# **Resolution Adopting a Financial Management Policy**

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**Resolution No. \_\_\_\_**

**A Resolution Adopting a Financial Management Policy**

WHEREAS financial management is necessary for the control of district affairs.

WHEREAS sound accounting practices and policies are necessary for ensuring the integrity of financial records and district funds.

WHEREAS the district is subject to Municipal Audit Law, ORS 297.405 to 297.555.

THEREFORE, be it resolved that the Board of Directors of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

hereby adopts its Financial Management Policy dated this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_\_.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

President (or Chairman)

ATTEST:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Secretary (or Clerk)

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# **Sample Financial Management Policy**

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**Objectives**

* To ensure that all financial systems, functions, and controls meet generally accepted auditing standards.
* Preserve capital through prudent banking and cash management activities.
* To achieve the most productive use of cash, minimize operating costs, and to control receipts and disbursements.
* To maintain competitive and good working relations with financial institutions.
* To provide safety to employees.

**Banking Services**

* Banking services shall be solicited at least every five years on a competitive basis, and banks submitting proposals must meet the following minimum criteria:
* Verify that the bank you want to use is on the list of qualified depositories on the State Treasurer’s website at: <http://www.oregon.gov/treasury/Divisions/Finance/LocalGov/Pages/Qualified-Depositories.aspx>
  + - * Be insured by the Federal Deposit Insurance Corporation
      * Be able to facilitate transfers to and from the Local Government Investment Pool managed by the Oregon State Treasurer.
      * Provide annual audited financial statements.
* All district bank accounts must be authorized and approved by the district manager.

**Billing and Receipts**

* The district will invoice all vendors for amounts due on a current basis. An accounts receivable age schedule will be prepared and monitored to ensure amounts due the district. Invoices are due within 30 days of billing date. Interest of one and one half percent (1 ½%) per month will be charged on all balances over 30 days.
* State Funds/State Grants. If stage agency/grantor is willing and it is feasible, funds will be received via the Local Government Investment Pool.

**Accounts Payable**

* The district will maintain a system to age accounts payable. Invoices will be analyzed to take advantage of any discounts available.
* All obligations paid to the district will be reviewed to ensure proper documentation is attached and that all district requirements are met.

**Cash Forecasting**

* Each fiscal year, the district manager will prepare an annual general fund cash flow budget for the district for approval by the board of directors.
* Each month the cash flow statement will be adjusted to reflect the current month’s actual cash flow and revise the remaining estimated cash flow schedule.

**Debt**

* If feasible, the district may enter into long-term lease obligations or issue bonds to finance capital acquisitions upon approval of the board of directors.
* Before issuing any debt, the district will consult with appropriate internal and/or external financial advisors.
* All leases, as reported in the district’s annual financial report, will be limited as follows.
* Annual leases will be limited to the economic life of the equipment or facilities to be purchased, and in no case, shall be extended beyond 20 years or as otherwise authorized by Oregon Revised Statutes.
* Lease purchases of equipment and facilities will be limited to fit within the district’s

stated mission, goal or government role.

* All lease-purchase payments must be included in the originating department’s approved budget.
* The district manager or elected official shall respond in writing to all external audit

reports stating what actions have been taken to address the findings contained in the audit.

**Internal Controls**

* Duties will be assigned to individuals in such a manner that no one individual can control all phases of collecting cash, recording cash, and processing transactions in a way that permits errors or omissions to go undetected.
* The district manager is authorized to request departments within the district to provide financial reconciliation when deemed appropriate by the district manager.
* Deposits should be received by a person other than the depositor of the funds to ensure that funds are placed in the proper district accounts.
* All accounting computer records must be kept secure. Persons authorized to edit or review the records must be given passwords which only enable them to access the system. More than one person should be trained on the system. Accounting records should be backed-up on a regular basis.
* The person that does the reconciliation of district accounts should not be the same person that writes the checks. If it is not possible to have separate functions, then the books must at least be reviewed regularly by the board of directors or someone who does not write the checks.
* All large purchases should be authorized by someone other than the signer of the checks.
* Receipts should always be verified prior to paying an invoice. Procedures should be developed for checking receipts or packing slips to determine that merchandise or services have been received before payment.
* Cash transactions should always involve more than one individual to ensure that cash is properly recorded and deposited.
* A procedure should be developed for writing off bad debts. The policy should specify the persons responsible for writing off the bad debt and their level of authority.

*Example*: Authorization for writing off bad debt shall be given to the accounts receivable officer, district manager, and board of directors at the following levels:

$ 0 to 10 Accounts Receivable Officer

$11 to 100 District Manager

$101 and above Board of Directors

* Petty cash funds should require full documentation, including the purpose of the expenditure and who received the petty cash funds.
* More than one district employee or board member should be required to sign checks. ORS 198.220 requires that any officer or employee of the district who is charged with the possession or control of district funds and properties be bonded or have an irrevocable letter of credit issued by a commercial bank.
* Require individuals in high-fidelity risk areas to take mandatory annual vacations of at least 10 consecutive working days. Job rotation or independent audit of function should be implemented when two-week vacations are not practical.

