

# Internal Financial Controls Policy

## SCOPE OF THIS POLICY

This statement reflects the general policy relating to internal controls for The Company.

## DELEGATION OF AUTHORITY

- The board delegates the authority for developing internal control procedures to the staff of The Company.
- The board retains the authority to engage an auditing firm to perform an annual financial audit of The Company and produce audited financial statements.
- The board retains the authority to authorize other audits to review activities not included within the scope of a financial audit.

## GENERAL GOALS OF THE INTERNAL CONTROL SYSTEM

- **GENERAL PRINCIPLES**
- **RECORD KEEPING**
- **CASH DISBURSEMENTS**
- **PERSONNEL**
- **INTERNAL AND EXTERNAL REPORTING**
- **ACCOUNTING INFORMATION SYSTEMS**

## GENERAL PRINCIPLES

- All financial activity advances the purpose of The Company, either for program activity, general and administrative support.
- Staff members responsible for tasks relating to financial transactions have a level of training and experience that enable them to exercise the level of skill and judgment required by the most critical aspects of the task.
- No person makes commitments for The Company beyond their level of authority.
- More than one person is involved in the completion of every financial transaction.
- Care is taken to ensure that closely related individuals are not in a position of reviewing or authorizing each other's transactions.

## RECORD KEEPING

- Transactions are recorded in the accounting system of the organization as close as possible to the time when they occur.
- Transactions are classified and recorded accurately based on objective criteria and consistent treatment of similar transactions.
- Documentation of accounting transactions is clear and legible.
- The media on which documentation is recorded remains readable until the time when the record is destroyed.
- Special care is taken to identify and to record accurately non-cash financial transactions, whether they result in income, expense, assets, or liabilities.
- Activities are not recorded on a net basis. When an activity includes transactions that increase and decrease a financial account, the increase and decrease transactions are recorded separately.

## CASH DISBURSEMENTS

- The purpose of each expense transaction is documented at the time of the transaction. The extent of documentation is based on the transaction's size, frequency of similar transactions, and reporting requirements of contracts or restricted grants. Documentation with each transaction provides adequate explanation for an independent reviewer unfamiliar with the details of the transaction.
- Special care is taken with cash transactions to ensure frequent reconciliation of accounts with the financial institutions that hold the accounts.
- All cash disbursements including payments under an executed real estate lease or rental agreement are initiated by a person other than the person who prepares the check.
- Care is taken to prevent duplicate payment for the same goods or services.
- Settlement of any claims against the organization are reviewed and approved before payment.

## PERSONNEL

- Payment for employee compensation or benefits is made only on behalf of bona fide employees for services performed as authorized and documented in employee time and attendance records.
- Personnel additions, employment contracts, separations, wage rates, salaries, deductions, and severance payments are authorized and documented in the accounting records.
- There are written personnel policies and procedures made available and applied equitably to all employees that provide for consistency in recruitment, compensation, discipline, separation, and termination of employees.
- Employees are hired, compensated, and separated in compliance with applicable federal and state laws, as well as contracts and restricted grants.
- Employee leave balances are tracked and regularly verified.

## **INTERNAL AND EXTERNAL REPORTING**

- As much as possible, internal financial reporting is on a basis consistent with external financial reporting, except that interim financial reporting may be on a cash basis rather than an accrual basis.
- Financial statements present adequate information to serve as the basis for informed review.
- All requirements are met for federal and state registration and all taxes are paid.

## **ACCOUNTING INFORMATION SYSTEMS**

- Accounting records are organized to facilitate retrieval of documents when needed.
- Accounting records are retained until the time designated for destruction and they are destroyed when that time arrives.
- Legal documents (such as executed contracts) and personnel records are kept separate from accounting records. • Other systems that provide information to the accounting system are identified.
- Special care is taken to ensure reconciliation of balances and continuity of an audit trail between the accounting system and other systems and to ensure that the records in the other system are retained as appropriate for accounting records.
- Special care is taken to ensure the integrity of computerized accounting records.
- Care is taken to ensure that technical support is available for accounting systems and other systems that provide information to the accounting system.
- Internal control policies are maintained during transitions in computerized accounting systems and other systems that provide information to the accounting system.

## **Purchasing Responsibility**

- Reporting
  - Individual Department is responsible for reporting the overall expenditures to the Executive Director
  - The Executive Director or Finance Department may request documentation on any purchase at any time.
- Purchases of office supplies/small equipment/pantry/program supplies (food, craft supplies) for amount less than \$300
  - All request for office supplies is forwarded to the Operation Manager.
  - The Office Manager determines if there are remaining budgeted funds available for the purchases.
  - If there are no remaining funds, the Finance Manager approves the purchase.
  - The Operation Manager places orders twice monthly.
  - The Operation Manager makes the decision as to which vendors to use. Vendors will be decided based on considerations of: prices/vendors that supported social good/product quality etc
  - The Operation Manager verifies delivery, approves Invoices & submit to Finance Department for payment to Vendors.
- Replacement of office equipment and furniture
  - All request for replacement of office equipment and furniture are forwarded to the Executive Director.
  - The Manager who raises the request will source and negotiate for 3 quotes, suggest which vendor to use and submit the request (form required: Purchase Order).
  - Upon approval, The Manager will place the order, verifies delivery, approves Invoices & submit to Finance Department for payment to Vendors.