



THREE RIVERS SCHOOL DISTRICT

Accounting & Finance

FINANCIAL INTERNAL CONTROL GUIDELINES

The financial internal control procedures is provided to establish methods for the Three Rivers School District to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to policies and procedures.

Creation of Internal Controls

Preventative Controls are designed to *discourage* errors or irregularities from occurring and Detective Controls are designed to *find* errors or irregularities after they have occurred. Both types of controls will be implemented to provide security and efficiency.

The creation of internal controls will use the following areas to assess and implement procedures:

- Control Environment - sets the tone for the institution. It illustrates the integrity and ethical values, commitment to competence, and leadership philosophy that influence each department.
- Risk Assessment - identifies the relevant risks associated with particular tasks and determining how those risks can be managed.
- Control Activities – are the policies and procedures designed to help ensure management directives are carried out.
- Information and Communication – pertinent information must be identified, captured and communicated in a form and time frame that enables people to carry out their responsibilities.
- Monitoring – internal controls need to be monitored and assess the quality of the system's performance over time.

SECTION I – ACCOUNTS PAYABLE

The district's Accounts Payable Clerk is primarily responsible for the mechanics of processing accounts payable expenditures. The following policies and guidelines will be followed in all cases:

- ❖ TRSD Policy : DJ - District Purchasing
- ❖ TRSD Policy: DLC – Expense Reimbursements
- ❖ Fiscal & Support Services Guidelines:
 - A&F 1 – Gifting Guidelines
 - A&F 2 – Purchasing Guidelines
 - A&F 4 – Travel & Reimbursement Guidelines
 - A&F 8 – Petty Cash Guidelines

The following internal controls are necessary to assure the accuracy and integrity of the accounts payable process:

- The district will maintain an accounts payable system.
- Vendor records will be maintained by the Supply Distribution Coordinator, the Accounting Manager, and Accounting Administrative Assistant. The Accounting Administrative Assistant will set up ACH direct deposit for vendors and employee reimbursements.
- The Supply Distribution Coordinator will issue 3 copies of the purchase order; the original signed copy to the vendor (unless otherwise noted), a copy to the accounts payable department, and a copy to the requestor.
- One copy of all purchase orders, check requests, travel requests, and personal service contracts will be kept on file in the accounts payable department either awaiting payment or filed with payment after it is made.
- All purchase requisitions and check requests will be approved by the location administrator and the Deputy Clerk or his designee either electronically or in writing.
- An invoice documenting the receipt of merchandise or service must be provided to the Accounts Payable Clerk before a payment will be processed. The receipt must show documentation that the items have been received.
- The Accounts Payable Clerk will process the approved invoice for payment by matching the invoice noted above with the authorizing document (purchase order, check request, travel request, personal service contract)
- The senior Accounts Payable Clerk will process checks a minimum of twice monthly, preferably weekly and assure the following:
 - ✓ Required signatures are present
 - ✓ Amount to be paid, vendor name and address are correct
 - ✓ Supporting documentation is attached
 - ✓ When necessary, the Form W-9 has been obtained from the vendor
 - ✓ Paperwork for all capital equipment valued in excess of \$5,000 has been forwarded to the Accounting Manager
- Any invoice submitted for payment that is in excess of the purchase order amount will be approved as follows:

- ✓ If due to the cost of freight, variance in pricing, etc., the accounts payable clerk is authorized to pay any invoice up to \$50 in excess of the purchase order.
- ✓ All other invoices in excess will be approved by the Deputy Clerk or his designee.
- The senior Accounts Payable Clerk will then print the checks and associated Cash Requirements report for signed approval by the Deputy Clerk.
- The senior Accounts Payable Clerk will process direct deposit payments in the same manner as checks; the only difference is payment is made via direct deposit rather than check.
- The senior Accounts Payable Clerk will transmit the positive pay information to the bank.
- Checks are printed with the Deputy Clerk's electronic signature. Any check over \$5,000 requires a second signature.
- The junior Accounts Payable Clerk will attach necessary paperwork to the checks and prepare for mailing or distribution.
- Each month, all payments will be submitted to the Board for information at the regularly scheduled Board meeting.
- The junior Accounts Payable Clerk will be cross-trained to fill in for the Senior Accounts Payable Clerk at least once a year.