**Authorized Personnel/Security**

* The district manager or finance director is authorized to open demand deposit accounts as may be required by the district.
* Checking accounts require two manual signatures or stamps.

* Checkbooks are to be in a secure place at all times during business hours and locked in a filing cabinet during non-business hours.
* The district manager is responsible for maintaining a current signature card with the appropriate financial institution.

**Investments**

* The district will have a written investment policy adopted annually by the board of directors.

**Audits/Auditors**

* The district will conduct an annual audit on \_\_\_\_\_\_\_\_\_.
* District employees are to cooperate with all auditors, external and internal, regarding any records maintained for or by the district.
* All external and internal audit reports are to be sent to the board of directors, district auditor, and the district manager.

APPROVAL: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

District Manager Finance Manager

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date Date

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# **Sample Purchase Approval Policy**

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**Purpose**

To provide a process for documenting approval guidelines and authorization levels for staff in making purchases. This procedure will provide an accurate method of tracking individual purchases, provide purchase approval documentation, assign accountability to individual employees, and improve staff’s awareness of the district’s financial position in relation to budgeted line items.

**Procedure**

* Analyze product availability, competitive pricing, product quality, delivery, and installation and/or service factors when considering available vendor sources.
* Review district’s operating budgets to determine if item is budgeted and to determine remaining budget availability for the related expense account(s).

* If item under consideration is not specifically budgeted, or if insufficient account budget funds remain unavailable; employee will obtain prior approval from \_\_\_\_\_\_\_\_\_\_\_\_\_ in concurrence with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ before implementing the purchase process. Capital equipment purchases over $\_\_\_\_\_\_\_\_\_ will require prior approval. In addition, some unbudgeted items may require board approval prior to purchase. In such cases, employee should make a request using the purchase approval document. This document requires the signature of \_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_.

**Documentation**

* When a purchase decision is initiated, employee will retain ordering and/or shipping information. This documentation will be provided to the \_\_\_\_\_\_\_\_\_\_\_ for reconciliation to the item’s invoice.
* Employee responsible for the purchase will approve the invoice prior to issuance of a vendor’s payment. Approving employee will date and initial the invoice and confirm the correct expenditure account number(s) for the charge.
* The \_\_\_\_\_\_\_\_\_\_\_ or an appropriate staff member will review and approve normal on-going budgeted operating invoices such as utility, postage, or storage bills.
* Employees will follow prudent purchasing practices when utilizing procurement cards such as Visa or MasterCard. In addition to ensuring budget authorization and availability, card users will provide \_\_\_\_\_\_\_\_\_\_ with all receipts and/or shipping statements associated with card charges. When ordering by telephone, employee will provide \_\_\_\_\_\_\_\_\_\_ with accompanying credit card ordering documentation. This documentation is required by the \_\_\_\_\_\_\_\_\_\_\_\_ to reconcile the monthly bankcard statements and to allocate charges to the appropriate expense account(s). In addition, credit card users will note the purpose of the expenditure on the receipt submitted to \_\_\_\_\_\_\_\_\_\_\_.
* If an employee is considering the purchase of an item or service that is not budgeted or, if remaining unencumbered budget funds are insufficient, employee will obtain purchase approval prior to initiating the purchase process. This approval will be obtained through the use of the district’s purchase approval document.

APPROVAL: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

District Manager Finance Manager

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date Date

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# **Sample Security Policy**

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**Purpose**: The purpose of this policy is to safeguard the District’s checks, facsimile stamps, financial records, payroll records, petty cash, change funds and other District assets.

**Check Stock:** All general, payroll and other checks will be locked in a filing cabinet. This includes both signed and unsigned checks. Checks and cash will be locked in a drawer or safe at all times. The keys are to be kept in the possession of the assigned personnel and not left on the premises.

Outgoing payroll and accounts payable checks are not to be left in the mailroom unattended, but will be held until entrusted to the mail carrier. Payees, not personally known to District employees, who pick up checks, must show identification.

**Facsimile Signature Plates and Stamps**: All facsimile signature plates and stamps are to be locked in filing cabinet during non-business hours. During business hours they are to be kept in a secure location.

**Petty Cash/ Change Funds**: During business hours, petty cash/change funds entrusted with the accounting staff will be monitored at all times, and will not be left unattended. During non- business hours, the petty cash/change funds will be locked in a filing cabinet.

**Bank Deposits:** Collections received by the accounting staff will be reviewed by the District Manager or Board of Directors. Personnel making deposits and deposit times will be varied so as not to create a routine pattern.

**General Security:** The District office will be locked at 5 p.m. by the District Manager, Finance Director, or appointed designee.

Changes to this policy will be approved by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Approval: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

District Manager Finance Manager

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date Date

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# **Sample Investment Policy for Local Governments**

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I. Scope

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

II. General Objectives

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

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

* 1. **Credit Risk** The [entity] will minimize credit risk, the risk of loss due to the financial failure of the security issuer or backer, by:
     + Limiting exposure to poor credits and concentrating the investments in the safest types of securities.
     + Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the [entity] will do business.
     + Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
     + Actively monitoring the investment portfolio holdings for ratings changes, changing economic/market conditions, etc.
  2. **Interest Rate Risk** The [entity] will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:
     + Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
     + Investing operating funds primarily in shorter-term securities or short-term investment pools.

