

Internal Control Policies

1. ABOUT THESE POLICIES

- a. These Internal Control Policies are approved by the Board of Directors, implemented by the Executive Director and presented to all applicable staff
- b. The requirements of specific funding sources may occasionally supersede these policies.

2. ACCOUNTING PRINCIPLES

- a. A General Ledger is maintained on the accrual basis of accounting.
- b. Program cost allocations are posted to the ledger
- c. Fund Accounting principles are followed when required

3. INVOICING & CASH RECEIPTS

- a. At least two people shall be involved in the receipts functions. Currently, the Assistant logs in the mail and prepares deposits, E.D. delivers the deposit, and Bookkeeper reconciles the account.
- b. Checks are restrictively endorsed (“for deposit only”) immediately upon receipt.
- c. Cash and checks on hand are kept in a secure location.
- d. Cash and checks are deposited within three days.
- e. All Board and staff members are bonded at all times.
- f. Invoices and vouchers are issued in a timely manner.
- g. Client delinquencies are followed up consistently within 30 days.
- h. Grant vouchers, drawdowns and related reports are prepared as soon as possible, but not later than 30 days for monthly reports and 60 days for quarterly reports.
- i. A photocopy of each check received, or a signed cash receipt slip, along with other supporting documents, is kept for each item in a bank deposit.

4. PURCHASING & CASH DISBURSEMENTS

- a. Two or more people shall be involved in the purchasing process: authorization; ordering; receiving; recording; payment; and bank reconciliation. Currently, bills are approved by the E.D., a check is issued by the Bookkeeper, and a Board member co-signs the checks.
- b. Two authorized signers sign each check before it is disbursed.

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- c. Signers are to examine the bills supporting each check.
- d. Blank checks may not be pre-signed.
- e. Checks are restricted from being made payable to "Cash".
- f. Signers are restricted from signing their own checks, except in the case of pre-authorized payroll and minor reimbursement checks.
- g. Each payable bill, or a check requisition form, is labeled at time of receipt with Category and Program/Fund.
- h. Bills are checked for accuracy, and to make sure sales tax is not charged.
- i. Three bids are required on purchases over \$5,000, and a sealed bid if over \$25,000, when these requirements are not specified by the funding source.
- j. A carbon or photocopy is maintained for each check disbursed; it will be stapled to the paid invoice.
- k. The signature area is removed from each voided check.
- l. The Bank Signature Cards and the Board Minutes that authorize the check signers are kept up-to-date and in agreement.

5. PETTY CASH

- a. There shall be no petty cash fund. Cash outlays are handled on a reimbursement basis. –OR–
- b. If petty cash is maintained, it is kept in a secure location, under the control of one person, all withdrawals documented, and the total of cash plus receipts always equals the full original balance of the fund.

6. PAYROLL

- a. Two or more people shall be involved in the payroll process.
- b. Vacations, holidays and sick days are tracked and the Executive Director monitors time usage. Records are presented to a Board member or personnel committee for review at least annually.
- c. Time sheets are kept as supporting documentation for all hours worked.
- d. Quarterly and annual payroll tax forms shall be filed on-time and error-free.
- e. Payroll taxes are collected in trust for the government. As such, they should be paid when due. Funds are not diverted for other uses.
- f. All new employees must complete Form W-4 and Form IA-9 before starting work.

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- g. All new independent contractors must provide a Federal ID number (Form W-9 or equivalent) and a certificate of insurance before starting work.
- h. Calendar year-end Form 1099s are issued to each non-incorporated subcontractor receiving over \$600 in compensation.

7. FIXED ASSETS

- a. Fixed Assets are defined as items with at least a 1-year life, costing over \$500.
- b. Acquisitions are posted to Fixed Asset account on the balance sheet, rather than as a current expense (except for certain grant reporting purposes).
- c. Items of lesser value or shorter life are accounted for as consumables and reported as current expenses.
- d. The Board must approve each fixed asset purchase in advance.

8. FILE STORAGE

- a. There is a consistent, clearly labeled system of filing paid bills that an auditor or new staff member can easily understand.
- b. Accounting and Audit files are maintained for seven years.
- c. Legal contracts are maintained for seven years after their expiration.
- d. Fixed Asset records are kept for the useful life of the property.
- e. A copy of the organizations Form 990 is readily available for public inspection.

9. AUDITS

- a. The Board of Directors hires an independent auditor. This contract is reevaluated every three years.
- b. A draft financial statement, comparative to the prior year, is provided to the CPA for auditing.
- c. Every effort will be made to provide the records necessary to prevent having the CPA perform tasks at a bookkeeping level.
- d. Upon completion of the audit, the internal General Ledger accounting will be adjusted to agree with the audited figures. These balances will be maintained permanently as the final balances for the year and the opening balances of the subsequent year.
- e. The auditor reports to the Board of Directors.

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- f. All prior audit findings are monitored by the Board, under direction of the Treasurer, until satisfactorily resolved.

10. GENERAL

- a. Staff and Board responsibilities regarding the financial system are to be written into their job descriptions and kept up to date.
- b. There is to be at all times a clear paper flow (such as a bookkeeper's "In Box") to prevent lost items.
- c. All financial items received must be presented to the Treasurer or other designated Board officer.
- d. Journals and ledgers shall be up to date at all times.
- e. Restricted Funds shall be properly segregated.
- f. Methods of cost allocation to program activities and restricted funds are to be consistent and documented.

11. BOARD OF DIRECTORS FINANCIAL RESPONSIBILITIES

- a. The treasurer shall act as liaison between the staff and Board.
- b. The treasurer shall present a financial report at each Board meeting.
- c. Each Board member is responsible for understanding the financial reports. Each must ask questions as needed.
- d. The Board is responsible for monitoring compliance with the above internal controls. This shall include, at a minimum:
 - i. Establishing an annual budget.
 - ii. Reviewing budget vs. actual reports at least quarterly.
 - iii. Following up on any significant variances.
 - iv. Engaging an independent auditor annually.

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