



Creating a Sound Financial Policy

Presented by Whitefish Community Foundation

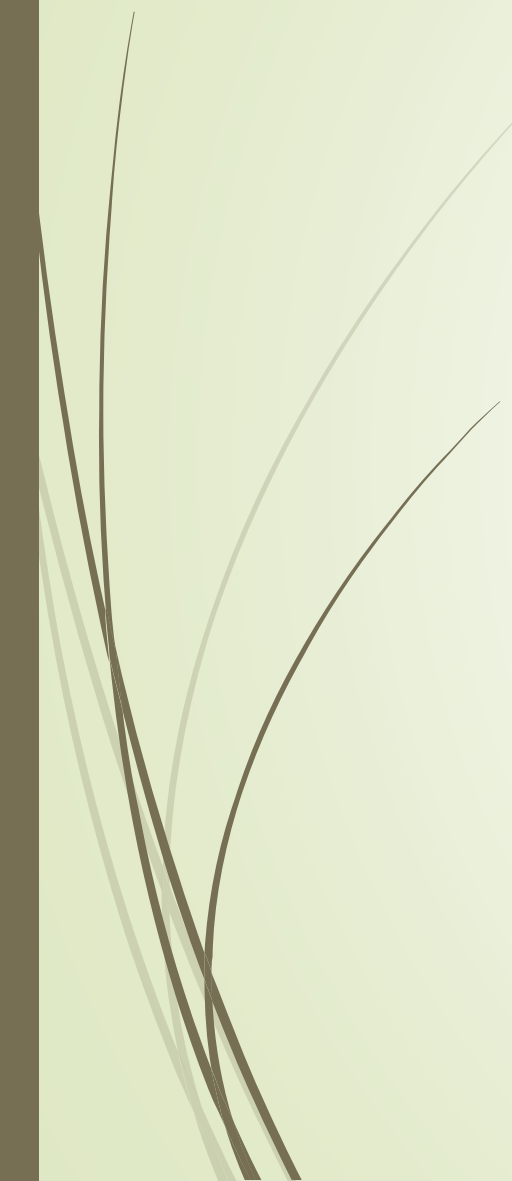


ESSENTIAL ELEMENTS OF A SOUND FINANCIAL POLICY

- ▶ CLEARLY STATED POLICIES AND PROCEDURES FOR THE ACCOUNTING SYSTEMS WITH INTERNAL CONTROLS
- ▶ INCLUDES PROCEDURES FOR MONITORING ADHERANCE TO AND UPDATING OF THE POLICY
- ▶ CLEARLY DEFINED ROLES AND RESPONSIBILITIES WITH PROPER SEGREGATION OF DUTIES;
 - ▶ AUTHORIZATION AND MONITORING
 - ▶ CUSTODY AND EXECUTION
 - ▶ RECORDKEEPING

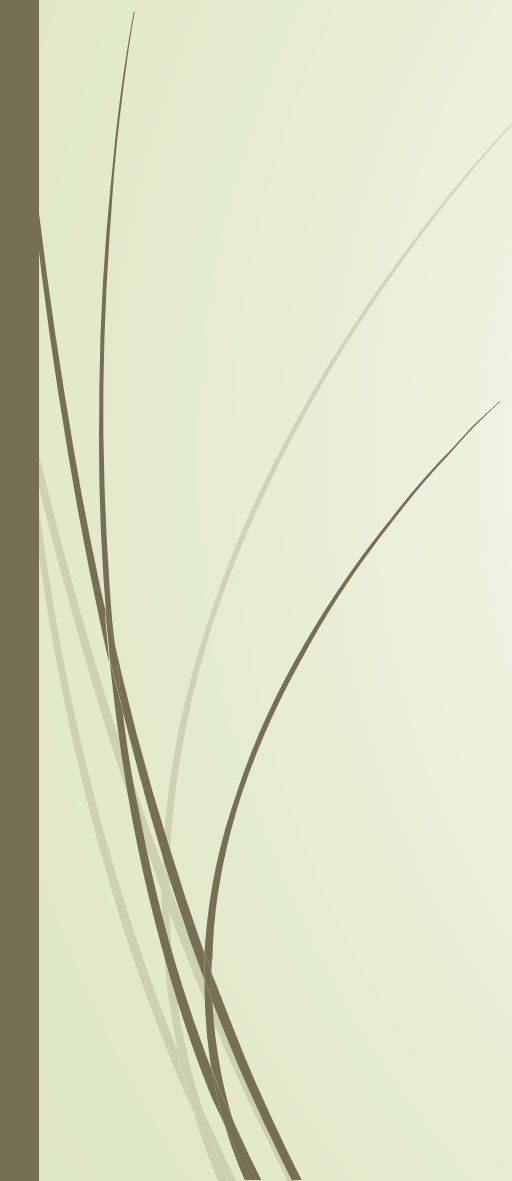


ACCOUNTING SYSTEMS

- Accounting Procedures
 - Financial Planning & Reporting
 - Revenue / Accounts Receivable
 - Expense / Accounts Payable
 - Asset Management
- 