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

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

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

III. Standards of Care

1. **Prudence** The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

1. **Ethics and Conflicts of Interest** Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees, officers and their families shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the [entity]. Officers and employees shall, at all times, comply with the State of Oregon Ethics Commission code of ethics set forth in ORS 244.
2. **Delegation of Authority** Authority to manage the investment program is granted to [designated official], hereinafter referred to as investment officer, and derived from the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810. Responsibility for the operation of the investment program is hereby delegated to the investment officer who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

IV. Safekeeping and Custody

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

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

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

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

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

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

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

1. **Delivery vs. Payment** All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.
2. **Safekeeping** Securities will be held by a third-party custodian as evidenced by safekeeping receipts.
3. **Pooling of Funds** Except for cash in certain restricted and special funds, the [entity] will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

V. Suitable and Authorized Investments

1. **Investment Types** Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and ORS 294.035 and 294.810:
   * *US Treasury securities and other lawfully issued general obligations of the United States*
   * *Oregon Short-Term Fund*
2. **Collateralization** All bank deposits, time deposits, certificates of deposit, and savings accounts, shall be held in qualified Oregon depositories in accordance with ORS Chapter 295. Such deposits are designated cash management tools and not investments under this policy or otherwise.

ORS 294.035 (11) requires repurchase agreement collateral to be limited in maturity to three years and priced according to percentages prescribed by written policy of the Oregon Investment Council or the Oregon Short-Term Fund Board. On March 12, 1996, the OSTF Board adopted the following margins:

US Treasury Securities: 102%

US Agency Discount and Coupon Securities: 102%

Mortgage Backed and Other\*: 103%

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

VI. Investment Parameters

1. **Diversification** The investments shall be diversified by:
   * Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
   * Limiting investment in securities that have high credit risks,

Comment: What about interest rate risk, e.g., floaters?

* + Investing in securities with varying maturities, and
  + Continuously investing a portion of the portfolio in readily available funds such as the Oregon Short-Term Fund.

1. **Maximum Maturities** To the extent possible, the [entity] shall attempt to match its investments with anticipated future cash flow requirements. The maximum maturity shall be the anticipated use of the cash or 18 months, whichever is shorter, unless:
   * This investment policy has been submitted to the OSTF Board for comment prior to being approved by [governing body] and complies with the requirements of ORS 294.135. In this case, the maximum maturity shall be defined in policy.
   * The funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the [governing body], the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3)).

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

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

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

|  |  |  |
| --- | --- | --- |
| ***Security*** | ***Limitation*** | ***Maximum Maturity*** |
| US Treasury | None |  |
| OSTF Balances | None, except the maximum balance imposed by statute | N/A |

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

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

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

Comment: Another factor to consider should be ‘best execution.’

VII. Reporting

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

VIII. Policy Adoption and Re-adoption

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

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

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

IX. ****List of Documents Used in Conjunction with this Policy****

The following documents are used in conjunction with this policy:

* Listing of authorized personnel
* Relevant investment statutes and ordinances
* Description of benchmark(s)
* Master repurchase agreements and tri-party agreements
* Listing of authorized broker/dealers and financial institutions
* Credit studies for securities purchased and financial institutions used
* Safekeeping agreements
* Wire transfer agreements
* Sample investment reports
* Methodology for calculating rate of return
* Broker confirmations and safekeeping receipts

# **Sample Request for Proposal for Auditing Services**

DATE: [DATE]

TO: Invited Parties

FROM: [NAME OF OFFICIAL, TITLE]

SUBJECT: Professional Auditing Services

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

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

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

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

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

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

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

Sincerely,

**Audit Proposal Information**

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

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

Nature of Services Required

* Audit period will be \_\_\_\_\_\_\_\_\_\_ through \_\_\_\_\_\_\_\_\_\_. (one year)
* Special reports, exhibits, and schedules required:
  + Accounts report.
  + Balance sheet.
  + Schedule of cash.
  + Statements of changes in financial position.
  + Notes of financial statement.
    - Conferences:
      * Exit conference with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and District Manager.
      * Exit conference with office personnel.
        + Description of Entity and Records to be Audited:

General ledger, fixed assets ledger, accounts receivable, general journal, accounts payable.

Available Manuals and Information Sources:

Minutes of the board meetings of the District.

Accounting function work description of General Ledger Bookkeeper.

Details of fixed assets are maintained. Fixed assets are based on cost when available otherwise on estimates authorized by the Board of Directors. The fixed assets ledger was constructed with historical information by the District Manager during an audit period.

A budget is maintained and is available for examination.

Staff members will be available to pull and reproduce documents. Legal counsel will be made available with prior staff approval.

Work areas will be provided by the District in close proximity with the financial records on the premises.

Report Requirements

* The report will be addressed to the Board of Directors and will contain items listed in item #2.

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

**Standard Form of Agreement**

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

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

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

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

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

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

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

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

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

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(Independent Accountant)

by\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(Client)

by\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_