

# Orrock Township Financial Controls Policy

## PURPOSE

Orrock Township recognizes that internal controls are designed to protect a local government from loss or misuse of its assets. Sound internal controls help ensure that transactions are properly authorized, and that the information contained in the financial reports is reliable.

## POLICY

The township treasurer is the chief financial officer of the township. The treasurer provides monthly reports to the town board regarding fund balances and budgets following best practice recommendations by the Office of the Minnesota State Auditor.

For any year Orrock Township's population is in excess of 2,500 and has annual revenue equal to or more than the annual threshold as set by the Office of the Minnesota State Auditor an outside audit will be performed in accordance with requirements specified by the Office of the Minnesota State Auditor.

For its official financial accounts, the town has elected to use the Small City and Town Accounting System (CTAS) which is provided and supported by the Office of the State Auditor. The treasurer and clerk supplement this system with spreadsheets, logs, and other tools, as needed to support the policies and procedures described in this document.

## Receipts

1. To the extent practical, receipts will be received directly into the town's bank accounts via the automated clearing house (ACH) process. This requirement is currently implemented for receipts from Sherburne County and the State of Minnesota. The board may, from time to time, approve the receipt of payments via the ACH process from other payors. The clerk shall maintain a list of any such approvals and attach a copy to this policy document.
2. Non-ACH receipts will be received by the clerk, who will keep a log of all such receipts. The log will include the date, amount, payor, and purpose of each receipt. If the receipt is in the form of a check, the log will include the check number. The Township has elected to use pre-printed, pre-sequentially-numbered triplicate receipt books as its log.
3. If the payor wants a receipt, the clerk will provide one copy of the receipt to the payor. The Clerk will attach another copy of the receipt to the paperwork that supports the reason for the receipt and will attach that information to the check. The final receipt copy remains in the receipt book as part of the township's permanent records.
4. The receipt item, along with the documentation and the treasurer's copy of the receipt log will be transferred to the treasurer who will deposit the receipt item into the town's depository account.

5. The clerk is set up in the State of Minnesota accounting system to automatically receive a remittance advice notification each time the state makes an ACH transfer to the town's depository. The clerk and treasurer work with the Sherburne County Auditor to establish a means by which the clerk will also receive a notice of each ACH transfer made by the county to the town's depository.
6. When the clerk receives notice of an ACH transfer, the clerk will print a copy of the notice and issue a receipt following the procedure specified in paragraph 2 above and forward a copy of the notice along with the treasurer's copy of the receipt to the treasurer.
7. The treasurer will enter each receipt into CTAS. The receipt is entered into CTAS in a way that the paper receipt log number is tracked with the receipt item. This permits easy reconciliation between the Clerk's receipt log and the CTAS receipts report. After entry into the CTAS system, the treasurer will deposit the item into the town's designated depository account.
8. On a monthly basis, the treasurer will reconcile the bank accounts to CTAS Cash Control Statement. A record of this reconciliation will be provided to the town board for review and approval at each meeting. This record is to be in the form of a cash control package, which includes a copy each of the following: (1) the CTAS Cash Control Statement, (2) of each depository account statement, (3) each certificate of deposit statement, (4) a summary spreadsheet and proof of deposit for each cash deposit made, (5) the advice of deposit or remittance notice for each ACH deposit, and (6) a summary reconciliation spreadsheet. The copy of each of the Township's demand (checking) account is edited by the treasurer to redact the account number, routing information, and signature block.
9. On at least a quarterly basis, the treasurer will provide to the clerk a report of receipts in the CTAS system. The clerk will reconcile cash receipts listed in this report with the clerk's log described above. ACH transfers will be reconciled to the clerk's records of state and county ACH transfers to the town's depository.
10. If the clerk's log does not match the CTAS report, the clerk and treasurer will reconcile any differences between the two. Once the clerk's log and the CTAS report reconcile, the clerk will sign one copy of the report and return it to the treasurer.
11. The process of the clerk and treasurer reconciling receipts between the treasurer's log and CTAS and the treasurer's process of reconciling CTAS to the bank statements ensures that all receipts are properly accounted for and deposited into the depository accounts.
12. The reports described above will be maintained with the town's accounting records.

### **Disbursements / Accounts Payable**

1. All invoices are to be received by the clerk, whether by US Mail, email, or some other method of delivery. The clerk will keep a monthly record of each invoice received. Invoices are reviewed by the clerk and given to the treasurer for recording in CTAS.

