

RIO RICO MEDICAL & FIRE DISTRICT



FINANCIAL POLICY

RIO RICO MEDICAL & FIRE DISTRICT FINANCIAL POLICY MANUAL

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INTRODUCTION

RIO RICO MEDICAL & FIRE DISTRICT (the District) is a subdivision of Arizona State Government. As such, the District is governed by Arizona law including A.R.S. Title 48 for Special Taxing Districts. The primary sources of revenue for the District are fees collected for services provided and local tax levies under the auspices of the Board of Supervisors for Santa Cruz County, Arizona. Additionally, as a recipient of both Arizona State and Federal funds, the District is subject to the rules and provisions of the US Office of Domestic Preparedness, Division of Homeland Security, the Division of Justice, Health Resources and Services Administration, and the US Fire Administration. Funding sources may impose additional policies to be followed while in receipt of their support.

The Financial Policies of Rio Rico Medical & Fire District were developed to comply with government regulations and to ensure that the financial management of the District is handled with the utmost accountability and credibility. The District endeavors for its accounting records to be maintained in accordance with Generally Accepted Accounting Principles (GAAP).

The Fire Chief, with the specific cooperation of the Administrative Manager, is responsible for implementing, monitoring, and adhering to the Financial Policies. The Fire Board or designated committee I should provide oversight on a regular basis. Any significant deviations in practice should be reported to the Fire Board by either the Administrative Manager and/or the Fire Chief.

The Fire Board or designated committee should review the Financial Policies annually (Will be placed on the agenda for the board to decide if they wish to change to annually). Revisions to these Policies may result from changes in governmental regulations, funding District requirements, auditor recommendations, or necessitated by the growth of the District. The District endeavors to adhere to the applicable laws, including the Civil Rights Act of 1964 and the Trafficking Victims Protection Act of 2000. No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity receiving Federal financial assistance from the Department of Health and Human Services and provided services without regard to race, color, or national origin. If no revisions are necessary, the Finance Committee, usually consisting of the Fire Chief, Administrative Manager, and two designated Fire Board members, report to the Fire Board.

Changes to policies, including but not limited to laws, regulations, and funding source requirements, which are enacted prior to the annual review of the District's Financial Policy should be considered an addendum and should be included with the District's policy document. All addenda that remain relevant should be incorporated into the policy document at the time of the next annual review and adoption by the Fire Board.

Appendices to these Policies are for informational purposes only and do not require adoption by the Fire Board. References to District Policy Manuals will be considered to the most recent RRMFD HR Policy Guidelines Manual version.

SECTION I: BUDGETS

A budget is a written statement of the finance committee's plan, expressed in financial terms, as authorized by the Fire Board for the fiscal year. It is a fluid document based on both historic financial information and current trends. A budget is a useful tool in managing financial resources.

A. DISTRICT BUDGET

Each year an annual budget for the District's fiscal year (July 1-June 30) and a forecast for the following 12 months (months 13 to 24) is prepared by Administrative Manager through consultation with the Fire Chief and Finance Committee. The Fire Chief or designee should present a draft budget to the Fire Board at least 90 days prior to the end of the fiscal year. The Fire Board will study and ultimately is responsible to approve the annual budget.

The District budget incorporates the individual division budgets and as such considers all anticipated revenues/expenditures for administration, operations, grants, and prevention. **(See appendix B)**

The salaries and wages section of the budget is prepared using current and historic financial information to forecast future staffing needs of the District. An optional District consultant and available survey information from other fire and EMS operations in the state for the substantiation of wages and payroll-related expenses (taxes and benefits) may be used to prepare the District personnel budget.

B. DIVISION BUDGETS

Division budgets are developed by the appropriate personnel in each division with the assistance of the Administrative Manager and Fire Chief. Careful attention should be paid to any needed changes or additions in hours or personnel, as well as training needs, education and meetings. In addition, grants that may become available in the next fiscal year should be included in the division projections based on the fiscal year impact, regardless of the possible funding period of the grant.

Beyond personnel costs, the Administrative Division budget should include the overall expense associated with running the District including tax and non-tax levy revenues, liability payments, utilities, communications costs, dispatch fees, prevention, outreach and hydrant expenditures. Division budgets are submitted to the Fire Chief for approval prior to their inclusion in the overall fiscal year budget.

Grant funding projected in the fiscal year should be considered in the overall budget. Federal funding obtained in one fiscal year should be determined prior to budget approval to consider pertinent costs if funded, including additional audit or reporting requirements.

Grants still pending funding may be included in the budget, including revenue and expense projection, separately allocated to inform the public of the projected impact, including funding and matching funds. The Administrative Manager should inform Division Supervisors of grant funding, levels and purpose and will be reviewed expenditures, at least quarterly to compare with funding amounts, purpose of funding and ensure grant compliance.

C. ADOPTION

The District budget is presented to the Fire Board or Finance Committee for review and preliminary approval mostly for content and format. The budget is then submitted to the Fire Board at a series of posted Public meeting and/or Board Budget Workshops and then to the public for comment as required by Arizona state statute. After thirty days posting for public comment and a posted public hearing, the Fire Board adopts the budget at a regular District meeting prior to June 30th of each year.

D. CONTROL FUNCTION

The District prepares regular financial reports monthly as required by Arizona Revised Statute (A.R.S.) §48-807. All reports should be finalized no later than three weeks after the end of the month, to be presented to the Fire Board at its Regular Meeting by the last Tuesday of the month. Monthly Revenue/Expenditure reports are presented by the Administrative Manager to the Fire Board in a format that compares actual with budgeted amounts. This format provides the Board the tools necessary to ensure that resources are being used as intended.

