

Regional School District # 4
CHESTER • DEEP RIVER • ESSEX

**Business Procedures
Manual**

Revised November 2015

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Statement of Purpose

This manual was developed to provide guidance and instruction to district personnel on required business office procedures in accordance with district policies, state requirements, and best practices in school finance.

This document is written in plain understandable language for those individuals who have a routine familiarity with business office terminology and basic business office procedures.

It is not intended to be a substitute for training on the district's financial software package or to answer every single question of a new or substitute employee. Rather its purpose is to facilitate a consistency of practices that reflect good stewardship of the district's financial resources, maintain a culture of transparency, and provide essential information that the board of education and administration require for effective decision making.

Each employee of the district should familiarize and follow all of the procedures relevant to his or her position, as compliance is a job performance expectation. Should a deviation of these procedures be necessary because of an unusual or unforeseen circumstance, it is the obligation of the employee to provide an explanation in writing to his or her immediate supervisor.

Affirmative Action Statement

The school system shall not enter into any contract with a person, agency, or organization if it has knowledge that such persons, agency or organization discriminates, as defined by law, either in employment practices or in the provision of benefits or services to employees.

Bidding/Quotations

When an order for materials, equipment or services costs under \$5,000, three competitive quotes shall be obtained, if reasonably possible. A price quotation form shall be prepared listing all of the quotes obtained and the selected vendor. The selected vendor should be highlighted on the form. If for any reason the lowest responsible bidder is not selected an explanation shall be provided. A copy of the price quotation sheet should be filed with the purchase order, and in the selected vendors file.

Bid Process: When an order for materials, equipment or services costs more than \$5,000, a formal bid process through the Business Office is required. The Administrator initiating the request is responsible for providing the Business Office with detailed specifications and a list of vendors for each item or service being purchased. The legal process takes a minimum of one month from the day the Business Office receives the specifications from the Administrator. The Superintendent may request the Board of Education to waive bidding requirements if it is in the best interests of the school system to do so. Bids are not required for textbook purchases, purchases where only one supplier exists, services requiring specific expertise or state licensure, or architectural, engineering or financial services. However, Requests for Proposals are required for architectural or consultative services.

Cooperative Purchasing Program: Region #4 (Chester, Deep River, Essex) is a member of a CCCP (Connecticut Consortium for Cooperative Purchasing.) This program covers paper, office and instructional, AV and health supplies. The results of the bidding process are available on line to member districts. All purchase orders for items covered by the CCCP should be ordered in accordance with the program awards. Any items not being ordered in accordance with the Cooperative Purchasing Program will require a statement of justification.

Other Items: The purchase of any material, equipment or service not falling into one of the above categories must be processed on a purchase order that has been authorized prior to ordering goods or the delivery of services. This includes professional services contracts, for example, accompanists or guest lecturers. **There should be no confirming purchase orders, except in the case of an emergency, and those should be authorized by a telephone call to the Business Manager or Superintendent prior to the commitment of any funds (see emergency Purchase Orders).**

Price Quotation Form

Prepared By _____

Date _____

Superintendent _____

SBO _____

Item _____

Description _____

Manufacturer(s) _____

Vendor Quotes

Salesperson _____

Telephone _____

Notes _____

Salesperson _____

Telephone _____

Notes _____

Salesperson _____

Telephone _____

Terms _____

Delivery _____

Unit Price _____

Quantity _____

Shipping _____

Total \$ _____

Terms _____

Delivery _____

Unit Price _____

Quantity _____

Shipping _____

Total \$ _____

Terms _____

Delivery _____

Unit Price _____

Quantity _____

Shipping _____

Purchasing

1. Phase 1 - Distribution of Purchase Orders and Record Keeping
 - A. Each location will be given a defined Purchase Order range to be utilized in the accounting software.
 - B. Purchase orders should be utilized in the numerical sequence in the range given.
 - C. Purchase orders filled out in error, or canceled by an administrator, shall be voided at the location, with this indicated on the voided P.O.
2. Phase 2 - Purchase Requisitions shall be completely filled out, including all required budget coding information.
 - A. The requesting agent, (teacher, clerk, custodian, nurse, etc), shall present such request upon the purchase requisition form to the building principal for his/her approval.
 - B. The purchase requisition must include the following:
 - (1) Item and number requested.
 - (2) Unit item (i.e. per dozen, per 100, etc.)
 - (3) Description of item and catalog item number if available.
 - (4) Catalog or list cost of the item.
 - (5) Appropriate vendor with address.
 - (6) Appropriate budget code number.
 - C. Upon approval, the location principal shall verify the code number and also verify that there is ample funding for orders. He/she also must verify its being budgeted or its necessity. His/her approval is indicated by his/her signature on the requisition.
3. Phase 3 - Purchase Orders are to be completely filled out at the school after Phase 2 has been completed.
 - A. The purchase order must be typed and include all the information categorized in Phase 2, item B.
 - B. Principal/administrator must maintain record of the order (this may be done with a purchase order.)
4. Phase 4 - Purchase Orders Received at the Business Office
 - A. The purchase order is scrutinized to insure the form is properly completed.

