available, a description of the group and the number of people in the group should be noted. As the County cannot reimburse for alcoholic beverage purchases, such expenditures should not be included in the requested reimbursement.

c. MEALS RELATED TO RECRUITMENT

Employees will be reimbursed for actual costs of meals incurred during recruitment processes. Receipts for such meals are required. Receipts for recruitment related meals must include the names of the employees and candidates included in the meal and a brief description of the event. As the County cannot reimburse for alcoholic beverage purchases, such expenditures should not be included in the requested reimbursement.

Reimbursement guidelines - continued

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12. Maximum rates for meal reimbursements incurred during employment-related travel are established by the GSA.
 - a. Maximum rates are based on locality.
 - b. In the event the employee is in more than one locality during employment-related travel, the maximum rate allowable (see #10. a.) is the locality in which the reimbursable expense was incurred.
 - c. Please note: the M & IE rate includes an amount for incidental expenses ("IE"); therefore the maximum meal reimbursement is the M & IE rate less the incidental allowance stated on the GSA website.
 - d. A copy of the per diem rate information from the website MUST be attached to the reimbursement submission.
 - e. If request is for other than full day, (e.g., lunch is provided at a workshop, therefore, reimbursement is limited to breakfast and dinner), reimbursements are based on the following percentages of the daily meal rate: Breakfast - 20%; Lunch - 30%; Dinner - 50%.
13. Exceptions may be authorized if approved by the County Administrator.

Traveling on County Business (F-2)

TRAVELING ON COUNTY BUSINESS No. F-2

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Policy statement:

It is the policy of Deschutes County that travel for County business shall be limited to travel that is necessary and shall be done in a cost-effective manner.

General procedures

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In General, Deschutes County recognizes that it may from time to time be necessary to travel for training, professional conferences and business meetings. Employees, agents and elected officials ("employees") shall travel only when necessary and when travel does not interfere with or disrupt regular county operations for which the employee's presence is required.

Employees are expected to be conservative in lodging, meals, and transportation expenses. Conservative means the least expensive method reasonably possible. All modes of transportation coupled with accommodations are to be considered. For airline travel, it is intended that low cost plane fares will be used irrespective of mileage reimbursement and/or additional hotel days incentives at higher fares. For overnight travel, it is also expected that reasonably priced hotels will be selected in safe neighborhoods, conveniently located near meetings or conferences.

Employees should consider the cost of their time in determining the most appropriate mode of transportation and may, with the approval of their department head, use airline travel rather than car travel to avoid overnight stays and unnecessary days away from their primary job site when traveling to locations served by direct flights from the Redmond Airport, such as Portland or Seattle. During winter months, employees shall consider personal safety in determining the most appropriate form of transportation.

Specific procedures

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1. Out of state travel

Due to the expense, out-of-state travel should be rare and should be undertaken only when there is no viable in-state alternative. All out-of-state travel requires advance approval notwithstanding, short-notice or emergency out-of-state travel by Sheriff's Office or District Attorney's Office personnel for official law enforcement or prosecutorial business.

2. Automobile travel

In-state travel shall generally be done by automobile. Employees shall use a county owned vehicle for such travel, unless the use of a personal vehicle is approved per the terms and conditions of Policy No. RM-1, Driving on County Business.

Out-of-state travel shall be done with the most cost-effective means of transportation available.

Only those County automobiles insured for out-of-state travel shall be used for such purposes. If no such vehicles are available, employees shall use a personal vehicle or a rental vehicle, whichever option is the least costly.

All drivers who use personal vehicles on County business must complete a Driver's License and Insurance Information form (Policy No. RM-1, Appendix B).

If an employee combines personal business or vacation/time management leave with the business travel, the employee must use a personal vehicle.

3. Car rentals and shuttle services

When traveling by rail, bus or air, employees may rent cars, at county expense, only if no shuttle or taxi transportation to their destination is available, or the shuttle or taxi is unavailable, or the cost will exceed the car rental. Employees who find shuttle services inconvenient may rent cars at their own expense and be reimbursed up to documented shuttle rates. Whenever a car is rented for county business purposes, all offered liability insurance must be purchased.

4. Length of trip

No additional days of travel beyond the conference and the minimal amount of time needed to reach the destination and/or return will be paid by the county. Employees required to stay over a Saturday in order to take advantage of a low-cost airfare shall not be charged vacation time and shall have expenses paid.

5. Reimbursement (See F-1)

Purchasing Card Policy (F-3)

COUNTY ISSUED CREDIT CARDS-SHERIFF'S OFFICE No. F-3

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Policy statement:

It is the policy of Deschutes County not to provide County-issued credit cards, except for the Sheriff's Office, and set specific limits on the use of such cards.

- Applicable to County-issued credit cards.
- County will provide credit cards for use limited to “emergency situations” encountered by the Sheriff's Office.
 - “Emergency situations” generally described as those that are unforeseen and immediate, encountered by the Sheriff's Office. Expenditures in such situations normally include expenditures such as airfare, accommodations and other reimbursable travel, meal and miscellaneous expense as described in the County's TRAVEL & MISCELLANEOUS EXPENSE REIMBURSEMENTS POLICY F-1.

