



## MEMORANDUM

**To:** MCWD Board of Managers  
**From:** Cathy Reynolds  
**Date:** November 5, 2018  
**Re:** **Financial Management Project Plan Overview**

---

### **Purpose:**

During the Operations Planning Committee (OPC) meeting we will provide an overview of the financial management project plan that the Operations department is working on as part of the strategic action plan.

### **Background:**

During the September 13, 2018 OPC meeting we discussed several areas that staff had identified in the financial management area where processes could be streamlined, controls could be strengthened, and costs could be reduced. Staff has continued to research these items and has prepared a project plan on how we would like to roll through the financial management process. The following areas are addressed by the financial management project plan; 1) payroll; 2) accounts payable; 3) internal controls; 4) audit; 5) investment of District funds; 6) fund structure for 2020; 7) banking services; and 8) budget planning guidance.

In addition to the overview of the project plan, the following items will be discussed in more detail during the committee meeting. The remaining items are long-range items and will be addressed at upcoming OPC and Board meetings.

1) Audit: The Board authorized the audit RFP at the September 13, 2018 Board meeting. Vendor proposals were due on October 26, 2018. The District received 6 proposals. Proposals have been reviewed and the recommendation for selection and authorization for the District Administrator to enter into a contract will be presented at the November 8, 2018 Board meeting.

2) Payroll: Staff has researched various vendors and has received demos of the two vendors' products that appeared to meet our needs the most. Staff evaluated these products, and the current process, and recommends that we transition payroll to Sage Payroll and Sage Timekeeping. These products are both online systems that communicate with each other providing a seamless electronic process from vacation request/approval to time card submission/approval, payroll processing and an automated upload to our accounting software. As these are online systems there is no outlay of money to purchase new software and the setup fees for the systems are minimal.

*We collaborate with public and private partners to protect and improve land and water for current and future generations.*

3) Internal Controls: The Board approved Internal Control in April 2008. These controls are outdated and do not match the District's financial management procedures. In preparation for the audit Staff recommends that the internal controls be reviewed and new controls be adopted. Staff has prepared two sets of proposed internal controls, one reflecting processes as they are currently completed and one reflecting processes that the staff is recommending as part of the financial management update project plan. Both sets of controls were sent for informal opinions from Redpath, as our accountant, and to an independent CPA and Certified Government Financial Officer (CGFO). Both opinions concluded that the future processes that we are looking at as part of the financial management plan will increase the separation of duties and provide additional layers of control in our accounting internal controls.

4) Accounts Payable: Staff continues to look at the accounts payable process and the implementation of changes to increase efficiency, improve internal controls and decrease accounting costs. The changes recommended to this process with the proposed internal controls match the recommendations the District received in the 2015 Finance Practice and Process Review Recommendations.

**Summary:**

Staff continues to look at financial management, best practices and process improvements and will continue to bring items to the Board for consideration and action in accordance with the project plan.

If there are questions in advance of the meeting, please contact Cathy Reynolds at 952-641-4503, or [creynolds@minnehahacreek.org](mailto:creynolds@minnehahacreek.org).

*We collaborate with public and private partners to protect and improve land and water for current and future generations.*

## ATTACHMENT II

### Minnehaha Creek Watershed District

Accounting Internal Controls

4/17/08

Prepared by: L. Eric Evenson

This document presents the procedures and internal controls used by Minnehaha Creek Watershed District staff in the processing of payment, deposit of funds received, and processing of payroll. This document is not a complete detailed list of all processing notes maintained by staff, but includes the major steps pertinent to the proper management and accounting of District funds. Steps identified in the processes below are divided by the District staff responsible for the task or series of tasks.