- B. Funds available are verified. If insufficient funds are present, the purchase order will be returned to the requestor.
- C. Purchase order is then forwarded to the Business Manager or their designee for review and final approval.
- D. If there are any significant adjustments to be made in price, or change in product specifications, the Business Manager or Principal or his/her designee will notify the appropriate administrator on how to proceed.
- E. If no beneficial adjustments are necessary, the Business Manager or designee approves the purchase order by affixing his/her signature to the document.
- G. Distribution of the three (3) part purchase order is as follows:
 - (1) Page 1 is given to the vendor.
 - (2) Pages 2 is retained by the maker to be matched to the receipt of goods or services.
 - (3) Page 3 retained by Business Office/Principals office and matched to invoices as order is received.

5. Phase 5 - Receipt of Order by Requesting School

- A. When shipment arrives, the principal or his/her designee will check and verify contents against the copy of the purchase order.
 - (1) When the order is complete, he/she will write complete, with signature, and attach the packing slip(s) to the copy of the P.O..
 - (2) When the order is incomplete the principal will check off and initial those items that have arrived. He/she should hold this purchase order and packing slip until the balance of the order is shipped, and then forward the P.O. to the Business Office. A recommendation for payment of partial orders may be requested from the Business Office and approved/denied by the Principal/Administrator for valid reasons.
 - (3) If the remaining portion of the order is not filled within ninety (90) days then the remaining portion of the unfilled order should be canceled with a letter from the principal to the vendor. A copy of such cancellation notice shall be maintained by the principal with the purchase order and packing slip to indicate recommendation of payment for items received. (The principal may re-order these items if he/she wishes.)
 - (4) If anything is received damaged it should be noted on the purchase order and packing slip. The principal should contact the trucking company when damage occurs and receive the proper credits or adjustments.

6. Phase 6 - Receipt of Invoice and Purchase Order, Copy with Packing Slip from Principal

- A. Upon receipt of the invoice from the vendor and certification of receipt of goods and/or services from the building principal, the purchase order copies shall be matched and made ready for payment.
 - (1) When paid, the encumbrance record is credited and the expenditure record is debited by the amount.
- B. Upon acceptance for payment, a check warrant will be generated by the appropriate department. The warrant is reviewed and signed off by the Business Manager and checks will be produced by the business office staff.

7. Phase 7 - Bills

- A. Regular monthly bills shall include the following:
 - (1) The appropriate account numbers will be included for such items as utilities, insurance, services, etc.
 - (2) Installment payments on services shall be made out on one purchase order with the monthly payments listed for the entire year. This way the entire amount will be encumbered and such encumbrance will be reduced by each payment that is made. Each payment will be made against this one purchase order indicating payment against the appropriate installment. (Expenditure is debited and encumbrance is credited.) A copy of each invoice should be attached to the blanket purchase order.

Purchases or contracts made outside of the approved purchasing system shall not be the responsibility of the Board of Education.

Emergency Purchases/Extraordinary Situations

Emergencies shall be defined as situations in which the operation of the school, the health or safety of students, staff or the public or the operation of a program would be seriously hampered or at risk.

Extraordinary conditions shall be defined as conditions, which are not known until after an operation has begun, that require unanticipated parts, equipment or materials to be obtained in order for the operation to be completed.

Under the conditions defined as emergency or extraordinary in nature, the Business Manager or Superintendent may authorize by phone the purchase of the necessary item or service.

An Emergency expense form shall be completed for all emergency or extraordinary expenses and followed by a purchase order including all information on the incurred expense. This type of order shall be identified as a "Confirming Order". Follow the routing for purchase orders.

Confirming orders other than those described above are not allowed.

Emergency Order Form

On _____ an emergency order for _____ was placed with the following vendor
_____ without a prior purchase order this was necessary
because of:

This is in accordance with the district policies for emergency orders.