F-3 Policy and procedure

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1. In no event will a County issued credit card be used for normal or routine training or travel expenditures.
2. Source documents related to any credit card charges will be retained in the Sheriff's Office pending receipt of the monthly statement.

Source documents include both the vendor's detailed invoice of the charges and the "customer copy" with the signature of the user authorizing the charges.

In the event the detailed invoice is not obtained by the employee using the credit card, such charge may be considered personal and therefore not a reimbursable business expense. In this case the employee will be responsible for this expenditure.

F-3 Policy and procedure - continued

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3. The Sheriff's Office will retain all source documents for use in reconciling the monthly statement. Upon reconciliation of the monthly statement, a voucher will be prepared and sent with the monthly statement and source documents supporting the charges appearing on the monthly statement to the Finance Department for processing.
4. Due to the relatively short time between the receipt of the statement and the payment due date, priority will be given to the reconciliation of the statement and the preparation of the voucher. Any delay could lead to the Sheriff's Office being assessed late charges by the credit card issuer.

F-3 Policy and procedure - continued

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5. Credit cards will be issued in the name of certain Sheriff's Office employees. Such employees will be personally liable for any charges to the card not in compliance with this policy or the County's TRAVEL & MISCELLANEOUS EXPENSE REIMBURSEMENTS POLICY F-1.
6. Each employee of the Sheriff's Office who is issued a credit card under this policy will sign an acknowledgment that he or she has read this policy and will comply with the terms of this policy.

PURCHASING CARD POLICY No. F-3 (2017)

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Policy statement:

It is the policy of Deschutes County to provide County-issued Purchasing cards to County staff and elected officials in certain limited situations to be used for the efficient transaction of County Business.

- This policy applies to all Purchasing cards issued by the County to staff and elected officials for use in transacting County business.

F-3 ('17) Policy and procedure

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1. Card Requests and Issuance

- a. Departments requesting purchasing cards for use in transacting County business shall provide a written request to the Finance Director, using the Purchasing Card Request Form, clearly setting forth the purpose and intended use of each card. Such request shall include the anticipated efficiencies to be gained by the use of such cards.
- b. Deschutes County financial policy F-14, section 4(d) authorizes the Finance Director/Treasurer to evaluate requests and issue cards in consultation with the County Administrator.

F-3 ('17) Policy and procedure

2. Cardholder Responsibilities

- a. The assigned card holder is responsible for handling the card with the utmost care including using the card in compliance with County Purchasing Rules and this Policy. The card holder is responsible for following all procedures required by the County Finance Department and to ensure the secure storage of the card by taking extra caution to keep it separate from personal debit and charge cards. The cardholder is also expected to maintain the security of the card number.
- b. Cardholders and the department managers are responsible for adhering to all policies and procedures related to County issued Purchasing Cards, reviewing all charges in a timely manner not less frequently than weekly and assigning the appropriate account coding to each charge. They are also responsible for ensuring that each purchase is appropriate and in compliance with County purchasing rules and this policy, and maintaining proper documentation.

F-3 ('17) Policy and procedure

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3. Finance Department Responsibilities

- a. The County Finance Department shall be responsible for administering the County Purchasing Card program, for maintaining the relationship with the bank, making the electronic payment each period and for developing and maintaining controls, procedures and software applications necessary to carry out the program. Finance shall also establish procedures that must be followed by department staff for the administration of the program.

F-3 ('17) Policy and procedure

4. Appropriate Uses

- a. Purchasing Cards issued under this policy shall only be used to transact County Business and must be used to complement and not avoid existing purchasing rules and processes.
- b. Acceptable uses for County business are limited to the following:
 - i. Travel arrangements for staff or elected officials attending conferences or meetings requiring an overnight stay limited to lodging and transportation.
 - ii. Registration fees for conferences, meetings or training events.
 - iii. Online purchases for County business that can only be transacted with a credit card due to vendor requirements.
 - iv. Emergency situations generally described as unforeseen and immediate that require a time frame that cannot be accommodated by the County's normal accounts payable schedule.
 - v. Purchases of materials and supplies in the field to facilitate the needs of County staff or clients.

F-3 ('17) Policy and procedure

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5. Other provisions

- a. Purchasing cards may be used to purchase goods and services by phone, fax, e-mail or through the internet.
- b. Employees issued purchasing cards will be required to sign an acknowledgment that they have read and understand this policy and all related procedures. Violations of the Purchasing Rules, or this policy may result in revocation of the right to use a Purchasing Card and may result in disciplinary action by the authorizing supervisor (up to and including termination). incidentals and meals.

FORMS

- Purchasing card request form (from employee/Supervisor and Department Head) (Authorized by CFO)
- Purchasing card Cardholder Agreement (Cardholder)
 - *Allows others to access card*

Capital Assets

Disposal/Transfer (F-4)

Assets, Expenditures, and
Theft Sensitive (F-5)

Expenditures (F-6)

County Policy F-4 - Capital Asset Disposal or transfer

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Policy statement:

It is the policy of Deschutes County to provide standardized record keeping and documentation of internal and external transactions dealing with the disposal and/or transfer of Capital Assets.

