

**OCEANO COMMUNITY SERVICES DISTRICT
EXPENDITURE CONTROL GUIDELINES**



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I. Introduction

This expenditure control system is an integral part of the internal control structure of Oceano Community Services District (OCSD). As such, it is intended to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and those transactions are executed in accordance with management's authorization and recorded properly in the general ledger.

It is the intent of the District to control expenditures before it is obligated to pay for goods or services. This system is designed to accomplish this goal while providing a clearly documented record of the entire process.

The system is intended to be used in conjunction with the existing internal control structure. Any significant change in other aspects of the control environment will require a review of the effectiveness of this system.

In the event of an emergency, where time is limited, the General Manager or their authorized representative may assume the responsibility for any deviations from this policy.

II. Expenditure Classifications

The control mechanism and method of documentation is determined by the type of expenditure. OCSD recognizes the following types of expenditures:

1. **Recurring:** Included are utilities, debt service payments, payroll, payroll taxes and benefits, insurance, postage, office supplies, and various normal items (i.e. water supply) provided by the County of San Luis Obispo, etc.
2. **Contract:** Included are formal contracts for goods and services and construction contracts.
3. **Travel:** Included are advances and reimbursements for travel, mileage reimbursements for use of personal automobiles and meal expenses.
4. **Petty Cash:** Included are reimbursements of expenditures from the petty cash fund and increases in petty cash or change funds.
5. **Customer Refunds:** Included are refunds of deposits and overpayments to our customers.
6. **Purchase Order:** Included are all purchases of goods and services which require a purchase order.
7. **Emergency Procurement:** Included are purchases or expenditures necessary to permit the continued conduct of District operations, services, or construction work, or to avoid danger to life, health or property in cases of emergency.
8. **Other:** Included are all expenditures which cannot be classified in one of the above categories.

III. Control System

Expenditures will be controlled in the classifications indicated in section II by the following procedures:

1. **Recurring:** These expenditures will be controlled by the budget. The Board will adopt a budget that includes line items such as electricity, natural gas, telephone, telemetry, payroll, payroll taxes and employee benefits, debt payments, insurances, water supply provided by the County of San Luis Obispo, and other budgeted line items. Such expenditures will not normally require a purchase order.

Management will monitor the relationship of year-to-date expenditures in these line items with the adopted budget. If it becomes apparent that there is insufficient budget to cover an expenditure, a budget adjustment will be prepared for the Board's review and consideration for approval.

2. **Contract:** Contracts fall into three categories.
 - a. Construction work follows the requirements of the California Uniform Public Construction Cost Accounting Act (CUPCCAA) (OCSD Code 3.10). Budgeted public projects costing up to \$60,000 will be classified as Purchase Order expenditures and approved by the General Manager. Public projects costing \$60,000 to \$200,000 will require informal bidding procedures as defined in the CUPCCAA. Public projects costing \$200,000 or more will require formal bidding procedures as defined in the CUPCCAA. The dollar limits will automatically update with any changes in the dollar limits found in the CUPCCAA.
 - b. Professional Services (architectural, engineering, legal, environmental, land surveying, professional consultation, and construction project management) costing up to \$25,000 and identified in the annual budget will be approved by the General Manager. Formal contracts for individual projects costing over \$25,000 and not reflected in the budget will be brought to the Board for review and consideration for approval, where no emergency condition exists.
 - c. Other Goods and Services costing up to \$25,000 will be classified as Purchase Order expenditures. A purchase order approved by the General Manger will be required for budgeted projects costing up to \$25,000. The Board will approve the formal contracts for Other Goods and Services costing over \$25,000.
3. **Travel:** All employees will have a Training and Travel Authorization Request form (Attachment 1) approved by their supervisor and General Manager before travel.

Use of private vehicles by staff for travel (i.e. outside San Luis Obispo County) will be approved by the Business and Accounting Manager and reviewed by the General Manager. Such use by a Manager will be approved in advance by the General Manager. All reimbursement for personal automobile use will be made at the currently applicable Federal business mileage rate approved by the Internal Revenue Service.

Travel and meal advances may be made before the intended travel. Reimbursement for all meals and lodging will be done at the Federal per diem rate approved by the

Internal Revenue Service: (<http://www.gsa.gov/portal/category/100120>).

All receipts for travel expenses (airfare or similar) and lodging must be turned in after the travel or event. An accounting must be made for these expenditures and any excess advance returned at the completion of event or activity.