Requesting Administrator _____

Approving Administrator _____

A copy of this form must be attached to the purchase order.

Personal Services Purchase Orders

Whenever an agreement is made with an individual or unincorporated business to provide a contracted service that will not be paid through payroll, the name, address and telephone number of the individual or unincorporated business must be specified on the purchase order. IRS rules require the district to report non-payroll expenditures to individuals or unincorporated businesses for personal services. These payments are reported to the IRS on Form 1099, a copy of which is furnished to the individual or unincorporated business. Before any payments are made, the individual must supply the Board with a form W-9, Request for Taxpayer Identification Number and Certification. The address and telephone number supplied on the purchase order are used to contact the individual or unincorporated business in order to obtain this required information.

The description portion of the purchase order should record the dates of the agreement and the estimated project completion. The purchase order should also indicate the payment schedule and whether any special payment arrangements have been made with the individual other than payment when the project is completed. Each payment, either partial or final, will require an authorizing signature from the appropriate Administrator that the services being paid have been performed.

Expenditure Authorizations

Only items listed in a particular fiscal year's budget document, either individually (equipment) or collectively (supplies, etc.) may be purchased during a particular year. Expenditures may not exceed the budgeted amount for any line item or sub-line item without prior authorization from the Superintendent or designee.

Budget and Expenditure Report

District administrators are to submit, with the Board of Education agenda, a report of encumbrances, expenditures and available funds in each budget line.

Each administrator is responsible for the management of his or her program and related budget lines and will be held accountable for periodic projections of year-end account balances, when requested by the Business Manager.

Year-end Cutoff Procedures

To assure delivery and acceptance prior to June 30 for budgeted goods and services, the cutoff deadline for purchase orders from the current operating budget should be received in the Business Office is June 1, unless an earlier date is set by the Superintendent.

Grants

All grant proposals must be submitted to the Superintendent for approval prior to submission to the granting authority. A copy of the grant proposal, including filing instructions and granting agency requirements must be sent to the Business Office.

All other procedures, including deadlines, as described in this Business Procedures Handbook, will apply to transactions involving grant funds. In addition, any regulations of the granting authority must be strictly adhered to.

Each month the Business Manager will request available grant money through the state website via the ED111 Monthly Cash Management Report or other appropriate State report. The money requested will be on a cumulative basis. At the end of the year (in August) an ED141 Expenditure Summary Report must be completed. This report will show all of the expenditures incurred for each grant for the fiscal year. This information is required for the ED001 End of School Year Report.

All expenses and revenues will be entered into the financial software system.

The Business Manager will prepare an annual report to the Board of Education of all grants. The report shall contain the amount of each grant and how the funds are being expended.

Reimbursements for Travel or Out of Pocket Expenses

All requests for reimbursement of out of pocket expenditures are made on an Accounts Payable Requisition Form, which must be accompanied by evidence of purchase and payment, such as an original sales receipt with a statement of the purpose for the expenditure within 45 calendar days of incurred expense.

Receipts are to be neatly attached to backup sheets such that each individual receipt is readily accessible.

This should be used on rare occasions. Purchase orders should be used and items should be purchased from Vendors in which we have an account. We will not pay sales tax on these items.

Travel Reimbursement - Professional Development / Conferences

All requests for professional development or conferences must be approved by the building administrator or supervisor and submitted at least ten days in advance to the Business Office, through the building administrator or supervisor. A copy of the meeting announcement or registration materials providing details shall be attached. Employees should endeavor to obtain a **certificate of completion** for any training confirming that he she was in attendance and met the requirement for the training.

Use of personal vehicles will be reimbursed at the Internal Revenue Service standard mileage rate. This can be found at www.irs.gov. Travel from the employee's residence to place of work is commuting expense and not reimbursed.

Reimbursable expenses may include taxis, bus fares, total parking and gratuities up to the limits established annually by the Board of Education. **Alcohol, entertainment and personal expenses, such as toiletries, snacks or laundry charges, are not reimbursable.**

To complete the Meeting form:

Complete the Professional Development/Conference form and attach copies of the meeting registration application.

Complete a Request for Reimbursement Form. Submit the completed form after the employee returns to work from travel with proof of payment.

REGIONAL SCHOOL DISTRICT NO. 4 - CHESTER, DEEP RIVER, ESSEX

APPLICATION FOR LEAVE

Submit three copies to the Central Office at least one week prior to requested leave.

