



# Internal Financial Management Handbook

## Table of Contents

<b>INTERNAL FINANCIAL CONTROLS POLICY</b>	<b>1</b>
GENERAL	1
SEPARATION OF DUTIES	1
EXPENDITURES	1
CASH RECEIPTS	2
ACCOUNTS RECEIVABLE	2
ACCOUNTS PAYABLE	2
PETTY CASH FUND	2
PAYROLL	2
ASSETS	3
REPORTING	3
OTHER	3
<b>FINANCIAL MANAGEMENT PROCEDURES</b>	<b>4</b>
<b>INTERNAL DOCUMENTATION FLOW</b>	<b>4</b>
INTAKE PROCEDURES	4
CREATING CHECKS	4
RECORDING REVENUE AND DEPOSITS	5
<b>ELECTRONIC DOCUMENTATION &amp; WORKFLOW</b>	<b>5</b>
BUDGET & BUDGET NARRATIVE	5
PAYROLL	5
ASSETS & DEPRECIATION	6
COST ALLOCATIONS	6
<b>ACCOUNTING/BOOKKEEPING CHECKLIST</b>	<b>6</b>
<b>WEEKLY</b>	<b>6</b>
<b>BI-WEEKLY</b>	<b>6</b>
<b>MONTHLY</b>	<b>6</b>
<b>QUARTERLY</b>	<b>6</b>
<b>ANNUALLY</b>	<b>7</b>

## Internal Financial Controls Policy

In order to ensure that the assets of the Northern Area Local Workforce Development Board are used in accordance with the legal restrictions of funds and the purposes designated by the Board, the Board of Directors adopts all the following financial policies and procedures designed to:

- Provide timely, accurate, and meaningful information
- Protect WIOA assets
- Maintain accurate records of NALWDB financial activities
- Provide a framework of operating standards and behavioral expectations
- Ensure compliance with federal, state, and local legal and reporting requirements

The following internal controls systems checklist will improve the quality of financial information and reduces the possibility that error, mismanagement or fraud will occur. This checklist will be referenced to develop policy for record-keeping, financial accounting and other procedures. In carrying out the controls systems, duties will be divided into three key functions: custody, data entry, and authorization, and no one individual should do more than one.

### General

- ✓ All excess cash, as determined by the NALWDB, will be kept in an unrestricted account
- ✓ Bank statements are promptly reconciled on a monthly basis
- ✓ Documents on all securities and fixed assets will be kept in a locked file
- ✓ Inventory records will contain description, serial numbers, date of purchase or receipt, valuation, and date of valuation
- ✓ Appropriate insurance for all assets will be maintained

### Separation of Duties

- ✓ The check signer(s) must not be the person who writes checks or who does the bookkeeping
- ✓ Someone reconciles bank statements other than the check signer or writer
- ✓ A person other than the one recording the receipts prepares deposit documentation and reconciliations

### Expenditures

- ✓ Authorization, processing, check signing, recording and bank reconciliation functions are clearly segregated.
- ✓ Supporting documents are canceled (ie. stamped "PAID") to prevent subsequent use.
- ✓ The Executive Director is authorized to make expenditure approval decisions up to the parameters set by the annual operating budget as approved by the Board of Directors
- ✓ The Executive Director approves check requests after comparing to supporting documentation

- ✓ The Fiscal Agent prints the pre-numbered checks only with approved requests. The unsigned check, supporting documentation, and request are presented to authorized check signers for their signatures
- ✓ All disbursements, are made by check and are accompanied by substantiating documentation
- ✓ All checks are pre-numbered and accounted for monthly
- ✓
- ✓ The Executive Director and one of three board members are the two signatures that are required on all checks over approved limits. If the Executive Director is absent, two Board members' signatures are required
- ✓ Blank checks may never be signed in advance

#### Cash Receipts

- ✓ Cash receiving, processing, recording and bank reconciliation functions are clearly segregated.
- ✓ Each separate revenue item must have its own intake receipt attached to deposit receipt.
- ✓ Fiscal Agent are the only people permitted to take deposits to bank
- ✓ Verification of deposit accuracy (comparing receipt to documentation) is required by Fiscal Agent
- ✓ A copy of the deposit slip from the bank is compared and attached to the corresponding receipt copies

#### Accounts Receivable

- ✓ Outstanding accounts are properly analyzed for collectability and periodically aged.
- ✓ Restricted revenue is clearly marked and a Job is created in Quickbooks to track expenditures.

#### Accounts Payable

- ✓ Authorization, processing, recording and payment functions are clearly segregated.
- ✓ Unpaid invoices are maintained in a distinct unpaid invoice file.
- ✓ Statements from vendors are regularly compared with open invoice files.
- ✓ The organization obtains competitive bids for items whose cost exceeds a specified dollar amount.

