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P.O. Box 8, Springfield, OR 97477

1550 42nd Street, Springfield, OR 97477

Phone: 541-746-1676

Fax: 541-747-0845

RESOLUTION NO. 2025-32

Rainbow Water District

Anti-Fraud, Internal Accounting Controls and Crime Coverage Policy

WHEREAS, the Rainbow Water District Board of Commissioners recognize the District’s fiduciary responsibility to diligently administer the funds which are entrusted by District’s customers to operate the District, and

WHEREAS, strict internal accounting and financial controls (“internal controls”) are necessary for maintaining a secure and reliable accounting system, and when strictly followed can ensure the financial integrity of District records and promote responsible management of District funds, and

WHEREAS, the Rainbow Water District Board of Commissioners deems it to be in the best interest of the District to establish a method of internal controls and provide insurance coverage against public employee dishonesty and depositor’s forgery coverage including coverage for third party entities as the District manages funds for contract water systems, and

NOW THEREFORE BE IT RESOLVED, crime coverage insurance shall be purchased for a value of \$500,000 based on about 10% of all typical account balances, and a system of internal controls for Rainbow Water District is hereby established and shall contain the following items:

- 1. Cash Receipt Transactions:** Cash receipt transactions shall involve more than one employee to ensure that cash is properly recorded and deposited. No single employee shall control all phases of collecting cash, recording its receipt, and processing transactions to ensure that errors or omissions are detected and corrected. Bank deposits shall be reviewed by a person other than the employee who composes the deposit, to ensure that funds are placed in the proper District accounts.
- 2. Electronic and Manual Accounting Records:** All accounting and financial records will be kept updated and maintained according to accounting industry standards. Electronic accounting records will be filed on the District’s network server and will be backed up to other electronic media each day with recent copies of backup media stored offsite.
- 3. Account Reconciliation:** The District bank account records shall be reviewed monthly by the Superintendent or the Board of Commissioners. The reviewer will open the sealed bank statements and reconcile the paper copies, or may alternatively conduct an electronic review using online banking records.



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4. **Direct Deposit:** The Office Manager and Superintendent are preauthorized to initiate state and federal payroll tax fund transfers, and payroll transactions directly into employee accounts, and shall provide documentation each pay period to receive retroactive approval at the next regular board meeting
5. **Electronic Fund Transfers:** All other fund transfers into and out of banks, the Local Government Investment Pool (LGIP) and other financial institutions shall only be made to accounts registered in the name of Rainbow Water District or as approved by the Superintendent to support ongoing business with contract water system customers and state agencies.
6. **Purchases:** All purchases (procurements of goods and services, not public improvement contracts) greater than \$1,000 shall be preauthorized by the District's Superintendent. (The Superintendent preauthorizes the Assistant Superintendent to make emergency purchases up to \$5,000 for repair supplies and services.) Purchases above \$15,000 shall be preauthorized by the District's Board. If the qualifying purchase must be made without prior board approval, the board shall be made specifically aware of the purchase and retroactively approve or disapprove the purchase at the next regular board meeting. In the event of an emergency requiring immediate purchases to maintain the District's ability to provide service, the Superintendent and Assistant Superintendent are authorized to make the necessary purchase(s) and notify the board within seven days.
7. **Business Credit Cards:** Credit card purchases require the same level of authorization and documentation as cash or check purchases. The Office Manager will reconcile monthly credit card statements and provide a summary of purchases for Board approval. The Superintendent will review the Assistant Superintendent's monthly credit card use, and the Assistant Superintendent will review purchases made on all other credit cards. A shared business credit limit of \$20,000 is authorized. The Office Manager is authorized to add and delete cards and change individual card limits with prior approval from the Superintendent.
8. **Verification of Receipts:** Receipts for goods and services purchased with District funds shall be verified prior to payment of an invoice. No invoice shall be paid without proof that the goods or services stated on the invoice have been received by the District. Receipts and invoices shall be maintained in the District's records for seven (7) years following payment.
9. **Authorizations for Writing Off Bad Debts or Adjusting Charges:** Authorization for writing off bad debts and adjusting account charges shall be the responsibility of the Office Manager and the Superintendent.
10. **Petty Cash:** Disbursement of petty cash funds shall require full documentation, including



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the purpose of the expenditure and the signature of the employee making the expenditure.

11. Monthly Reviews: Each month the Board Chair or a Board Member designated by the Board Chair will review missing checks, the audit trail report, and new vendors.

12. Check Signatures: A minimum of two people will sign all District checks.

* The District Superintendent, Assistant Superintendent and Office Manager are authorized to sign checks in the amount of \$2,000 or less with the exception of payroll and personnel expense reimbursement checks. (see Item 4, Direct Deposit)

* Two Board Members shall sign all District checks over \$2,000, with the exception of preauthorized regularly occurring payments such as monthly health insurance premiums to the Special Districts Association of Oregon, or pass-through contract District Accounts Receivable payments.

* A minimum of two Board Members shall sign all payroll checks and personnel expense reimbursement checks, regardless of the amount.

This resolution replaces Resolution 2021-11 adopted November 10, 2021 and supercedes all prior resolutions and actions which established similar policies as here.

ADOPTED by a vote of _____ Yes votes and _____ No votes, this 8th day of October, 2025.

President, Board of Commissioners

Attest:

Secretary, Board of Commissioners