SECTION II – BUDGETED APPROPRIATIONS

The following policies and guidelines will be followed in all cases:

- ❖ TRSD Policy: DB – Budget Preparation
- ❖ TRSD Policy: DBL / DBL AR – National Competition funding

Each building or department administrator is responsible for ensuring that adopted appropriation levels are not exceeded according to ORS 294.435. Each school or department is responsible for reviewing discretionary budgets on a monthly basis. All building and department budgets are subject to review by the Executive Officer, Deputy Clerk, or Accounting Manager at any time.

Appropriation transfers may be requested within each function level, example: any transfer within function 1XXX, or within function 2XXX, etc.

All others transfers outside of ORS 294.435 compliance statutes must be approved by the Board of Directors.

Transfers from the General Fund contingency account will only be made with approval from of the Board of Directors.

Transfers from one fund to another will be presented to the Board of Directors for approval.

SECTION III – PAYROLL

The Payroll Administrative Assistant, Fiscal Administrative Assistant, Benefits Administrative Assistant, and Human Resources Administrative Assistant are responsible for the human resources module within the financial system and preparation

of the District's payroll. The following policies and guidelines will be followed in all cases:

- ❖ TRSD Policy : DL / DL AR – Payroll
- ❖ TRSD Policy: DLB – Salary Deductions

The following internal controls are necessary to assure the accuracy and integrity of the payroll process:

- The district will use employee identification numbers rather than Social Security numbers to identify employees on all printed materials and time records.
- All additions of new employees, changes to pay rates or pay hours will not be made without an authorized form HR234 or equivalent electronic signature.
- Timesheets are required for all non-exempt employees and anyone working outside their negotiated contract. Timesheets will be approved by the immediate administrator / supervisor or designee.
- New employees must have proper documentation; I-9, W-4, HR234 (or equivalent electronic form), copies of social security card and/or valid drivers license, etc.

The following assignments describe the payroll process and separation of duty

- The Payroll and Fiscal Administrative Assistants are responsible for:
 - Processing ½ the time records each
 - Using a pay edit report to verify the other assistant's time entry
 - Reviewing the above documentation for required authorized signatures
 - Using appropriate account codes for employee salaries
 - Maintaining appropriate files to support payroll entries which include; payroll deductions, W-4's, garnishments, etc.
 - The Payroll Administrative Assistant is responsible for PERS, voluntary employee deductions, and federal and state taxes.
 - The Fiscal Administrative Assistant is responsible for preparing garnishments and TSA deductions no later than five days following the related payday.
 - The Benefits Administrative Assistant is responsible for union dues, health and life insurance premiums, and flexible spending plans.
 - The Accounting Manager, Accounting Assistant, or Deputy Clerk will audit at least 20 records from the Payroll Journal report for accuracy.
 - Both the Payroll and Fiscal Administrative Assistants will print cashable checks and direct deposit vouchers.
 - Checks / vouchers will be verified to the Check Register report then folded, stuffed, and prepared for delivery.
 - Payroll checks and direct deposit vouchers are sent to the schools on payday via the District Courier. Checks for non-staff employees are held at the District Office on payday until noon and then sent via US Mail. When school is not in session all checks and vouchers are held at the district office until noon and then sent via US Mail.
 - The Payroll Administrative Assistant will transmit the positive pay file to the bank.
 - The Senior Accounts Payable clerk will print all payroll liability checks.