- I. Disbursements & Payables.
  1. Administrative Assistant (A)
    1. Receives all invoices.
    2. Stamps the invoices and routes invoice to the staff member assigned to that vendor.
    3. After staff signs off on invoices, (A) verifies that the vendor was not previously paid and then forwards invoice on to District Administrator (Adm).
    4. Receives the coded checks (including petty cash checks) from (Adm), prints the checks and puts check register on the agenda for board approval.
  2. Staff Member (SM)
    - a. Receives invoices from (A) and reviews invoice and signs off as appropriate.
    - b. Returns invoices back to (A)
  3. District Administrative (Adm)
    - a. Codes all invoices received from (A) after sign off from (SM).
    - b. Meets with the District Treasurer (DT) to review, sign checks, and sign the claim roster prior to board meeting.
    - c. Get board approval from board for all checks and any additional electronic transfer prior to transfer.
    - d. Has authority to issue "petty cash" up to \$1,000 each month. (Items that need to be paid in between board meetings.)
    - e. Gives coding for checks to (A).
  4. Outside Accountant
    - a. Comes to Watershed every third Wednesday of each month to input all invoices into Peachtree system.
    - b. Invoices are only entered into systems if they are approved and coded by (Adm).
    - c. Prints claims roster, checks and e-mails roster to the District to have checks approved by managers at monthly board meetings (3rd Thursday of each month).
    - d. Prepares bank reconciliation after receives bank statements. Bank statements are reviewed by District prior to bank reconciliation.
    - e. Books payables based on what is paid in January and February of the following year.
    - f. Submits monthly financial statements to Adm.

5. District Treasure (DT)
    - a. Meets with (Adm) to review, checks and sign claim roster prior to board meeting.
    - b. Approves the establishment of direct withdraws for rent, credit cards and other recurring payments
  6. Board of Managers
    - a. Approves all claims rosters, direct withdrawals, and electronic transfers at each monthly meeting.
- II. Payroll Processing
1. District Administrator (Adm)
    - a. Hires all new employees.
    - b. Maintains all personnel records for employees.
    - c. Reviews timesheets and submits bi-weekly payroll to OA.
    - d. Signs and mails quarterly/annual reports for federal and state which is received from Outside Accountant.
  2. Board of Managers
    - a. Approves positions for all new employees.
    - b. Approves salary ranges for each position of the District.
    - c. Approves amounts on check register for PERA and federal and state withholdings.
  3. Outside Accountant
    - a. Processes payroll on a bi-weekly basis in CSA. All employees receive direct deposit.
    - b. Makes electronic funds transfer for PERA, federal and state withholding liabilities.
    - c. Does quarterly/annual reporting for federal and state in CSA and delivers to (Adm)
  4. Outside Consultant
    - a. Completes a salary survey to verify salaries/benefits are competitive.
- III. Budget and Levy
1. District Administrator (Adm)
    - a. Drafts budget and recommends levy.
  2. Board of Managers
    - a. Holds budget hearing in late August or early September.
    - b. Budget must be certified to Hennepin and Carver Counties by September 15.
    - c. May recertify the budget until December 28 for any changes. (usually don't recertify)
    - d. If the district wanted to change the budget they could during the year, but they usually don't.
- IV. Receipts
1. Administrative Assistant (A)
    - a. Receives and codes all receipts.
    - b. Sends all coded receipts to Outside Accountant.
    - c. Codes and prepares weekly bank deposits.
    - d. Codes property taxes that are wired to the bank based on the budgeted amounts.

