**CONSERVATION DISTRICT OPERATIONS AUDIT**

A conservation district’s self-guide to better operations

Montana conservation district (CD) law (76-15-101 through 76-15-810, MCA) as well as laws pertaining to political subdivisions, set standards for conservation district operations in financial management, personnel management, and 310 administration.

A checklist is provided to be used to self-audit your CD programs to ensure compliance with standards outlined in the law. This checklist includes many practices that are recommended. While those practices are not required by law, they are recommended to ensure that CDs operation in a fair manner or to safeguard public funds.

CD supervisors and employees are encouraged to sit down together and go over this list annually. Steps should be taken to implement any items where NO was checked, especially if it is required by law. This checklist was developed to help CDs comply with the myriad of laws pertaining to them and is for CDs to use to improve their operations. Please note that this list may not be all-inclusive as other laws may apply.

This self-audit checklist covers four areas of operations:

* District operations:
* Financial management
* Personnel management
* 310 Administration

This can be a lengthy review process, but it is important to go through the entire checklist.

If you have any questions or require assistance, please contact the Conservation Districts Bureau.

AUDIT YEAR

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AUDITED BY

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**District Operations**

*Several sections of the law direct how CDs are formed, how supervisors are elected and how they operate. The checklist below deals mostly with these general operations, however, CD law contains more details about CD’s authority to participate to participate in natural resource issues.* *Those specific authorities are not included in this checklist.*

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| **District Operation [Page 1 – 2]** | **YES** | **NO** | **COMMENTS** |
| Each supervisor has taken an oath of office for each term *Required 2-16-212, MCA* |  |  |  |
| Supervisors are nominated and elected at large*Required 76-15-301 and 76-15-303, MCA* |  |  | If incorporated towns are within the district, the municipalities appoint two additional supervisors after consultation with the supervisors 76-15-311, MCA. |
| Urban supervisors are reappointed and take an oath of office every three years*Required 76-15-311 and 2-16-212, MCA* |  |  |  |
| If a CD requires a supervisor to live in the area they represent, a residency ordinance was adopted*Required 76-15-301, MCA* |  |  | A certified copy of residency ordinance must be filed with the clerk and recorder’s office and with the DNRC Conservation Districts Bureau. |
| A chairman is elected each year*Required 76-15-313, MCA* |  |  | 76-15-313, MCA only refers to electing a chairman, but CDs typically elect other officers such as vice chairman and treasurer at the same time. |
| Officers are rotated on a regular basis *Recommended* |  |  |  |
| Orientation is provided for new supervisors *Recommended* |  |  | Orientation material should be available in the CD office. |
| Meeting dates are publicly noticed and are open to the public*Required 2-3-201 through 2-3-221, MCA* |  |  |  |
| Code of ethics: Supervisors disclose possible conflicts of interest*Required 2-2-101 through 2-2-145, MCA* |  |  | Supervisors are required to file a report stating the possible conflict with the Secretary of State or to abstain from business where conflicts could occur. Additionally, a supervisor must state for the record the nature of the conflict at the time of performing the act. |
| Code of ethics: CD employees or supervisors do not accept personal gifts exceeding $50 in value*Required 2-2-101 through 2-2-145, MCA* |  |  |  |
| **District Operation [Page 2 – 2]** | **YES** | **NO** | **COMMENTS** |
| Nepotism: CD supervisors do not hire their relatives*Required 2-2-301 through 2-2-304, MCA* |  |  | Nepotism is prohibited. |
| Meeting minutes contain the date, time, place, and list of attendees*Required – 2-3-212, MCA* |  |  |  |
| Meeting minutes are officially approved *Recommended* |  |  | Minutes should be signed by the chairman and attested to by the administrator or by another supervisor. |
| Meeting minutes are kept permanently*Required 2-6-401 et seq., MCA* |  |  | See CD records retention schedule 9 on this website.[www.sosmt.gov/records/local](http://www.sosmt.gov/records/local)  |
| Minutes, rules, forms, contracts, and other documents are sent to DNRC *Required 76-15-315, MCA* |  |  | The requirement is to send copies to DNRC; sending copies to MACD is recommended. |
| Minutes sent to county clerk and recorder *Required 2-3-301, MCA* |  |  |  |
| No official business is conducted without a quorum *Required 76-15-313, MCA* |  |  | A quorum is a majority of the board, not a majority of those present. |
| Supervisors attend meetings regularly or are excused from attending if meetings must be missed*Required 76-15-312, MCA* |  |  | Supervisors are automatically removed from office for three consecutive unexcused absences. |
| Planning: CD board is actively involved and participates in developing annual and long-range plans *Recommended* |  |  | A CD is more effective if the supervisors know what they want to accomplish. |
| Plans are reviewed and updated regularly *Recommended* |  |  | Date last annual plan was revised:Date last long-range plan was revised: |
| CD records and files are disposed of only according to CD records retention schedule *Required 2-6-403, MCA* |  |  | See CD records retention schedule 9 on this website.[www.sosmt.gov/records/local](http://www.sosmt.gov/records/local) |
| CD supervisors are aware of their liability, protections, and exposures*Required 2-9-101 through 2-9-318, MCA* |  |  |  |
| CD has a current inventory of district owned equipment or property. A policy is in place to ensure that property is protected from theft and personal use*Recommended* |  |  | Make it easy on your successors and put important district information in one place. |

