

Shorewood Estates Civic Association, Inc.  
Internal Controls Policy and Procedures

Adopted by the Board of Directors of Shorewood Estates Civic Association, Inc. on February 10, 2018.

**SCOPE OF THIS POLICY**

This statement reflects the general policy relating to the internal financial controls for the organization.

**GENERAL GOALS OF THE INTERNAL CONTROL SYSTEM**

GENERAL PRINCIPLES  
RECORD KEEPING  
FUND RAISING  
CASH DISBURSEMENTS  
INTERNAL AND EXTERNAL REPORTING  
ACCOUNTING INFORMATION SYSTEMS  
PROCEDURES

**GENERAL PRINCIPLES**

- All financial activity advances the purpose of the organization, either for program activity, general and administrative support, or fund raising.
- The Board of Directors as a unit is responsible for the finances of the organization.
- No person makes commitments for the organization beyond their level of authority.
- More than one person is involved in the completion of every financial transaction.
- An assessment is made of additional separation of duties and rotation of responsibilities.
- Care is taken to ensure that closely related individuals are not in a position of reviewing or authorizing each other's transactions.
- There is no significant period of time in which tasks relating to financial transactions are not performed.
- An assessment is made of the risks involved in all financial transactions and in maintaining the financial and physical property of the organization. Procedures are established to reduce the risks that are identified. Procedures balance the risk of loss with the cost of controls.

**RECORD KEEPING**

- Transactions are recorded in the accounting system of the organization as close as possible to the time when they occur.
- Transactions are classified and recorded accurately based on objective criteria and consistent treatment of similar transactions.
- Documentation of accounting transactions is clear and legible.

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- The media on which documentation is recorded remains readable until the time when the record is destroyed.
- Special care is taken to identify and to record accurately non-cash financial transactions, whether they result in income, expense, assets, or liabilities.
- Activities are not recorded on a net basis. When an activity includes transactions that increase and decrease a financial account, the increase and decrease transactions are recorded separately.

### **FUND RAISING**

- Care is taken to ensure that money received for specific purposes is used for those purposes and that reporting is provided as required by the provider.

### **CASH DISBURSEMENTS**

- The purpose of each expense transaction is documented at the time of the transaction. The extent of documentation is based on the transaction's size, frequency of similar transactions, and reporting requirements of contracts or restricted grants. Documentation with each transaction provides adequate explanation for an independent reviewer unfamiliar with the details of the transaction.
- Special care is taken with cash transactions to ensure frequent reconciliation of accounts with the financial institutions that hold the accounts.
- All cash disbursements including payments under an executed real estate lease or rental agreement are initiated by a person other than the person who prepares the check.
- Care is taken to prevent duplicate payment for the same goods or services.
- Settlement of any claims against the organization are reviewed and approved before payment.

### **INTERNAL AND EXTERNAL REPORTING**

- As much as possible, internal financial reporting is on a basis consistent with external financial reporting, except that interim financial reporting may be on a cash basis rather than an accrual basis.
- Financial statements present adequate information to serve as the basis for informed review.
- All requirements are met for federal and state registration and all taxes are paid.

### **ACCOUNTING INFORMATION SYSTEMS**

- Accounting records are organized to facilitate retrieval of documents when needed.
- Accounting records are retained until the time designated for destruction and they are destroyed when that time arrives (see Document Retention Guide).

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- Legal documents (such as executed contracts) and personnel records are kept separate from accounting records.
- Other systems that provide information to the accounting system are identified.
- Special care is taken to ensure reconciliation of balances and continuity of an audit trail between the accounting system and other systems and to ensure that the records in the other system are retained as appropriate for accounting records.
- Special care is taken to ensure the integrity of computerized accounting records.
- Care is taken to ensure that technical support is available for accounting systems and other systems that provide information to the accounting system.
- Internal control policies are maintained during transitions in computerized accounting systems and other systems that provide information to the accounting system.

**PROCEDURES (to be reviewed annually by the Board)**

- A general annual budget will be voted upon by the Membership at its first meeting of the year.
- Non-budgeted expenditures under \$1,000 must first be approved by the Board.
- Non-budgeted expenditures over \$1,000 must first be approved by the Membership.
- Treasurer maintains the accounts in line with approved budget, and writes and signs checks.
- Treasurer reconciles the accounts with the bank monthly, and provides a full accounting of all transactions to the Board at least quarterly.
- A non-check-signer Board or knowledgeable SECA member will review the accounts annually by physically reviewing the bank statements compared to the organization's YTD balance sheet (provided by Treasurer), and report any discrepancies to the Board.
- At least 2 check signers will be designated by the Board annually, typically the Treasurer and another Officer. Check signers must be current Board members. Checks will require one signature.
- The Board delegates authority to SECA Officers to handle the financial matters of all regular business. All atypical, non-budgeted transactions will first be presented for approval.