2. Outside Accountant
    - a. Inputs all receipts into Peachtree with a very similar process to that of the disbursement process.
    - b. Makes a journal entry to record all property taxes that are wired directly to the bank.
  3. District Administrator (Adm)
    - a. (Adm) signs off on weekly deposit and then the deposit is taken to the bank.
- V. Operations coding
1. District
    - a. Allocates 10% of operating costs to the General Fund and 90% to the Management planning fund.
- VI. Permit Deposits/Sureties
1. Front desk person/Staff (FD)
    - a. Writes a receipt for all permit deposits dropped off at front desk
    - b. Gives deposits to (A)
    - c. Handles all sureties. Gives surety request form to (A).
  2. Administrative Assistant (A)
    - a. Receives deposits from (FD) and makes the actual bank deposit and record of who the permit was for and send information to Outside Accountant
    - b. When deposit is requested, records are checked and confirmed with Outside Accountant that the deposit is still owed.
    - c. Receives surety request form and issues a refund check.
  3. Treasurer
    - a. Maintains and reviews a surety report.
- VII. Lease
1. District Administrator (Adm)
    - a. Reviews lease annually.
- VIII. Interfund Transactions
1. District Administrator (Adm)
    - a. At end of project, transfers the funds to 1002 or reduces the annual levy and the fund is closed.
- IX. Contracts Payable
1. These are booked at year end based on the contracts going on.
  2. All Pay requests are analyzed to determine correct contracts and retainage payables
- X. Retainage
1. District Administrator (Adm)
    - a. Authorizes the release of payment after a staff member signs off on the completed project/activity.
- XI. Fund Equity
1. The entire balance in the MGMT Planning fund is designated for its purpose.

XII. Compensated Absences

ii. Outside Accountant

a. Books at year end for the financial statements.

**Minnehaha Creek Watershed District  
Proposed Internal Accounting Controls  
Internal Actions**

**1. Accounts Payable: Invoices**

- A. Operations Department:
  - 1) Receives invoices via the mail, email, or through online accounts and places the invoices in appropriate Departmental folders for review and initial processing
- B. Department Managers:
  - 1) Pick up their invoice folder and distribute invoices to the appropriate staff member for review and approval
- C. Staff Members:
  - 1) Review invoices to determine appropriateness of charges, notating any charges not to be paid along with a short justification of why an amount is not being paid
  - 2) The staff member then codes the invoice with the appropriate fund information for payment and returns the invoice to the Department Manager
- D. Department Manager:
  - 1) Receives coded invoices from Staff Members and reviews and approves the expenses and coding
  - 2) The Department Manager forwards the invoices to the District Administrator for review
- E. District Administrator:
  - 1) The District Administrator receives the coded invoices from the Department Managers and reviews the invoices, approved and disapproved expenses, and the coding
  - 2) The District Administrator then either signs and approves the invoice or returns the invoice to the Department Manager and Staff Member to address any issues the District Administrator notes
- F. Designated Operations Department Employee:
  - 1) When the District Administrator finishes his review, the approved invoices are returned to the Assistant Operations Manager who enters the invoices into the accounting software
  - 2) Prints the checks and prepares them for Board of Manager signature at the last meeting of the month
  - 3) Prepares the check register for submission to the Board of Manger including all checks written during the month, payroll deductions, and electronic fund withdrawals
- G. Outside Accountant:
  - 1) Submits monthly list of ACH transactions from bank account to Operations Department for review and pairing with invoices for coding
  - 2) Conducts the bank account reconciliation at the conclusion of every month when bank statements are received
  - 3) Prepares monthly General Ledger and Income Statement Reports and submits to District Administrator and Operations Manager
  - 4) Prepares quarterly Financial Report for Board of Managers
- H. Board of Managers:
  - 1) Reviews and approves check register at last meeting of the month showing checks, payroll deductions and electronic fund withdrawals
  - 2) Signs checks reviewing invoices and supporting documentation

- I. Operations Manager:
  - 1) Uploads approved check register information in the banks positive pay system
  - 2) Reviews daily positive pay emails, reviews and approves any items not cleared through positive pay
  - 3) Verifies bank reconciliation