All expenditures described in this section will require the completion of an OCSD Travel Expense Report (Attachment 2). These expenditures will be limited by the budget as described for Recurring expenditures (section III-1). Travel expenditures do not normally require a purchase order.

4. **Petty Cash:** Reimbursement of expenditures requires an accounting of petty cash expenditures. Such reimbursements will be approved by the Business and Accounting Manager or General Manger. Petty cash will be kept at a balance of \$300; increases in the amount of petty cash or change fund will require Board approval. Petty cash will be reconciled and replenished as needed. Individual reimbursement requests are to not exceed a total of \$75; amounts in excess of \$75 should be processed through accounts payable.
5. **Customer Refunds:** These expenditures are processed as part of the utility billing system. Normally, a closing bill will be printed which shows a balance due to the customer. Such refunds will be approved by the Business and Accounting Manager during the regular accounts payable process. Customer refunds do not normally require a purchase order.
6. **Purchase Order:** The purchase of all non-recurring supplies, materials and capital assets will require a purchase order (Attachment 3).

Budgeted purchases costing up to \$25,000 will be approved by the General Manager. Budgeted purchases costing over \$25,000 will be approved by the Board.

All purchase orders will be pre-numbered. See section IV for additional information regarding purchase orders.

7. **Emergency Procurement:** California Public Contract Code Section 22050 governs procurement procedures when emergencies exist. When the Board of Directors declares an emergency by a four-fifths vote and repair or replacements, services and/or materials are necessary to permit the continued conduct of District operations or services, or to avoid danger to life, health or property, the General Manager may proceed, at once, to replace or repair District facility(s) or infrastructure and/or procure the necessary goods and/or services without the benefit of competitive purchasing, either formal or informal. The General Manager shall report to the Board at successive regular meetings stating the justification for continuing with the emergency work.
8. **Other:** All other expenditures will be approved in advance when possible and upon receipt of goods or services otherwise. The Board or General Manager will approve the purchase in accordance with the limits on approval of Purchase Orders. Expenditures of \$500 or less will require a purchase claim number only.

IV. Purchase Order System Documentation and Implementation

1. **Regular Purchase Orders:**

Purchase orders will be prepared by staff and signed by the General Manager and a copy will be provided to Accounts Payable. Upon receipt of an invoice, staff will verify the invoice against the approved purchase order.

The Business and Accounting Manager is responsible for the purchase order issued and for ensuring that total departmental purchase order expenditures do not exceed the Board-approved budget line item. The Business and Accounting Manager will provide a quarterly budget report to the Board of Directors and the General Manager.

2. **Charge Accounts:** For vendors from whom numerous regular purchases are made, the District will employ annual open charge accounts. A list of active charge accounts will be maintained by Accounts Payable and reviewed by the Business and Accounting Manager on an annual basis for best pricing and any needed changes in vendors.

Each charge account authorization will indicate an annual expiration date, a total monthly dollar limit allowed on that charge account, a list of employees authorized to make purchases, and the maximum dollar amount for any one purchase. No more than one charge account may be active at any time for a vendor. Department Managers will have copies of active charge account authorizations for their departments. All orders or invoices received against a charge account will be checked and signed by the Department Manager before being processed by Accounts Payable.

OCSD Credit Cards: For purchases too small to warrant regular or charge accounts, but too large for petty cash. Receipts from credit card purchases must be retained, signed or initialed by the Department Manager, and matched to the statement at the end of the month before the statement is paid by Accounts Payable. Statements will be reviewed monthly by the Business and Accounting Manager and General Manager as part of the payment process (see Section VI – Disbursements).

V. Approval System

A Disbursement approval form will be completed by Accounts Payable for each invoice or statement to be paid (Attachment 4). The classification of expenditure will be clearly indicated on the disbursement approval form. The disbursement approval form will indicate all invoices or statements to be paid with one check.

All supporting documents including invoices, purchase order, proof of receipt, packing slip, etc. will be attached to the disbursement approval form. The form will be approved in accordance with the chart in the disbursement section and the signers will verify that the documents are internally consistent, that invoices being paid are original, that receipt of goods or services has been acknowledged by the appropriate OCSD employee and that

amounts agree between documents.

The check stub will be attached to the form when the check is sent to the vendor. All paid disbursement approval forms are filed by vendor, separated by the fiscal year in which the payment was made, and retained for 7 years after the completion of the audit, per District Document Retention Policy.