ACCOUNTING PROCEDURES

- Basis of accounting
 - Journal entries
 - Bank reconciliations
 - Recordkeeping
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FINANCIAL PLANNING & REPORTING

➤ BUDGETING

- Who prepares, reviews, approves budget
- Timeline for budgeting process
- Policy for budget basis: zero or surplus
- If, and under what circumstances it may be revised, who must approve changes

➤ WHY BUDGETS ARE ESSENTIAL

- Serves as an internal control
- Serves as a guideline for spending
- Provides goals, and can be a tool for measurement and self evaluation



FINANCIAL PLANNING & REPORTING

▶ REPORTING

- ▶ Financial reports to board at least quarterly
- ▶ Include Balance Sheet, Income Statement and Budget vs Actual
- ▶ Tax return preparation
- ▶ Dashboards

REVENUE / CASH RECEIPTS / A/R

▶ INTERNAL CONTROLS FOR CHECK RECEIPTS

- ▶ Mail should be opened by a staff or board member who is not involved in the accounting function
- ▶ Checks received should be immediately stamped with an endorsement stamp which includes the phrase "For Deposit Only" and either copied or entered into a log
- ▶ Checks are then forwarded to the person responsible for accounting to be recorded and deposited
- ▶ Bank deposit receipt is matched up with copy of deposit slip and checks
- ▶ All donations should be issued a thank you
- ▶ SEGREGATION OF DUTIES: Person recording deposits should not be person making deposits or opening mail

EXPENSE / CASH DISBURSEMENTS / A/P

▶ EXPENSES AND CASH DISBURSEMENTS

- ▶ Require proper authorization and documentation for all disbursements
- ▶ Can allow for blanket authorization for certain recurring expenses, such as utilities, rent, etc
- ▶ Require prior approval for purchases which will be reimbursed
- ▶ Require expense reporting form for reimbursements, which must be approved by authorized person or persons
- ▶ Have a policy prohibiting checks be written to "Cash"
- ▶ Have a policy prohibiting signers from signing blank checks
- ▶ SEGREGATION OF DUTIES: Person authorizing expenditures should not be person writing checks or recording expenses.

EXPENSE / CASH DISBURSEMENTS / A/P

▶ PETTY CASH

- ▶ BEST PRACTICE: Do not have a petty cash fund
- ▶ If you MUST:
 - ▶ Keep cash in a secure location, and limit access to one person
 - ▶ Person with access is responsible for keeping track of who takes withdrawals from the fund, and that they return receipts for any purchases, and that all withdrawals have proper WRITTEN prior authorization. (A petty cash voucher form can be used)
 - ▶ Cash on hand plus value of receipts should equal total of petty cash fund
 - ▶ Petty cash should be reconciled at least monthly by the accountant/bookkeeper with the custodian present
 - ▶ Have the accountant/bookkeeper periodically perform unannounced counts of petty cash outside of the monthly reconciliations
- ▶ SEGREGATION OF DUTIES: Have THREE people with petty cash responsibilities: One to have custody of the fund, one to authorize the expenditures, and one to reconcile

EXPENSE / CASH DISBURSEMENTS / A/P

➤ CREDIT AND/OR DEBIT CARDS

- If your organization uses credit and/or debit cards, consider having just one for the organization rather than issuing to employees
- Keep credit card in secure location, should be signed out when needed but only with prior authorization
- Receipts for all expenditures must be turned in to the bookkeeper / accountant for recording and reconciliation.
- Executive committee should review all credit card statements (including those issued to employees) to ensure all charges are authorized and appropriate.
- Have a policy for dealing with missing receipts
- Have a policy for dealing with unauthorized or personal charges
- SEGREGATION OF DUTIES: Person with custody of credit card should not be the person authorizing its use or reviewing the statements, and the person recording and reconciling the statements should not have access to the credit card.

EXPENSE / CASH DISBURSEMENTS / A/P

▶ PAYROLL

- ▶ All employees, even salaried, should be required to keep their time
- ▶ Every hourly employee's time should be signed by the employee and authorized by their supervisor
- ▶ Consider having an independent person preparing payroll
- ▶ Board must ensure that all payroll taxes are properly withheld and paid on a timely basis as required by federal and state law
- ▶ Keep employment records for all employees that detail pay rates and increases with effective dates.
- ▶ Have a policy prohibiting payroll advances
- ▶ SEGREGATION OF DUTIES: Person authorizing payroll should not be person preparing payroll checks. For direct deposit, one person prepares ACH batch, another person authorizes the batch



ESSENTIAL ELEMENTS OF AN EFFECTIVE FINANCIAL POLICY

- IMPLEMENTATION IS KEY!!

- BOARD SETS TONE

- Board and senior staff must create an environment where policies are respected and followed without exception

- Board should continually monitor procedures and ask questions