- A capital asset is real or personal property with an estimated useful life of more than twelve months and an acquisition cost of \$5,000 or more.
- For internal control purposes, capital assets also include theft sensitive items.
 - Theft sensitive items include camcorders, digital cameras, copiers, printers, television/VCR combinations, televisions, computers, computer terminals, weapons, handguns, GPS systems, PDAs, flat bed scanners, and radios.

Capital Asset Disposal or transfer - continued

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- All capital assets are assigned an asset number and, if possible, a bar-coded asset tag is affixed to the capital asset.
 - Asset tags are not affixed to certain assets such as vehicles, machinery and equipment, weapons, and communication radios.
- A capital asset disposal/transfer form must be completed when a capital asset is disposed of, taken out of service, or transferred to another location or department.
 - This information will assist in the County's responsibility of maintaining a complete and accurate perpetual capital asset database.

County Policy F-5: Capital asset, capital outlay expenditure, and theft sensitive asset thresholds

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Policy statement:

It is the policy of Deschutes County to provide consistent accounting of expenditures for capital outlay, and to assure that capital assets exist and are used for their intended purpose.

- The term “Capital Assets” is used to describe assets that are used in operations and that have initial lives extending beyond a single reporting period.
- Includes a number of definitions.
 - Capital assets (GAAP): Capital assets must have an estimated useful life of at least twenty-four months following the date of acquisition and a cost of \$5,000 or more.
 - Capital Outlay Expenditures (Budget); Deschutes County uses \$5,000 as the minimum cost and an estimated useful life of at least twelve months for capital assets accounted for as “Capital Outlay”.
 - Theft Sensitive Assets: non-capitalized capital-type items that are considered to be “theft-sensitive” by including these items in the County’s database of such assets.
- The County will maintain a perpetual capital asset inventory control system for its Capital Assets. A physical inventory will be one every four years.

County Policy F-6: Capital Outlay Expenditures

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Policy statement:

It is the policy of Deschutes County to require special procedures for capital expenditures to ensure that capital expenditures are justified, budgeted and accounted for appropriately.

- applies to all capital expenditures accounted for in the County's budgetary funds with an acquisition cost of \$5,000 or more and represent personal or real property with an expected life of more than one year.

Capital Outlay Expenditures - continued

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Prior to purchase of a capital item.

- Budget - The estimated cost of an item must be appropriated in the capital outlay category of the department or fund for the fiscal year in which the item will be purchased.
 - a description of the item must be included in the capital section of the budget document explaining the need for the item.
- Acquisition - County purchasing rules must be followed in the purchase of the capital item.
 - Documentation must be maintained in the MUNIS procurement record as evidence that all applicable purchasing rules have been complied with.
- Variances from Items budgeted - Departments may need a capital item that was not included in the capital section of the current year budget.
 - The Capital Asset form must be used to document the reasons for the substitution and to justify the purchase of the item that was not included in the budget.

Capital Outlay Expenditures - continued

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Prior to purchase of a capital item.

- Variances from Items budgeted - continued
 - **Substitution under \$25,000**
 - ✦ County Administrator approval of the substitution is not required however, the Capital Asset Form must be signed by the Department Head.
 - **Substitution \$25,000 and Over**
 - ✦ the Capital Asset Form must be completed and the form must be signed by the County Administrator.
 - ✦ Substitutions with an estimated cost of over \$150,000 must be approved by the Board.
 - **Additional Capital Items**
 - ✦ The Capital Asset Form must be signed by the County Administrator prior to seeking a budget adjustment.

Capital Outlay Expenditures - continued

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- Capital Asset Accounting

- Capital Assets meeting the definition in this policy will be tracked by the Finance Department in the accounting system.
 - ✦ Asset tags issued by Finance will be attached to most capital assets in such a way to protect the tag from wear and tear over the life of the asset.
 - ✦ The Finance Department will require the department to periodically visually inspect the asset to ensure its continued value and usefulness to the County and to verify its existence and location.
 - ✦ Assets subject to depreciation will be depreciated through the accounting system and will be appropriately reported in the County's annual financial report.

- Controlled Equipment

- Departments may want to keep track of other personal property valued at less than \$5,000 to ensure accountability and protection of property for insurance and other purposes.
 - ✦ The Finance department will work with departments to assign asset numbers for these items and will include them on lists to be verified on a periodic basis.
 - ✦ Department must notify Finance when such items are disposed of and should no longer be on the asset list.

