



## Board Policy

# **Internal Controls Over Accounting Transactions**

### **DISBURSEMENTS**

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

### **CONTROLS**

#### **Physical Checks**

- Check stock ordered by Community Outreach Coordinator.
- Community Outreach Coordinator stores blank checks in a locked cabinet with access by Community Outreach Coordinator and Office Coordinator.
- CEO, Accountant and Treasurer do not have access to checks.
- The Community Outreach Coordinator will maintain a log documenting the dates, numbers of checks, and to whom they were issued.

***Note:*** A reasonable supply of blank checks may be provided to the-Office Coordinator during a planned absence of the Community Outreach Coordinator. All such checks will be maintained in a locked drawer. Unused checks will be given back to the Community Outreach Coordinator immediately upon his/her return.

#### **Issuance of Checks**

- Office Coordinator 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.
- Accountant reviews invoices for all required supportive documentation, accuracy of calculations, and presence of authorization.
- Accountant enters invoices into QuickBooks and prepares a check run and requests Community Outreach Coordinator load checks into printer and provide beginning check number.
- Accountant runs checks and Community Outreach Coordinator gives them to the accountant and returns the unused ones to the locked drawer.

- Accountant 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.

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

**Note:**

- *Payments are made from invoices, not from statements.*
- *Checks are written on a regular basis, not more than every five business days.*
- *Checks greater than \$25,000 require two Board authorized signatures on file with the bank. [Chair, Treasurer and/or CEO]*
- *Voided checks are maintained in a separate locked file by the Accountant for verification of sequence.*

### **Bank Reconciliation**

- Accountant receives unopened Bank Statement.
- Accountant prepares the bank reconciliation and follows up on checks that have not cleared.
- Accountant 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.
- Treasurer or CEO reviews the bank reconciliation on a monthly basis.

## **CASH RECEIPTS**

***Risk: Misappropriation  
Errors in Recording Transactions***

### **CONTROLS**

#### **Receipt and Deposit of Checks**

- Office Coordinator receives checks.
- Office Coordinator stamps documents with date received and copies checks.
- Office Coordinator endorses the back of each check using bank stamp with the account information for deposit.

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- Office Coordinator prepares deposit slips which are maintained in Office Coordinator's locked drawer.
- Office Coordinator makes bank deposit as promptly as is practicable.

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

- Office Coordinator prepares a copy of the check, deposit slip, supporting documents, and bank proof of deposit for the Accountant.
- Office Coordinator keeps a copy of deposit slip and checks in tenant/customer files.

***Note:** When the Office Coordinator is off, the Community Outreach Coordinator will receive the mail and prepare deposits per the procedure above.*

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

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

**Internal Review:**

- Accountant reviews deposits for expected payments.
- Treasurer or 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 Accountant receive notification by email.
- Copies of these notifications are sent to the Accountant who verifies by checking the bank transactions online.
- Copies of these notifications are included in the deposit binder kept by the Accountant

**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.
- Accountant 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 Accountant

### **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 Accountant.
- Accountant reviews and approves payroll report and sends it to PAYCHEX with a copy to the CEO.
- Payroll periods are the 1<sup>st</sup> through the 15<sup>th</sup> and 16<sup>th</sup> 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 Accountant.
- Accountant records payroll transactions in Quick Book and maintains records in a separate locked file cabinet.
- Accountant 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***

- Accountant provides entries and supporting documentation to CEO.
- CEO reviews and approves Journal Entries with initial and date.
- Accountant 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**

- Accountant prepares and maintains the Fixed Asset Listing and depreciation schedule.
- Accountant records in QuickBooks all additions, deletions and depreciation

## **FINANCIAL STATEMENTS**

***Risk: Errors in Recording Transactions***

### **CONTROLS:**

**Financial Statement Preparation:** Accountant prepares Financial Statements.

### **Internal Review**

- Accountant provides the CEO with monthly checking account detail.
- Accountant 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.