**Financial Management**

*CD supervisors are responsible for the safekeeping and lawful expenditure of all funds collected – no matter the source. CD supervisors have the duty to protect CD funds and equipment from theft, loss, or misuse. Because CDs usually have only one employee, it is difficult to separate financial duties which is the normal safeguard to protect funds from theft. This makes supervisor oversight and review of monthly reports, statements, and other financial information more important.*

*This checklist covers standards that are either required by law or recommended to implement checks and balances to safeguard the public’s resources that are entrusted to the CD.*

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| **Financial Management [Page 1 – 3]** | **YES** | **NO** | **COMMENTS** |
| Checks always have two supervisor signatures *Required 76-15-525, MCA* |  |  |  |
| Blank checks are not signed ahead of time in anticipation of expenses that arise between CD meetings *Recommended* |  |  | It is not good internal control procedure to sign blank checks. This is an area of risk. |
| The treasurer’s report is reviewed at the board meeting and documented in the minutes *Recommended* |  |  |  |
| An audit or outside review of the CD’s books is conducted annually*Required 76-15-315(4), MCA* |  |  |  Date last audit was performed:  |
| CDs complies with the Single Audit Act requirements of an audit if total revenues exceed $750,000*Required 2-7-503, MCA* |  |  | The auditor must be a CPA on the Department of Administration’s (DOA) roster, 2-7-506, MCA. The audit must be contracted for through the DOA using a standard prescribed contract signed by the CD chairman and DOA. |
| Support documentation, such as receipts, invoices, claims, and travel vouchers, are required for every expenditure and are kept on file to prove that expenses are legitimate *Recommended-Good Internal Accounting Control Procedures* |  |  |  |
| The person who writes checks is a different person from the one who receives funds, reviews bank statements, and prepares monthly financial reports *Recommended – Good Internal Accounting Control Procedures* |  |  | Separation of duties. |
| **Financial Management [Page 2 – 3]** | **YES** | **NO** | **COMMENTS** |
| All individuals with access to CD funds are bonded*Required 76-15-315(4), MCA* |  |  |  |
| Someone other than the person handling funds reconciles bank statements regularly *Recommended -Good Internal Accounting Control Procedures* |  |  | Separation of duties. Preferably the treasurer would be the one to receive the bank statements and reconcile them. |
| All financial transactions including savings account deposits and investments go through one checking account *Recommended – Good Internal Accounting Control Procedures*  |  |  | Having only one source of records makes it easier to track all CD financial transaction. |
| Only state rates are used for travel reimbursement for supervisors*Required 76-15-313(3) and 2-18-501, MCA* |  |  |  |
| Supervisors do not receive compensation except mileage and other expenses such as meals, if any, for attending regular monthly meetings of the board *Required 76-15-313(3), MCA* |  |  |  |
| Funds are used only for lawful purposes related to CD law and in a manner appropriate for governmental spending*Required 76-15-501, 76-15-503, MCA* |  |  | For example: Funds may not be used for gifts, campaign contributions, or for any expenses outside conservation district business. |
