



**Date:** August 1, 2022

**To:** LOCSD Finance Advisory Committee  
**From:** Julian Metcalf, Administrative Services Manager  
**Subject:** **Agenda Item 5 – 08/1/2022 FAC Meeting**  
Banking Controls Update

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The District is implementing four new controls related to its banking services with Mechanics Bank. Based on our current balances, Mechanics Bank estimates they will waive the monthly cost of the services related to the controls.

**Check Positive Pay:** Automated service to detect and prevent check fraud.

Previously, the District's checking account would automatically clear all checks we have written unless we place a stop payment on the check. However, we're unlikely to detect fraud until after the check has cleared and then we're unable to stop the payment. This leaves the District exposed to greater check-fraud risk and causes delays in resolving fraud.

Check positive pay will reduce this risk. This service requires us to upload a file from our accounting system to the bank with information on checks written during that day or batch. The bank then uses our information to compare against all checks they receive. If they match, then the bank automatically approves them. If they don't match, then the District reviews it, and either approves or declines the payment.

**ACH Positive Pay:** Automated service to detect and prevent automated cash-management (ACH) fraud.

ACH-fraud can occur if malicious parties gain unauthorized access to our account and routing number. Previously, the District's account would automatically process these transactions, which means we could not prevent a fraudulent ACH withdraw.

ACH positive pay will add the ability to approve or decline ACH withdraws. We can establish filters and criteria to approve recurring and expected payments. We can then review unexpected or uncommon ACH transactions and determine if they are appropriate.

**Dual Approvers:** Requires two approvers to originate ACH transaction from our account.

We have implemented a system requiring two approvers to originate outgoing ACH transactions from within our bank account. This will reduce the risk of internal fraud and errors.

**Remote Deposit Capture:** Digital check scanning and deposit.

Currently, we deposit all customer checks in-person and at the bank. Remote deposit capture will allow us to scan the checks at our office and deposit them

directly with the bank. This reduces the risk to our customers that a check is lost or damaged in transit, it allows our staff to identify check errors faster and correct them with the customer in a timelier manner, and it saves staff time.