

FINANCIAL POLICY AND PROCEDURES

SAMPLE

XI. FINANCIAL

Policy of Internal Financial Controls

Financial Oversight: The finance Committee of the corporate board of directors shall be responsible for:

- Review of monthly income statements and balance sheets prior to each scheduled meeting of the board of directors, which shall be no less than 6 times per fiscal year.
- Annual review of the agency financial audit findings, including the staff for compliance or improvement of agency financial accountabilities within the laws and guidelines governing non-profit organization operations.
- Annual review of the staff's internal controls and accounting procedures manual including recommendations for technical support in areas professional development and agency systems to execute, maintain and improve accounting compliance and performance.
- The following are financial policies in accordance with auditor recommendations:
 1. loans to employees and governing board members are prohibited
 2. Potential conflict of interest for purchasing goods or services from the governing board members, employees, or other suppliers will be monitored by the board or its designees.
 3. Review the proposed annual budget and support the executive director in assessing the budget revenue and expense aligned with:
 - Status and stability of revenue sources
 - Fund raising performance history
 - Expenses reviewed against program objectives and facility usage.

Financial Oversight:

- The Board of Directors is responsible for authorizing all bank accounts and check signers.
- Restricted Funds are maintained in separate accounts if required by the funding source
- Financial institutions are notified if any changes are made in check signers.
- Dual signatures are required on checks.
- The Executive Director and the Executive Board have check signing authority.
- Financial reports are presented to the _____ board for review on a monthly basis.
- An annual audit or financial review is conducted by a qualified outside auditor.
- Financial and administrative guidelines related to specific grants are followed.

Cash /Check Receipts:

- Employees handling cash have the necessary knowledge and skills to perform the job and are supervised by the director.
- Incoming checks are restrictively endorsed for deposit only when received.
- **The administrative assistant will open mail and count incoming cash. Deposit slips are authorized by the Director**
- Cash receipts are immediately deposited **after verification of funds from the Director.**
- **Cash collections are documented by the administrative assistant and reconciled by the director to bank deposits receipts on a monthly basis.**
- Bank deposit receipt are compared and attached to the original bank deposits slips.
- Adequate physical controls are maintained over cash receipt from the time of receipt to deposit in the bank.

Cash/Check Disbursements:

- The Director must provide approval for all disbursements.
- All disbursements, including payroll are made by check.
- No stamps are used to sign checks
- Supporting documents must accompany checks when presented for signature.
- Payments, invoices and other supporting documentation are copied and filed in paid receipts and the monthly expense file.
- Checks are payable to specific payees, and never cash or bearer.
- Checks are used and always in sequence
- Controls are maintained over blank checks by locking in a filing cabinet.
- Vendor invoices are compared by the director for accuracy before preparing checks.
- Checks are prepared from vendor invoices only.
- All check numbers are accounted for.
- Voided checks are marked "VOID" with the signature portion removed and retained in a secure place.
- Only persons authorized to prepare checks have access to blank checks.
- The board properly documents disbursements that require special approval of funding sources.
- Employees must submit a detailed expense record, with supporting documentation, in order to be reimbursed.
- Expense records must be reviewed by the Director and initialed for approval prior to payment.
- Signing of blank checks is prohibited.
- All incoming revenue and outgoing checks must be recorded on the accounting program, _____.
- All incoming revenue must be copied and filed in the accounting book under the proper category.

- All payments must be stapled with the check invoice and vendor statement and filed in the expense file.

Reconciliation:

- Bank accounts are reconciled by the person responsible on a monthly basis, and reviewed by the Director/Board Treasurer.
- The Director must receive and review the bank statements unopened.
- Checks that are outstanding over 90 days are investigated and payment stopped with an entry made restoring such items to cash if appropriate.

SAMPLE

TITLE: PETTY CASH FUNDS

EFFECTIVE DATE:

POLICY:

It is the policy of _____, Inc. to maintain guidelines for responsibility, handling and balancing of all Petty Cash funds for the agency.

PURPOSE:

The purpose of this policy is to ensure there is a clear tracking and approval system for all disbursements of Petty Cash.