For items within the clerk's purview, the clerk indicates that the clerk has reviewed the invoice. Treasurer reviews all invoices received for accuracy and to verify receipt of the goods or services being invoiced. As appropriate, the treasurer shall request verification of the invoice and require verifying signatures. The treasurer then records the invoice as a claim in CTAS and prepares a claims package for approval at the monthly board meeting. The claims package consists of the CTAS "Claims List for Approval" report and a copy of the documentation supporting each claim item.

2. Prior to distribution of the claims package to the board, the treasurer provides a copy of the Claims List for Approval to the clerk who reconciles the list with the clerk's record of the month's invoices. Any discrepancies are resolved by the clerk and the treasurer and entered into the town's records. The treasurer then produces the claims package and emails it to board members for their review.
3. Any additional disbursement request claims received after the aforementioned claims package has been distributed to the board are prepared by the treasurer as a supplemental claims package. The procedure for preparing and distributing a supplemental claims package is the same as that used for the original claims package.
4. Claims for payment are reviewed and approved for payment at the meeting. The treasurer will note any non-routine claims. The claims package is presented as a single item for approval. However, at the request of any board member any item will be removed from the package and considered separately.
5. All approved checks are then signed by three authorized signors. Authorized signatures include the chair, vice chair, clerk, and treasurer. Under normal circumstances the treasurer, clerk, and chair are the three signors.
6. In addition, the board has approved the payment of federal and state tax withholding obligations and Public Employees Retirement Association (PERA) contributions by electronic funds transfer. After board approval, the treasurer will make these payments using the electronic systems established for those purposes.
7. Additionally, any purchases made by the clerk's or treasurer's bank debit card up to the date that the claims package is distributed are reviewed and included in the claims list for approval. Debit card purchases made during the month, but after the date of the claims package are reported to the board the following month in a report of disbursements not made through the claims process. These procedures are more fully described in the town's separate debit card policy.

### **Payroll Expenditures**

1. Each person requesting a payroll payment must provide proper documentation to the treasurer.
2. The document typically consists of claims sheets or time records filled out by those requesting payment. Hours of work or meetings attended are recorded. The claim

must include the total number of hours or meetings and the total amount requested and must be signed by the requester. The signature may be an electronic signature.

3. The treasurer verifies that payment requests for meetings attended are accurate with respect to attendance at the meeting and that no previous payment has been made for the same meeting. The treasurer also verifies that all pay claims appear reasonable and consistent with the workload of the individuals seeking payment.
4. If claim sheets are from an election judge, the clerk verifies that the claim is accurate.
5. A payroll package is presented for approval at the regular monthly board meeting. The package consists of the CTAS net pay report and a copy of each pay claim. Payroll checks are signed after approval of the payroll package. Signatures are the same as for claims.
6. The treasurer prepares monthly PERA salary disbursement reports based on the CTAS PERA report. These reports are presented as regular claims and handled via the claims process. Transfers of amounts due to PERA are made using the electronic funds transfer process included as part of the PERA submission system.
7. The treasurer prepares quarterly income tax withholding reports based on the corresponding CTAS reports. These reports are processed as regular claims using the claims process described above. The treasurer uses the Minnesota Department of Revenue web application to file state reports and to make electronic transfers of amounts due. The treasurer uses an IRS approved provider to file the quarterly forms 943 and uses the integrated electronic funds transfer system provided by the vendor to transfer amounts due.

### **Use of electronic transfers of funds**

1. The town board recognizes that in certain situations it may be necessary or beneficial to make disbursements by electronic means rather than by the issuance of a check. This section of the financial controls policy governs the use of electronic payment methods, referred to as electronic funds transfers (ETFs).
2. Minnesota statutes section 471.381 states that a Minnesota town may use all forms of EFT for the payment of claims and obligations. Minnesota statutes section 471.38 sets forth certain requirements for the use of electronic transfers for making payments using an EFT method.
3. EFTs may arise by one of five methods, described below. |
  - a. An EFT results when a debit to the town's checking account results from the use of a town debit card. EFTs made by this method are governed by the town's credit card use policy.
  - b. An EFT results from an individually authorized transfer from one of the town's depositories to the entity being paid.

