



Financial Control Overview

Board of Directors
May 2013

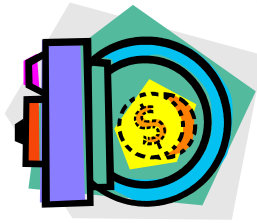


Overview

- **Employees all work for the Transit District**
 - **District employees provide service to:**
 - Transportation Authority
 - Caltrain
 - SamTrans
 - and charge their time accordingly**
- **The TA shares services, such as:**
 - Banking
 - Risk Management
 - Investment Services
- **The TA has no cash handling needs other than petty cash**

Protecting Agency Assets

- Risk Management
- Human Resources
- Budgets
- Accounts Payable
- Treasury



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Risk Management

- Fraud insurance coverage & policy limits
 - Crime policy
 - Not a part of a pooled policy
 - \$15 million
- Losses
 - 1 Claim for \$50,000 in the last five years
- Exclusions
 - Indirect loss
 - Inventory shortages
 - Legal expenses for crime losses
 - Costs associated with proving a loss
 - Perils of war or nuclear disaster



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Human Resources

- Background checks
 - Tailored to position

No written policy to:

- Review credentials & references
- Provide anti-fraud training
- Require cross training
- Require vacations for specific periods of time
- Provide a whistle blower tip line or offer a reward

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Budgets

- Variance Reporting
 - Monthly review and analysis



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Internal Controls - TA

- Investment Policy adopted in 1999
- Sales Tax Measure A money received and distributed to BART and the County Pool by a Custodian: Bank of New York Mellon
- County Pool distributes sales tax money to the cities
- Sales tax, bank accounts and County Pool accounts are reconciled monthly

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Accounts Payable & General Ledger

- Credit cards
- Audits & auditors
 - RFP every five years
 - Unannounced audits on petty cash & revenue equipment
- Segregation of duties
- Check signing policies
 - \$10,000+ requires two signatures
 - Positive pay check protection
- Signature stamps
 - Always locked away
 - Dual control for keys

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Treasury: Petty Cash

- Use of custodians
- Segregation of duties
- Reconciliation
- Receipts policy
- Reimbursement procedures



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Treasury: Investments

- Written investment policy
 - Investment strategy complies with Board requirements of:
 1. Safety of the principal
 2. Liquidity to fund operations & capital projects
 3. Investment return
- Approved financial institutions/brokers
 - Costs & fees apply for LAIF, County Pool & advisory services
- Investment transaction purchases
 - Investment Advisor, Bill Osher, provides “best execution” from SEC-licensed Broker/Dealers
 - Approval process authorized annually by the Board of Directors

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Treasury: Investments (continued)

- Collateralized Investments
 - Bank deposits are FDIC insured to \$250,000 per agency
 - CA Gov't Code Sect. 53651 requires public fund balances over the FDIC limit be collateralized at 110% of their value
 - Funds held in the investment portfolio, LAIF, and the County Pool are not collateralized
- Recording & Reporting
 - Bank of America web-based reporting
 - Reports all prior day transactions
 - Notifications of check exceptions (fraud protection)
 - Monthly and quarterly investment reports to the Board
- Procedures & Training
 - Documented at a summary level

Treasury: Investments (continued)

End of Day Outgoing Wire Detail - 3/23/13 12:20 AM CT

Summary:
The following transaction was debited from your account at 11:39 AM CT on 3/22/13.

Account #	Sequence #	Reference #	Amount
XXXXXX09099	130322199300	FD008770	\$9,370.48 USD

Details:

Beneficiary	Beneficiary Bank
VANTAGEPOINT TRANSFER AGENTS NA NA NA US	MANUFACTURERS AND TRADERS BANK ONE M&T PLAZA BUFFALO, NY 14240

Originator	Originating Bank
SAN MATEO COUNTY TRANSIT DISTRICT	CASHPRO-ONLINE

Originator to Beneficiary Information	Bank to Bank Information
RC PLAN NUMBER 801987 031513	

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Sample Email from Bank of America's CashPro website End-of-Day Notification feature

Treasury: Banking

- Wire Transfer Policies
 - Wire transfers more than \$1 million released by Deputy CEO
 - All transfers are initiated & approved on the web
- Online banking
 - Web based
 - Dual approval required
- Monthly bank statement reconciliations
- Security and fraud protection
 - Notifications and alerts
 - Exceeds bank requirements
- Daily cash position
 - All variances reconciled; all cash accounted for & tracked

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Treasury: Cash Handling

- Cash equipment & safeguards
- Cashier responsibility & accountability
- Reconciliation
- Processes regarding checks received
- Cash counting
- Personnel with cash access or responsibility (internal & external)



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Internal Controls Affecting the TA

Internal Control	Applies to TA (Y or N)
Fraud Insurance Coverage	Y
HR - Employee Background Checks	Y
Budgets - Variance Reporting	Y
AP & General Ledger	
- Credit Cards	N
- Audits & Auditors	Y
- Segregation of Duties	Y
- Check Signing Policy	Y
- Signature Stamps	Y
Treasury	
- Petty Cash	Y
- Investment Policy & Strategy	Y
- Investment Purchases	Y
- Collateralization	Y
- Recording & Reporting	Y
- Banking	Y
- Cash Handling	N

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Summary

- Internal controls: Board of Directors' Role
- Financial controls: Executive Team support
- Internal audit function: Contracted on an as-needed basis
- External audits
 - Annual Financial Statement and procedures audit
 - Random Funding Agency Audits

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Questions