Monthly Financials reports to the Fire Board as per A.R.S. §48-807.02, subsection P, should include, at a minimum, a monthly review of register of checks, warrants and deposits, a statement of financial activities, and a statement of net assets for each calendar month. The monthly financials should include disclosure of amounts reportable to the county supervisors and a cash flow projection report for each fiscal year. Any financial report or cash flow projection report that would indicate that the district is likely to violate §48-805.02, subsection D, paragraph 1 or that would indicate an adverse impact on the ongoing operations or liquidity of the district should be reported by the fire district board chairman in writing and delivered by certified mail to the county treasurer and the county board of supervisors within ten days after the discovery. Monthly the Fire Board Chair and Clerk will attest that a review of register of checks and deposits has been completed.

The Fire Chief will receive the Budget vs. Actual reports including variances, and these reports should also be given to appropriate Division Officers to allow them to better monitor their expenditures. Any expenditure that consistently runs over budget by 5% must be authorized by the Fire Chief. A detailed report should be submitted by the Administrative Manager to the Fire Chief explaining the reason for the override.

When either revenues or expenditures are at significant variance to the budget a remaining year forecast is required. This new forecast must to be reported to and approved by the Fire Board.

SECTION II: ACCOUNTING RECORDS

Accounting records are to be maintained in accordance with Generally Accepted Accounting Principles (GAAP). The District uses the accrual basis of accounting, with full accrual statements reported in the annual financial report. The District, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. Management and the Fire Board establishes governmental funds based on accounting principles and applicable laws, regulations and reporting objectives. District funds should be designated as Restricted, Committed or Unassigned.

The Fire Board may designate specific funds for specific uses by the District, including, but not limited to an Operating Reserve, Capital Reserve and as required by statute, Bond and Bond Debt Funds when applicable.

The target minimum Operating Reserve for the organization is established by the Fire Board (Currently 5% of the total operating cost with a target of moving to 10%). The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. The amount will be calculated each year during approval of the annual budget and included as a line item in regular financial reports. The Operating Reserve will be funded with surplus unrestricted operating reserve.

The Fire Board may, from time to time, direct that a specific source of revenue be set aside for operating reserves or designate the revenue to a specific restricted or committed fund. Examples may include one-time gifts or bequests, special grants, or special appeals.

To use committed funding, the Fire Chief will submit a request to the Fire Board. The request will include the determination if the use is as per funding restrictions or if Fire Board should, via public vote, reassign funding otherwise, as well as a description of the use of funds and plans for replenishment, when applicable. Management's goal is to replenish the funds used within twelve (12) months to restore the operating reserve fund to the target minimum amount as set by the Board.

A. ACCOUNTING SYSTEM

The District endeavors to use a computerized accounting program which meets these specifications:

1. Adequately identifies program funds by source, use and program.
2. Supports the accrual basis of accounting
3. Maintains an audit trail
4. Produces informative, simple and effective reports
5. Adapts to future needs
6. Remains cost-effective

B. RECORD OF TRANSACTIONS

All financial transactions of the District should be recorded in the accounting system in a timely manner. Throughout the fiscal year, expenses are accrued into the month in which they are

incurred. The books should be closed no later than the 25th day after the end of the month.

Invoices received after closing the books should be counted as the current month's expense. For the closure of the fiscal year, this rule is not enforced. All expenses that should be accrued into the prior fiscal year, are so accrued, to ensure that year-end financial statements reflect all expenses incurred during the fiscal year. Year-end books are closed no later than 90 days after the end of the fiscal year. Revenue is always recorded in the month in which it was earned or pledged.

1. All invoices should be approved by the authorized person in each division (**See appendix B**) for which the expense was incurred. Approved invoices should be paid within 30 days of receipt.
2. Invoices and bills should be received, opened and reviewed by the Administrative Manager, approved for payment within 10 business days and submitted to the Administrative Specialist for payment processing.
3. The designated head of the division should be notified immediately of any unexpected or unauthorized expenses. Invoices are then routed to the appropriate designee for authorization prior to payment being issued. All expenses greater than \$500 require a purchase order approved by the Fire Chief or designee. The Administrative Manager should centralize all invoices reviewed and confirmed by each designee and will authorize for payment.
4. The Administrative Manager should forward authorized bills to the Administrative Specialist for processing, issuance of checks and submittal to the Fire Chief.
5. Records of transactions should be kept according to the appropriate Retention Schedule, secured until audited and at a minimum for a year after the transaction.

C. SOURCE DOCUMENTATION

Accounting records should be supported by source documentation such as invoices, purchase orders, paid bills, deposit slips, cancelled checks, payroll reports, time sheets, and so forth. Division designee should document program specific information on expenditures, such as account number, source, reason for expenditure and/or source of reimbursement if applicable. Administrative Manager should ensure funding is available for the expense type, source, program, as applicable, prior to paying or reimbursing expense.

D. GRANT MANAGEMENT

Accounting records should ensure compliance with grant requirement. Grant applications should be reviewed by the Administrative Manager to ensure, if funded, the District is able to meet funding source's accounting and funding requirements. Grants requiring Cost-Sharing or Matching of Funds should be budgeted for each fiscal year, otherwise, shall be presented to the Fire Board for approval prior to acceptance, and if cumulative cost representing more than 8% of District's budget, should require budget amendment with Santa Cruz County Board of Supervisors. When grants are awarded, the Administrative Manager should be the District's designated point of contact for financial reporting requirements on District's accounting system.

Grant funding and accounting requirements should be identified prior to grant acceptance. The Administrative Manager should determine funding procedures and accounting system specification and set up account, funding source and project information on the accounting system and review with the Administrative Specialist for posting. Grant accounting procedures that differ from District's procedures, if any, should be clearly identified and communicated to the Fire Chief for delineation of procedures. Grant expenditure should meet funding authority's specifications, including allowable costs and designated project/program services.

