



STAFF REPORT

TOWN COUNCIL MEETING OF FEBRUARY 14, 2012

CONSENT CALENDAR

To: Town Council

From: Roger Carroll, Finance Director/Treasurer 

Subject: Check Signing Procedures

Date: January 20, 2012

RECOMMENDATION:

Adopt resolution appointing Town Manager and Finance Director/Treasurer as primary check signers and the Town Mayor and Mayor Pro Tempore as backup check signers.

ISSUE AND DISCUSSION:

The Town Mayor asked about the procedures we use for determining who can, or should, sign checks for the Town. Below is a review of the history of our procedures, a comparison of what other cities do and a description of our recommendation for the future.

History

I am limiting my "history" to the time I have been with the Town. In 1994, the Town had staff with limited financial understanding and a contract fiscal officer (yours truly) who only worked 10 hours per week. The check procedure at the time was that checks were produced every other week, in conjunction with the, then, twice monthly Council meetings. The Town manager would sign the checks, then take them to the Council meeting, at which one of the Council members would sign the checks. Payroll checks were only signed by the Town Manager.

In 1996, the Council began limiting their meetings to once each month. Rather than hold the checks for an entire month for signing, the checks were signed by the Town Manager, and one of the Council members would be located for the second signature. While the signature card

was updated after each election, with all the Council member signatures, only a couple of them were “in Town” during the day. The Treasurer, who worked in Sacramento, was almost never available to sign checks.

In 1998, I went from contractor status to being hired as a full-time employee, although the check signing procedures did not change. In 2000, Perry Beck was hired as Town manager, but preferred to not be a check signer, so I, as Finance Director, was added to the signature card. Shortly thereafter, I was elected Treasurer.

At some point after each election, the signature cards would be updated to the current Council. I say at “some point” because there was never any need to rush as there was always a certain amount of Council member overlap as far as available signers.

In 2010, we switched banks from Bank of America to Wells Fargo. To establish the account, Wells Fargo required a resolution from the Town Council designating who the check signers would be. Since that time, to add or remove a signer from the signature card has been done by addendum to the card and has not required additional council action.

The Issue

As scrutiny of public officials has increased, many cities are insulating their Council members by removing them from day to day operations. Those charged with creating policy should not be implementing and operating those policies. One of those daily operations is check signing. In December, 2012, the city of Menifee polled the city finance directors and treasurers of California to determine the current practice for who signs the city’s checks.

Attached to this report is a list of the fifteen cities who responded to the poll that have populations under 30,000. Nine of the fifteen (60%) now handle check signing completely in house. In many of the larger cities where council members are on the signature card, they are only used as back up signers or as electronic signatures imprinted on the check during the check writing process.

A concern regarding fiduciary responsibility or an increased possibility of check fraud might arise if this process is done strictly by staff. What is the Council’s fiduciary responsibility regarding disbursements? According the State Government Code, the Council is to “approve a listing of warrants issued” at a regular council meeting. The only mention in the Town’s Municipal Code regarding the check writing process is that it is the Treasurer’s duty to “Pay out money only on warrants signed by legally designated persons.”

Regarding collusion to commit fraud, we believe that the current internal controls are strong and weakened in no way by removing the council members from the process. Having the Town Manager as the second signature, though, would strengthen the internal controls in two ways. First, the Town Manager has a more detailed understanding of the Town’s day to day operations.

He will be more likely to notice unusual vendors or invoice amounts. Second, as the Finance Director's superior, he would be less likely to participate in collusion.

As mentioned above, the Town Council is required by law to review the check register each month. Often, the Finance Director has received calls from Council members with questions regarding various checks or vendors.

Policy or Financial Issues

There are no financial issues. Since it appears to be within the Treasurer/Finance Director's purview to determine the appropriate check signers, this is more procedural than a policy.

Attachment: Resolution, Check Signer study

TOWN OF LOOMIS

RESOLUTION NO. 12_____

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOOMIS
NAMING THE TOWN MANAGER AND FINANCE DIRECTOR/TREASURER AS CHECK
SIGNERS AND THE MAYOR AND MAYOR PRO TEMPORE AS BACKUP CHECK SIGNERS

WHEREAS, check writing is a critical function of the Town's financial activities; and

WHEREAS, a clear understanding of financial procedures will facilitate smooth, error and fraud free operations; and

WHEREAS, Council members, as policy makers, should be insulated from day to day activities when possible;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Town Council of the Town of Loomis that the authorized check signers are the Town Manager and the Town Finance Director/Treasurer, with the Town Mayor and Mayor Pro Tempore on the signature card to sign if necessary.

PASSED AND ADOPTED this 14th day of February, 2012 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Mayor

ATTEST:

Approved as to form:

Population Entity	Signor (positions/title)	Staff only	Signing Order or Comments:
472 Yountville	Town Manager/Finance Director	Staff only	
3993 Brisbane	Finance Director/CM-only need one signature	Staff only	as shown
4888 Buellton	Mayor/Mayor PT/City Manager/Finance Director	Split	Mayor & CM usually sign
5102 Willits	CM/City Clerk/Finance Director/Office Asst. II	Staff only	Two signatures required
6200 Loomis	Finance Director/Treasurer, council members	Split	Two signatures, usually FD and 1 council member
7535 Cotati	Mayor, Vice Mayor, City Manager, Administrative Services Director	Split	
8191 Rolling Hills Estates	Mayor, Mayor Pro Tem, City Manager, Assistant City Manager, Administrative Services Director, & Deputy City Clerk.	Split	
10078 Sonoma	Mayor, Vice-Mayor, City Manager, Assistant City Manager Assistant City Manager/Finance Director and Finance Services Manager	Split	One elected, one staff, but not required
10325 Shasta Lake	Finance Director;CM;Fire Chief/Deputy CM	Staff only	
12398 Larkspur	City Manager, Finance Director, City Clerk, Accounting Supervisor	Staff only	Any two out of the three are required for check 5K or more.
14144 Mill Valley	CM/Admin Services Director/City Clerk/Finance Supervisor	Staff only	
14586 Carpinteria	Admin Services Director (ASD), Town Manager and two other department heads	Staff only	Two signatures required; usually ASD and CC.
16280 Truckee	City Manager & Mayor	Staff only	
17644 Dixon	Finance Director/CM/Chief of Police/Finance Manager	Split	ASD normally signs checks, the Town Manager reviews the check register.
28726 Ridgecrest		Staff only	as shown