

Your Fiduciary Responsibility

Director Training 2023



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Why?

*You are the custodians of the public's money.
You may have a personal liability for loss of public funds.*



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Why?

Strategic Planning
Decision Making



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Fraud does happen...

Theft

Misuse of
funds and
resources

Hiding true
financial health
of district

Screwed up
"books"



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Questions you should ask:



How well do I understand the financial reports?



How well do I understand my district's system of internal controls?



How effective are our internal controls?

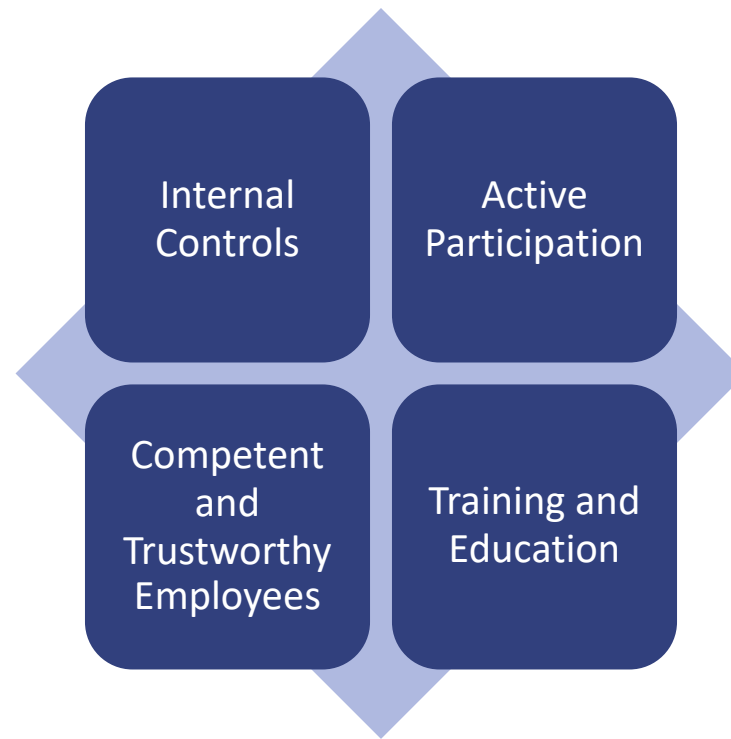


How much does the board discuss our finances with the manager/staff?



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How can we prevent fraud?



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Only 3% of fraud is caught by an audit.

It's not the job of an auditor to find fraud!



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Internal Controls

Establish Policies and Procedures

- Protects the staff and board.
- Follow the money.

Segregation of Duties

- No one person handles every part of a transaction or process.
- Be creative in small offices.

Verify Work

- Educated & informed board.
- External audits and reviews.



Internal Controls Policies and Procedures – Follow the Money!



Authorizing
Expenditures and
paying bills



Recording and
reporting of
transactions



Establishment and
authorization to use
accounts



Transfer of funds



Reconciliation of bank
statements



Physical security of
checks, records, etc.



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Internal Controls Segregation of Duties

Bills

- Reviewed and approved by Project Manager.

Checks

- Written and entered into QB by bookkeeper.
- Signed by Board Treasurer.

Bank
Statements

- Mailed to, opened, and reviewed by other board member.
- Reconciled by bookkeeper.

Verification

- Check register & bills/transactions reviewed at board meeting.



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Internal Controls Verify Work



Detailed reviews by Board Treasurer.



Monthly review at board meetings.



Annual audit or review (change auditor every few years).



Staff and board training and education.



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Trust is not an internal control!



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Financial Reports

Minimum

- Balance Sheet
- Monthly P/L
- YTD P/L vs. Budget for General Fund and key grants
- Check Register
- Credit Card Statement
- Fund Balances

Extras

- Monthly Comparison
- Accounts Payable/Receivable
- Actual vs. Budget by Grant



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Data versus Information

Data

- Words and Numbers
- Bullet Points
- Lack of Context

Information

- Context
- Background and Purpose
- Charts and Graphs



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Sample Financial Statement



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Danger Signs!!!!!!

- Minimal or no financial reports
 - Month after month after month...
- "Large" and ever growing payroll liabilities
- Lots of negative fund balances
- Negative General/Unrestricted fund balance
- Petty cash never reconciled
- No itemization of credit card statements/payments



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The End



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