RESOLUTION NO. 2026-06

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NEHALEM BAY WASTEWATER AGENCY ADOPTING A COMPREHENSIVE INTERNAL CONTROL POLICY

WHEREAS, the Board of Directors of the Nehalem Bay Wastewater Agency (the "Agency") recognizes its fiduciary responsibility to ensure absolute fiscal integrity, protect public funds, and maintain transparency across all operations; and

WHEREAS, the Agency operates with a streamlined administrative team and requires structured internal controls, compensating checks and balances, and rigorous oversight workflows to prevent asset misappropriation and ensure accurate financial reporting; and

WHEREAS, the Board of Directors has reviewed the proposed Comprehensive Internal Control Policy and determined that its formal adoption is essential for maintaining audit readiness and public trust;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE NEHALEM BAY WASTEWATER AGENCY AS FOLLOWS:

Section 1. Adoption of Policy. The Board of Directors hereby adopts the Comprehensive Internal Control Policy, attached hereto and incorporated by this reference, to govern financial workflows, cash disbursements, payroll processing, bank reconciliations, and general ledger integrity.

Section 2. Implementation. Administrative staff and designated officers are directed to enforce all compensating controls, dual-authorization requirements, and review protocols defined within the policy effective immediately.

Section 3. Superseding Prior Rules. Upon the effective date of this Resolution, this Comprehensive Internal Control Policy shall supersede and replace any prior conflicting internal accounting procedures or administrative guidelines.

ADOPTED by the Board of Directors of the Nehalem Bay Wastewater Agency this 19 day of August, 2026.

ATTEST:

Ann Morgan

Ann Morgan, Vice-Chairman

Bruce Halverson, Manager

Segregation of Duties & Compensating Controls

To mitigate risks associated with limited staffing, operational responsibilities are divided between the two administrative roles (designated herein as the Executive Assistant/Office Assistant and the Manager). Compensating controls are enforced across all primary financial workflows:

Financial Workflow	Executive Assistant Responsibilities	Manager Responsibilities	Compensating Control / Safeguard
Accounts Payable	Receives invoices, matches to purchase orders or receiving slips, enters bills into the software, and prepares payment batches. Conducts mandatory hard-stop physical audits using the Outbound Disbursement Verification Log.	Reviews supporting documentation (invoices, receipts, budget line-item matches), initials the register, and provides initial signature (or delegates to a designated Board Director).	The Executive Assistant cannot issue a payment without the Manager's review. Any check exceeding $1,000 requires formal Board Director authorization and a physical secondary signature.
Cash Receipts	Gathers incoming payments (mail, walk-ins, phone), logs every check, cash, or electronic receipt into the financial software, and prepares the physical bank deposit.	Balances the ledger against financial software reports, reviews Accounts Receivable Cash Reports, and reconciles monthly bank statements.	The individual collecting and logging initial payments does not review the final ledger reconciliation, while staff managing software posting rely on AR reports to ensure complete accounting.
Payroll Processing	Collects and enters timesheets, inputs leave time, prepares initial payroll registers and direct deposit files, and prepares quarterly tax deposits/filings.	Reviews the pre-payroll register (gross pay, net pay, deductions), approves time-off requests, and independently reviews quarterly tax filings.	Neither person can unilaterally create and disburse payroll without independent review of figures.
Bank Reconciliations	Handles day-to-day accounts payable, accounts receivable, payroll, and general ledger entries.	Receives unopened monthly bank statements, performs independent bank reconciliations, and verifies that ledger cash matches bank cash independently.	The staff member performing daily bookkeeping does not receive unopened bank statements or review monthly reconciliations, preventing concealment of adjustments.

Cash Disbursements & Purchasing Controls

All agency expenditures must adhere strictly to established budgetary appropriations and procurement guidelines.

- Check Stock Security: Physical check stock must be secured in a locked cabinet at all times when not in active use. Access is strictly restricted to authorized administrative staff.
- Dual Signatures & Thresholds: Every check disbursement requires rigorous document review and dual authorization. For checks totaling $1,000 or less, signature is provided by the Manager. For any check exceeding $1,000, a designated Board Director must review the complete voucher package, check register, and physical check, providing a mandatory secondary signature.
- Online Banking & ACH Transfers: Electronic fund movements follow the exact same administrative document review and multi-party approval sequence as physical check runs, utilizing individual, secure login credentials.
- Purchase Orders & Spending Authorizations: A pre-numbered purchase order must be used for routine operational purchases exceeding $500.00 that are not sole-source. A staff member may research and draft the order, but no purchase order is valid or sent to a vendor without the formal review, explicit approval, and signature of the Manager or designee.
- Credit Card Usage: Agency credit cards are restricted to official business use. Itemized receipts and business justifications must be submitted within 10 business days of purchase. Credit card statements undergo independent review and Manager sign-off prior to payment.

Payroll and Personnel Controls

Personnel costs represent a major operational expenditure and require rigorous internal oversight.

- Timesheet Submissions: All employees must submit timesheets accounting for all hours worked and leave taken. Timesheets must be reviewed and approved by administration.
- Personnel Action Forms & Rate Changes: All pay increases (including cost-of-living adjustments [COLA] and step increases) and new hires are first presented to the Personnel Committee, recommended for approval to the Budget Committee, and formally published in the agency budget prior to implementation. The master rate schedule is created by the Personnel Committee, approved by the Budget Committee, and implemented by administrative staff.
- Tax Compliance: Payroll tax deposits, quarterly filings (Form 941/State forms), and W-2 reconciliations must be prepared by the Executive Assistant and independently reviewed and verified by the Manager prior to submission to tax authorities.

Bank Reconciliations & General Ledger Integrity

Maintaining the general ledger requires strict adherence to closing and reconciliation schedules to support transparency and audit readiness.

- Monthly Reconciliations: Bank statements for all operating, reserve, and investment accounts must be reconciled within fifteen (15) days following the close of each month.
- Independent Review: The bank statement must be received unopened, reviewed, signed, and dated by the Manager, who does not originate day-to-day cash transactions.
- Budget Adjustments & Journal Entries: Non-standard general ledger adjustments, inter-fund transfers, and budget line-item reclassifications may be drafted by the Executive Assistant, but must be independently reviewed, initialed, and approved by the Manager before being posted into the official accounting records.

Audit Preparation & Compliance Review

To ensure a seamless annual audit process and maintain public trust:

- All financial records, bank reconciliations, vendor files, payroll registers, and board minutes shall be systematically filed and archived in accordance with Oregon State Archives retention schedules.
- Annual financial statements shall be prepared in conformity with municipal accounting standards and submitted to the independent auditing firm in a timely manner following fiscal year-end.