

NwPACC Internal Control Policies

Segregation of Duties - Although the staff at Northwest Pennsylvania Cooperation Council (NwPACC) is small, the organization has been careful to insure a proper segregation of financial duties. This segregation prevents any one person from performing overlapping functions. Built-in procedures exist for any independent verification of financial records. These checks and balances improve the reliability and help prevent the accidental exclusion of financial information. The specific segregations of duties for each accounting function are described in more detail below.

Cash Receipts and Disbursements – Incoming mail is received by a member of the organization and delivered to the Executive Director. The Executive Director opens the mail and records the information on each cash receipt into the accounting system. The cash receipts are sorted by category and copies of the checks are made. Deposit slips are prepared for each category. The checks are deposited into the bank by a member of the organization. The deposit slips, bank receipts and copies of the check are given to the in-house CPA who is the custodian for these documents. The in-house CPA verifies the posting in the accounting records to insure inclusion and correctness of information.

Most cash disbursements are of a reoccurring nature such as telephone, rent and utilities. Vendor invoices are received in the mail and scheduled for payment by the Executive Director. The accounting system allows reoccurring items to be set up for monthly disbursement. In this way, the Executive Director can insure that no monthly expenditures are overlooked. The Executive Director prepares checks for signature. After the checks are signed, the remittance stub and the supporting vendor invoice are given to the in-house CPA. He verifies the appropriateness of the expenditure verifies inclusion into the accounting system and files the documents by vendor.

Check Signing - If the expenditure is below \$300, the Executive Director in most cases signs the checks. Expenditures over \$300 require two board member signatures. The Executive Director may be one signatory and then submits the checks to one of three board members for further approval and signature. When checks are presented to board members for signing, proper documentation (usually an original invoice) are attached for inspection before signing. In no event does the Executive Director sign checks made payable to him or his organization, but rather two board members sign these. A total of four persons (the executive director and three board members) have signatory powers for the single checking account that is in existence.

Payroll – NwPACC employs one person. This employee is salaried and most often no overtime is involved. Therefore, the employee is usually paid the same amount each pay, which is twice monthly.

Pay periods are the 10th and 25th of each month. Earnings from the first of the month through the fifteenth of the month are paid on the 25th of the same month. Earnings from the sixteen of the month through the end of the month are paid on the 10th of the following month.

The Executive Director prepares the paycheck for the employee, signs the check along with a board member (since the check is usually over \$300), and delivers the check to the employee. The check stub is given to the in-house CPA. He logs the check into a spreadsheet which keeps track of the employee earnings. The in-house CPA uses this information to deposit taxes as required by law. Quarterly, the in-house CPA prepares payroll tax returns for approval and signature by the Executive Director. These returns are copied, mail and filed by the in-house CPA.

Bank Reconciliations – Each month the in-house CPA receives, unopened, the bank statement. Even though the Executive Director may receive and distribute the mail, he can never open bank statements. The in-house CPA opens the statement and performs the bank reconciliation. This involves verifying deposits and checks from the accounting records to the bank statement. Any unresolved differences are investigated and reconciled. Bank reconciliations are filed with the accounting records, which remain in the custody of the in-house CPA.

Record Retention – NwPACC retains all files for a minimum of seven years (the minimum retention period required for payroll). Files retained include: bank deposits by category, checks with vendor invoices filed by vendor, board meeting minutes, payroll tax returns, monthly financial statements, year-end W-2 and Form 1099s, newsletters, special communications and the year's Form 990.

Multiple copies of NwPACC's Form 990 are made each year. This enables immediate response to any individuals requesting a copy of the tax return. This allows NwPACC to comply with IRS regulations.

Reporting to the Board – Annual operating financial reports are submitted for approval and the following year budget is adopted at the general membership meeting held in December of each year. NwPACC operates on a calendar fiscal year. In addition, Directors are provided for approval operating statements completed to the last business day of the proceeding month at each bi-monthly executive board meeting. Income and expenditures are tracked by source of funds with each source accounted for in a one-page year-to-date report. Normal segregation of funds includes funds from the state, private funds (such as income from memberships, receipts from events, etc.) and a single page for each grant. The cover sheet for this process is a consolidated compilation of all receipts and expenses on a monthly basis with totals compared to year-to-date budget projections.

(The first version of these procedures were adopted at a general membership meeting December 14, 2000 at Howard Johnson Motor Lodge, Mercer, PA. and have been recently updated.)