## **2. Accounts Payable: Wire Transfers**

- A. Outside Financial Consultants
  - 1) Track District financial obligations for loans and bonds
  - 2) Prepare and submit to District, bank and accountant reports showing Periodic Debt Payments
- B. Bank Client Services
  - 1) Prepares Wire Transfer documentation in accordance with Periodic Debt Payment report
  - 2) Submits Wire Transfer documentation to Operations Manager
- C. Operations Manager
  - 1) Receives wire transfer paperwork
  - 2) Provides wire transfer paperwork and supporting documentation to the Board of Managers Treasurer for review, approval and signature
  - 3) Reviews and approves bank reconciliation
- D. Board of Managers, Treasurer (or other Board Officer in the Treasurer's absence)
  - 1) Reviews the wire transfer paperwork and signs authorizing the transfer
- E. Operations Department
  - 1) Delivers original signed wire transfer paperwork to the Bank to complete the transfer
  - 2) Provides an electronic copy of the signed wire transfer to the Outside Accountant
- F. Outside Accountant
  - 1) Updates accounting software with information on wire transfer
  - 2) Reconciles bank account statements at the end of the month

## **3. Payroll Processing**

- A. District Administrator:
  - 1) Responsible for approval of all new hires
  - 2) Sets employee salary in accordance with approved pay scale
- B. Employee:
  - 1) Maintains a timesheet tracking hours worked, overtime, compensatory time, vacation and sick leave
  - 2) Submits timesheet to Department Manager for review and approval at the end of every pay period
- C. Department Manager:
  - 1) Approves employee overtime, compensatory time, vacation and sick leave in advance
  - 2) Reviews and approves employee timecards and submits time cards to the Operations Department
- D. Operations Department:
  - 1) Reviews timecards to ensure they are completed in accordance with district policies and law
  - 2) Submits payroll for processing
  - 3) Conducts final review of payroll after submission and processing to release for payment



- 4) Uploads payroll processing file into accounting software
- E. Payroll Processor:
  - 1) Processes payroll on a bi-weekly basis paying employees via direct deposit
  - 2) Completes electronic fund transfers for PERA, federal and state withholding, benefits and deferred compensation plans
  - 3) Completes federal and state quarterly payroll tax
- F. Outside Accountant:
  - 1) Verifies uploaded payroll and benefits allocation by fund

#### **4. Accounts Receivable: Checks**

- A. Designated Operations Department Employee
  - 1) Receives checks that come in through the mail or over the counter
  - 2) Verifies checks with Departments to ensure proper account funding and departmental recording of payment received (Permitting department notates permit file/database of payment received and notates check for permit number and general account or surety account.)
  - 3) Completes bank deposit on at least a weekly basis using bank remote deposit capability
  - 4) Emails deposit slip showing details of the deposit and appropriate coding to Outside Accountant once the deposit is completed
- B. Outside Accountant
  - 1) Inputs all deposits into accounting software ensuring proper fund allocation
  - 2) Verifies receivables during bank account reconciliation
- C. Operations Manager
  - 1) Reviews and approves bank account reconciliation

#### **5. Accounts Receivable: Wire/Electronic Fund Transfer**

- A. Operations Manager
  - 1) Receives notification of fund transfer from state and counties
  - 2) Verifies amount and type of funds (i.e. levy payment, grant payment)
  - 3) Confirms coding for receivable with appropriate Department Head
  - 4) Emails deposit notification with appropriate coding information to Outside Accountant
- B. Outside Accountant
  - 1) Inputs all deposits into accounting software ensuring proper fund allocation.
  - 2) Verifies receivables during bank account reconciliation
- C. Operations Manager
  - 1) Reviews and approves bank account reconciliation

#### **6. Budget and Levy**

- A. District Administrator
  - 1) Drafts budget and recommends levy
- B. Board of Managers
  - 1) Holds budget hearing in late August or early September
  - 2) Budget must be certified to Hennepin and Carver Counties by September 15.
  - 3) May recertify the budget until December 28 for any changes

#### **7. Interfund Transfers**

A. District Administrator

1) At the completion of a project, authorizes all remaining funds to be transferred to the General Operations fund and closes the project fund

B. Outside Accountant

1) Transfers the funds in accordance with the District Administrator's authorizations

2) Closes the project fund following all applicable standard accounting principles