

Board Policy

Internal Controls Over

Accounting Transactions

DISBURSEMENTS

Risk: Unauthorized Disbursements

Errors in Recording Transactions

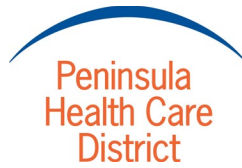
CONTROLS

Physical Checks

- Check stock ordered by Executive Assistant
- Executive Assistant stores blank checks in a locked cabinet with access by Community Benefits Manager.
- CEO, Chief Financial Officer (CFO) and Treasurer do not have access to checks.
- The Executive Assistant will maintain a log documenting the dates and numbers of checks.

Issuance of Checks

- Executive Assistant date stamps invoices upon receipt and matches invoices with supporting documentation. (E.g. Purchase orders and packing slips, Credit card bill with receipts, etc.)
- CEO reviews invoices and supporting documentation then initials and dates invoice to approve payment.
- CFO reviews invoices for all required supportive documentation, accuracy of calculations, and presence of authorization.
- CFO enters invoices into QuickBooks and prepares a check run and requests Executive Assistant to load checks into printer and provide beginning check number.
- Executive Assistant records the date, check numbers to be printed with initials.



- CFO runs (prints) checks and returns the unused ones to the locked drawer.
- Executive Assistant attaches checks to related invoices and documents and gives to CEO to sign.
- CEO signs checks.

Note: The Board Chair and Treasurer are authorized to carry out the authorization and signature procedures above should a check be required prior to the return of the CEO.

- Executive Assistant prepares copies of approved invoices, supporting documentation, and signed checks for the CFO's files.
- Executive Assistant files original documents by Vendor.
- Executive Assistant mails checks to vendors.

Note:

- *Payments are made from invoices, not from statements.*
- *Checks are written on a weekly basis.*
- *Checks greater than \$25,000 require two signatures on file with the bank with one signature from an authorized Board member [Chair, Treasurer and/or CEO]*
- *Voided checks are maintained in a separate locked file by the CFO for verification of sequence.*

Bank Reconciliation

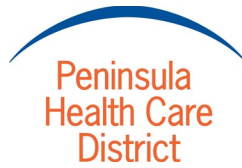
- CFO receives unopened Bank Statement.
- CFO prepares the bank reconciliation and follows up on checks that have not cleared.
- CFO files copy of bank reconciliation and bank statements in current year work paper Binder and original bank statement in locked file cabinet

Internal Review

- Bank Transactions report from Quick Books is provided to the Board for approval.
- CEO reviews the bank reconciliation on a monthly basis.

CASH RECEIPTS

Risk: *Misappropriation
Errors in Recording Transactions*



CONTROLS

Receipt and Deposit of Checks

- Executive Assistant receives checks.
- Executive Assistant stamps documents with date received and copies checks.
- Executive Assistant endorses the back of each check using bank stamp with the account information for deposit.
- Executive Assistant prepares deposit slips which are maintained in the Executive Assistant's locked drawer.
- Executive Assistant makes bank deposit as promptly as is practicable.

Note: Checks held overnight are kept in a locked file with limited access.

- Executive Assistant prepares a copy of the check, deposit slip, and supporting documents for the CFO.
- Executive Assistant keeps a copy of deposit slip and checks in tenant/customer files.
- When the bank proof of deposit arrives in the mail, Executive Assistant gives to CFO.

Note: When the Executive Assistant is off, the Community Benefits Manager will receive the mail and prepare deposits per the procedure above.

Recording of Deposit in Financial System: CFO records deposits into Quick Books and files copies in current year deposit binder.

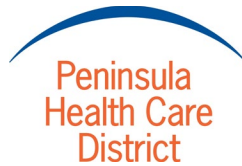
Bank Reconciliation: CFO prepares the bank reconciliation (see above).

Internal Review:

- CFO reviews deposits for expected payments.
- CEO reviews bank reconciliation on a monthly basis.

Deposits received automatically:

- Some deposits are received via wire transfer or ACH transfer. The CEO and/or the CFO receive notification by email.



- Copies of these notifications are sent to the CFO who verifies by checking the bank transactions online.
- Copies of these notifications are included in the deposit binder kept by the CFO.

PAYROLL

***Risk:** Unauthorized Disbursements
Errors in Recording*

CONTROLS

Hiring

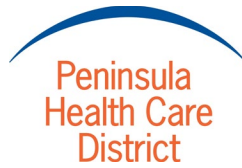
- Board approves employee positions, salaries, and benefits through the Budget process.
- Board approves any out-of-budget staff additions or reductions.
- CEO approves Notice of Employment form indicating date of hire and salary.
- CFO receives a copy of any New Hire and/or Employee status/salary/benefit change to payroll information sent to PAYCHEX.
- CEO obtains forms W4 and I9 and supporting documents from new employees and places in employee file. Copy of W4 goes to CFO

Time sheets

- Employees prepare bi-monthly time sheets.
- CEO approves time sheets and prepares payroll report for PAYCHEX.
- CEO sends a scan of the signed payroll report and timesheets to the CFO.
- CFO reviews and approves payroll report and sends it to PAYCHEX with a copy to the CEO.
- Payroll periods are the 1st through the 15th and 16th through the end of month.

Preparation of Payroll

- Payroll is prepared by an outside service, currently PAYCHEX.
- The outside service agency prepares all government required deposits and reports.



- Payroll checks are issued on a direct deposit basis.

Approval of Payroll

- CEO receives PAYCHEX unopened envelope with payroll register, withholding, and employee direct deposit confirmation.
- CEO reviews payroll and initials to confirm accuracy.
- CEO maintains all payroll information in a locked designated HR file cabinet.
- CEO distributes individual employee deposit confirmation information.

Recording of Payroll in Financials

- CEO provides copy of payroll information to the CFO.
- CFO records payroll transactions in Quick Book and maintains records in a separate locked file cabinet.
- CFO confirms that any payroll changes sent into PAYCHEX were correctly changed in the system.

JOURNAL ENTRIES

Risk: Unauthorized Entries to Financial Statements

Override of Internal Controls

Errors in Recording

- CFO provides entries and supporting documentation to CEO.
- CEO reviews and approves Journal Entries with initial and date.
- CFO files original Journal Entry in current year work paper binder and the quarterly reports binder.

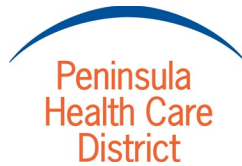
FIXED ASSETS

Risk: Disposals of Assets without Notification to District

Errors in recording transactions

CONTROLS

- CFO prepares and maintains the Fixed Asset Listing and depreciation schedule.



- CFO records in QuickBooks all additions, deletions and depreciation

FINANCIAL STATEMENTS

Risk: Errors in Recording Transactions

CONTROLS:

Financial Statement Preparation: CFO prepares Financial Statements.

Internal Review

- CFO provides the CEO with monthly checking account detail.
- CFO provides the CEO with the Quarterly Financial Statements, supporting documents and schedules and detailed General Ledger for review and approval.
- All transactions are entered into the District's Accounting System (QuickBooks).
- All transactions are supported by documentation in District files.
- Financial Statements include Actual Current Quarter and YTD columns and budget current quarter, year to date and annual columns

FINANCIAL AUDITS

The above procedures represent the District's system of internal controls. The District requires an annual audit by an independent Certified Public Accountant. That audit is not relied upon as a substitute for the District's internal controls.

Revised February 11, 2019