- c. An EFT results from an internal transfer within the town's bank system. This method includes transfers by the treasurer from the town's main depository account to its debit card depository account as authorized and described in the town's credit card policy. This method also includes transfers within the bank's systems such as a transfer from the town's main depository account to a money market account or to purchase a certificate of deposit. EFTs made under the latter scenario must be individually authorized by the board.
  - d. An ETF results from a transfer from the town's depository account associated with the town's 4M fund money market account. These transfers occur automatically each time the town deposits money into its 4M fund-associated depository account, currently maintained at US Bank. These transfers are automatic and occur in accordance with the town's agreements with the depository bank and the 4M fund.
  - e. An ETF results when a transfer is made between the town's 4M fund and one of its other depository accounts, or vice versa. Each such transfer must be specifically authorized by action at a meeting of the town board. The authorization must include the amount and details of the transfer and direct the treasurer or other authorized person to complete the transfer.
- 4. By the adoption of this policy, Orrock Township delegates to the town's treasurer the authority to make EFTs, as further limited below. This delegation must be renewed annually at the town's annual organization meeting.
- 5. The clerk shall annually provide to the town's disbursing bank, presently Sherburne State Bank, a copy of the town board's delegation of authority along with notice of the requirement of Minnesota Statutes section 471.38 that such delegation be kept on file with the bank.
- 6. The treasurer is the only person authorized to initiate EFTs of town funds.
- 7. Specific obligations that are to be paid by means of an EFT must be included in the claims packages considered at monthly board meetings and must be approved before EFT is authorized.
- 8. The types of obligations that may be paid by means of the EFT method described in section 3 b and the mechanism for invoking the EFT are:
  - a. Payments of pension contributions to the Public Employees Retirement Association (PERA). PERA obligations are included in the regular monthly claims packages. Once approved by the board, the EFT making the payment is initiated by using the EFT transfer feature of the PERA filing website, located at [www.mnpera.org](http://www.mnpera.org).
  - b. Payment of federal income tax, social security, and Medicare obligations, paid to the United States Treasury. Federal tax obligations are included on a quarterly basis in the regular claims packages. Once approved by the board, the EFT making the payment is made using one of two methods. (1) if the payment is within the limit that can be made using the town's tax filing service

(Currently Lewis Software's Quarterly Express Plus, with a limit of \$2,500), the EFT will be initiated using the filing software feature designed for that purpose. In the event that the obligation is more than the software's limit, the payment must be separately initiated using the federal Electronic Funds Transfer Payment System (EFTPS).

- c. Payment of Minnesota income tax withholding obligations to the Minnesota Department of Revenue. Minnesota tax withholding obligations are included on a quarterly basis in the regular claims packages. Once approved by the board, payment of the obligation is made as part of the tax return filing procedure using the Minnesota Department of Revenue's tax filing web application.
9. The treasurer must attach written confirmation of the receipt of an EFT to the authorizing document in the applicable claims package.
  10. At each meeting, the treasurer must provide the board with a copy of each bank statement showing any EFT. These statements typically list EFTs as electronic debits and are included as part of the cash control reconciliation described below.
  11. The Board may from time to time, by motion passed at a duly called meeting, authorize other uses of EFTs or authorize other persons to use the EFT processes. The clerk must attach a copy of any such motion to the board's official record of this policy.

### **Reconciling and reporting**

1. All bank accounts are reconciled monthly by the treasurer. Bank reconciliations (the Cash control package) are approved by the town board. The support is a copy of the imaged checks and deposits on the monthly bank statements.
2. Monthly financial reports are presented to the board by the town treasurer and approved.

### **Changing accounting data**

1. Accounting data includes all information need to completely record an accounting transaction in the CTAS system.
2. The board recognizes that from time to time errors may be made when entering accounting data. This policy sets forth the authority and limitations on the treasurer's actions to correct identified errors.
3. Errors identified in a fiscal year that has not been closed in CTAS.

The following errors in an open accounting year may be corrected by the treasurer acting independently:

- a. Errors in the fund, account number, or object code entered.

The following errors in an open accounting year may be corrected by the treasurer,

but must subsequently be presented to the board for ratification of the correction:

- a. Any change in the amount of a transaction;
  - b. Any change in the payee of a disbursement or the payor of a receipt.
4. Errors identified in a fiscal year that has been closed in CTAS.
- a. An error in the payee of a disbursement or payor of a receipt in a closed year may be corrected by the treasurer. The correction will be presented to the board at the next available meeting for ratification or other action.
  - b. If an error in a transaction's account coding or amount is identified in a closed fiscal year, the treasurer and clerk will consult with the town's accountants and obtain a recommendation as to how to correct the error. The treasurer will make the correction in accordance with the accountants' recommendation and present the matter to the board for ratification or other action at the next available regular meeting.

Approved and adopted, by the Orrock Town Board, this 27th day of October, 2021.

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Bryan Adams, Chair

Attest: \_\_\_\_\_  
Christine Weber, Clerk