Date of Filing _____

Date(s) of Requested Leave _____

If less than a full day, hours needed _____

Name _____

Please Print

Grade/Subject _____

Teacher Nurse Para

Substitute or Cover Needed: Yes No

REASON FOR LEAVE:

Personal Vacation

Field Trip Jury Duty

Conference, Workshop, Meeting, etc.

Be specific as to name of conference and location - city or town. Attach Registration Form.

ESTIMATED COST:

Registration \$ _____

I will pay or have paid _____

Pre-payment by BOE requested

Purchase Order required

Mileage _____

Meals # _____

Room (# Days) _____

Other _____

Signed _____

TOTAL REQUESTED \$ _____

RECOMMENDED:

With Pay

With Conference Expenses

Amount \$ _____

Without Pay

Not Recommended

Signed _____

Administrator

GRANTED:

With Pay

With Conference Expenses

(As recommended by the Administrator)

Without Pay

Not Granted

Signed _____

Superintendent

Within thirty (30) days of conference attendance, an individual must submit a Reimbursement Statement for approved Expenses, along with appropriate receipts for same.

Regional School District # 4
(Chester, Deep River, Essex)
Request for Reimbursement

Name: _____

Date(s) expenses were incurred: _____
(Request should be filed no later than 45 days from above date)

Purpose: _____

Registration

Lodging

Meals

Mileage @ IRS rate per mile:

To: _____ **From:** _____

From: _____ **To:** _____

Total Mileage: _____

Other (specify) _____

Total Reimbursement Requested: _____
(Attach supporting documentation with request)

I affirm that all statements provided on this form are accurate and all expenditures were legitimate expenses to the district

Signed Date _____

Approved: _____

Encumbrance Accounting

Budgets are legal authority for expenditures. To exercise this authority, the administrator must have accurate up-to-date information on the status of the budget balances at all times. Knowing how much money has been spent to date is generally not sufficient. The amount committed must also be known to avoid over expenditure of budgeted funds. An encumbrance accounting system is a method of ascertaining the availability of funds and then reserving funds to cover outstanding obligations.

Encumbrances represent commitments related to contracts not yet performed and are used to control expenditures for the year and to enhance cash management. A school district often issues purchase orders or signs contracts for work not yet performed and are used to control expenditures for the year and to enhance cash management. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes.

The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources. Likewise, the account reserve for encumbrances is not synonymous with a liability account since the liability is recognized only when goods are received or the services are actually performed.

During the budgetary period, a school district can determine the remaining amount of the new commitments that can be signed by comparing the amount of appropriations to the sum of expenditures recognized and encumbrances outstanding.

Encumbrances - Treatment at Year End

Prior to the end of the year, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the fiscal year end, the district will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the fiscal year. If the school district allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated to liquidated encumbrances.

Encumbrance Liquidation

An encumbrance may be liquidated in whole or in part or canceled when any of the following situations occur:

Satisfactory receipt of legal acceptance of a partial or complete shipment of goods or services

Notice from or failure of the vendor to fulfill terms of the order or contract

Cancellation of the order

If funds are not available due to lack of funds

Since many purchase orders are based on catalog prices or quotes subject to changes, amounts of encumbrances may vary from the amounts of expenditures.

Transfers between Budget Lines

An Administrator must submit a form to request a budget transfer between accounts. The form is then submitted to the Business Manager or Superintendent for approval. If it is within the same budget category it will be entered into the accounting software by the business office.

Transfers between categories (see below) must be approved by the **Board of Education** prior to the transfer being implemented, except in the case of health or safety emergencies, see page 10 Emergency Purchases.

The budget categories applicable to this policy are as follows:

- Personal Services - Salary and Employee Benefits (Object Codes 100 and 200)
- Purchased Professional and Technical Services (Object Code 300)
- Purchased Property Services (Object Code 400)
- Other Purchased Services (Object Code 500)
- Supplies, Textbooks and Library Books (Object Code 600)
- Property (Object Code 700)
- Other Goods and Services (Object Code 800)
- Debt Service and Transfers In/Out (Object Code 900)

Petty Cash

It is occasionally necessary to make small, miscellaneous purchases for which the processing of a purchase order would be inefficient. To meet this need, the Business Manager may establish a building or functional area Petty Cash fund as follows:

Each fund may be for no more than one hundred fifty (\$150) dollars,

The building or functional area administrator is responsible for the fund and its safekeeping.