DESCHUTES COUNTY
Capital Outlay Expenditure Authorization Form

1. Description of Expenditure: _____

2. Department _____

3. Budgeted Amount _____
Less: Prior Expenditures _____
Remaining Budget _____ Expenditure Amount: _____

4. Charge to: _____
Fund Dept/Div BIAS Elem/Obj Project

5. Bids Received: Written _____ Oral _____ None _____*

Bid Detail:	Name of Firm	Amount	Comments
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

*Reason Bids Not Requested: _____

6. Initial Purchase _____ Replacement _____

Replacement Information:
Replaced Asset Description _____

Justification for Replacement _____

Replaced Asset Number	_____	Make	_____
Year of Purchase	_____	Model #	_____
Original Cost	_____	Serial #	_____

ADDITIONAL INFORMATION IF REQUIRED CRITERIA NOT MET (See Capital Outlay Policy and Procedures, COEAF Form Section)

A. Item not budgeted or item exceeds budgeted amount (complete 1 or 2).
1. Source of appropriation if not budgeted or in excess of budget (no appropriation transfer required) : _____

2. Appropriation transfer to Capital Outlay is necessary.
Request for an appropriation transfer must be attached to COEAF

B. Item not as described in budget
REASON: _____

C. **EMERGENCY PURCHASE** – Item purchased prior to COEAF approval
REASON: _____

DESCHUTES COUNTY
Capital Asset Disposal or Transfer Form

1. Asset Number:

2. Serial Number:

3. Asset Description:

4. Location of Asset:

Asset(s) Disposed Of:

5. Date of Disposal: Signature of
Department Head:

6. Why was this asset disposed of?

7. How was the asset disposed of? Please explain.
(Examples: Sold, Broken, Donated, Obsolete, Trade-in, etc.)

8. If sold or traded, what was Date of
the amount received? Sale:

Asset(s) Transferred:

9. New Location:

10. New Department:

Opening Bank Accounts (F-7)

Petty Cash (F-8)

Cash Over/Short Reporting
(F-9)

Practices Policy (F-11)

Cash and Bank Account Policies

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- Opening Bank Accounts (No. F-7) (*issued 10/2018*)
- Petty Cash Policy (No. F-8) (*issued 10/2018*)
- Cash Over-Short Reporting Policy (No. F-9) (*issued 10/2018*)
- Cash Handling Practices Policy (No. F-11) (*issued 2/2020*)



County Policy F-7 - Opening Bank Accounts

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Policy Statement:

It is the policy of Deschutes County to establish new bank accounts only when the need for a new account is clearly demonstrated.

- Applicable to all departments and personnel proposing to open new bank accounts for conducting County business.
- For internal control purposes:
 - A formal request must be made to the Finance Department including at a minimum the type of account, purpose, and description of account activity.
 - Any and all new banks accounts must be authorized by the Board of County Commissioners.



County Policy F-8 – Petty Cash

61

Policy Statement:

It is the policy of Deschutes County to provide standardized safekeeping, approval process, reimbursement and reconciliation of petty cash funds throughout the County.

- Applicable to all of the County's petty cash funds and to all employees who handle petty cash funds.

FORMS

- Petty Cash Reimbursement Form



County Policy F-8 – Petty Cash cnt'd

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1. Each department with a petty cash fund will designate an employee of that department as the "Petty Cash Custodian." The custodian will be responsible for safeguarding the cash and the receipts. The cash and receipts will be kept in a locked box in a secure area of the department. The department will provide the Finance Department with the name of the appointed petty cash custodian.
 - o Additional Internal Controls
 - o Pre-numbered receipts signed by the recipient
 - o Receipts or Invoices supporting expenditure should be attached to the pre-numbered receipt, when available.



County Policy F-8 – Petty Cash cnt'd

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2. Disbursement of petty cash is limited to small dollar value expenditures of the department including minor office and shop supplies, postage, meeting expenses, etc. Petty cash shall NOT be disbursed for the following:

- Cashing employee's personal checks

- Gifts

- Travel advances

- Employee expense account items except as allowed by Policy F-1, the County's Employee Expense Reimbursement Policy

- Any item not directly related to County and Department activity

No expenditures shall be made from the petty cash fund for a purpose for which there is no appropriation or source of reimbursement authorized at that time.



County Policy F-8 – Petty Cash cnt'd

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3. The attached "Petty Cash Reimbursement Form" must be completed in its entirety with the proper receipts attached for reimbursement of the department's petty cash fund. Petty Cash reimbursement checks will be available on Friday for those properly completed reimbursement forms received by the Finance Department on or before 5:00 p.m. on Wednesday of the preceding week



County Policy F-9 – Cash Over/Short Reporting Policy

66

Policy Statement:

It is the policy of Deschutes County to report to the Treasurer's Office all cash over or under amounts, in order to facilitate the management of records and maintain oversight of cash handling.

Differences between cash (currency and coin) received and anticipated amounts based on Department records can occur as a result of cash handling associated with collection of fees and other revenues. Departments shall have effective internal controls in place to identify such differences.



County Policy F-9 – Cash Over/Short Policy and Procedure

67

Procedure:

Cash over/short amounts shall be reported to the Treasurer's Office on a cash over/short form (sample shown on page 2) or in a form that the department uses internally, so long as the same information is included. The information must be provided to the Treasurer's Office within three business days of the occurrence. The following information must be provided:

- The amount collected and deposited (supported by a copy of the deposit slip)
- The anticipated receipts per the Department's records
- The amount of the difference
- An explanation of the difference
- Name and signature of the cash handler(s)
- Name and signature of the supervisor, and
- For differences equal to or greater than \$100, the name and signature of the Department Head.