| Contracts and legal documents are signed only by the supervisor with authority to sign for board*Recommended- Good Internal Accounting Control Procedures* |  |  | Separation of duties. NOTE: DNRC requires a supervisor’s signature on contracts and invoices for grant payments. |
| Rubber stamps with a signature are not used for signing contracts, invoices, or other financial documents. *Recommended – Good Internal Accounting Control Procedures* |  |  | Rubber stamps should not be used. This is an area of risk. |
| Checks and receipt books are kept locked *Recommended* |  |  |  |
| **Financial Management [Page 3 – 3]** | **YES** | **NO** | **COMMENTS** |
| Petty cash has no more than $50 Ledgers are kept, and receipts are required for use. Board oversight is required. Funds are safeguarded from personal use. *Recommended – Good Internal Accounting Control Procedures* |  |  | Petty cash accounts are an area of risk and require oversight. |
| Savings Accounts – large savings accounts are not allowed to accumulate indefinitely without a specific plan to put the funds to use locally *Recommended* |  |  | Public money should be put to use to benefit the public. |
| Savings Accounts – Funds or interest from accounts are used to fund CD operating budget or projects regularly *Recommended* |  |  |  |
| Savings Accounts and Certificates of Deposit – Records are kept with the location of accounts and account balances known to each supervisor *Recommended* |  |  |  |
| 1099s are completed for payments over $600 a year that are made to individuals (including supervisors) or contractors *Required – Internal Revenue Service* |  |  |  |
| Receipts for incoming payments are recorded and can be traced to bank deposits *Recommended* |  |  |  |
| Financial reports are submitted annually to Department of Administration *Required 2-7-503, MCA* |  |  |  |
| CD requires proof of independent contractor status and that a contractor is licensed and insured before work is conducted *Recommended*  |  |  | This is important to protect the CD from liability if a contractor should be injured while working for a conservation district. |
| CD gives preference to Montana vendors*Required 18-1-102, MCA* |  |  |  |

**Personnel Management**

*Because most CD employees are in a Natural Resources and Conservation Services (NRCS) office, a tendency of some conservation districts is to leave personnel management issues to NRCS. However, CD employees are the sole responsibility of conservation districts – even day-to-day supervision must not be delegated to NRCS. CDs should strive for an amiable working relationship with whomever the CD employee shares office space with, however, CDs must realize that supervision cannot be delegated. As a professional courtesy, each agency may share information regarding schedules, etc., one agency does not “answer” to the other. It is highly recommended that CD supervisors adopt personnel procedures and policies, know what is in these policies, and strictly adhere to them.*

*The checklist below outlines only some of the recommendations and laws pertaining to CDs. DNRC has a model personnel policy for conservation districts to use, which is more thorough than the items listed below. Going over these items together will be helpful in identifying some of the most significant personnel management issues.*