If any barriers to grant requirements are identified, the Administrative Manager should report those to the Fire Chief and/or to grant authority, as necessary. Grant projects should be closely monitored. The District will accept responsibility for grants awarded, and any excess funding spent above the grant allowed amount. As with any budgeted project, any variance between grant funding and actual expenditures should be discussed with grant funding authority. Indirect costs in grant should be determined and authorized by grant funding authority.

Grant accounts should clearly identify revenue and expenses by grant identification name and number as or contracting will require the Administrative Manager to confirm vendor/contractor is not reflected as an Excluded Party on SAM.gov (System for Award Management) noted on the Notice of Award. Grants requiring external consulting reimbursable grant funding should be requested once disbursement is confirmed, processed and paid by the District. The District projects expenditures based on cash flow, but at a minimum, quarterly reimbursements should be requested for grant expenditures.

The District reimbursement requests should be limited to amounts necessary to cover allowable project costs that have been confirmed, processed and paid by District. Advance draw down for grant projects should be processed, if allowed by funding source, only after the expense or liability has been confirmed with a specific date no more than 10 business days in advance of District disbursement.

Grants requiring cost-sharing should not utilize contributions from any other state or federal funds or request for state or federal assistance. Funding utilized by District for cost-sharing should be used for a single-purpose match, not combining funding with other grants. Grant-funded costs should be reasonable, allocable and adequately documented, so:

1. Expenses/costs are allowable under a federal award, grant funds are only used for cost that are reasonable, allocable and adequately documented;
2. Grant funds are only used for cost that are reasonable defined as if it does not exceed what a prudent person would incur under similar circumstances;
3. Cost is allocable to a federal award to the extent the goods or services benefited the program.

Program Income

Program income generated from grant-funded projects should be disclosed to the funding agency. Although the District does not currently have program income from grant-related activities, the District intends to revise its procedures to determine the appropriate calculation of program income and reporting requirements by the funding agency and including necessary disclosure.

The District intends to limit the use of program income relating to projects financed with federal funds to one or more of the following, as approved by funding agency:

1. Furthering eligible project or program objectives;
2. Financing the non-federal share of the project or program; or
3. Deducting it from the total federal share of project or program allowable costs.

E. RECORDS RETENTION

Accounting records should be retained and stored in a manner that will preserve their integrity and admissibility as evidence in any audit, litigation, or other proceeding. The retention period should conform to that contained in the Records Retention Schedule (Appendix A) under Arizona state statute for Fire Districts.

SECTION III: CASH MANAGEMENT

Cash is often diverted or used improperly. Most transactions either directly or indirectly affect cash. Therefore, it is necessary to use special controls for safeguarding cash. All contributions or revenues should be recorded as soon as received and credited to the appropriate revenue line as designated in the Chart of Accounts.

A. BANK ACCOUNTS

Bank accounts control cash. All funds received should be deposited in a bank account; all payments should be disbursed from a bank account. All bank statements should be opened and reviewed in a timely manner. Bank reconciliation and approval should occur within 30 days of the close of the month.

1. Account parameters:

- a. The District's Fire Board must authorize the establishment of any District bank account.
- b. When appropriate, District funds should be maintained in interest-bearing accounts.
- c. All bank accounts will be maintained in FDIC insured institutions.
- d. All bank statements should be opened/printed, reviewed and initialed by the Administrative Manager upon receipt. Once reviewed, bank statements should be submitted to the Administrative Specialist for reconciliation. If the Administrative Manager is unable to open account statements, the Fire Chief may designate an alternate employee, other than Administrative Specialist, to open, review and verify statements prior and post reconciliation.
- e. The Administrative Manager should review the reconciliation reports and submit to the Fire Chief for approval by signing and dating the report in the lower right-hand corner.
- f. The account reconciliations should be reviewed by the Fire Board Chair and signed after they are presented and accepted by the Board.

2. Signatories:

- a) District members authorized as signatories on the District accounts include a minimum of two Board Members, the Fire Chief and one Fire Chief designee, not to include the Administrative Manager or Administrative Specialist, due to segregation of duties. Signatories should be provided the financial policy and confirm receipt via signature.
- b) The Fire Chief designee should be a Chief Officer or Program Supervisor level employee. Any warrant, check or expense signed in the Fire Chief absence, by the designee should be logged and reported to Fire Chief upon return, preferably, having Fire Chief affirm after-the-fact authorization on the document via a second signature.
- c) Out-of-the ordinary expenses, disbursements including checks or warrants over \$10,000 or over the pre-approved Fire Chief Authority by Board require the signature of the two elected board members or approval of the amount by the Fire Board to be valid. Checks under \$10,000 may be signed by the Fire Chief or authorized signatory following the guidelines of the District Signatory Policy.
- d) A signatory is prohibited from signing a check made out to him/her, an immediate relative, or a business in which the signatory has financial interest.
- e) Personnel that have immediate access to the accounting functions of the District are specifically prohibited from being signatories on any bank account and to include at a minimum, the Administrative Manager and Administrative Specialist.

3. Revenue designations:

- a. Restricted revenue: funds obtained or collected by the District that must be used according to the dictates of the entity providing such funds. Unearned restricted revenue must be retained and not utilized until that revenue is earned.
- b. Unrestricted revenue: revenue from any source that is not otherwise restricted by the source. Unrestricted revenue is generally used to pay for the operating costs of the District which are not covered by other sources of revenue. The Board may designate or restrict a portion of these funds for a special purpose or venture.
- c. Committed Revenue: funds collected by the District that must be used according to the dictates of Fire Board.

B. PETTY CASH FUND

A petty cash fund of at least \$100 will be maintained to reimburse employees/board members for small purchases made on behalf of the District. Petty cash reimbursements are made upon presentation of appropriate documentation. Both the person receiving the cash and the one dispensing it must sign the Expense, Receipt or request for reimbursement detailing the purpose.

