



## **Memo**

**To:** Commissioners, First 5 Ventura County

**From:** Jennifer Johnson, Director of Operations (on behalf of the Administration/Finance Committee)

**Date:** March 17, 2016

**Re: Recommendation to update Commission's policy and procedures on internal controls**

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### **Background**

In an effort to consolidate and streamline policy and procedures documents, the Commission's policy and procedures on budget management (highlighted in gray on the attached document) can be integrated into the Commission's internal controls.

### **Recommendation**

The recommendation is to update the Commission's policy and procedures on internal controls as tracked on the attached document. In summary, the proposed revisions to the internal controls are as follows:

- Includes policy statement on internal controls.
- Incorporates procedure for the receipt and tracking of donations.
- Integrates provisions from existing policy on budget management with expansion of section on financial reporting.
- Broadens job title for "administrative" duties to accommodate changes in position titles.



## INTERNAL CONTROLS

### POLICY:

Internal control procedures shall be established and followed to ensure accountability for the stewardship of public resources and to provide reliable financial information on a timely basis. Any changes to the policy and/or procedures on internal control must be approved by the Commission.

### PROCEDURES:

#### I. REVENUE & RECEIPTS

1. Checks will be endorsed upon receipt and recorded in log by ~~Executive Assistant~~ an administrative staff person. Cash receipts will be recorded in log.
2. Fiscal Administrator will prepare deposit.
3. Administrative ~~Assistant~~ staff person or Fiscal Administrator will deposit revenues as received.
4. Administrative ~~Assistant~~ staff person will return deposit receipt to Fiscal Administrator for comparison to initial document.
5. Director of Operations or CPA Consultant will reconcile to bank account and general ledger.

#### II. REVENUE FROM STATE

1. Tobacco tax distributions are received in the County Treasury account.
- ~~24.~~ Director of Operations will verify disbursement in accordance with state's disbursement formula on a monthly basis.
- ~~32.~~ Director of Operations will reconcile receipts received from Treasury to State remittance advice on a monthly basis.
- ~~43.~~ Director of Operations will reconcile interest income postings received through County Treasury ~~a~~Account on a quarterly basis.

#### III. PURCHASES & PAYABLES

1. Executive Director will review and approve all purchase requisitions over \$1,000. Director of Operations will review and approve all purchase requisitions up to \$1,000.
2. Executive Director will review and approve any contract, regardless of dollar amount. In his/her absence, the Executive Director may appoint a designee to approve contracts in accordance with the Commission's policy for delegating signature authority.
3. Purchaser will document receipt of items purchased, utilizing packing slips and original purchase order.
4. Upon receipt of invoices, Fiscal Administrator will review and indicate account coding. Fiscal Administrator will ensure purchase invoices agree with contractual and order terms (utilizing packing slips, purchase orders) and will match packing slips and purchase invoices to approved purchase requisitions.

5. All invoices will be approved by Director of Operations.
6. Invoices will be submitted to Fiscal Administrator for posting to general ledger and check preparation.
7. Executive Director (or one of the alternate designated signatories as identified in accordance with the Commission's policy on signature authority for Commission checks) will sign checks up to \$2,500.00. Two signatures will be required (in accordance with those designated on the Commission's policy on signature authority) for any checks exceeding \$2,500.00.
8. ~~Executive Assistant~~Administrative staff person (other than Fiscal Administrator) will mail all checks and corresponding paperwork. Check stub is stamped with date/mailed stamp or signed/dated by recipient.
9. Executive Director will review the check register on a monthly basis.
10. The Administration/Finance Committee Co-chair designated as Primary Signatory\* will review the check register on a quarterly basis.

#### **IV. PAYROLL**

1. Time cards will be prepared and signed by employees, and approved and signed by the employees' immediate supervisor and the Executive Director.
2. Fiscal Administrator will receive all timecards and call in pay period hours to payroll contractor and any previously approved (by Executive Director) payroll changes.
3. Payroll to be processed by payroll contractor and monitored by Director of Operations.
4. Fiscal Administrator will prepare inter-account transfer and have approved by Executive Director.
5. Payroll disbursement will be made via electronic debit from bank account.
6. Fiscal Administrator to post payroll to general ledger from reports provided by payroll contractor.
7. Director of Operations or CPA Consultant to reconcile electronic debit from bank account to payroll report.

#### **V. BANK ACCOUNTS & RECONCILIATION**

1. The Executive Director shall establish local bank accounts (e.g., checking, payroll, savings) required for the processing of payroll and approved invoices for expenditures contained within the approved administrative and programmatic budgets and for receiving revenues, such as donations. Donations will be received and tracked in a separate account.
2. A minimum balance of \$50,000.00 should be maintained in the ~~operations~~ local bank account(s) for the purpose of processing approved invoices requiring immediate payment. All expenditures will be reconciled monthly. Additionally, a balance sufficient to cover payroll expenses will be maintained.
43. Director of Operations or CPA Consultant shall reconcile all bank accounts monthly and submit to Executive Director for approval.

#### **VI. BANK ACCOUNT TRANSFERS**

##### **A. Wire Transfers**

1. Wire transfers from County bank accounts to the local bank accounts shall be only for the amount needed to cover the processing of approved invoices for expenditures contained within the approved administrative and programmatic budgets.

24. Wire transfer approval will be given by Executive Director or Administration/Finance Committee Co-chair designated as Primary Signatory \* or one of the alternate designated signatories as identified in accordance with the Commission's policy on signature authority.

32. Fiscal Administrator will process approved requests for funds transfers from County bank account to ~~Commission~~the local bank account.

\*On an annual basis, Administration/Finance Committee Co-chairs will designate a Primary and Secondary Signatory for the accounts payable process.