VI. Disbursements

The OCSD checking accounts will require two signatures by any of the following officials:

- General Manager
- Business and Accounting Manager
- Any member of the Board of Directors

The two signing officials of the check are to examine the full invoice/receipt and disbursement approval form before signing any check.

Board of Director's checks for compensation will be issued only after the Regular & Special Meeting Compensation Form (Attachment 5) and the Committee Notes Form (Attachment 6), if applicable, for meeting attendance and the disbursement approval form (Attachment 1) has been signed indicating approval by the General Manager. Any disbursement approval form approved by one of the above signing officials will be signed by two different official, and not the official that approved the disbursement for payment.

The General Manager is authorized to update the "Authorized Signatures" form provided by the County of San Luis Obispo for the payment of water supply to the County.

Lost checks will be re-issued less the amount of the bank's Stop Payment fee, to cover the cost of the stop payment order for the lost check.

Checks will be issued as needed to meet deadlines and take advantage of discounts. Check writing will routinely be batched and done on every 1st and 3rd Thursday of the month. Invoices need to be received by Accounts Payable no later than 12:00 pm on every 1st and 3rd Thursday to be included in the batch. batch must be received by Accounts Payable no later than 12:00 pm. Checks issued outside of a regular batch may only be authorized by the General Manager to meet deadlines and are within budget. Payroll will be issued bi-weekly on alternate Fridays.

The Business and Accounting Manger will reconcile the checking account within five (5) working days of receipt of monthly bank statements and verify that all checks were written in accordance with these guidelines.

VII. Summary

Good control over expenditures depends upon advance authorization and adequate documentation. The use of purchase orders and disbursement approval forms provides a basis for such control and documentation.

The success of this system depends upon the understanding and cooperation of all staff. Questions are welcomed and will be promptly answered by the General Manager or Business and Accounting Manager. Unusual situations should be documented by memorandum or letter. Suggestions for improvement are welcome and will be carefully considered by management.

Oceano Community Services District



Training & Travel Authorization Request

Director/Employee	Position	Training	Travel	Total

Destination	No. of Days	Account No.	Amount

PURPOSE

COST SUMMARY

Description	Vendor	Payment Method	Amount
TOTAL			\$ -

ITINERARY

Departure	Return	Approved Reg Hours	Approved OT Hours

APPROVALS

Employee	Date
Supervisor	Date
General Manager	Date

Oceano Community Services District

Travel Expense Report



TRAVEL EXPENSE DETAIL

DESCRIPTION	Date						TOTAL

RECEIPTS MUST BE ATTACHED FOR ALL EXPENSES

TOTAL

MILEAGE DETAIL- PERSONAL VEHICLE

DEPARTURE/DESTINATION	Odometer Readings		
	Starting Mileage	Ending Mileage	Trip Mileage
Total Miles- Personal Vehicle Reimbursement @			0
(current IRS Rate) \$ XXXX per mile			\$ -

By signing this expense report, the employee certifies that the amounts listed were incurred in conformance with the District's travel guidelines and that no part is claimed for reimbursement of a personal nature.

TRAVEL EXPENSE SUMMARY

Amount Due Employee (District)	Total Travel Expenses	
	Accounts Payable/Credit Card	
	Cash Expenses Paid by Employee	
	Cash Advance to Employee	

Employee	Date	Supervisor	Date
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PURCHASE ORDER

VENDOR: Coastline Equipment Name: Address: City: PH: Fax: Email:	PURCHASE ORDER: Code To:
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SHIPPING ADDRESS: OCEANO COMMUNITY SERVICES DISTRICT 1655 FRONT STREET OCEANO, CA 93445	BILLING ADDRESS: OCEANO COMMUNITY SERVICES DISTRICT P O BOX 599 OCEANO, CA 93475-0599 (805) 481-6730
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DATE OF ISSUANCE:

SCOPE OF WORK:

COMPLETION REQUIREMENTS: N/A

AMOUNT:

This purchase order is subject to Terms and Conditions incorporated herein by reference on the attached documents.