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| **Personnel Management [Page 1 – 2]** | **YES** | **NO** | **COMMENTS** |
| At least one supervisor is appointed to handle personnel matters *Recommended* |  |  |  |
| Supervisors have training in personnel management *Recommended* |  |  |   |
| CD has a written, current personnel policy *Recommended* |  |  |  |
| Current, accurate job descriptions are in place for each CD employee *Recommended* |  |  |   |
| Board has an orientation program in place for a new employee *Recommended* |  |  |  |
| All employees who work over 40 hours in a week are compensated at the rate of time and one-half for the number of hours over 40*Required – Fair Labor Standards Act*  |  |  |  |
| If an employee opts to be compensated in time and one-half compensatory time in lieu of time and one-half overtime pay, the supervisor and the employee sign an agreement each time extra hours are worked. *Required – Fair Labor Standards Act* |  |  | According to federal regulations, a form must be signed each time that overtime comp time credits are given instead of overtime pay. Overtime comp time accrues at 1.5 times the hours worked over 40 and overtime pay is paid at 1.5 times the salary per hour worked over 40. |
| **Personnel Management [Page 2 – 2]** | **YES** | **NO** | **COMMENTS** |
| Employees are provided sick and annual leave at state rates *Required 2-18-601, MCA* |  |  | Annual leave is described in 2-18-611, MCA and sick leave is described in 2-18-618, MCA. |
| Sick and annual leave records are kept, documenting leave credited and leave used. Employee’s supervisor reviews records *Recommended*  |  |  |  |
| CD employee takes holidays in accordance with state holidays *Required 2-18-603, MCA*  |  |  | A list of holidays appears at 1-1-216, MCA |
| Holiday pay is prorated for part-time employees and does not exceed 8 hours for any employee *Required 2-18-603, MCA*  |  |  | Example: Even if an employee regularly works four 10-hour days a week, the maximum pay for a holiday is 8 hours. If an employee works half-time, the maximum time holiday pay would be 4 hours. |
| Signed time sheets (not calendars) are required and are reviewed and signed by a board member at the end of each pay period *Recommended* |  |  | Calendars are okay to keep track of time, but hours should be transferred to a regular time sheet signed by both the employee and the supervisor. |
| Employee history cards (date of hire, rate of pay, payroll register, W-4, and other documents) kept on record permanently *Required 2-6-401 through 2-6-405, MCA*  |  |  | See CD records retention schedule 9 on this website.[www.sosmt.gov/records/local](http://www.sosmt.gov/records/local) |
| All CD employees, no matter the funding source, are treated equally and under the same policies*Required – Governmental Code of Fair Practices*  |  |  |  |
| Payroll checks are signed by supervisors only *Recommended – Good Internal Accounting Control Procedures* |  |  | Separation of duties. |
| Annual performance appraisals are conducted *Recommended* |  |  | Follow your policy. |
| CD employee and board have good, open lines of communications. Problems are dealt with quickly and fairly. *Recommended* |  |  |  |

**310 Administration**

*CDs have been administering the Natural Streambed and Land Preservation Act (commonly referred to as the “310 Law”) since 1975 and have developed a wealth of knowledge of streams within their boundaries. Title 75-7-101 through 75-7-124, MCA; Chapter 36.2.401 through 401 of the Administrative Rules of Montana; and the conservation district’s local rules govern the administration of this law.*

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| **310 Administration [Page 1 – 1]** | **YES** | **NO** | **COMMENTS** |
| All supervisors are knowledgeable about the 310 law and have ready access to the laws and rules *Recommended* |  |  |  |
| All local rules are current. The CD has filed a copy of their rules with DNRC *Required 76-15-315, MCA*  |  |  | The last required rules updated occurred April 1997, so CD rules should have been updated from then at least. |
| If the CD has revised forms, copies are filed with the DNRC Conservation Districts Bureau *Required 76-15-315, MCA*  |  |  |  |
| CD uses team inspection reports to document and assess the potential impacts of projects *Required 75-7-112, MCA*  |  |  |   |
| Decisions are not made by individuals, but rather by motions at meetings attended by a quorum of the supervisors*Required 76-15-313 and 75-7-112, MCA* |  |  |  |
| CD notifies Department of Fish, Wildlife and Parks of each 310-application received within 10 working days*Required 75-7-112, MCA*  |  |  |  |
| CD notifies the applicant of the board decision within 60 days of receipt of the application, or it formally extends the time period*Required 75-7-112, MCA*  |  |  |  |
| If necessary and in the case of a difficult 310 analysis, the CD requests assistance from contractors hired to provide technical assistance or from other sources *Recommended* |  |  |   |