- The Payroll Administrative Assistant will reconcile gross and net pay amounts on a monthly, quarterly, and annual basis as required for accurate payment of federal and state taxes and other payroll liabilities.
- The Payroll Administrative Assistant will verify payroll encumbrances each month upon completion of payroll.
- The Benefits Administrative Assistant will verify leave taken on a monthly basis and the Payroll Administrative Assistant will verify leave accruals.
- One other person in the business department will be cross trained in timesheet input and verification.

SECTION IV – CHECK AUTHORIZATION PROCEDURES

The following policies and guidelines will be followed in all cases:

- ❖ TRSD Policy: DG – Depositories For Funds / Authorized Signatures / Payment Authorization

The following internal controls are necessary to assure the integrity of the checks written:

- On a daily basis, the Accounting Manager or Accounting Administrative Assistant will electronically contact the District's financial institution in order to determine if there have been any positive pay exceptions.
- All blank check stock will be stored in a secure locked location out of view of the general public
- Every month during the bank reconciliation, the Accounting Manager will verify check sequence to stock on hand.

SECTION V – CREDIT CARDS

The objective of District credit cards is to provide designated employees the flexibility to make purchases for the district when a purchase order is not practical or allowable. Credit cards will not be used to supplant or circumvent other District purchasing guidelines.

All online credit card purchases will performed by an Accounts Payable clerk. They are required to have an approved purchase order on file for each transaction. The credit card(s) may be checked out by district staff with approval from the Superintendent in the form of a Purchasing Card Funds Request.

All corresponding receipts and paperwork must be submitted to accounts payable in a timely fashion. The Accounts Payable Clerk will review the monthly statement and make the payment from purchase orders issued.

SECTION VI – STUDENT BODY FUNDS

The building principal is ultimately responsible for the accurate and appropriate accounting of Student Body Funds.

The following policies and guidelines will be followed in all cases:

- ❖ Fiscal & Support Services Guidelines: A&F 6 – Student Activity Fund Handbook

The following internal controls are necessary to assure the accuracy and integrity of the Student Body Funds:

- The Accounting Manager or Accounting Assistant will verify all bank accounts are balanced on a monthly basis.
- The Accounting Manager or Accounting Assistant will audit the Student Body books and files annually, detailing any discrepancies found and notifying the bookkeeper and administrator.

SECTION VII – CASH FLOW & BANK ACCOUNTS

The purpose of monitoring the District's cash flow requirements is to maintain a balance sufficient to cover all outstanding District checks and electronic payments while continuing to maximize the interest earned on invested funds.

The following policies and guidelines will be followed in all cases:

- ❖ TRSD Policy: DG – Depositories For Funds / Authorized Signatures / Payment Authorization
- ❖ TRSD Policy DIC – Monthly Reports

The following internal controls are necessary to assure the accuracy and integrity of the district bank accounts:

- The Payroll Administrative Assistant and Accounts Payable Clerk will enter all district payments into the check register
- The Accounting Manager or Accounting Administrative Assistant will monitor the checking accounts daily for required cash flow
- The Deputy Clerk will approve all transfer of funds from one institution to another
- The Accounting Manager or Accounting Administrative Assistant will process the transfer and post the entry into the financial system
- The Accounting Manager will reconcile each district bank and investment account on a monthly basis
- The Executive Officer or Deputy Clerk will review and initial all bank reconciliations every month.
- The Accounting Manager will prepare monthly for the Deputy Clerk, a Cash Balance Status report, beginning with the October board meeting.
- All wire transfers will require written authorization from the Deputy Clerk, and a second online authorization by either the Accounting Manager, Payroll Administrative Assistant, or the Deputy Clerk.
- All requests to open/close an account must be in writing and approved by the Deputy Clerk.

