UCA

ADMINISTRATIVE POLICY STATEMENT **NO. 8**

SUBJECT: ***Internal Controls***

POLICY OBJECTIVE: To document the Authority's internal control processes to ensure ethical and efficient functioning of day-to-day operations..

POLICY STATEMENT:

The internal control program of the Authority is designed to ensure that the Authority safeguards it assets, provides accurate and timely financial data, encourages operational efficiency and promotes adherence to applicable laws and regulations. The internal control system is the integration of the activities, plans, attitudes, policies and efforts of the Authority's employees working together to provide reasonable assurance that the organization will achieve its objectives and mission. Everyone in the Authority has responsibility for internal control.

What are the Authority's internal controls? The Authority's internal controls consist of the following:

Cash:

Cash Receipts:

> Receipts come in the mail for the monthly charges. Mail is opened daily together by both the executive assistant and an accounting technician. A cash receipts log is compiled and given to the CFO. A separate accounting technician posts the receipts and electronically deposits them daily (or within 24 hours) in the bank and gives the deposit summary to the CFO. The CFO reviews the cash receipts log, checks and deposit summary.
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> In the event that actual cash is received, the customer will be given a written document of the cash received, date of the receipt, purpose of cash received, and amount received which is signed and dated both by the customer and the employee receiving the cash. A copy of the receipt is given to the accounting personnel over cash receipts along with the cash. The cash is locked up until taken to the bank for deposit within 24 hours. The receipt and the stamped bank deposit slip is reviewed and compared by the CFO.

Non-Sufficient Funds:

> NSF checks are processed twice for deposit and then pursued for collection by UCA if the services are not revoked. Notice of the NSF is submitted to the issuer within 5 business days. A receivable is maintained on the books along with a $20 service charge for the NSF.

Cash Disbursements:

Purchase Orders are used for all items over $150 that are not of a recurring, standard nature (such as contract payments). Two signatures are required on all pre-numbered checks. Bank statements are reviewed for all cash disbursements by the Deputy Director/General Counsel and audit committee member(s). Management reviews and approves the AP reconciliation and ensures the appropriate cut off.

Payment to vendors/employees is not allowed without 1) original itemized invoices and receipts; 2) upon verification that all services rendered and/or products ordered are calculated correctly, 3) sales tax is excluded and 4) services and/or products have been received and approved.

Bank reconciliations:

The accounting technician and/or CFO reconciles the bank statements monthly. The Deputy Director/General Counsel reviews the bank statements. A member of the audit committee also reviews the bank statements. Review is identified by a signature and date.

Investments:

All appropriated funds are deposited with the State Treasurer's Investment Pool.

Revenues/ Receivables:

Revenues are received from the non-local government entities with the monthly charges based on established rates. Billings are prepared and submitted to appropriate entities within the first 5 business days of the month and based on individual contracts with entities.

Account Receivables are reviewed weekly by accounting personnel for past due balances and monthly by the audit committee. Collection attempts are made to determine when payment will be made. In the event an unpaid balance is deemed uncollectible, the balance will not be written off without the approval of the Executive Director and/or the Board.

Payables/Expenses:

Purchase orders are used for most purchases over $150 that are not standard and recurring in nature (such as contracts). The P.O.'s are approved and signed by the requesting employees' director responsible for managing the budget category that the expense will be coded to. Approval signifies the expense is posted to the correct line item and department budget. Purchasing is done by employees (technicians, managers) for their respective operations. For all purchases, UCA complies with the Utah Procurement Code. The A/P technician and CFO prepare pre-numbered checks requiring two signatures, one of which must be Executive Management. Executive Management signs on both bank accounts. (The CFO is required to be a signatory but signs only in emergency situations wherein only one signatory is available to sign checks and upon Executive Management direction.) The Radio Division Director signs on the Wells Fargo account and the P25 Division Director signs on the Zions account. All credit card purchases are made with P-cards and statements are reconciled monthly.

PCards:

UCA follows and complies with the State purchasing card policies and procedures. PCard logs, receipts and bank statements are reconciled monthly and reviewed by Division Directors, CFO, Deputy Director and Audit Committee.

Contracts and Contractor Services:

Contractors will only be paid for services and/or costs upon written documentation of project completion from the Division Director or other authorized manager.

Renewal Options for contracts are reviewed and negotiations are to begin in a timely manner to allow a renewal contract to be signed prior to the contract's expiration date. For contracts without renewal options, the same process is to be followed to begin the procurement process timely if a new contract is required.

Payroll and benefits:

UCA has full-time employees and no contract labor persons. The payroll is prepared biweekly by the CFO. The CFO also prepares the quarterly and annual payroll tax returns. The CFO's compensation is a range set by the Executive Director and reported on a W-2 with taxes withheld. Executive Management reviews the payroll packet (timesheets, paystubs, tax and benefit payments, reconciliation and calculations).

Debt

Debt is retired in accordance with the debt schedule. The service users are charged for "capital maintenance" and billed monthly. The amount equals the annual debt service requirements. All borrowing is subject to legal limits and appropriate public notice.

Budgets

Annual budgets are prepared and reviewed with each individual director responsible for their respective department's budget. Budgets are submitted to the Board and approved prior to June 30th. Approved budgets are submitted to the Office of the State Auditor within 30 days after its adoption.

Budget to Actual financial reports are prepared and reviewed monthly by Executive Management and Audit Committee. The Board reviews these reports at each board meeting.

Capital (Fixed) Assets

Tangible capital assets and off-the-shelf software are capitalized when their acquisition cost equals or exceeds the minimum threshold set by Uniform Guidance under 2 CFR 200.313 (currently $10,000). This threshold will automatically adjust to reflect any changes to Uniform Guidance, with updates taking effect at the start of the following fiscal year (beginning July 1).

Capital assets are depreciated using the straight-line method over its estimated useful life.

Additions and improvements to capital assets that increase the value, useful life or capabilities of the capital asset are capitalized as noted above.

Disposal of capital assets are approved by the Executive Director and/or Governing Board and performed according to Surplus Property procedures.

Accounting Software

Accounting software is set up to require individual user I.D.s and passwords. Each user is set up with specific user rights according to their position.

Journal Entries

Journal entries are prepared and entered by the CFO and documentation is reviewed and approved by the Deputy Director/General Counsel.

Significant Estimates

UCA relies on URS to determine their portion of the net pension liability and an actuarial for the OPEB calculation.

Financial Close and Reporting

Senior management review and approve period-end close packets including reconciliations of significant account balances.

Bank reconciliations are performed monthly by CFO and reviewed by the Deputy Director/General Counsel and the Audit Committee.

Segregation of Duties

With the limited staff, there is an attempt to segregate duties and not cause a burden on the operations. The audit committee plays a key part in reviewing finances, including P-card transactions, receipts and reconciliations. The audit committee meets regularly and reviews and discusses the financial statements and other information.

Right to Use Assets

Right-to-use assets under leases (GASB 87) and subscription-based IT arrangements (SBITAs, GASB 96) are capitalized if:

- the noncancelable contract term is greater than 12 months; and
- the annual total payments exceed $15,000 per unit per year the contract.