Signature

Date

Conditions of Purchase

1. The only terms that will be honored are those issued by the Oceano Community Services District (District).
2. No acknowledgment of this order is required. If this purchase order is the result of a written bid or quotation, the purchase order shall serve as acceptance thereof. If this purchase order is the result of an informal oral or written quote, acceptance will be assumed unless otherwise advised within (10) days of the date of the order. Unless otherwise specified, the U.S. Mail shall be the accepted means of communication.
3. Purchase order numbers shall appear on all invoices, packages, crates, boxes, etc.
4. Invoices must include only items shown on this order. In the event any item included on this order is not delivered, please notify the District at once as to the reason for the delay and the date we can expect delivery. Do not include any item which is back ordered on your invoice. Any invoice or claim on this contract must be presented within 1 year from delivery of goods or services.
5. Changes of any kind are not authorized without permission from the District.
6. The District reserves the right to cancel any or all items not shipped within the time specified on the order.
7. No charges for transportation, containers, packing, etc. will be allowed unless specified on the order.
8. All material furnished must be as specified and will be subject to inspection and approval of the District after delivery. The right is reserved to reject and return at the risk and expense of the supplier such portion of any shipment which may be defective or fail to comply with specifications without invalidating the remainder of the order. Rejected material will be held for disposition at the expense and risk of the seller.
9. This order is subject to sales tax, exempt from federal tax. Certificate of exemption will be provided upon request.
10. All goods and/or services shall be in compliance with all federal, state and local law including but not limited to OSHA and CAL OSHA.
11. The seller shall provide the District with a Material Safety Data Sheet for each product containing substances on the List of Hazardous Substances published by the California Administrative Code, Title S, Section 5194. These sheets must be sent to Oceano Community Services District at P O Box 599, Oceano, CA 93475-0599. Please reference the above purchase order number.

INSURANCE REQUIREMENTS

INDEMNIFICATION

To the fullest extent permitted by law, CONTRACTOR shall indemnify, defend and hold harmless the District and its officers, agents, employees, and volunteers from and against all claims, demands, damages, liabilities, loss, costs, and expense (including attorney's fees and costs of litigation) of every nature arising out of or in connection with Contractor's performance or attempted performance of work hereunder or its failure to comply with any of its obligations contained in the agreement, except such loss or damage which was caused by sole negligence or willful misconduct of the District.

INSURANCE COVERAGE

Contractor shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Contractor, its agents, representatives, or employees.

MINIMUM SCOPE AND LIMIT OF INSURANCE

Coverage shall be at least as broad as:

1. Commercial General Liability (CGL); Insurance Services Office (ISO) Form CG 0001 covering CGL on an "occurrence" basis for bodily injury and property damage, including products-completed, operations, personal injury and advertising injury, with limits no less than \$1,000,000 per occurrence. If a general aggregate limit applies either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
2. Automobile Liability: ISO Form Number CA 0001 covering, Code 1 (any auto), or if Contractor has no owned autos, Code 8 (hired) and 9 (non-owned), with limit no less than \$1,000,000 per accident for bodily injury and property damages.
3. Worker Compensation insurance as required by the State of California, with Statutory Limits, and Employer's Liability insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease. If Contractor will provide leased employees, or is an employee leasing or temporary staffing firm or a professional employer organization (PEO), coverage shall also include an Alternate Employer Endorsement (providing scope of coverage equivalent to ISO policy form WC 00 03 01 A) naming the District as the Alternate Employer, and the endorsement form shall be modified to provide that District will receive not less than thirty (30) days advance written notice of cancellation of this coverage provision. If applicable to Contractor's operations, coverage also shall be arranged to satisfy the requirements of any federal workers or workmen's compensation law or any federal occupational disease law.
(Not required if Contractor provides written verification it has no employees)

If the contractor maintains higher limits than the minimums shown above, the District requires and shall be entitled to coverage for the higher limits maintained by the contractor.

OTHER INSURANCE PROVISIONS

The insurance policies are to contain, or be endorsed to contain, the following provisions:

Additional Insured Status:

The District, its officers, officials, employees, and volunteers are to be covered as insureds on the auto policy with respect to liability arising out of automobiles owned, leased, hired or borrowed by, or on behalf of the Contractor; and on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Contractor including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Contractor's insurance (at least as broad as ISO Form CG 20 10, 11 85 or both CG 20 10 and CG 23 37 forms if later revisions used).

Primary Coverage

For any claims related to this contract, the Contractor's insurance coverage shall be primary insurance as respects the District, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the District, its officers, officials, employees, or volunteers shall be excess of the Contractor's insurance and shall not contribute with it.

Notice of Cancellation

Each insurance policy required above shall state that coverage shall not be canceled, except after thirty (30) days prior written notice (10 days for non-payment) has been given to the District.

Failure to Maintain Insurance

Contractor's failure to maintain or to provide acceptable evidence that it maintains the required insurance shall constitute a material breach of the Contract upon which the District immediately may withhold payments due to Contractor, and/or suspend or terminate this Contract. The District, at its sole discretion, may obtain damages from Contractor resulting from said breach.