SECTION VIII – INVESTMENTS

The following policies and guidelines will be followed in all cases:

- ❖ TRSD Policy: DFA / DFA AR – Investments of Funds
- ❖ TRSD Policy DIC – Monthly Reports

The following internal controls are necessary to assure the accuracy and integrity of the district investments:

- District investments will be included in the monthly report noted above.
- The Accounting Manager will review annually (or as needed) all investment institutions and compliance with ORS 295.
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SECTION IX – CASH RECEIPTS AND ACCOUNTS RECEIVABLE

The following internal controls are necessary to assure the accuracy and integrity of the district accounts receivable:

- Any department issuing an invoice will give a copy to the Fiscal Administrative Assistant, who will in turn make sure payment is received in a timely manner.

- Cash and currency received in any department from any source will be delivered to the Fiscal Administrative Assistant (example: retiree insurance payments are usually mailed to the benefits clerk, GED fees are sent to the curriculum clerk, etc.)
- The Fiscal Administrative Assistant will enter the date, check number, payee, invoice number, reason for payment, and amount in a spreadsheet and the funds will be kept in a locked cabinet until deposited in the bank.
- The assistant will deposit the funds twice a month.
- The Accounting Manager or Deputy Clerk will review and initial each Deposit Listing.
- Upon receipt of the deposit, the Accounting Administrative Assistant will enter the individual deposit amounts into the financial system.
- Revenues received electronically from the source to the District's checking or LGIP account include tax collections, grants, state support, county revenues, interest income, etc. will be posted in the financial system by the Accounting Manager or Accounting Administrative Assistant.

SECTION X – JOURNAL ENTRIES

The following internal controls are necessary to assure the accuracy and integrity of the district's journal entries:

- The Accounting Manager and Accounting Administrative Assistant are authorized to enter journal entries. All journal entries must have accompanying documentation and in the case of federal and state grants, approval from the grant administrator.
- All journal entries will be reviewed and initialed by either the Deputy Clerk or Accounting Manager. If said Clerk initiated the entry, it will be approved by an appropriate Director.
- The Fiscal Administrative Assistant and Accounting Administrative Assistant are authorized to enter Budget Journal Entries.
- All Budget Journal Entries must be approved by the Accounting Manager.

SECTION XI – CAPITAL ASSET ACCOUNTING

The following policies and guidelines will be followed in all cases:

- ❖ TRSD Policy: DLD – Capital Assets Policy

All capital assets will be documented in an inventory database and purchase / cost documentation will be retained in the year the asset was acquired.

SECTION XII – FINANCIAL ACCOUNTING SOFTWARE

The following policies and guidelines will be followed in all cases:

- ❖ TRSD Policy: DA – Fiscal Management Goals

The following internal controls are necessary to assure the accuracy and integrity of the district's financial software:

- A spreadsheet detailing which job classes have security access assigned in the financial system has been created by department administrators and the Director of Fiscal & Support Services. When an employee is hired or changes a job class the Financial System Administrator will receive a copy of form HR234 and make the appropriate changes to that employee's security access.
- The Payroll Administrative Assistant will notify the Accounting Manager each time an employee is terminated. The Accounting Manager, in turn, will inactivate security resources in the financial system.
- The Payroll Administrative Assistant or Fiscal Administrative Assistant will verify security resources for financial system users once per year.

SECTION XIII – SYSTEM ADMINISTRATION SECURITY

The following internal controls are necessary to assure the integrity and controls of the computer systems.

- The Commercial Electronic Banking system will be required to have two (2) administrators, the Deputy Clerk and the Accounting Manager, with access to security and approvals.
- All banking ACH transactions will require a second online approval.

SECTION XIV – MISCELLANEOUS

In addition to the above guidelines the following practices apply:

- All employees in the Financial Department are encouraged to take a minimum of one week's vacation a year.
- All employees in the Financial Department are requested to enroll in at least one training class per year (providing there are relevant trainings available).
- All financial records will be retained and/or copied according to OAR Chapter 166, Records Retention Schedule.
- The attached Internal Monitoring Report to will be used to ensure that controls are functioning properly. This report will be reviewed and initialed by the Executive Officer at years end and kept on file for a minimum of 3 years.
- The Financial Internal Control Guidelines document will be presented to the Board of Directors every year.