

INTERNAL CONTROLS

Relative Information: The District takes a progressive, proactive approach in preventing fraud within the organization. Members are encouraged to report any suspicion of fraud to their supervisor without fear of retaliation. The District has zero tolerance for employee theft of any item (financial or inventory) and of any value.

The following is a description of the five components of internal control:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

1. Control Environment:

The control environment sets the tone of an entity and influences the control awareness of its people. The control environment is the foundation for all other components of internal control and provides structure and discipline. Among the important elements of the control environment are the attitude, awareness, and actions of management, as well as those charged with governance.

The District is committed to maintaining the highest possible standards of ethical business conduct. All members are expected to be free of any influence, interest or relationship that might conflict with the best interest of the District. All members are encouraged to promote a safe working environment and treat others with respect. Members learn the District's values and guiding principles early on in their association with the District. They are expected to maintain both a personal and organizational commitment to those values. The value statement can be found in the adopted Strategic Plan and Budget Document.

The District provides equal employment opportunities to all employees and applicants. No person is discriminated against because of race, religion, sex, age, national origin, veteran status, or disability. Individuals are hired solely on the basis of their qualifications and their ability to perform the job.

The District consists of the following Departments:

- a. Administration/Finance
- b. Operations
- c. Fire and Life Safety
- d. Training
- e. Maintenance
- f. Volunteer
- g. Technology

The Administration/Finance Department is responsible for providing executive level direction, supervision, coordination, and support to the overall District's operations; human resource activities, financial accounting, cash management, and budgeting in compliance with Oregon Local Budget law.

The Operations Department is responsible for the suppression of structural and wildland fires, delivery of emergency medical services, and the performance of routine and technical rescues.

The Fire and Life Safety Department is responsible for prevention services, fire investigation, public education, community development, and code enforcement.

The Training Department is responsible for coordinating training of personnel in the Operational Division. Training is administered in accordance with the appropriate State and National standards.

The Maintenance Department is responsible for preventive maintenance and repair services for District apparatus and facilities.

The Volunteer Department is responsible for overseeing the District's volunteer program.

The Technology Department is responsible for overseeing the District's technology hardware and software purchases; computer security and network system.

2. Risk Assessment:

Risk assessment is the process of setting objectives; prioritizing and linking those objectives; and identifying, analyzing, and managing risks relevant to achieving those objectives. With respect to the objective of reliable financial reporting, the District's risk assessment process involves the identification, analysis, and management of the risks of material misstatement of the financial statements.

Risk assessment control and management is assigned by position and function. The District's Auditor, Fire Chief, and Chief Finance Officer conducts periodic reviews as necessary.

3. Control Activities:

Control activities are policies and procedures that help ensure that management directives are carried out. Control activities are those actions that are taken to address risks that threaten the District's ability to achieve its objectives, one of which is reliable financial reporting. Control activities usually involve two elements: the policy that establishes what should be done and the procedure that implements the policy.

The District has defined control activities by accounting function that explains how the procedure is done and what the assumed risk is, as determined by management (see Appendix 6.11).

4. Information and Communication:

Information refers to the financial reporting system, which includes the accounting system and encompasses the procedures established to initiate, authorize, record, process, and report the District's transactions. It also includes the accountability over assets, liabilities, and equity. Communication is the process of providing an understanding of roles and responsibilities to individuals within the organization regarding internal control over financial reporting.

District members have access to the District's email system and records management system which have a variety of District documents and publications. The District's website can be accessed by the public and includes links to the annual budget and Comprehensive Annual Financial Report. In addition, District members have access to the Board Manual, Organization Manual, Performance Manual, and Department Directives via several avenues. The Board Manual includes all of the District's policies that serve as the foundation for governance. The Organization Manual contains policies that pertain to the day to day operations of the District. The Performance Manual provides detailed information on the "how to" of performing certain tasks.

Board Policy Manual amendments, deletions, and additions requires Board approval. Organization Policy Manual changes require Fire Chief approval. Performance Manual changes require Division supervisor approval.

5. Monitoring:

Monitoring is the process of assessing the quality of internal controls over time. Monitoring involves assessing the design and operation of controls on a timely basis, capturing and reporting identified control deficiencies, and taking actions as necessary. Monitoring activities may also reveal evidence or symptoms of fraud. Effective monitoring ensures that internal controls are modified as changes in conditions occur.

The District periodically reviews its policies. The Funds and Financial Policy Resolution is approved annually in July of each fiscal year. The Resolution is revised and approved by the Board if changes are needed mid-year.

Financial reporting is monitored at the Board level through distributed monthly financial reports and at the staff level through all financial transactions following adopted policies and procedures.

Policy Statement: It is the policy of the Board of Directors to insure (to protect, to cover) their fiduciary responsibilities and understand the importance of internal controls and prevention of fraud. A third party auditor will annually evaluate the District's internal controls. The Board of Directors will periodically review this policy for compliance with the law and the best financial management practices.