C. CASH RECEIPTS

All cash and cash equivalents received by the District should be received and recorded by two employees separately and the two persons should be present when monies are received. This includes amounts received in person or via mail. Contributions received should be logged and kept in logs of the daily transactions reconciled at the end of the week for bank deposit.

- 1. Any checks or cash received is to be recorded by front desk and Administrative Specialist, separately, on the receipt log and a receipt is given or mailed as appropriate.
- 2. All monies received should be delivered to the Billing Specialist or designee.
- 3. A deposit to the appropriate bank account should be made when there is \$500 or more in

receipts or on Fridays. Monies that are received after bank hours should be secured until the next deposit.

4. Deposits are to be processed by an Administrative Specialist and posted to the accounting system.
5. The validated bank deposit receipt is to be attached to the relevant deposit documents and signed by the Administrative Specialist prior to filing.

D. CASH DISBURSEMENTS

All operational disbursements of District funds should be made by check, except for; electronic funds transfers authorized in advance by the Fire Chief, credit card payments and small amounts disbursed via the petty cash fund.

1. Checks should be used in chronological order; blank checks are stored in a locked location in the Administrative Manager's office. The office should be locked when the Administrative Manager is not present and access by other individuals into the office should be restricted to Fire Chief or Executive Management team.
2. A Request for Reimbursement Form with appropriate documentation should be submitted for employee reimbursements. The supervisor or Administrative Manager should approve disbursement prior to issuance of any check.
3. Payments are made in arrears, after verifying goods/services have been received. Common exceptions are payments for per diem travel checks, just in time training opportunities and orders from vendors who require payment accompany the order.
4. Purchases made on District-issued credit cards should be documented according to the Use of District Credit Card guidelines.
5. The District subscribes to a just-in-time philosophy of bill payment; checks are to be processed as close to the invoice due date or discount date as practicable.
6. To void a check:
 - a. Boldly write the word "VOID" across the face of the check with a short explanation of the reason for the void.
 - b. If signed, remove the signature section, signatures shall be cut from the check.
 - c. Void the check in the computer accounting system; void the accompanying invoice in the computer accounting system by posting a credit memo.
 - d. Voided checks are filed with that account's reconciliation records.

E. ON-LINE CASH TRANSACTIONS

When available, on-line cash transactions should include the draw-down of funds via ACH (Automated Clearing House), electronic funds transfers (EFT) from most federal funding sources, and the transfer of monies between various District accounts held at Santa Cruz County Treasurer's Account.

Documentation of EFT transactions other than ACH draws is a printout of the account register where the funds were deposited.

When used, all on-line transactions are to follow the process for payments, warrants and checks; to be reviewed by the Administrative Manager, or designee, and posted to the appropriate accounts and filed in the Cash Receipts file for that month.

F. CREDIT CARD USAGE

Unless on an authorized out-of-district assignment, credit card purchases other than by the Fire Chief and Executive Management team should be authorized in advance by both the Fire Chief and the appropriate Division Designee. Purchases over \$500 require a Purchase Order request to the Administrative Manager.

The District will assign a designated fuel card to one of the on-duty shift Captains. Captains may be provided a credit card for purchases as supplies needed for the District. The Administrative Manager or designee should access credit card statements each month and email each employee in possession of a credit card the statement on the account. The employee is responsible to complete and submit with receipts, a completed credit card expense log, including the receipt amount, reason for purchase, specific program and description of items/services purchased. Documentation of all credit card purchases should be submitted prior to that approval. A District credit card should not be used for personal purchases at any time.

G. ACCOUNT RECONCILIATIONS

All bank accounts, the petty cash fund, and the check log should be accessed by the Administrative Manager and submitted to the Administrative Specialist for reconciliation. After reconciliation, the Administrative Manager should submit to the Fire Chief within the first week after receipt of the required supporting documentation.

1. All mailings from any banking institution where the District maintains an account should not be opened by any staff member other than the Fire Chief or Administrative manager. The Administrative Manager or Fire Chief reviews and initials such documents, and then gives them to the Administrative Specialist for reconciliation.
2. The appropriate computer accounting module should be used to reconcile all bank statements.
3. The check log, credit card expenditures and the petty cash fund are reconciled by spreadsheet as well as in the appropriate accounting module.
4. Copies of all reconciliations should be reviewed and initialed by the Administrative Manager prior to filing.

SECTION IV: ASSET MANAGEMENT

The purchase of goods or services should be conducted in a manner that provides open and free competition and ensures compliance with District or grant requirements. Cost alone will not be the sole determinant in choosing vendors; consideration should also be given to the relative quality of the product, the customer service analysis and to the reputation of the vendor.

A. CODE OF CONDUCT

Conduct of District personnel in the solicitation, award, and administration of contracts and vendor services should reflect the highest ethical standards. District personnel are paid staff, volunteers, members of the Fire Board, and any agent representing Rio Rico Medical & Fire District in potential business transactions. Upon or before hire, election, or appointment each employee and Board member should provide a full written disclosure of all direct or indirect financial interests that could potentially result in a conflict of interest. Board members should also attest the same annually at the regular meeting held in December.

Examples include employer, business, and other nonprofit affiliations, and those of family members or a significant other. This written disclosure should be kept on file and updated annually and as needed.

