

## **Sample Internal Controls**

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ORGANIZATION strives to have the best possible system of internal controls and financial accounting. To that end, these policies and procedures guide the work of Board and staff:

### **A. Accurate, timely financial reports and information returns**

The Board Treasurer provides oversight to ensure that ORGANIZATION provides accurate, timely financial reports. The Treasurer and office staff shall maintain an annual calendar of reporting deadlines and confer regularly to ensure that all reports have been filed.

### **B. Approval of plans and commitments before they are implemented**

The annual budget in general directs how funds are spent. This budget is based on ORGANIZATIONS' fiscal year (MONTH through MONTH). Board approval is needed to spend funds or make financial commitments to projects that have not already been incorporated into the annual budget. The staff and Finance Committee shall review monthly comparisons of financial statements with budgeted amounts, leases, loan agreements, and other major commitments. The Treasurer reports the condition/position monthly to the entire Board.

### **C. Compliance with other government regulations**

ORGANIZATION complies with all government regulations pertaining to grants and contracts. When new funds are awarded from a public entity, ORGANIZATION Treasurer and/or staff financial manager shall review all documentation to ensure that ORGANIZATION is in compliance with all regulations of the contracting organization as well.

### **D. Contracts**

ORGANIZATION may use a private consultant only if there is a substantial need for the consulting services and if ORGANIZATION cannot adequately perform the services with its own personnel. ORGANIZATION shall select a consultant on the basis of demonstrated competence, knowledge, and qualifications and on the reasonableness of the proposed fee for services. The following procedures regarding contracts and procurement comply with federal requirements and to be used for purchases or contracts over \$5,000.

### Awarding contracts:

No employee, officer or agent shall participate in the selection, award or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer or agent, or any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. The officers, employees, and agents of the recipient shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to sub agreements. However, recipients may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. Any violations of such standards by officers, employers or agents of ORGANIZATION shall be subject to disciplinary action as outlined in the Personnel Policies.

Employees are prohibited from accepting gifts, money, or gratuities from persons receiving benefits or services from ORGANIZATION. Any gifts of whatever value received at ORGANIZATION will be considered gifts to the organization. Money and gratuities received from public appearances as representatives of ORGANIZATION will be deposited in the unrestricted account.

### Contract administration

The Board Treasurer will ensure that a system for contract administration is maintained to comply with the terms, conditions and specifications of the contract and to ensure adequate and timely follow up of all purchases. Receipts shall evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions and specifications of the contract.

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, inclusive, and free competition. ORGANIZATION shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft grant applications, or contract specifications, requirements, statements of work, invitations for bids and/or requests for proposals shall be excluded from competing for such procurement. Awards shall be made to the bidder whose bid or offer is responsive to the solicitation and is most advantageous to the recipient after considering all factors. ORGANIZATION shall

clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the recipient. Any and all bids or offers may be rejected when it is in ORGANIZATION' interest to do so.

#### Cost and price analysis

Cost or price analysis shall be made and documented in connection with every procurement action before a contract is awarded. Price analysis may be accomplished in various ways including comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

#### Procurement records:

Procurement records and files for purchases in excess of \$5,000 shall include the following: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

#### Errors in process:

In the event that procurement procedures have not been adequately followed, the CEO or Board President may request to reopen the procurement activity.

#### **E. Credit Card**

ORGANIZATION shall have a credit card for the purposes of expedient payment for small purchases and on-line transactions. Employees may be issued cards with specific credit limits as appropriate.

#### **F. Disbursements:**

The Board of Directors, acting through the Executive Director, authorizes payments for services and financial commitments of ORGANIZATION. The Board Treasurer, the Executive Director, and any other persons deemed appropriate by the Treasurer shall be authorized to sign checks on behalf of ORGANIZATION. For checks in amounts in excess of \$2,500, with the exception of payroll checks and office rental checks, two signatures shall be required. Cash is disbursed only upon proper authorization of management, for valid business purposes. All disbursements are properly recorded.

#### **G. Deposits**

All cash intended for ORGANIZATION is received, promptly deposited, properly recorded, reconciled, and kept under adequate security. The full amount of cash

received must be promptly deposited. Cash received must not be used for making change, petty cash purposes, etc.

#### **H. Finance Committee**

The Board of Directors will annually appoint a finance committee who works under the Board Treasurer to ensure appropriate presentation of an annual budget, appropriate distribution of funds and the presentation of monthly financial statements. The Finance Committee reviews the annual audit and presents it to the Board of Directors.

#### **I. Fixed assets**

Expenditures for land, building and equipment are recorded at cost. Donated assets and capitalized donated leases are recorded at their estimated fair market values at the date of donation. Depreciation expenses are calculated using the straight-line method and the following estimated useful lives:

Buildings and improvements	10-35 years
Furniture and equipment	3-10 years
Vehicles	3-5 years

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expenses as incurred. ORGANIZATION capitalizes all fixed assets with a cost greater than or equal to \$500 and a useful life greater than one year, unless otherwise stipulated by a grant. When an asset is purchased through a grant, the grant's capitalization rules apply.

Fixed assets may be acquired and disposed of only upon proper authorization by the Board of Directors, are adequately safeguarded, and properly recorded.

ORGANIZATION will conduct an annual inventory of fixed assets and maintain a central list of fixed assets, which includes registration numbers, warranty information, original cost, and service contract information, if appropriate.

#### **J. Grants, gifts, and bequests**

All grants, gifts, and bequests are received and properly recorded. Compliance with terms of any related restrictions is monitored by the financial manager and Treasurer of ORGANIZATION.

#### **K. Investments and accounts**

In order to minimize risk and maximize benefit, ORGANIZATION utilizes as many Federally Insured local banking and savings institutions as is practical. With the

exception of checking and money market accounts, the maximum amount on deposit with any institution may not in the usual course of business exceed \$100,000. The Treasurer reviews our position monthly and instructs the staff of any changes to make.

#### **L. Line of Credit**

ORGANIZATION shall maintain an appropriate line of credit to ensure regular cash flow.

#### **M. Petty cash**

Petty cash and other working funds are disbursed only for proper purposes, are adequately safeguarded, and properly recorded.

#### **N. Payroll**

Payroll disbursements are made only upon proper authorization to bona fide employees. ORGANIZATION shall ensure that payroll disbursements are properly recorded and that related legal requirements (such as payroll tax deposits) are complied with. Payroll checks are never released prior to payday.

#### **O. Recording donated good and services, pledges and other revenues**

Pledges are recorded at the time they are made. Donated materials are recorded in an "In-kind ledger" with annotations about source, materials and estimated values for goods and services. Estimates are recorded at fair market value. Services, including but not limited to, volunteer hours (direct service, event, board and administrative) and professional services (dentists, doctors, legal, et) shall be computed at rates commensurate to the tasks performed. Annually, ORGANIZATION Board reviews the In-kind ledger. In-kind contributions are factored into ORGANIZATION'S annual budget and audit.

#### **P. Segregation of duties**

All disbursements are initiated from properly authorized documentation. The Board President or Treasurer or Chief Executive Officer approve payments and sign checks prepared by the office manager. All checks over \$2,500 (with the exception of payroll and office rental checks) must carry two signatures. Signatories may not sign a check payable to themselves. All banking/security statements are delivered unopened to the Treasurer, who reviews and initials prior to sending to the Office Manager for reconciliation. The Board Treasurer reviews disbursements with accompanying documentation each month. ORGANIZATION contracts with an outside accounting firm to prepare the bank reconciliation, and review canceled checks.