PROCEDURE:

1. Establish Petty Cash Fund.

Petty Cash Funds are established in order to transact small incidental purchases under fifty dollars (\$50.00). To establish a Petty Cash Fund, a check will be issued in an appropriate amount payable to the person responsible for the fund.

- a. The petty cash custodian must sign an agreement indicating their control over the funds (Exhibit A).
- b. If the petty cash custodian leaves the employment of _____, Inc., the Bookkeeper will conduct an audit of the petty cash fund. Based on the result of the petty cash audit, the Bookkeeper will issue a letter relinquishing the petty cash custodian for any responsibilities.

1. The bookkeeper will make surprise audit of the petty cash fund.

- c. The following facilities/programs will maintain a petty cash fund:
 - i) _____, Inc.

2. Disbursements and Replenishments.

- a. The petty cash custodian must request and attach receipts and appropriately fill out the “Reimbursement Voucher” for each transaction. The person receiving the fund must sign the “Reimbursement Voucher” acknowledging receipt of money from the petty cash custodian. All expenses should be approved by the Executive Director prior to disbursements.
- b. Petty cash will be replenished on the 30th day of each month if necessary. All receipts attached to the “Reimbursement Voucher” should be added up. The total receipts and cash on hand should balance to the total petty cash fund assigned to the petty cash custodian.

- c. The petty cash custodian gathers all the “Reimbursement Vouchers” and attaches them to the “Petty Cash Reimbursement Summary.” The form must be signed by the petty cash custodian and approved by the Executive Director.
- d. Upon approval, the request must be submitted to the _____ Department for replenishment.
- e. The fund is processed with the other payables.

NON-ALLOWABLE EXPENDITURES

All purchases must be requested and processed through the Executive Director. Petty cash funds must not be used to purchase the following items:

- Computer Software
- Repair and Maintenance Supplies
- Vehicle Repair

AUDIT PROCEDURES

The Executive Director will do a surprise audit of the petty cash fund. Normally, it is scheduled twice a year but special audits will be performed when deemed necessary or when the fund is relinquished upon termination of the custodianship.

The Bookkeeper, who acts as an Auditor, goes to each petty cash custodian, and audits the petty cash fund. They are performed on “surprise” basis to ensure that fraudulent activity will not be covered up due to advance notice.

- a. The petty cash audits are performed to substantiate the amount of funds on hand of each petty cash custodian.
- b. At the time of the audit, a “Petty Cash Audit Form” will be completed by the auditor. This form identifies the amount of cash on hand and the amount of receipts. The total of these two items should equal the petty cash fund assigned to the petty cash custodian.
- c. Any discrepancies discovered should be documented and whenever possible, resolved immediately. The result of the audit is given to the custodian and a copy is kept on file with the Executive Director and Bookkeeper.

Administrative Signature

Date

Petty Cash Agreement

I, _____, acknowledge to be the petty cash custodian, as of this date, _____. I have been assigned the responsibilities of maintaining it in the amount of _____ (\$_____). I understand that it is my responsibility to take all reasonable precautions to assure the safeguarding of the funds. These funds are used for expenses incurred on behalf of _____, Inc.

_____, Inc., agrees that as a petty cash custodian, I will not be held accountable for any shortage or loss provided:

- a. Each incident of shortage or loss is expected to be reported to the Bookkeeper within three days; and,
- b. Custodian can satisfactorily prove that reasonable precautions were used in preventing such an event to happen.

Should I leave the employment of _____, Inc., I will be responsible for returning the funds to the company. If I fail to do so, I will agree to take the funds off from my final check before a clearance will be issued to me.

Petty Cash Fund Custodian

Petty Cash Audit Form

Facility or Program: _____ **Fund Amount:** _____

Custodian: _____ **Date:** _____

Petty Cash on Hand: _____

Total Cash Receipts: _____

Total Petty Cash: _____

Cash Count:

Ones _____ Pennies _____

Fives _____ Nickels _____

Tens _____ Dimes _____

Twentys _____ Quarters _____

Fund Balance was: _____ Balanced _____ Over _____ Under

Comments:

Petty Cash Custodian Signature: _____

Auditor Signature: _____

Date Audit Performed: _____