1. Employees and Board members must disclose any interests in a proposed transaction or decision that may create a conflict of interest. After disclosure, the employee or Board member may not be permitted to participate in the transaction or decision. District personnel will not participate in a transaction where a potential conflict of interest (or the appearance of a conflict of interest) exists. Any procurement or expense conflict should be reported and documented to the Administrative Manager and/or Fire Chief.
 - a. A conflict of interest is assumed to exist when District personnel, any member of the immediate family of District personnel, or any organization/business employing District personnel or their immediate family members has a financial or other material interest in the transaction.
 - b. District personnel are expected to disclose such a potential conflict of interest to the Fire Chief prior to the initiation of the transaction process. If this potential conflict involves the Fire Chief, then it should be disclosed by the Fire Chief to the Fire Board.
2. District personnel should neither solicit nor accept gratuities, favors, or anything of significant monetary value from vendors or potential vendors.
 - a. Unsolicited tokens of nominal value (calendars, magnets, pens, etc.) may be accepted.
 - b. Contributions to District fundraising events from vendors or potential vendors will in no way influence the selection process.
 - c. Convention, conferences, trainings, etc. raffles prizes that in no way influence a selection process may be accepted. If the prize is of significant monetary value it should be declared to the Fire Chief.

3. All transactions with current and potential vendors should be conducted in an atmosphere of good faith, devoid of intentional misrepresentation.
4. Penalties may be imposed for violations of the Code of Conduct Policy, including the disciplinary action and legal action. If a violation of the Code of Conduct Policy is identified, the Fire Chief is responsible for determining the extent of the disciplinary action for employees. The Fire Board determines necessary action for the Fire Chief as applicable, at a minimum according to A.R.S. §38-502, as applicable. As with any disciplinary process for the employees, the Fire Chief will determine the extent of the disciplinary action as ruled by its HR Policy Guidelines Manual and/or state, local and federal regulations.
5. Allowability of Costs to ensure:
 - a. To be allowable under a federal award, grant funds are only used for costs that are reasonable, allocable and adequately documented;
 - b. Grant funds are only used for costs that are reasonable defined as if it does not exceed what a prudent person would incur under similar circumstances;
 - c. Cost is allocable to a federal award to the extent the goods or services benefited the program;

B. PROCUREMENT

When procuring property and services, the District should consider internal capabilities for performing the service and follow the same policies and procedures it uses under Federal awards as it does for non-Federal funds. For federal awards, if a specific service is deemed necessary to be outsourced, due to costs, technical knowledge or expertise, the District should maintain oversight of project compliance. Services considered for outsourcing include evaluation services by a neutral entity, services requiring a level of expertise not possessed within the District, project direction requiring expertise in specific areas, information technology. All competitive vendors, including consultants and contractors, should be granted equal consideration to the extent that federal, state or local statutes, District policies, and grant restrictions permit.

1. At the direction of the Fire Board or at the Fire Chief's discretion, competitive bids should be solicited for purchases of goods or services. The District is not required to go to bid, but may choose to do so depending on the nature of the sale. If competitive bid is warranted, the following procurement standards apply to the bid process:
 - a. The decision that such a purchase is needed should be documented and authorized by the appropriate Head of the Division or the Fire Chief.
 - b. A comparative analysis should be conducted by the Fire Chief or his designee to determine whether it is more profitable or practicable to lease an asset rather than purchase it outright.
 - c. Within the parameters of fair and open competition, the District should encourage applications from reputable businesses that support fire districts statewide.
 - d. A Request for Proposal (RFP) should be issued to at least three potential providers. The RFP should include a clear description of what is being solicited, how bids/proposals will be evaluated, technical requirements, the type of award (fixed-price or cost reimbursement), and any other information that enhances the competitive process.
 - e. Contract award documents should state all terms agreed on by both parties, including

(but not limited to) length of contract, schedule for and documentation of delivery, payment process, protest procedures, and any specific clauses required by the funding source.

2. Non-competitive bids are allowed under these circumstances:
 - a. The product or service is so unique that only one source is available.
 - b. Only one bidder responds, and that bid fulfills the needs of the District.
 - c. A potential grant funding source authorizes a non-competitive bid.
 - d. In an emergency where the time involved in the competitive process would endanger the health, safety, or welfare of District personnel or clients. Emergency purchases will be documented and maintained in the financial records; they will be disclosed to the District Fire Board in a timely manner.
3. Small purchases are those falling below the procurement threshold of \$10,000 aggregate. Informal cost comparisons using vendor catalogs, internet searches, or other informal methods may be used to determine the best value for the dollar for such purchases or service agreements.
4. Contracts, leases, loans and other commitments that encumber Rio Rico Medical & Fire District for more than \$10,000 must be approved by the Fire Board if paid by Warrant account should be signed by two Elected Fire Board Members. Approved purchases up to \$10,000 should be signed by the Fire Chief or Board Chair or authorized signatory unless otherwise restricted by the funding source.
5. Consulting firms and contractors should follow the procurement process as stated above. The District should consider in-house capabilities before outsourcing contracts. The selection process should be based on specialization and familiarity by the vendor and costs. Costs should be determined reasonable based on accurate comparison.
6. Vendors should be added to the accounting system, as necessary, by the Administrative Specialist. Any vendors requiring ACH set up should be authorized by the Fire Chief, and payments via ACH should follow all payment authorization procedures as a printed check, including review by Administrative Manager and authorization by Fire Chief or designee.
7. Contractors that develop or draft grant applications, or contract specifications, requirements, statements of work, invitations for bids and/or requests for proposals, from competing for such procurements should follow the rules as listed on each statement of work.

C. PROPERTY AND EQUIPMENT

Equipment, machinery, furniture, and like items which are purchased or received by the District, which have a useful life of more than one year, and an acquisition cost of \$5,000 or more, are considered fixed assets of the District. Purchases below this threshold are recorded as current fiscal year expenditures, generally under the Fire & EMS Equipment or Furnishings purchases accounts.

Capital items purchased with grant or contract funds may or may not be considered fixed assets

of the District, depending on the specific restrictions of the grant or contract.

