

Submitted by Julie Stein and Jim Watt, to be presented by Julie Stein and Jim Watt.

**Board member Verifier role for approval of invoices and payments above a specific cost threshold to be discussed and determined by the board. This would involve creating a board member role for approving all invoices for payment that are above a certain threshold, regardless of the payment method, including invoices approved for payment by Mechanics Bank or by Contra Costa County.**

Action = board discussion, possible action, and possible direction to staff. (Stein and Watt; Supporting documentation in advance or at the board meeting.)

Additional supporting documentation will be presented at the board meeting, which is allowed for on a typical board meeting agenda: “Additional information or materials may be presented at the meeting itself.”

Board discussion may include but not be limited to:

- ◆ Dual approval for invoices prior to issuing payment.
- ◆ A possible cost threshold above which dual approval is required.
- ◆ Assurances to avoid “invoice-splitting” which is a process that is sometimes used to circumvent a second approval when cost thresholds are in place but can erode public confidence in all except emergency situations.
- ◆ A second approval of a listing of payments to be made, based on the list of approved invoices, prior to issuing payments.

**Overview:**

For many years, district Policy 8 Checking Account required two signatures on every check, including the signature of one or both finance committee members. Implicit in that policy and the procedure used to implement it was a finance committee member review of each invoice that supported the payment.

There has been a transition to electronic payments and checks, but that does not eliminate the need for a board member to review and approval of the invoices that support payments, regardless of the payment method: payment by the County, payment by electronic transfer, payment by electronically generated check, or payment by paper check.

This second review by a reviewer with knowledge of the context, content, and purpose of each payment is extremely common and required in most, if not every, institution or agency that manages public funds. It enables fiduciary assurance that payments made using public funds are for an appropriate public purpose and in keeping with the mission of the agency.

The importance of content-specific knowledge for at least one of the two reviewers of an invoice is crucial before approving an invoice for payment. As we have seen

recently, it is not realistic or even possible for a third-party accounting firm to serve as a second reviewer to vouch for the work or services performed and supported by the invoices submitted for payment to the Kensington Fire Protection District. Third party accounting firms typically check to ensure that invoices contain the necessary approvals prior to payment before a payment is issued and according to the policies in place at the agency.

It is a simple process to obtain a second approval for invoices prior to issuing payment.

**A draft simple process, which other public agencies use, can look like this:**

1. Manager reviews invoice for a first level review to ensure that all necessary components are in place.
2. Manager scans invoice and sends invoice to the finance committee member for review and approval, or to receive questions.
3. Manager may approve the invoice prior to or after the finance committee member reviews and approves the invoice.
4. In the case of an invoice from or payment directly to the manager, the invoice would be sent to both finance committee members (separately) for approval.
5. Multiple invoices can be reviewed and approved in a batch process, which is greatly simplified using DocuSign.

Most professionals welcome a second “set of eyes” on the approval of invoices and payments, not only to avoid unintended mistakes but to demonstrate the fiduciary integrity of the management of public funds. The “reviewer – approver” separation of duties is fundamental to the management of private and public funds.