Every transaction must be supported by the appropriate documents (sales slips and so forth).

Petty Cash reimbursements shall be made only upon the presentation of supported documents. The amount of the reimbursement shall be the total of the unreimbursed expenditures that will restore the Petty Cash fund to the established balance.

Petty Cash funds are subject to **audit** by the Business Office.

Sales tax is not reimbursable.

It is recommended that reimbursements be requested when expenditures equal one-half of the established Petty Cash fund or once monthly whichever is sooner.

Acceptance of Gifts

Offers of gifts or scholarships from individuals or groups in the community require the approval of the Superintendent and Board of Education subject to the following:

No gift or scholarship will be accepted, which in the opinion of the Superintendent is inappropriate for use by the schools.

The use and disposition of such gifts or scholarships shall remain at the discretion of the Superintendent.

Title to all gifts shall pass to Region #4 (Chester, Deep River, Essex) upon presentation. Gifts that require installation or maintenance costs shall be accepted only upon approval by the Superintendent, Director of Facilities and the appropriate area or building administrator.

The Board of Education will not be responsible for replacing such items when they are worn out or destroyed.

Conflict of Interest

The school system shall not extend favoritism to any vendors. Each order shall be placed on the basis of quality, price and delivery, with past service being a factor if all other considerations are equal.

The schools shall not solicit funds or material from vendors, however worthy the purpose.

No employee shall endorse any product of any type or kind in such a manner as will identify him or her in any way as an employee of the school system.

Students and their parents, suppliers, contractors and others doing or seeking to do business with the school system shall be discouraged from giving gifts to school employees. Where a student, adult or organization feels a desire to give a gift to a staff member, the gift shall not be unduly expensive. Principals, teachers and other staff members are urged to discourage the solicitation of funds from students for a class or group gift to an individual staff member. Expressions of gratitude and appreciation may be expressed more appropriately in letters to staff members.

Retention of Records

A school district must retain and have access to all financial programmatic records, supporting documents, statistical records and any other records pertaining to federal or state programs.

Destruction of Records

Regional School District # 4 (Chester, Deep River, Essex) follows the guidelines of the Office of Public Records Administrator and State Archives.

Records must be reviewed annually for proper disposal. A request must be made to the Business Office for records to be disposed of. The Business Office will complete a Records Disposal Authorization Form and will mail it to the Public Records Administration for approval. No records should be destroyed until the Business Office has received approval from the Public Records Administration

The Municipal Records Retention Schedule identifies the types of records involved and a minimum retention life of the documents. These can be found at <http://www.ctstatelibrary.org/node/3297>.

Appendix A - Internal Controls

Internal Control Defined

The extent of internal control that a school district should establish is a judgment that must be made by management. Management's judgment regarding the extent of internal control necessary is affected by circumstances such as the size of the organization and the number of personnel available. Consideration must be given to the relationship between costs and benefits. In addition, the nature of internal control is such that even appropriate internal control methods and systems will not guarantee that a school district's objectives will be achieved, nor will they ensure its success.

Internal control is defined as a process – affected by an entity's Board, management and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting
- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations

Internal control consists of these interrelated components:

- Control environment
- Risk Assessment
- Control Activities

Appendix A - Internal Controls

Control Activities

Control activities are “the policies and procedures that help ensure that management directives are carried out.” Control activities can be divided into four categories:

- Performance reviews
- Information processing
- Physical controls
- Segregation of Duties

The application of control activities, such as segregation of duties, is affected to some degree by the size of the school district. In smaller school districts, control activities will be less formal than in larger school districts. Additionally, certain types of control activities may not be relevant in a smaller entity.

Appendix A - Internal Controls

Internal Control- Budgets and Planning

Segregation of Duties

Segregation of responsibilities for budget preparation, adoption, execution and reporting.