1. Classification for depreciation purposes:
 - a) Depreciable fixed assets are those wholly owned by the District. Depreciation expense is recorded at the end of the fiscal year, using the straight-line method.
 - b) Non-fixed (non-depreciable) assets are those that carry restrictions prohibiting the application of depreciation expense.
2. Certain property management procedures should be observed for all fixed assets and for small equipment that may be subject to theft, abuse or misuse.
 - a) Property should be tagged with an identifying number upon acquisition. By January 2020 the District should start tagging all new purchases. Planning to deliver to Fire Board for all assets, possibly using advance technology, should occur by March 31, 2020. Expense should be included in budget FY 2020-2021.
 - b) Property should be safeguarded to prevent loss or theft of assets, either by keeping items under lock and key, security system or designating a responsible party for the inventory and inspection of items. District maintains insurance for its capital assets and contents of buildings subject to insurance provider deductible.
 - c) An inventory record of each property item should include a description of the item, ID number, serial number, model number, acquisition date, and acquisition cost, location and condition of each item, and if necessary, specific funding source. Funding source will be necessary for all federally-funded capital purchases. See item above.
 - d) A physical inventory of property should be conducted every two years, including current location of the item being noted.
 - e) The District will maintain an adequate amount of insurance to cover property. Certificate of insurance will be provided to agencies requiring it. (**See appendix C**)
 - f) Adequate maintenance procedures should be implemented to keep all property in good working condition.
3. Disposition of property:
 - a) Property purchased with grant/contract revenues should follow the funder's regulations for disposition.
 - b) If no funder restrictions apply and for all District-owned property, usable items may be donated to another Fire District, government or not-for-profit entity, but clearly documented on grant and asset file, including receiving facility/agency's acceptance.
 - c) Items determined by the Fire Chief or his designee to be worn out, damaged beyond economic repair, or otherwise of no value may be offered to the Public, including employees, for salvage value or destroyed. Documentation should be provided by the Fire Chief to support determinant of non-value and included in the report to the Fire Board.
 - d) A schedule of disposition should be maintained for inventory reconciliation purposes. Once the audit has been completed for a fiscal year, disposed property should be permanently removed from the inventory records.

SECTION V: COST ALLOCATION

Costs are classified in terms of how they relate to a specific area of operation. The District's cost centers are delineated by division. See appendix B.

A. GENERAL COST PRINCIPLES

While these cost principles specifically relate to federally-funded programs, Rio Rico Medical & Fire District applies the same principles to all programs, regardless of funding source.

1. Direct costs are those that can be readily identified with one or more cost centers.
2. Costs that are incurred for common objectives and cannot be readily identified with specific costs centers are termed indirect.
3. No grant, contract or division may pay for more than its fair share of costs.

B. COST ALLOCATION PLAN

Direct and indirect costs are allocated to the appropriate division through budgeting and posting at the time of expenditure. Such allocations and postings should be reviewed by the Administrative Manager monthly at minimum and any consistent discrepancies should be reported to the Fire Chief, as appropriate.

If necessary, the Fire Board or designated committee will be notified of areas that may require a shift in allocation if expenditures remain within budget for the fiscal year. Board should be notified and requested to act if there is a permanent need for allocation shift within the fiscal year.

SECTION VI: FINANCIAL REPORTING

Financial reports provide information for planning, organizing, directing, controlling and decision-making within the organization. Additionally, such reports measure accountability to the various stakeholders of the District.

Financial reports should be relevant, timely, accurate, clear and concise. Report formats, content and frequency of preparation should comply with both Generally Accepted Accounting Principles (GAAP) and the requirements of specific stakeholders.

Within the limitations of the District's computer accounting software, financial reports should be generated directly from that software. Documentation from the accounting program records should be attached to file copies of financial reports produced in other software.

A. SCHEDULE OF REPORTS

Specific financial reports required by Arizona Revised Statutes are listed at §48-807 thereof. Monthly and Annual reports will be presented to the Board. The District should compile the following reports within 25th day of the closing of the period. Fire Board should review

monthly reports; Chairman should report funding shortfalls, lack of liquidity or adverse financial impact within 10 days.

1. Monthly:
 - a. Reconciliation of all Balance Sheet accounts
 - b. Register of checks, warrants and deposits
 - c. Statement of Financial Activities: Budget to Actual Income and Expense Report
 - d. Statement of Net Assets: Balance Sheet
 - e. Cash Flow Projections: Prepare annual fiscal year projection to be uploaded monthly with actual revenue and expenditure data from previous month
 - f. Monthly reports provided by County Treasurer & Financial Institutions
 - g. Fire Board required to review monthly reports
2. Annually:
 - a. Financial Policies Manual review/update
 - b. Submission of completed external financial audit

B. REPORTS PRODUCED BY OUTSIDE AGENCIES

1. Public Service Personnel Retirement System (PSPRS): (Needs to be added to board meetings)
 - a. Summary Annual Actuarial Report
2. Audit firm:
 - a. Annual audit as required by A.R.S. §48-251 and §48-253

C. AUDITS

As stated in A.R.S. §48-251, an annual audit must be conducted by an independent audit firm each year. It is the responsibility of the District's Fire Board to contract with the audit firm. The Administrative Manager will request the preparation of the schedule of federal awards (SEFA) before requesting the audit engagement letter to determine if federal expenditures exceed the Single Audit threshold. The District will notify auditing firm and request a single audit when annual federal expenditures reach or exceed the Single Audit Threshold (\$750,000). The auditing firm will be advised and/or consulted regarding specific audit requirements prior to finalizing the Request for Proposal for an auditing firm.

Annually, the Board may consider soliciting bids for audit services from at least three appropriate accounting firms in the Arizona. The Fire Board or Executive Team should review and assess the various bids and then recommend one firm for approval by the Fire Board. It is acceptable to re-award the contract for auditing services to an existing firm if the Fire Board's criteria for selection is documented. The Fire Chief should present the Auditing Firm's Engagement Letter to the Board to authorize engagement.