The County Administrator shall receive a monthly recap of these cash over/short differences and balance by department from the Treasurer's Office to assess if further investigation is warranted.



County Policy F-9 – Cash Over/Short Form

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SAMPLE: CASH OVER/SHORT FORM

(to be included with Treasurer's deposit or attached to bank deposit slip forwarded to Treasurer's Office)

Date:

Department:

Amount collected and deposited (A): \$ _____

Anticipated receipts per Department records (B): \$ _____

Difference: OVER (SHORT) \$ _____

Explanation for difference:

Cashier's name(s):

Cashier's signature(s):

Supervisor's name:

Supervisor's signature:

~~(If difference equals or exceeds \$100, the Department Head shall acknowledge)~~

Department Head's name:

Department Head's signature:



County Policy F-11 – Cash Handling Practices Policy

69

Policy Statement:

It is the policy of Deschutes County to ensure that County directors and managers design, implement and monitor effective cash handling controls.

Cash includes:

1. Currency (paper money and coin)
2. Money Orders
3. Checks
4. Travelers Checks
5. Credit Card Slips
6. Bank Drafts, etc.



County Policy F-11 – Cash Handling Policy and Procedure

70

Management Role:

1. County directors and managers shall design, implement and monitor effective cash handling controls. Cash handling procedures shall be distributed to all appropriate staff.
2. Management will periodically review internal control policies and procedures pertaining to cash to ensure they are working as intended. It is critical that managers promote an effective internal control environment. Effective internal controls minimize the potential for errors or irregularities to occur, and if they do occur, will detect such errors or irregularities in a timely manner during the normal course of business.



County Policy F-11 – Cash Handling Policy and Procedure

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Required Procedures:

- a) Cash shall be turned over to the Finance Department or deposited in a designated bank depository within 24 hours of receipt in accordance with Finance policy P-1999-075.
- b) Receipts provided to parties remitting payment must be pre-numbered and include the County and departments name in accordance with Finance policy P-1999-075. Unused receipts shall be kept in a secured area.
- c) Any and all bank accounts used to transact County business shall be approved in accordance with policy F-7.
- d) Any cash overage or shortage identified during reconciliation should be reported to Finance in accordance with policy F-9.



County Policy F-11 – Cash Drawer Form

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FINANCE DEPARTMENT

ASSIGNMENT / TRANSFER / DISSOLUTION of Cash Drawers and Petty Cash Boxes

LOCATION: _____

EMPLOYEE: _____

1. Cash

Cash is an amount of money issued to a custodian, within a department, to be used on a daily basis as a petty cash fund, change fund, or for accepting payments. The responsibility for security of the cash rests with the custodian of the cash.

2. Use of Cash

Cash must be used to make change when needed, or as payments are accepted.

Cash must not be used for any of the following items. (These are common examples. The list is not intended to be all-inclusive.)

- Reimbursement of travel expenses
- Cashing personal checks
- Making loans to staff - such as payroll advances
- Making purchases and sales -- i.e., the purchase and sale of stamps to departmental personnel

3. Control of the Cash

It is Deschutes County's policy that custodians take the initiative in protecting and controlling cash assigned (Policy F-8 [Petty Cash] and Policy F-1.1 [Cash Handling Practices Policy & Appendix A]).

The following steps should be implemented, at a minimum, to ensure cash is safe and secure at all times. Additional controls may be implemented by departments to ensure cash is safeguarded.

- Keeping the cash in a secure location (locked-up during the day and overnight).
- Restricting access to the cash to only the custodian,
- Replenishing appropriate cash bills on a timely basis. (Exchanging larger bills for smaller ones).
- Counting and/or balancing cash to the financial system receipts on a daily basis.
- Reporting cash shortage/overage to the Finance Department (see Section 4 of instructions).
- Recording receipts promptly and depositing within 24 hours of receipt,
- Immediately endorsing checks received with a county bank depository stamp.
- Temporary reassignment between two parties of the cash should be documented in writing.
- Submitting for reimbursement on a timely basis (applies to petty cash boxes, Policy F-8)

1300 NW Wall Street, Bend, Oregon 97703
finance@deschutes.org | www.deschutes.org/finance

4. Cash Balance

The total cash drawer should always be \$_____ , plus any current payments received, or, in the case of petty cash, expense receipts. If the cash is found to be in an over/short situation due to an error, then the overage/shortage will be reported, along with an explanation (See Cash Over/Short Policy F-9).

5. Audits

The cash is subject to random audits by internal staff, internal auditors, and by external auditors.

6. Hereby signing below I agree to the following:

- I have read and acknowledge Deschutes County's instructions for the cash.
- I have read Deschutes County Policies F-8 _____ F-9 _____ F-11 (initial each policy)
- I have verified and agree that the balance of the cash drawer assigned/transferred/dissolved is as stated below.
- I acknowledge that I may be personally liable for any shortages to my cash drawer.