Procedural Controls

Preparation

Development and preparation of initial budget submissions by major departments and activity centers

Review of departmental budgets by the Business Manager and Superintendent of and corrections by departments of oversights or integration of the executive's goal and objectives

Preparation of the budget in sufficient detail (responsibility level) to provide a meaningful tool with which to monitor subsequent performance

Adoption

Budget hearings to obtain citizen input

Recording in the accounting records of estimated revenues and appropriations for later comparison to actual amounts realized or incurred

Recording in the accounting system of budgets that have been approved by grantors in connection with grant activity

Reporting

Comparison of actual expenditures to budget with reasonable frequency and on a timely basis

Discussion of reports with departmental personnel and receiving explanations for significant variations from budget

Publication of actual results of operations against the budget

Appendix A - Internal Controls

Internal Control-Procurement and Payables

Segregation of Duties

Segregation of responsibilities for the requisitioning, purchasing and receiving functions from the invoice processing, accounts payable and general ledger functions

Segregation of responsibilities for the purchasing function from the requisitioning and receiving functions

Segregation of responsibilities for the disbursement preparation and disbursement approval functions from those for recording cash disbursements and general ledger entries

Procedural Controls

Requisitioning

Initiation of purchases of goods and services by properly authorized requisitions bearing the approval of officials designated to authorize requisitions

Indicating the appropriation to be charged on the purchase requisition by the person requesting the purchase

Before commitment, verification by the accounting or budget department that there are sufficient un-obligated funds remaining under the appropriation to meet the proposed expenditure

Having technical specifications accompanying requests for special purpose (nonshelf items) materials or personal services

Purchasing

Purchase order and contract issuance and approval procedures

Periodic review of purchase prices by a responsible employee independent of the purchasing department

Use of competitive procurement procedures

Establishing, documenting and distributing policies regarding conflicts of interest and business practice policies

Obtaining an adequate number of price quotations before placing orders not subject to competitive bidding

Receiving

If a receiving department is not used, adequate procedures to ensure that goods for which payment is made have been received; verification by someone other than the individual approving payment that goods have been received and meet quality standards

Invoice Processing

Invoice processing procedures providing for:

Obtainment directly from issuing departments of copies of purchase orders and receiving reports

Appendix A - Internal Controls

Comparison of invoice quantities, prices and terms with those indicated on purchase order

Comparison of invoice quantities with those indicated on receiving reports

As appropriate, checking accuracy of calculations

Receiving all invoices from vendors in a central location, such as the accounting department

Procedures ensuring that the accounts payable system is properly accounting for unmatched receiving reports and invoices

Procedures for submission and approval of reimbursement to employees for travel and other expenses

Making payments only on the basis of original invoices

Disbursements

Disbursement approval and warrant or check-signing procedures

Cross-referencing warrants or checks to vouchers

Prohibiting the drawing of warrants or checks to cash or bearer

Accounts Payable Encumbrances or Obligations

Regular comparison of statements from vendors with recorded amounts payable

Recording encumbrance (obligation) entries based only on approved purchase orders

General Ledger

Regular preparation of trial balances of reserve for encumbrances (obligations) and accounts payable

Posting transactions between funds in all affected funds in the same accounting period and on a timely basis

Grant and Entitlement Monitoring

Disbursing grants only on the basis of approved applications

Disbursing funds to grantees only on an as-needed basis

A level of grant approval authority that appears appropriate

Appendix A - Internal Controls

Internal Control-Financial Reporting

Segregation of Duties

- Segregation of the final review and approval of financial reports from the responsibility for preparation of the reports
- Segregation of the responsibilities for maintaining the general ledger from those for maintaining subsidiary ledgers
- Segregation of the responsibilities for maintaining the general ledger and custody of assets

Procedural Controls

General Ledger

- Supervision of a principal accounting officer over accounting records and accounting employees at all locations
- General ledger control over all assets and transactions of all departments of the organization
- Bonding employees in positions of trust in amounts required by statutes or organization policy
- Written accounting, policy and procedural manuals that are distributed to appropriate personnel
- Updating the accounting, policy and procedural manuals as necessary
- Procedures to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the organization
- Security for accounting records
- A formal policy regarding conflict of interest
- Requiring written representations from appropriate personnel as to compliance with accounting policies and procedures and ethics policies

Closing

- Procedures and policies for closing the accounts for a reporting period sufficient to ensure that accounts are closed, adjusted and reviewed on a timely basis
- Procedures to ensure that all accounting systems have included all transactions applicable to the reporting period
- Review and approval of valuation reserves or other account balances based on estimates
- Having all journal entries reviewed, approved and supported by adequate descriptions or documentation
- Controls that ensure that only authorized individuals can initiate entries

Combining

- Procedures to ensure the orderly and effective accumulation of financial data

Appendix A - Internal Controls

Preparation, Review and Approval

Procedures to ensure that financial reports are supported by either underlying account records or other documentation

Procedures to ensure that financial reports are prepared on a consistent basis

Procedures to ensure that all requirements for filing of financial reports are met (for example, senior levels of government, bondholders and public)