After consultation with the Fire Chief and Administrative Specialist, the Administrative Manager schedules the audit field work. Every reasonable effort will be made to complete the audit within three months of the end of the fiscal year. Preparation and compilation of all documents requested by the auditor before, during, and after field work is the direct responsibility of the Administrative

Manager, Fire Chief and the Administrative Specialist. The assistance of other staff members may be requested.

The final audit report should be presented to the Board for approval by the audit firm. Copies of the final report should then be used to prepare a District annual report that is filed annually with the Clerk of the Board of Supervisors for Santa Cruz County within 180 days after the close of the fiscal year on June 30th. The audit report should be posted on the District's website for public access.

It is the policy of RRMFD to comply with federal financial reporting requirements for its cooperative agreement or contract related activities with HHS/HRSA by filing the following grant reports:

- Federal Financial Report Federal Cash Transaction Report on a quarterly basis within 30 days of the quarter's end or per the terms and conditions of the award.
- Financial Status Reports per the terms and conditions of the award;
- Single Audit reports will be submitted, when required for Single Audits, to Federal Audit Clearinghouse (FAC), within 30 days of Board acceptance or within 9 months after fiscal year end, whichever is earlier (applicable when Single Audit is performed).

All grant reports should be prepared from, and agree with, the internal financial statements and general ledger.

In addition to the annual audit, other audits may be conducted by funding agencies or government entities. The same level of careful preparation of documents for and cooperation with the annual audit firm should be observed with all other auditors. As part of the Annual Audit, the District discloses any potential legal liability to the District. Auditors should obtain a statement from District's legal counsel to this effect and including any violations of federal criminal law, involving fraud, bribery, and gratuity violations; potential legal liability from any lawsuit against the District, any material claims pending or threatening litigation against the District; for this purpose, material claims involves amounts exceeding \$5,000.

Identified violations should be reported to the Fire Chief, as soon as found, or within 30 days of confirmation of the violation. The District Fire Chief should disclose any federal funding violations of federal criminal law, involving fraud, bribery, and gratuity violations potentially affecting the award, by submitting an explanation of the violation, in writing, within 30 days of verification.

SECTION VII: INTERNAL CONTROLS

The District employs several safeguards to minimize the risk that financial transactions are not properly authorized, appropriated, executed and recorded. The Fire Board has the authority over the financial policies and will review them annually. The Fire Chief has the authority to approve budgeted ongoing expenditures or expenses up to the limit set by the Board; otherwise, Board approval shall be required.

A. SEGREGATION OF DUTIES

The District's financial duties are distributed among multiple people to help maximize protection from fraud and error. The distribution of duties aims for maximum protection of the organization's assets while also considering efficiency of operations. Duties to be segregated:

1. Receipt of Bank Statement and Account Reconciliations
2. Receipt of payments and posting to billing and accounting system
3. Authorization of expenditures and Signatory for Financial Institutions
4. Entry of Invoices and Authorization of Payments
5. Input of employee time and authorization of payroll

B. ACCOUNTING STAFF

1. Every effort will be made to hire or to train the most competent personnel available to perform accounting functions.
2. Responsibility for a sequence of related operations should be divided among two or more persons.
3. Personnel directly responsible for recording and producing accounting information should take an annual vacation of at least five consecutive business days in duration.
4. Access to computer accounting program modules:
 - a. Fire Chief – full access to all modules and processes
 - b. Administrative Manager – full access to all modules and processes
 - c. Administrative Specialist – full access to modules and processes necessary to the completion of assigned duties
 - b. Administrative Assistant - full access to modules and processes necessary to the completion of assigned duties.
 - c. Head of Division read-only access for information, budgeting and monitoring purposes.

C. PAYROLL

The District should establish a reliable payroll processing system to maximize accurate time management and timely processing of paychecks and file payroll tax reports. Information preparation, processing, recording and distribution of pay checks should be handled in-house.

1. Timesheets:
 - a. Each employee's timesheet should reflect an accurate allocation of how the work hours were spent each pay period. Time is entered into the electronic system by the supervisor for shift personnel. Non-shift employees should submit their timesheet to their supervisor for authorization.
 - b. Timesheets should be reviewed and signed by the employee certifying accuracy, approved by the direct supervisor, and authorized by the appropriate supervisor before being submitted to the Administrative Manager or designee responsible for Payroll for processing.
 - c. If an employee is absent or unavailable for the entire pay period or the date of submission, the direct supervisor is normally responsible for the correct hours, overtime initial, signature and submission. The employee and supervisor should reflect specific time tracking under special assignments such as wildland assignments, projects or grants, as required by the funding authority (USFS, federal agency).

2. Payroll check processing:

- a. Timesheets should be completed and alphabetized by station by shift on or before 08:00 hours on the Monday immediately following the Saturday that payroll period ends.
- b. They should be re-checked for mathematical accuracy before wages earned are entered electronically to the payroll module on a bi-weekly basis.
- c. Vacation, Sick, Overtime and Special Project Time, used and/or accrued is tracked via accounting payroll module and should be updated each pay period.
- d. The Administrative Specialist prepares the payroll reports and enters information into the accounting system. The Administrative Manager reviews and authorize payroll for processing.
- e. The Administrative Manager reviews the current payroll package and then gives it to the Fire Chief for check signing and final processing.
- f. The Administrative Specialist distributes everyone's paycheck or pay stub, via either paper or electronically, as most convenient to the employee and staff.
- g. Payroll checks/deposit statements that are unclaimed at the end of the day should be secured by the Administrative Manager until claimed.