Waiver of Subrogation

Contractor hereby grants to District a waiver of any right to subrogation which any insurer of said Contractor may acquire against the District by virtue of the payment of any loss under such insurance. Contractor agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the District has received a waiver of subrogation endorsement from the insurer.

Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by the District. The District may require the Contractor to provide proof of ability to pay losses and related

investigation, claim administration, and defense expenses within the retention.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.A. Best's rating of no less than A: VII, unless otherwise acceptable to the District.

Claims Made Policies

If any of the required policies provide coverage on a claims-made basis:

1. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work;
2. Insurance must be maintained, and evidence of insurance must be provided for at least five (5) years after completion of the contract of work;
3. If coverage is canceled or non-renewed, and not replaced with another claims- made policy form with a Retroactive date prior to the contract effective date, the Contractor must purchase "extended reporting" coverage for a minimum of five (5) years.

Separation of Insured's

All liability policies shall provide cross-liability coverage as would be afforded by the standard ISO (Insurance Services Office, Inc.) separate of insured's provision with no insured versus insured exclusions or limitation.

Verification of Coverage

Contractor shall furnish the District with original certificates and mandatory endorsements or copies of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received and approved by the District before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Contractor's obligation to provide them. The District reserves the right to required complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

Certificates and copies of any required endorsements shall be sent to:

Oceano Community Services District
P.O. Box 599
Oceano, CA 93475-0599

Subcontractors

Contractor shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein.

Special Risks or Circumstances

District reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

Attachment 4

A/P																	
Vendor #:		Vendor Name:															
Invoice #:		Amount: \$															
Code to:	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Fund:</td> <td style="width: 50%;">Invoice Copied:</td> </tr> <tr> <td><input type="checkbox"/> 01 General</td> <td><input type="checkbox"/> Reimbursable</td> </tr> <tr> <td><input type="checkbox"/> 02 Water</td> <td><input type="checkbox"/> Reimbursable</td> </tr> <tr> <td><input type="checkbox"/> 03 Sewer</td> <td><input type="checkbox"/> Reimbursable</td> </tr> <tr> <td><input type="checkbox"/> 06 Garbage</td> <td><input type="checkbox"/> Reimbursable</td> </tr> <tr> <td><input type="checkbox"/> 10 Facilities</td> <td><input type="checkbox"/> Reimbursable</td> </tr> <tr> <td><input type="checkbox"/> 12 Equipment</td> <td><input type="checkbox"/> Reimbursable</td> </tr> </table>	Fund:	Invoice Copied:	<input type="checkbox"/> 01 General	<input type="checkbox"/> Reimbursable	<input type="checkbox"/> 02 Water	<input type="checkbox"/> Reimbursable	<input type="checkbox"/> 03 Sewer	<input type="checkbox"/> Reimbursable	<input type="checkbox"/> 06 Garbage	<input type="checkbox"/> Reimbursable	<input type="checkbox"/> 10 Facilities	<input type="checkbox"/> Reimbursable	<input type="checkbox"/> 12 Equipment	<input type="checkbox"/> Reimbursable	Recommend for Approval:	
Fund:	Invoice Copied:																
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Line Item:		\$															
		\$															
		\$															
		\$															
		Total: \$															
PO/PC or Project #		FY: 19/20	<input type="checkbox"/> Copied														
PO/PC Amt:																	
PO/PC Bal:		Posted:															

Attachment 5

BOARD OF DIRECTOR'S			
REGULAR & SPECIAL MEETING COMPENSATION FORM			
BOARD MEETING: _____, 2024			
DIRECTORS	SIGNATURE	DATE	COMPENSATION
PRESIDENT _____			\$100.00
VICE PRESIDENT _____			\$100.00
DIRECTOR _____			\$100.00
DIRECTOR _____			\$100.00
DIRECTOR _____			\$100.00
<u>Oceano Community Services District -</u>			
Section 8.1: Each Director is authorized to receive one hundred dollars (\$100.00) as compensation for each Regular or Special Meeting.			
Section 8.2: In no event shall Director compensation exceed one hundred dollars (\$100.00) per day.			
Section 8.3: Director compensation shall not exceed six hundred (\$600.00) in any one (1) calendar month.			

Attachment 6

Meeting Date:

Director Name:

Public Meeting / Hearing:

Notes:

Attached Agenda / Other Meeting Documents: Yes No

Signature

Date