New Custodian:

Printed Name: _____ Date: _____

Signature: _____

Work Phone/Email: _____

Amount: _____

Resigning Custodian:

Printed Name: _____ Date: _____

Signature: _____

Amount: _____

Finance Department Authorizing Signature:

Printed Name: _____ Date: _____



County Policy F-11 – Cash Handling Guide

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Cash Handling Guide:

To assist directors and managers establish and monitor their cash handling systems, the Internal Audit Program shall develop and circulate a Cash Handling Guide (Guide), which is attached hereto and incorporated herein as Exhibit A. The Guide highlights the internal controls that are required by County departments.

Exhibit A:

Many County departments receive "Cash" payments directly. County staff handle more than one hundred million dollars of receipts annually. Following are internal control procedures, implementation practices and reasons for implementation. Specific department procedures depend on the frequency, amount and type of "cash" payments.



County Policy F-11 – Cash Handling Guide Checklist Examples

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Checklist for Cash Receipts in County Departments

		Yes	No	N/A
A. Segregation of Duties	<i>Represents the separation of incompatible duties and/or responsibilities and assures that one person is not able to conceal errors and/or irregularities.</i>			
o	Are key duties of authorizing, processing, recording and reviewing transactions separated among individual employees? ▪ <i>No one person should handle a cash transaction from beginning to end. Duties should be sufficiently segregated so any one employee does not have custody, accounting and supervisory authority over the transaction.</i> ▪ <i>Individuals receiving cash do not prepare entries for non-cash accounting records, such as accounts receivable, the general ledger, or the general journal.</i> ▪ <i>In small departments, it is especially important to separate the handling of cash from the reconciliation of revenues.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Are bank or finance receipts compared to the deposit record by someone other than the person preparing the deposit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Can management (or anyone else) override controls over the receipt of cash?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. Change Funds	<i>Represents cash held to provide change for customer receipts.</i>			
	Are change funds approved and for the amount approved?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Do the change funds on hand agree with what was authorized?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	If cash is held overnight or accessible by others, is it re-counted by the custodian at the beginning and end of their shift?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C. Physical safeguards	<i>Physical controls in place to reduce risk that cash can be stolen.</i>			
o	Is there a designated custodian for cash and is the transfer of cash to other employees documented?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Does more than one person have unrestricted access to cash? ▪ <i>There should be sufficient safeguards to prevent access to cash by anyone other than person who collected it.</i> ▪ <i>There should be adequate accountability for movement of funds between people.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Are appropriate safeguards employed to safeguard cash in County facilities depending on the amount and duration the cash are held? ▪ <i>Access should be limited.</i> ▪ <i>Possibilities include locking file cabinets, locking drawers, safes, etc...</i> ▪ <i>Consideration for surveillance – electronic or guards</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Logs are used to identify access and transactions with cash held in a safe. When possible, those activities are witnessed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Do you arrange to have armored transport if large amounts of cash are moved?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Does a person independent of the cash receipt process regularly count the cash?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Has the department addressed potential robbery risk?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D. Incoming Mail	<i>Represents customer mail that has the potential to contain cash.</i>			

F. Accounts receivable (if applicable)	<i>Represents credit established for customers to purchase services on account.</i>			
o	Are computerized accounting systems designed to limit authority and require supervisory approvals for adjustments, credits and write-offs? If not, is the activity periodically reviewed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Are there appropriate reports on accounts receivables and billing activity? ▪ <i>Billing systems should have adequate reporting systems to allow for follow-up on outstanding billings.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Are postings to accounts receivable system compared to a separate receipting log?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Are changes to customer accounts overseen – additions, changes, deletions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
G. Deposit /Reconciliation	<i>Establishing how much cash should be present, counting how much is present and securing cash with County Finance or the County's bank (BOTC)</i>			
o	Are all potential cash receipt points identified and controlled?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Is the make-up of the deposit (amounts of coin, cash denomination or monetary instruments) clearly documented?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Does the cashier prepare duplicate deposit tickets so that the bank can validate one copy, and a person other than the cashier can verify the returned bank receipt against the duplicate deposit ticket?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Are all revenue, petty cash, and change cash overages and shortages reported to management (and FINANCE)? (County policy)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Are all cash overages/shortages identified by staff person and, if material, investigated? ▪ <i>If not material, management should be vigilant for patterns or trends with staff.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Is all cash collected deposited intact? ▪ <i>There should be no retaining, adding or substituting of cash.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Are reports of daily receipts compared on a test basis to bank statements to verify timeliness of deposits? (FINANCE)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Is cash accounted for and balanced to receipt records (register tapes, receipt books) on a daily basis? ▪ <i>These may be manual or computerized processes. In cases where there are department accounting systems, those systems should be reconciled to activity reported to the Finance department through deposits.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Does an employee outside of the collection function periodically conduct a surprise cash count?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o	Are tamper-proof deposit bags used for the deposit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Accounting not determined/Suspense accounts:			
o	Does the department delay deposits if the accounting is not determined? ▪ <i>At times, the accounting may not be known when the cash is collected. The County encourages the department to deposit these amounts daily. For departments where this is a routine occurrence, suspense accounts may be created to hold the accounting of the deposit until a proper accounting can be made. Departments shall make efforts to reconcile and clear these entries in a timely fashion.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Coordination with other departments			
o	Has the department considered sharing deposit duties with other departments to save time? ▪ <i>At those times, they should secure their cash separately in a tamperproof bank bag, noting the serial number and amounts for later reconciliation to the bank receipts.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
H. Petty cash	<i>Represents money available for minor purchases. Cash is replenished periodically based appropriate receipts and accounting.</i>			



Investment Guidelines (F-10)

County Policy F-10 – Investment Guidelines

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Policy Statement:

The Investment Policy defines the parameters within which funds are to be invested by Deschutes County. This policy also formalizes the framework, pursuant to ORS 294.135, for Deschutes County's investment activities to ensure effective and judicious management of funds within the scope of this policy.

