

CITY OF HEWITT

INTERNAL CONTROL POLICY

The City of Hewitt seeks to balance its internal accounting control in such a way as to ensure public confidence and maintain the integrity of its financial systems and assets, without unduly inhibiting the ability to efficiently carry out its mission.

EXPENDITURE DISBURSEMENT

Goal: The goal of the City Council in establishing an internal control system for expenditures is to safeguard the assets of the City and to ensure an appropriate level of fiduciary responsibility.

Objective: The objective of the City Council in meeting this goal is to ensure that cash is disbursed only upon proper authorization of management for valid governmental purposes, and that all expenditures are properly recorded.

PROCEDURES

SEGREGATION OF DUTIES

1. Payment of all claims shall be authorized by the appropriate department supervisor. Claims for Approval shall be submitted monthly to the City Council.
2. Checks shall be signed by the Clerk/Treasurer and the Mayor. In the absence of the Mayor, the Acting Mayor shall be designated to sign checks. All checks shall require two signatures.
3. Payments shall be coded and recorded by the Clerk/Treasurer.
4. Every six months the bank statements shall be reviewed by a council member. The bank reconciliation reports shall be prepared by the Clerk/Treasurer and reviewed by (a) council member(s) at the discretion of Council.

ACCOUNTING CONTROLS

1. All disbursements, except those from petty cash and approved electronic transfers, will be made by pre-numbered checks.
2. It is not permissible to draw checks payable to Cash.

3. Under no circumstances will blank checks be signed in advance.
4. Disbursements shall be prepared for each request for reimbursement that details the date of the check, check number, payee, amount of check, description of expense account to be charged, authorization signatures and be accompanied with related source documents.
5. Expenditures must be approved in advance by authorized persons.
6. All signed checks will be mailed promptly.
7. The individuals authorized to sign the checks shall review each cash disbursement voucher for the proper approved authorization and supporting documentation of expense.
8. Invoices will be marked "paid" and include date paid and the number of the check.
9. Invoices and requests for reimbursement will be checked for accuracy and reasonableness before approval.
10. A monthly cash disbursements journal will be prepared that details the date of the check, check number, amount of the check and description of the expense account to be charged.
11. Unpaid invoices shall be maintained in an unpaid invoice file by the Clerk/Treasurer.
12. Travel related expenses shall be submitted on a timely basis.
13. Checks by which claims are paid shall have printed on the reverse side, above the space for endorsement, "The undersigned payee, in endorsing this check, declares that the same is received in payment of a just and correct claim against the City, and that no part of it has heretofore been paid."
14. In accordance with M.S. 471.425 subdivision 2, claims of the City shall be paid within 35 days from the date of receipt, or as otherwise stipulated by the terms of a contract. Claims not paid within this time frame will be subject to penalty and interest charges assessed by the vendor, as provided for in M.S. 471.425 subdivision 4..
15. Disallowed claims shall be so marked and kept in a file for an appropriate period of time.
16. Credit card purchases shall only be allowed as legally provided for under M.S. 471.382.
17. When restricted and unrestricted sources are available for use, restricted resources will be used first and then unrestricted resources will be used as they are needed.

PAYROLL

GOAL: The goal of the City Council in establishing an internal control system for payroll disbursements is to safeguard the assets of the City and to ensure an appropriate level of fiduciary responsibility.

OBJECTIVE: The objective of the City Council in meeting this goal is to ensure that payroll disbursements are made only upon proper authorization to bona fide employees, that payroll disbursements are properly recorded and related legal requirements are complied with.

PROCEDURES

1. Payroll checks will be processed by the Clerk/Treasurer.
2. The Clerk/Treasurer shall hold all unclaimed paychecks.
3. The Clerk/Treasurer will prepare all payroll related tax withholding deposits and reports.
4. The Clerk/Treasurer shall prepare year-end W-2's to employees and respond to inquiries regarding the same.

ACCOUNTING CONTROLS

1. Time sheets are required to document all non-exempt employee hours, including overtime and leave time.
2. Employment records will be maintained for each employee that details wage rates, benefits, taxes withheld and any changes in employment status.
3. Payroll-related taxes, including employer share, shall be withheld and paid to the appropriate government agency on a timely basis.
4. Written personnel policies shall dictate the accounting for vacation time, holidays, sick leave and other benefits.
5. A list of payroll checks written, with appropriate taxes withheld will be maintained in a separate payroll register.

PETTY CASH

GOAL: The goal of the City Council in establishing an internal control system for petty cash is to safeguard the assets of the City and to ensure an appropriate level of fiduciary responsibility.

OBJECTIVE: The objective of the City Council in meeting this goal is to

provide for the use, safekeeping and reporting standards of the petty cash, while allowing for small purchases or reimbursements to be made from said fund.

PROCEDURES

1. The Petty Cash is available to staff to make small purchases or reimbursements in cash, for items such as stamps, office supplies, etc., using the following guidelines.
2. The Clerk/Treasurer shall be the custodian of the Petty Cash.
3. The custodian of the Petty Cash shall be responsible for reconciling the fund on a monthly basis.
4. The Clerk/Treasurer will make the appropriate entries to record the expenses and will arrange for replenishment of the Petty Cash.
5. The City Council must approve the replenishment of the Petty Cash.

ACCOUNTING CONTROLS

1. The Petty Cash account will not exceed the amount of \$500.00.
2. the Petty Cash will be kept by the custodian in a locked box.
3. Supporting documentation must be kept with the petty cash until replenished. That documentation is then handled the same way as a cash disbursement documentation.
4. Under no circumstances shall staff members be permitted to borrow, cash checks, make change or any other use from petty cash for personal use.

CASH RECEIPTS

GOAL: The goal of the City Council in establishing an internal control system for cash receipts is to safeguard the assets of the City and to ensure an appropriate level of fiduciary responsibility.

OBJECTIVE: The objective of the City Council in meeting this goal is to ensure that all cash receipts intended for the City is received, promptly deposited, properly recorded, reconciled and kept under adequate security.

PROCEDURES

SEGREGATION OF DUTIES:

1. The Clerk/Treasurer will be responsible for receiving all cash payments to the City, whether by mail, in person, or by means of a drop box.
2. The Clerk/Treasurer will be responsible for depositing cash receipts and coding and recording the same in the general ledger accounts of the City.
3. A report of all receipts shall be prepared by the Clerk/Treasurer and presented to the Council on a monthly basis.
4. Invoices for City services shall be prepared by the Clerk/Treasurer. An accounts receivable register will be maintained.

ACCOUNTING CONTROLS:

1. Payments to the City shall be accompanied by a pre-numbered cash receipt, stating the date of the receipt, amount of the receipt, a description of the item or service being paid for and a description of the revenue account the revenue should be allocated to.
2. A cash receipts journal will be prepared monthly that details the date of the receipt, receipt number, amount of the receipt and a description of the revenue account to be credited.
3. The pre-numbered receipt shall be two-part. The first part will be photocopied and then given to the payer; the second part will be retained for recording and filing.
4. Cash shall be deposited in the City's bank account on a weekly basis unless there are not sufficient funds to warrant a deposit.
5. Cash payments shall be kept in a locked box in a secure place.
6. Payments made in cash shall be received by the Clerk/Treasurer and shall be counted and verified. The receipts shall indicate that the payment is a cash payment.
7. Payments made by check will be photocopied.
8. Photocopies of check payments and photocopies of cash payment receipts will be attached to the corresponding deposit summary.

ADOPTED THIS 8th DAY OF July 2008, BY THE CITY COUNCIL, CITY OF HEWITT.