

751 INTERNAL CONTROL POLICY**I. PURPOSE**

Pipestone Area Schools, ISD 2689, seeks to balance its internal accounting control in such a way as to ensure public confidence and maintain the integrity of its financial systems and assets, without unduly inhibiting the ability to efficiently carry out its mission.

II. CASH DISPURSEMENTS**1. GOAL**

The goal of the Pipestone Area School Board in establishing an internal control system for cash disbursements is to safeguard the assets of Pipestone Area Schools and to ensure an appropriate level of fiduciary responsibility

2. OBJECTIVE

The objective of the Pipestone Area School Board in meeting this goal is to ensure that cash is disbursed only upon proper authorization of management for valid governmental purposes, and that all disbursements are properly recorded.

3. PROCEDURES**A. Segregation of Duties**

No financial transaction shall be handled by only one person from beginning to end.

1. Payment of all claims will be authorized by either the Principal, Curriculum Director, Activities Director, Business Manager, or Superintendent. The School Board will authorize the payment of all the claims.

2. Checks will be signed by the School Board Chairman, Clerk, and Treasurer. Signatures are electronic and all 3 are required on the check. The electronic signature is stored on the hard drive on the Accounts Payable Clerk, Payroll/HR Coordinator, and the Business Manager's computers. Access to payment printing is password protected on each computer noted above.

3. Payments will be coded and recorded by the Accounts Payable Clerk, with oversight by the Business Manager. In the absence of the Accounts Payable Clerk, the Business Manager may code and record payments. The payments for payroll tax and other payroll deductions will be coded and recorded by Payroll/HR with oversight by the Business Manager.

4. The Treasurer's report and budget year-to-date report will be prepared by the Business Manager and presented to the School Board on a monthly basis. The Accounts Payable Clerk will prepare the detail payment register by check number, which will be presented to the School Board on a monthly basis. The Business Manager will review the detail payment register by check number after it is prepared.

5. A requisition will be completed for all purchases, and approved by the appropriate administrator. Teacher requisitions are approved by the building Principal, or the Curriculum Director. The Superintendent approves the Facility Manager, Tech Coordinator, and Food Service requisitions, and the Business Manager approves requisitions for the Business Office.

6. Requisition processing -

- Elementary – Administrative Assistant processes all requisitions for elementary staff.
- MS/HS - Administrative Assistant processes all requisitions for MS/HS staff.
- Accounts Payable Clerk – processes requisitions for Food Service, Tech Coordinator, Facility Manager, and Business Office.
- The processing personnel will make sure they have the appropriate signatures before a purchase order is generated. Consecutive purchase order numbers are automatically assigned in Smart Finance. The Superintendent’s signature is on all purchase orders. The electronic signature is password protected and stored on the hard drives of the personnel that prepare purchase orders.
- Properly signed and approved purchase orders will be mailed by the personnel who it was prepared by.

B. Accounting Controls

The following common internal controls relate to paying bills:

1. All disbursements will be made by pre-numbered checks. The MICR encoding is printed on the checks at the time of payment processing, eliminating actual pre-printed check stock.
2. Smart Finance Software does not allow the user to use the same check number per bank record.
3. Under no circumstances will blank checks be signed in advance.
4. The Accounts Payable Clerk receives the mail for the Business Office. The invoices are stamped with “IS THIS INVOICE OK TO PAY?” The stamp also contains the date received by the Accounts Payable Clerk, along with a signature and date line for the appropriate individual to sign. Invoices are then delivered to the individual for their signature. When the invoice is returned to the Accounts Payable Clerk, the payment process is initiated.
5. All signed checks will be mailed promptly by the Accounts Payable Clerk after the School Board approves the expenditures at the monthly board meeting.
6. When an invoice is paid, the voucher number is listed on the invoice. The check stub contains the vendor name, invoice date, voucher number, check number, check date, and amount paid. The check has 3 parts and the third part is attached to the invoice.
7. A monthly detail payment register by check number will be prepared on a monthly basis. The report details the vendor, bank, check number, check date, account code, dollar amount, and the description of the expenditures. The Accounts Payable Clerk generates the report which is reviewed by the Business Manager. The report is presented at the monthly board meetings for the School Board to approve payment of the invoices.
8. Credit card purchases are allowed. The employee will have to complete a requisition, following the procedures noted above (3. A. 5 and 6). The Accounts Payable Clerk issues the credit cards. The cards are numbered and the user has to sign for the card, along with the reason for needing the credit card. The employee has to include all of the detailed receipts and a description of the purchase when the credit card is returned.
9. If a personal credit card is used for travel, the employee must fill out the Employee Reimbursement/Travel Claim. Block A of the form is the narrative. The employee has to fill in the general purpose of the expenses. Block B contains the detail of the travel expenses (e.g., meals, lodging, taxi, bus, parking, tolls, rental car expense, and conference fees). Detailed receipts need to be attached to the Employee Reimbursement/Travel Claim in order for the employee to be reimbursed. The employee and the administrator in charge of the employee need to sign the form.
10. All journal entries will be prepared by the Business Manager with the supporting documentation.