These guidelines are intended to be broad enough to allow designated investment staff to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.



County Policy F-10 – Investment Guidelines

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Governing Authority:

Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810. All funds within the scope of this policy are subject to Laws established by the State of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

Revision History: (current: signed March 16, 2022)

Effective Date: January 7, 2008

Revised Date: June 24, 2009

Revised Date: September 20, 2012

Revised Date: December 11, 2013

Revised Date: December 15, 2014

Revised Date: December 17, 2015

Revised Date: December 27, 2017

Revised Date: March 20, 2019

Revised Date: March 11, 2020

Revised Date: March 17, 2021



County Policy F-10 – Investment Guidelines

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Objectives:

The primary objectives, in priority order, of investment activities shall be:

1. Preservation of Invested Capital –management of credit risk and interest rate risk
2. Liquidity – to meet anticipated operating requirements
3. Return – both principal and income returns to consider; discourages active trading and turnover

Standards of Care:

1. Prudence – *“investments shall be made with judgement and care...”*
2. Ethics and Conflicts of Interest – disclosure of conflicts; no personal \$
3. Delegation of Authority and Responsibilities
 - a. Governing Body (BOCC)
 - b. Delegation of Authority (Treasurer and/or CFO)
 - c. Investment Committee
 - d. Investment Advisor



County Policy F-10 – Investment Guidelines

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Transaction Counterparties, Investment Advisors, and Depositories:

1. Brokers/Dealers – must meet minimum criteria and annual review
2. Investment Advisers – must meet minimum criteria and annual review
3. Depositories – qualified pursuant to ORS Chapter 295
4. Competitive Transactions – competitive bids or offers should be obtained

Administration and Operations:

1. Delivery vs. Payment – reduces risk securities w/o payment or payment w/o securities
2. Third-Party Safekeeping – provides vehicle for transfers and safekeeping of securities
3. Internal Controls – details on next page
4. External Audit – ensure compliance with Oregon state law



County Policy F-10 – Investment Guidelines

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Internal Controls- shall address the following:

- a. Compliance with Investment Policy
- b. Control of collusion
- c. Separation of transaction authority from accounting and record keeping
- d. Custodial safekeeping
- e. Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary
- f. Clear delegation of authority to subordinate staff members
- g. Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form
- h. Dual authorizations of with and automated clearing house (ACH) transfers
- i. Staff training
- j. Review, maintenance and monitoring of security procedures both manual and automated



County Policy F-10 – Investment Guidelines

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Exposure limits among investments for diversification

Issue Type	Maximum % Holdings	Minimum Ratings Moody's/S&P/Fitch	Oregon Revised Statute Reference
US Treasury Obligations	100%	N/A	
US Agency Securities	100%		
Per Agency (Senior Obligations Only)	33%		
Oregon Short Term Fund	Maximum allowed per ORS 294.810		
Bankers' Acceptances	25%	A1+/P1/F1+	25% maximum holding per ORS 294.035(3)(h)(C).
Time Deposits, Savings Accounts, Certificates of Deposit	50%		Authorized by ORS 294.035(3)(d).
Per Institution	25%		
Corporate Debt (Total)	25%		35% maximum holding per ORS 294.035(3)(h)(D).
Corporate Commercial Paper per Issuer	5%	A1/P1/F1	5% maximum holding per ORS 294.035(3)(h)(D).
Corporate Bonds			
Per Oregon Issuer	5%	A2/A/A	5% max holding per ORS 294.035(3)(h)(D), A- min rating per ORS 294.035(3)(b).
All Other Issuers	5%	Aa3/AA-/AA-	5% max holding per ORS 294.035(3)(h)(D), AA- min rating for CA, WA & ID per ORS 294.035(3)(b).
Municipal Debt	25%		
Municipal Bonds		Aa3/AA-/AA-	



County Policy F-10 – Investment Guidelines

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Total portfolio maturity constraints for liquidity

Maturity Constraints	Minimum % of Total Portfolio
Under 30 days	10% or three months est. operating expenditures
Under 1 year	25%
Under 5 years	100%
Weighted Average Maturity of Portfolio	2.0 years

Investment limitations in a specific debt issuance

Issue Type	Maximum % of Issuance (Par)
US Agency Securities	50%
Corporate Debt	
Corporate Commercial Paper	25%
Corporate Bonds	25%
Municipal Bonds	25%