#### Payroll

- ✓ The personnel authorization, payroll approval and preparation, payroll check distribution, record keeping and bank reconciliation functions are clearly segregated.
- ✓ Policies and procedures are in place for accounting for vacations, holidays, and sick leave.
- ✓ Changes in employment status are recorded in employee personnel files.
- ✓ All time sheets for each employee are maintained on record.
- ✓ The Fiscal Agent generates the payroll register, payroll checks and tax deposit checks, and sends them to the organization bi-weekly
- ✓ The Fiscal Agent reviews the payroll register for proper processing of amounts
- ✓ Fiscal Agent will be used to process the payroll

### Assets

- ✓ The receipt, transfer and withdrawal of inventory items are promptly recorded in the inventory records, and quantity records of the inventory are maintained
- ✓ Policies are established for covering capitalization and depreciation.
- ✓ Detailed records are maintained showing the asset values of individual units of property and equipment.
- ✓ Detailed fixed asset records are periodically checked by physical inventory.
- ✓ Adequate procedures exist for receiving and recording of gifts and fixed assets

### Reporting

- ✓ Annual budgets are prepared by the Fiscal Agent and approved by Executive Director and Finance Committee and approved by the Board
- ✓ Budgets are reviewed mid-year (July) and are adjusted as necessary to reflect changing conditions
- ✓ Monthly financial reports are provided to the Executive Director and to the Finance Committee within 20 days of the close of the period
- ✓ Detailed financial reports are provided to the Board of Directors at each board meeting
- ✓ Reference explanations for any and all budget variances of 10% or more are contained for the above reported reports
- ✓ An independent Certified Public Accountant (CPA) at the close of each fiscal year will conduct annual audits or financial review. Copies of these reports will be made available to the public
- ✓ A chart of accounts is available and used to code receipts and disbursements to the proper accounts
- ✓ Non-standard journal entries are discussed with the CPA to ensure proper accounting treatment

### Other

- ✓ Financial statements are prepared on a timely, regular (monthly) basis and presented to appropriate board members, management, and staff for review and discussion.
- ✓ The financial statements format allows for comparison of actual financial activity to budgeted amounts.
- ✓ Investments are properly recorded and controlled.
- ✓ Contracts are properly recorded and filed. Procedures are in place to document the receipt of in-kind goods and services.
- ✓ Minutes from board meetings are prepared on a timely basis.
- ✓ Insurance policies are reviewed annually and provide adequate coverage.

## Financial Management Procedures

This section is designed to give a detailed, clear picture of how money moves through the organization, how and by whom it is managed and recorded, and the expectations in regards to transparency and checks and balances. For the purposes of this document at this stage in the Northern Area Local Workforce Development Board, the terms Fiscal Agent 'bookkeeper' and 'accountant' are used interchangeably and refer to the Fiscal Agent.

Deleted: same staff member role

### Internal Documentation flow

#### Intake Procedures

- 1) The mail is checked daily by the Director of Operations or, in his absence, by the Executive Assistant.
  - a) All revenue is given directly to the Financial Specialist or the Executive Director for processing (see below).
  - b) All invoices are given directly to the Financial Specialist for processing.
    - i) A ½ page form is completed, verified, then stapled to the invoice/receipt and given to the Fiscal Agent.
- 2) All expense receipts are to be attached to a ½ page form that is filled out by the spender within 10 business days of expense, or before the end of the month – whichever is sooner – before being given to the Fiscal Agent.
- 3) All incoming receipts and invoices (if electronic need to be printed) go into the "Scanned Transactions" folder.
- 4) On a rolling basis, but at least weekly, the accountant will enter all receipts and invoices from this folder into Quickbooks.
  - a) All physical receipts/invoices will be moved to either
    - i) Paid but not filed (for all completed transactions);
    - ii) Accounts Payable (outstanding invoices);
- 5) Twice a month, the accountant or another staff member will empty the "Paid but not filed" folder into the appropriate folders.

#### Creating Checks

Checks will only be printed and distributed weekly.

- 1) Use the "Cashflow FY[YEAR] Workbook" and the corresponding sheet to log the check requests
- 2) The printed check request worksheet and supporting documentation (A/P folder) goes to check the requests against cash flow position and ensure no double payment (compare against payment history). Executive Director approves Payment Voucher requests and gives the Fiscal Agent the corresponding number of checks to be printed.
- 3) Fiscal Agent prints checks
- 4) Checks and signed check request form go to the Executive Director, who signs/coordinates double signing.
- 5) Bottom of check stub needs to be stapled to corresponding invoice. And the invoice needs to be stamped with "PAID" as well as the date.