III. PAYROLL

1. GOAL

The goal of the Pipestone Area School Board in establishing an internal control system for payroll disbursements is to safeguard the assets of the school and to ensure an appropriate level of fiduciary responsibility.

2. OBJECTIVE

The objective of the Pipestone Area School Board in meeting this goal is to ensure that payroll disbursements are made only upon proper authorization to bona fide employees, that payroll disbursements are properly recorded, and related legal requirements (such as payroll tax deposits) are complied with.

3. PROCEDURES

A. Segregation of Duties

Payroll checks will be processed by the following persons:

1. The Business Manager will review the payroll register after HR/Payroll Coordinator completes the payroll.
2. The HR/Payroll Coordinator will prepare all payroll related tax withholding deposits and reports.
3. The SWWC Service Cooperative will prepare year-end W-2's for employees. The HR/Payroll Coordinator will distribute the W-2's and respond to inquiries regarding the same.

B. Accounting Controls

The following common internal controls relate to payroll:

1. Time sheets are required for hourly employees to document employee hours, including overtime and leave time. Designated hourly employee use a time clock to track their hours.
2. Employment records will be maintained for each employee that detail wage rates, benefits, taxes withheld, and any changes in employment status.
3. Payroll-related taxes, including employer share, will be withheld and paid to the appropriate government agency on a timely basis.
4. Written contracts shall dictate the accounting for vacations, holidays, sick leave, and other benefits.
5. A list of payroll checks written, with the appropriate taxes withheld, will be maintained in a separate payroll register.

IV. STUDENT ACTIVITY ACCOUNTS

1. GOAL

The goal of the Pipestone Area School Board in establishing an internal control system for student activity accounts to safeguard the assets of the school and to ensure an appropriate level of fiduciary responsibility.

2. OBJECTIVE

The objective of the Pipestone Area School Board in meeting this goal is to provide guidelines for the use, safekeeping, and reporting standards of the student activity accounts.

3. PROCEDURES

A. Segregation of Duties/Accounting Controls

Student activity funds are available for extra curricular activities, which is defined as all direct and personal services for pupils for their enjoyment that are managed and operated under the guidance of an adult or staff member. Student activity accounts are for extracurricular activities where funds are raised by students, and for students that are currently enrolled and participate in an activity.

1. Cash Disbursements – The student activity advisor has to complete the required form with the Accounts Payable Clerk. The form includes the vendor, date, dollar amount, and a description of the service or goods provided. The completed form will be signed by activity advisor, the student advisor, and the MS/HS Principal. The invoice has to be attached to the form and will be reviewed by the Accounts Payable Clerk for accuracy. If questions arise, the Accounts Payable Clerk will contact the student advisor. The checks are signed by the Business Manager and the Superintendent. The electronic signature is stored on the Accounts Payable Clerks hard drive. Access to payment printing is password protected on the computer noted above.

2. Cash Receipts – The student activity advisor has to complete the required deposit form with the Accounts Payable Clerk. The form includes the date, account, activity advisor signature, and the dollar amount. The Accounts Payable Clerk will count the deposit for accuracy, and if there is a discrepancy between the two amounts, the activity advisor is contacted, the issue is discussed and resolved. The Accounts Payable Clerk prepares the deposit and the Business Manager brings the deposit to the bank.

3. A monthly detail payment by register is prepared on a monthly basis and presented to the School Board.

4. The Accounts Payable Clerk prepares the monthly activity for receipts and disbursements each month for the advisors to review.

5. Pipestone Area Schools will comply with the "Manual for Activity Fund Accounting" prepared by the Minnesota Department of Education.

V. CASH RECEIPTS

1. GOAL

The goal of the Pipestone Area School Board in establishing an internal control system for cash receipts is to safeguard assets of the school and to ensure an appropriate level of fiduciary responsibility.

2. OBJECTIVE

The objective of the Pipestone Area School Board in meeting this goal is to ensure that all cash intended for the school is received, promptly deposited, properly recorded, reconciled, and kept under adequate security.

3. PROCEDURES

A. Segregation of Duties

No financial transaction shall be handled by only one person from beginning to end.

1. The Superintendent's Admin Assistant will be responsible for receiving all cash payments to the school district, whether by mail or in person. In the absence of the Superintendent's Admin Assistant, the Accounts Payable Clerk may receive cash payments.

