



## **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. Cabinet can be accessed by Business Operations Manager & Chief Executive Officer.
- Chief Financial Officer (CFO) / 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 will date stamp invoices upon receipt and match invoices with supporting documentation. (E.g. Purchase orders and packing slips, Credit card bill with receipts, etc.) All invoices are scanned and saved to the shared drive (General/Admin/Invoice), naming the file by vendor name, invoice number or identifier, and amount.
- CFO reviews invoices for all required supporting documentation and accuracy of calculations.
- CFO enters all invoices attached with a copy of the invoice into Intacct Accounting Software. Intacct will route each bill to the Department Manager and then to the CEO for final review and approval of invoice and supporting documentation. Audit trail of who and date approved are logged in Intacct.



- If the Department manager is unavailable, the CFO will approve the invoices on the manager's behalf.
- Once the invoice is fully approved, CFO prepares a check run and requests the Executive Assistant to load checks into the printer and provide the beginning check number.
- Executive Assistant records the date, check numbers to be printed with initials.
- The CEO's electronic signature will be printed on the checks. If over \$25K, a second signature will be required.
- Executive Assistant files original documents by month. Checks will be scanned and saved in the shared drive.

**Note:** The Board Chair and the Finance Committee Chair are authorized to carry out the authorization and signature procedures above should a check be required, and the CEO is unavailable.

- Executive Assistant mails check to vendors.

**Note:**

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

**Wire Transfers**

- Bank wires require TWO Authorized Individuals to approve for amounts over \$ 1 million.
- Authorized individuals include the Board Chair, Finance Committee Chair, and CEO

**Bank Reconciliation**

- CFO receives all 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.

#### **Internal Review**

- Bank Transactions report from Intacct Accounting Software is provided to the Board for approval monthly.
- CEO reviews the bank reconciliation quarterly.

#### **CASH RECEIPTS**

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

#### **CONTROLS:**

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

- Executive Assistant receives checks by mail or dropped off in-person.
- Executive Assistant scans to the shared drive (General/Accounting/Deposits) and stamps documents with the date received and gives them to the Business Operations Manager.
- Business Operations Manager endorses the back of each check using a bank stamp with the account information for deposit.
- Business Operations Manager deposits check remotely through the Bank's Remote Desktop machine or in-person at a Branch.

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

- Business Operations Manager prepares a deposit report with copies of checks and supporting documents for the CFO.
- CFO keeps the original checks.
- If the deposit is made in-person at the Branch, a copy of the checks and deposit receipt will be given to CFO.

**Note:** *When the Business Operations Manager is off, the CFO will make the deposits per the procedure above.*



**Recording Deposit in Financial System:** CFO records deposits into Intacct Accounting Software.

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

**Internal Review:**

- CFO reviews deposits for expected payments.
- CEO reviews bank reconciliation quarterly.

**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 saved electronically in the shared drive in the deposit folder.

**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 the date of hire and salary.
- CFO receives from CEO information of New Hire and/or Employee status/salary/benefit changes. CFO to make changes in Paychex accordingly.
- CEO obtains forms W4 and I9 and supporting documents from new employees and places them in the employee file. Copy of W4 goes to CFO
- CFO updates CalPERS "pay schedule" after Board approves new position



### **Timesheets**

- Employees prepare and certify bi-monthly timesheets through Paychex Time & Attendance.
- Requests for PTO or Leave will be submitted through Paychex and approved by their manager.
- CEO approves all timesheets. Audit trail is logged in Paychex.
- CFO processes payroll through Paychex.
- Payroll periods are the 1<sup>st</sup> through the 15<sup>th</sup> and 16<sup>th</sup> through the end of the month.

### **Preparation of Payroll**

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

- CFO records payroll transactions in Intacct
- 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*

**CONTROLS:**

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



- All transactions are supported by documentation.
- Financial Statements include Actual Current Quarter and YTD columns, and Budget for the 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. The audit is not relied upon as a substitute for the District's internal controls.

### **REVIEW AND REPORTING**

The CEO and CFO shall review and assess these internal controls annually and consult with the District's outside auditor on any recommended additions or modifications.

The CEO and CFO shall make an annual report to the Board of Directors concerning their annual assessment of the internal controls.

**Revised February 11, 2019**

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**Updated and Approved by the Board: 10/24/24**