#### **B. Inter-account Transfers**

1. Director of Operations will approve funds transfers from one Commission bank account to another Commission bank account.
2. Fiscal Administrator will process approved requests for funds transfers from one Commission bank account to another Commission bank account.

#### **C. Fiscal Administrator will maintain a record of all account transfers.**

### **VII. FINANCIAL REPORTING & BUDGET MANAGEMENT**

#### **A. Budget Approval and Transfers**

1. The Commission will approve a final annual budget of revenues and expenditures by June for the upcoming July - June fiscal year.
2. The Executive Director shall have authority to make budgetary adjustments to account ~~numbers~~ categories within each individual approved budget (~~i.e.e.g.~~, administrative, ~~start-up~~, program budget) as long as the maximum allocated to that budget area does not change.
3. Proposed tTransfers between budget areas, ~~i.e.e.g.~~, administrative, ~~start-up~~equipment, program, will typically be brought ~~before first to~~ the ~~Joint Finance and~~ Administration/Finance Committee and subsequently to the Commission for final approval.

#### **B. Budget Review & Financial Reporting**

1. Reports of expenditures and variance to budget for all initiatives will be prepared and presented to the Commission monthly. The Commission's Administration/Finance Committee will review the report quarterly.
2. Financial Statements (Balance Sheet and Statement of Revenues and Expenditures) will be prepared on a quarterly basis. The financial statements will be presented to the Commission's Administration/Finance Committee and to the Commission.

### **VIII. PETTY CASH**

1. The petty cash fund shall not exceed \$100.00.
2. The petty cash fund will be administered by ~~the Executive Assistant an~~ administrative staff person and reconciled by the Fiscal Administrator as needed.
3. Funds will be kept in a locked location.
4. Funds will only be used for purpose authorized. Approved uses include miscellaneous office supplies, supplies needed for Commission operation, miscellaneous postage. Funds will not be used for personal business, cashing checks, or expense reimbursement.
5. All disbursements will be supported by an invoice or receipt containing sufficient detail of the reason for the expenditure.

6. Fund will be replenished as needed by processing a request for payment form with attached paid receipts.

#### **IX. PHYSICAL ASSETS**

1. Capitalized equipment valued at \$5,000 or more and with a useful life of at least five years must be tagged and physically verified annually.
2. A listing will also be maintained for expendable equipment (non capital) that could easily be misappropriated (e.g. computers, videos, cameras). An inventory of such equipment will be completed annually.
3. If a piece of equipment (capital or expendable) is going to be removed from Commission premises, the employee will complete the sign-out log maintained by ~~the Executive Assistant~~ an administrative staff person or Director of Operations to acknowledge receipt of the asset and responsibility for its return.

#### **X. SOFTWARE LICENSES**

1. Most software purchased is copyrighted and/or patented which prohibits the Commission or its employees from making copies of the software and/or restricting the use of the programs to a particular machine. Failing to comply with those restrictions will void the license to use the software and subjects the Commission to charges of and penalties for software piracy (theft and fraud).
2. As users and/or purchasers of software packages, the Commission has the responsibility to be aware of various agreements pertaining to each package.
3. When in doubt regarding software purchased, assume the software is not to be copied except for making a backup and designated for use with only one PC at a time and is not to be used by multiple users on a local area network unless the software is a multi user version.
4. An inventory will be maintained for all software used by the Commission. The inventory will indicate which machines the software is loaded, the number of copies purchased and licenses obtained, the location of data devices, and maintenance agreement details. This inventory will be reconciled against allowable software (licensed, type of program).

#### **XI. SYSTEMS ACCESS**

1. To safeguard critical and confidential information, computer files shall be backed up on a regular basis and the data will be stored/maintained both on-site and at an off-site location (e.g., web-based data management).
2. Access will be limited to only those users who need to perform their job responsibilities.
3. Passwords will be used to restrict access. Passwords will not be displayed when inputted and changed periodically by the user. The Director of Operations will maintain a copy of all passwords in a secure location.
4. The downloading of software from the Internet and the use of data devices from unknown sources is prohibited.
5. Computer virus protection software will be installed on every machine and will be set to run continuously. The software will be updated on an automatic basis.



## INTERNAL CONTROL PROCEDURES

### ACCOUNTS PAYABLE PROCESS

- STEP I. Executive Director will approve all purchase requisitions over \$1,000.  
Director of Operations will approve all purchase requisitions up to \$1,000.
- STEP II. ~~Executive Assistant~~ Administrative staff person (other than Fiscal Administrator) will open mail and date stamp received.
- STEP IV. Purchaser/assigned staff person will review and approve invoices.
- STEP III. Director of Operations will approve bills for payment.
- STEP IV. Fiscal Administrator will process invoices and print checks.
- STEP V. Executive Director will sign approved processed checks up to \$2,500.00. Second signatory will be required for any check over \$2,500.00. Second signature authority shall be granted to (in the following order)(Administration/Finance Committee Co-chair designated as Primary Signatory\*; Administration/Finance Committee Co-chair designated as Secondary Signatory\*; Chair, Commission; Vice Chair, Commission.
- STEP VI. ~~Executive Assistant~~ Administrative staff person (other than Fiscal Administrator) will mail signed checks and stamp with date mailed.
- STEP VII. Director of Operations or CPA Consultant will perform bank reconciliation.
- STEP VIII. Executive Director will sign off on bank reconciliation.
- STEP IX. Executive Director will review check register monthly. Administration/Finance Committee Co-chair designated as Primary Signatory \* will review check registers quarterly.

\*On an annual basis, Administration/Finance Committee co-chairs will designate a Primary and Secondary Signatory for the accounts payable process.