- a) Invoice w/ stapled check remains in A/P folder until check clears bank account, then it is moved to "Paid but not Filed" folder.

### **Recording Revenue and Deposits.**

- 1) All payments are received in Quickbooks from the "Un-entered Transactions", then moved to the "To be Deposited" folder.
- 2) The Fiscal Agent takes the "To be Deposited" folder each Thursday and prints the deposit ticket from Quickbooks.
- 3) The deposit ticket and supporting documentation ("To Be Deposited" folder) is given to the Director of Operations who verifies all the information, signs the bottom of the deposit ticket, and takes the cash, checks, and top of the deposit ticket to the bank each Friday.
- 4) The deposit receipt from the bank is stapled to the deposit ticket stub, along with all receipts and documentation.
  - a) Fiscal Agent verifies the bank receipt matches documentation and signs.
  - b) All documentation is filed in the "Deposits and Income" folder

### **Electronic Documentation & Workflow**

This section is meant to provide an overview of NALWDB electronic financial filing system and the different workbooks and documents. For all usernames and passwords, see the Server (Management>>IT & Database Management>>"Services Usernames & Passwords" – this file is password protected, see Director of Operations for access permission).

### **Budget & Budget Narrative**

Northern Area Local Workforce Development Board budget (Excel) is used by the Fiscal Agent and the Finance Committee to create the budget each year and lives in the Budget folder of that year. Once the budget is approved by the Board of Directors, its file name is appended with "\_APPROVED", and then the Executive Director and the Fiscal Agent enters the entire budget, including account and class information, into Quickbooks. Once this entry is done, the excel workbook is used for references purposes only and should not be modified unless approved in writing from the Finance Committee, in which case, the corresponding changes must also be done in Quickbooks. The budget narrative also lives in the Budget folder for the corresponding year, and should be used as an allocation and accounting guide to ensure consistency between transactional accounting and the budget. A printed copy lives in the Financial Manual Binder.

### **Payroll**

NALWDB employees are employees of the Board. A personnel file is established and maintained with current documentation. The following forms, documents and information shall be obtained and included in the personnel files of all new employees:

1. Form W-4
2. Form I-9
3. Direct Deposit
4. Copies of Insurance applications

### Assets & Depreciation

The depreciation, in-service dates, value assignments, and purchase dates are all tracked on an Excel spreadsheet in the "Fixed Assets Folder". This will generally be updated by the 10th of each month for the previous month by the Financial Specialist. Then, the Fiscal Agent will enter a journal entry into Quickbooks allocating depreciation across all classes each month.

### Cost Allocations

The depreciation, in-service dates, value assignments, and purchase dates are all tracked outside of Quickbooks in the "Depreciation Schedule". This will generally be updated by the 10th of each month for the previous month by the volunteer accountant remotely. Then, the on-staff accountant will enter a journal entry into Quickbooks allocating depreciation across all classes each month.

## Accounting/bookkeeping Checklist

### Weekly

- ✓ Enter all new transactions into Quickbooks
- ✓ Ensure all receipts and invoices have the ½ page intake form attached
- ✓ Stamp all transactions (invoices or forms for revenue) "Entered" with the date
- ✓ Ensure all billable or restricted funding transactions are tagged correctly
- ✓ Check bank, loan, credit card, and restricted funds balances and update the Cashflow Workbook
- ✓ Download and enter Democracy Engine donations

### Bi-weekly

- ✓ Create check requests and get approved
- ✓ Create and print checks
- ✓ Download payroll reports
- ✓ Enter payroll time reports into Employee Payroll & Reimbursement Workbook
- ✓ Enter general journal entry for payroll into Quickbooks

### Monthly

- ✓ Download and the following documents:
  - Bank and Line of Credit statements
  - Credit card statements
  -
- ✓ Reconcile all accounts in Quickbooks against statements
- ✓ Enter depreciation journal entries
- ✓ Allocate costs across classes
- ✓ Pull month-end reports for previous month and save into appropriate quarter folder on server:
  - Profit & Loss – month only
  - Profit & Loss – Year-to-Date
  - Statement of Cash Flows – month only
  - Statement of Cash Flows – Year-to-Date
  - Balance Sheet
  - Budget vs. Actual Progress report – Year-to-Date by month
  - Restricted Funding Snapshot on all open restricted funds

### Quarterly

- ✓
- ✓ File Quarterly report to the Department of Workforce Solutions

## Annually

- ✓ Work with senior staff, Finance Committee, and independent auditing firm to complete audit or financial review
- ✓ Create year-end summary financial overview report
- ✓ Create monthly expenditure reports for CEO's