3. **Payroll responsibilities of the Administrative Manager:**

- a. To comply with all Federal and State wage and labor laws.
- b. To review the allocation and posting of wages, payroll taxes and benefits each pay period from the wage statements prepared by the payroll service and the postings by the Administrative Manager.
- c. To assist in the preparation and recording of the quarterly and fiscal year-end accruals of wages, payroll taxes, accruals and balances.
- d. The Administrative Manager or designee should complete the Payroll Maintenance Form at the time of the employee's anniversary (promotional of hire) or change in position, review requirements for step increase, complete the form and submit to the Fire Chief for approval, based on budget allocation. The Fire Chief should review and authorize any wage changes prior to changes posting to accounting system.
- e. HR Policy Guidelines Manual should be followed for termination of employment, FMLA or any employee events affecting payroll.

D. ACCOUNTS RECEIVABLE

Reasonable efforts should be made to collect monies owed to the District in a timely manner.

A request to write off an account deemed uncollectible should be prepared by the Billing Supervisor and submitted to the Administrative Manager for authorization. The Administrative Manager should advise the Fire Chief of Billing Reports, collection rates and billing barriers during the staff meetings. No longer a committee, meetings are to be held quarterly

E. TRAVEL/TRAINING

Training, workshop and conference participation is a part of both District and staff development and is included in Division budgets to the extent that the funding sources allows. Care should be exercised that all District employees are given an equal chance to take advantage of training and

enrichment opportunities.

All requests for reimbursement of out-of-pocket expenses incurred for training or events should be accompanied by receipts showing the date, type and amount of the purchase and pre-authorized by Head of the Division, according to approved budget, unless otherwise authorized by Fire Chief. Employees must follow Travel Policy in the HR Policy Guidelines Manual.

1. Out of Area Travel/Training

- a. Any employee who is authorized to travel outside of the District and requires overnight lodging will normally be granted lodging and per diem expenses as per District guidelines.
- b. For federal grant funded travel, the District limits mileage, meals and incidentals, and lodging charged to federal programs to the rates published in the Federal Travel Regulations (prescribed by General Services Administration/GSA), unless otherwise justified. Travel costs charged to federal awards limits airfare to coach and car rental to mid-sized, unless otherwise justified.
- c. A *Travel Request* detailing the period involved, mode of travel, lodging requirements and other relevant expenses should be filled out and submitted at least seven (7) days in advance and approved by both the employee's supervisor and the Administrative Manager. Any exemption to the above must be approved by the Fire Chief.
- d. The approved *Travel Request* should be submitted to the appropriate Head of the Division who arranges appropriate transportation, lodging and requests for registration and per diem funds.
- e. Lodging, car rental and travel expenses should be secured using the most reasonable form of transportation at the best price available. Reasonable effort should be made to arrange travel times that are convenient for the employee or District Member. Per Diem for food and incidental expenses for overnight travel should be paid to the employee as per District travel guidelines.
- f. A complete expense reimbursement form including receipts should be submitted within five business days. If a District credit card is used for lodging or travel, receipts should be filed per the Use of District Credit Card Policy.

2. Local Area Travel/Training:

- a. The costs directly associated with the activity authorized by the District are eligible to be paid. These will normally include such items as registration, workshop materials and event-sponsored meals. Meals termed "on your own" by the event sponsor are the responsibility of the participant.

In the event of required local area travel, employees should use District vehicles, unless such a vehicle is not available. If a District vehicle is available and the employee *chooses not to use it*, the employee will only be eligible to receive reimbursement of fuel costs. If a District vehicle is not available, the employee should be reimbursed at the current mileage rate set forth in the Travel Reimbursement Procedure.

F. LEGISLATIVE EFFORTS

District funds or assets may be used to support legislative changes that directly affect District business through appropriate channels (i.e. International Association of Fire Chiefs, Arizona Fire

Chiefs, Arizona Fire District Association, and Public Safety Association) only with the prior approval of the Fire Board. District personnel that engage in legislative or lobbying activities on their own time should not imply District involvement in these activities by their presence and should follow District HR Policy Guidelines Manual.

G. DONATIONS

All monies or items donated to the District are to be forwarded to the Administrative office.

1. Cash donations are managed as per Section III of this policy.
2. Non-Cash items will be reported to the Fire Chief for:
 - a. Approval
 - b. Proper Storage
 - c. Determination of placement*

Per policy all information should be recorded, including value, purpose, location and source of donation. A thank you note should be sent to the donor and, where necessary, the appropriate IRS Form for the donor's tax records.

* Donated items are used by the District as the donor instructs, distributed to the community, or disposed of according to the District's asset disposition policy.

APPENDIX A:

RECORDS RETENTION SCHEDULE

Retention Schedule for Fire Districts:

The Rio Rico Medical & Fire District has various Retention Schedules to follow. The specific guidelines can be found at the Arizona State Library, Archives and Public Records. It is the responsibility of the Fire Chief to ensure all divisions follow the appropriate retention schedule.

For this Financial Policy Manual, the District Fire Chief, Administrative Manager should adhere, at a minimum, to the following:

- GS 1018 Administrative Records
- GS 1046 Audit Records
- GS 1017 Financial Records
- GS 1032 Purchasing and Procurement Records

Arizona's General Retention Schedules applicable to Fire Districts can be found at: <http://apps.azlibrary.gov/records/general.aspx>

Appendix B:

List of Divisions:

- Operations (Wildland, Communications, PIO, Training, Equipment)
- EMS
- Fire Marshal
- Administrative
- Fleet and Grounds

Appendix C:

Certificates of Insurance Requests:

- AZ Association of Health Plans, Inc
- AZ Complete Health
- AZ DHS/EMS
- Green Valley Fire District
- Nogales Unified School District
- Santa Cruz County
- State of AZ Office of the State Forester
- University of AZ Medical Center
- US Bank Equipment Finance