2. The Superintendent's Admin Assistant will review receipts prior to making any deposits. The Business Manager will be responsible for coding the receipts and entering the deposits into Smart Finance.

3. The bank reconciliations will be prepared by the Business Manager on a monthly basis. The Business Manager will prepare the Treasurer's report and present it to the Pipestone Area School Board on a monthly basis.

4. Invoices for Pipestone Area Schools will be prepared by the Business Manager. An accounts receivable register will be maintained by the Business Manager.

B. **Accounting Controls**

The following guidelines will govern the processing of receipts.

1. All receipts will be deposited in a timely manner.

2. The Superintendent's Admin Assistant will record all receipts using a sequential receipt number.

3. Receipts will include payer, date, amount, and description.

4. Receipts will be coded with appropriate account information.

5. Receipt documents totals must match totals from bank receipt.

6. Receipts will be recorded in Smart Finance.

7. Receipts from donations must be presented to the Pipestone Area School Board for acceptance and approval.

8. Concessions: Various groups sign up to do concessions. The Accounts Payable Clerk prepares a cash box with \$800.00 from the safe for starting cash for concessions. The cash box is delivered to the Athletic Director, who then gives it to the advisor supervising concessions. At the end of the event, the cash box is counted and recorded by the advisor and the Accounts Payable Clerk. The \$800.00 starting cash goes back into the safe and anything over gets deposited by the Accounts Payable Clerk.

9. Extracurricular Events – Gate Receipts: The Accounts Payable Clerks prepares ticket gate boxes with \$800.00 from the safe for starting cash for gate sales. The cash box(es) are delivered to the Athletic Director, who then gives it/them to the ticket seller. At the end of the event, the cash box is counted and recorded by the ticket seller and the Accounts Payable Clerk. The \$800.00 starting cash goes back into the safe and anything over and above is counted and deposit is prepared by the Superintendent's Admin Assistant.

10. The Accounts Payable Clerk has \$3,000.00 in a locked safe for concessions and ticket gate boxes. The Accounts Payable Clerk and the Athletic Director are the only personnel who know the combination of the safe.

VI. BUDGETARY CONTROLS

1. GOAL

The goal of the Pipestone Area School Board in establishing an internal control system for budgetary control is to safeguard the assets of the school and to ensure an appropriate level of fiduciary responsibility.

2. OBJECTIVE

The objective of the Pipestone Area School Board in meeting this goal is to ensure that the budget is monitored on an ongoing basis.

3. PROCEDURES

A. Segregation of Duties

The following guidelines will govern the preparation and monitoring of the budget.

1. The Superintendent will establish the budget monetary guidelines that will be used in the budget. The appropriate staff are responsible for completing requisitions. The Business Manager creates a spreadsheet with the requisitions coded to the appropriate areas. The Business Manager meets with the Elementary, MS/HS Principal, and the Curriculum Director to ensure the total of the requisitions are within the budgetary guidelines established by the Superintendent.
2. The Business Manager will prepare spreadsheets for the salaries and benefits. These spreadsheets will serve as the source documents for the payroll side of the budget.
3. The Business Manager will use a percentage increase for other items in the budget based on current economic conditions.
4. The Business Manager and Superintendent will review the budget. The preliminary budget will be presented to the School Board at the June meeting for approval.
5. A budget transfer form will be prepared if there are changes to the original budget. The budget transfer form will include the accounts that are affected by the budget transfer. The form will also include an explanation of why the transfer was made. The budget transfer has to be approved by the Superintendent.
6. If there is an increase or decrease in the overall budget, a budget amendment will be prepared. The budget amendments will be presented to the School Board for approval.

VII. FINANCIAL STATEMENT PREPARATION

1. GOAL

The goal of the Pipestone Area School Board in establishing an internal control system for financial statement preparation.

2. OBJECTIVE

The objective of the Pipestone Area School Board is to negate the audit finding which states that "District personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles." This finding was included in the audit report for the year ending June 30, 2021.

3. PROCEDURES

A. Required Review Policies and Procedures

1. The Business Manager will reconcile the general ledger amounts to the draft financial statements utilizing grouping schedules provided by the auditors.
2. The Business Manager will review all of the supporting documentation and explanations for journal entries that are proposed by the auditing firm and approve the journal entries.
3. The Business Manager will review the adequacy of the financial statement disclosures by completing a disclosure checklist. The Business Manager will use the disclosure checklist published by the American Institute of Certified Public Accountants.

4. The Business Manager will review and approve schedules and calculations supporting the amounts included in the notes to the financial statements.

Adopted: 12-15-2008

Revised: 2-28-2022, 2-24-2025