County Policy F-10 – Investment Guidelines

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Other notable Internal Controls:

- Minimum Aa2/AA/AA rating by Moody's; S&P; and Fitch respectively
- Maximum percentage of callable securities shall be 25%
- Maximum stated final maturity of individual securities shall be 5 years
- Monthly reports to BOCC
- Annual evaluation of performance to similar alternative investments
- Annual policy review with formal approval by BOCC
- Exceptions in place for investment of reserve or capital improvement funds
 - Pursuant to ORS 294.135 (1)(b)
 - Accumulated for a specific use more than 18 months after investment
 - Board approval



Payment Card Data Security (F-12)

County Policy F-12 – Payment Cards

85

Policy Statement:

It is the policy of Deschutes County to protect cardholder data through the use of appropriate controls over acceptance of debit and credit card for payment of county services.

Policy and Procedures:

Policies and procedures are intended to cover the minimum guidelines under the Payment Card Industry Data Security Standards (PCI-DSS).



County Policy F-12 – Payment Cards

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PCI-DSS Background:

As payment fraud began to rise, credit card industry leaders convened to develop a common set of security standards in 2004 leading to PCI-DSS Version 1.0.

They have expanded to 15 standards covering all areas the payment process from the cardholder's bank, through the consumer, merchant, and merchant's bank. Version 4.0 was released in March 2022.



County Policy F-12 – Payment Cards

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Key Points:

3. Staff shall not store sensitive authentication data after authorization either on paper or in electronic form (even if encrypted). Sensitive authentication data consists of magnetic stripe data, card validation code (three-digit or four-digit number printed on the front or back of a payment card used to verify card-not-present transactions), and PIN data.

6. The Finance Department shall coordinate and approve third party payment card processing.



Reserve Policy for the Health Benefits Trust (F-13)

County Policy F-13 – Reserve Policy for the Health Benefits Trust

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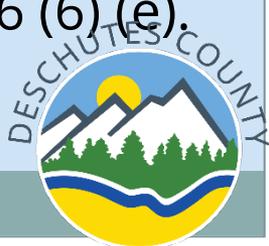
Policy Statement:

Financial stability of the County's self-insured employee benefit programs is dependent on setting the appropriate funding rates and maintaining an adequate level of reserves. The primary purpose for establishing and maintaining reserves for the self-insurance fund is

- A) to account for unreported claim liability and
- B) to reasonably assure the financial continuity, stability and soundness of the self-insured fund into the future.

The County may self-insure any or all of its employee benefit programs and choose to purchase stop-loss coverage (i.e. reinsurance) to cover catastrophic events. It is the unknown and unpredictable self-insured component that necessitates a reserving policy.

In addition to this reserving policy, it is affirmed that any reserves in the fund shall be administered in compliance with ORS 731.036 (6) (e).



County Policy F-13 – Reserve Policy for the Health Benefits Trust

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ORS 731.036 (6)(e)

The financial administration of an individual or jointly self-insured program must include the following requirements:

- A) Program contributions and reserves must be held in separate accounts and used for the exclusive benefit of the program;
- B) The program must maintain adequate reserves. Reserves may be invested in accordance with the provisions of ORS chapter 293. Reserve adequacy must be calculated annually with proper actuarial calculations including the following:
 - (i) Known claims, paid and outstanding;
 - (ii) A history of incurred but not reported claims;



County Policy F-13 – Reserve Policy for the Health Benefits Trust

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Procedures:

Claims Reserve - On any given day, the fund has a responsibility to pay for claims that have been incurred but not paid. The plan is also obligated to cover the cost of administering runout claims and on-going stop-loss liability in the event that any of the self-insured programs are changed or terminated.

A valuation of the Health Plan's unpaid claims liability shall be performed annually by a qualified consultant, or if no consultant is retained, the valuation shall be completed by the County using industry accepted methods. Given claims variability and to account for claims offset due to operational programs (i.e. the Deschutes On-site Clinic, Pharmacy, and Stop Loss Insurance levels) the Claims Reserve amount shall be calculated at 1.5 times the valuation amount and be 100% funded at all times.



County Policy F-13 – Reserve Policy for the Health Benefits Trust

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Procedures:

Contingency Reserve - This reserve represents an estimate for unanticipated claims occurrences. Even if the County continues to fund at the expected claim level, there is a risk that claims frequency and cost can be higher. The minimum amount of the Contingency Reserve shall be maintained at 150% of the value of the Claims Reserve.



Payments to Suppliers (F-15)

County Policy F-15 – Payments to Suppliers

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Policy Statement:

It is the policy of Deschutes County to establish and maintain a system of internal controls to ensure that all disbursements to suppliers are adequately documented, properly authorized and accurately accounted for in the County's accounting system.



County Policy F-15 – Payments to Suppliers

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System of Internal Controls:

1. Budget
2. Methods of Procurement
3. Vendors
4. Accounting System
5. Departments
6. Finance Director
7. County Administrator
8. Board of County Commissioners
9. Payment Cycle
10. Special Payments



County Policy F-15 – Payments to Suppliers

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Department Purchasing Thresholds:

