

Definition

Internal control refers to procedures used to provide reasonable assurance regarding the achievement of the following objectives:

- Safeguarding cash
- Ensuring the validity of financial reports
- Promoting adherence to H.S.A. and ACES/Xavier policies and procedures, and state and federal laws

Responsibilities

The H.S.A. executive board is responsible for establishing specific internal control policies and procedures. All school staff and volunteers are responsible for ensuring that the established internal controls are followed and applied.

Principles of Internal Control

Separation of Duties – Duties are divided so no one person has complete control over any function.

Authorization – Proposed transactions are authorized

Custody/Security – Responsibility for custody of assets is separated from recordkeeping

Review and Reconciliation – records are examined to determine transactions were recorded properly

Physical controls – Cash is secured physically (including cash boxes and checkbook)

Training and supervision – Anyone handling cash is properly trained

Documentation – Well-documented procedures promote understanding of job duties in the event of staff or volunteer turnover

Cost/benefit – Costs associated with control processes should not exceed expected benefits

Areas of Weakness in the Following Proposed Guidelines

Separation of Duties– With one treasurer, check-writing, bank reconciliations, report preparation, and bookkeeping are performed by the same person. Strict adherence to time guidelines in preparing reports and careful review of the reports by the presidents is a must under this system.

Custody/Security – Cash is received in the office via the family folders, temporarily stored in the safe, turned over to volunteers to be counted and recorded, and then it is logged into the safe. The money would be more secure if it were counted immediately upon receipt, and stayed in the safe until deposit.

Training and supervision – Adequate training is a potential problem as the Treasurer is a volunteer position. We will try to recruit volunteers with an accounting background.

Physical controls – We recommend that all employees who handle cash are bonded through ACES/Xavier. If employees handling money are bonded, but un-bonded volunteers bring the deposit to the bank, there is a chance of a loss that could not be recouped. If bonded employees handled all cash from the moment it arrived in the office (one employee) until it was deposited in the bank (different employee), the cash would be safer than the current system of having un-bonded volunteers handle cash.

Cash Receipts Procedures

1. **All cash or check payments are to be brought directly to the office, not handed to the treasurer or committee members or placed in any boxes in the volunteer room**
2. **Office employees** receive money from family folders and walk-in receipts, and accumulate cash in safe for committee volunteers to process. **Two cash receipts volunteers** receive cash from office staff and process as follows:
 - i. **Volunteers** stamp checks with "for deposit only" endorsement stamp.
 - ii. **Volunteers** must record all checks or cash on the back of the deposit form, stating name of payee, form of payment, and amount. For large deposits, the treasurer will make available a list of all students and families to use as a log, which can be attached to the deposit form.
 - iii. **Volunteers** count money and complete and sign a Treasury Deposit Form. We recommend that any receipts exceeding \$200 are counted and signed by two people.
 - iv. **Volunteers** give a copy of every deposit form to the chairperson responsible for the corresponding committee, and a copy (front and back) is kept in the office log book. Volunteers attach a copy of the original documentation that came with the cash receipts to the deposit form given to the committee chairperson(s).
 - v. **Volunteers** places deposit form, log of payments for that deposit, and money in an envelope, seals the envelope, and sign across the seal.
 - vi. **Volunteers and office staff** record all incoming cash in a log, and **office staff** place sealed envelope in the safe. For payments other than those from parents (for example, Target or Market Day), volunteers include a copy of the stub or other documentation in the envelope for treasurer's records.
3. For door sales from fund raisers budgeted for \$200 or more, a method of determining reasonableness of receipts must be agreed upon between the Treasurer and the Committee chairperson, prior to the event taking place. An example would be a calculation attached to the deposit which would verify the reasonableness of the amount deposited (for example quantity sold X price A plus quantity sold X price B, etc. = expected sales.) Ticket counts or order sheet totals must be used when possible.
 - i. Receipts, ticket totals or calculated expected sales plus beginning cash are to be totaled (or cash register totaled), and should agree to total cash at the end of the sale.
 - ii. Cash is to be deposited into office safe immediately at the end of the event in accordance with steps # 2 (iii-vi) listed above.
4. **H.S.A. treasurer** signs and dates log to indicate she/he is taking money out for bank deposit. **Office employee** also initials log to indicate that she/he has witnessed the removal of the cash. All bank deposits must be made on the same day the cash is removed from the safe.
5. After preparing bank reconciliation, treasurer forwards original bank statements to a different volunteer. **Volunteer** compares deposits to office log to ensure that all monies have been deposited as stated. Any differences are to be noted on the statement, and the original bank statement provided directly to the H.S.A. President(s).
6. **H.S.A. Committee Chairpersons** review detailed activity in their accounts, as supplied by **Treasurer**, at least quarterly, in order to ensure their accuracy.

Cash Disbursements Procedures

1. All disbursements are made by check.
2. The only checks made out to cash that are allowed are for the purpose of setting up a cash box for fund-raisers. Checks for cash boxes may also be made out to the name of an individual, who will obtain his or her own cash box.
 - a. Any checks for cash boxes must be initiated by a check request from the committee chairperson running the event. This will be recorded as an expense of that fund raiser.
 - b. If an officer obtains cash for another individual, the cash box is to be counted by the person in charge of the cash box upon receipt, and that person is to sign the portion of the check request form stating that he/she has received the money.
 - c. When the cash box is returned, the entire deposit will be recorded as income for the fund raiser.
3. All checks are pre-numbered, and all numbers accounted for.
4. All unused checks are safeguarded, and access limited to the **Treasurer or President(s)**.
5. All checks are **signed manually by Treasurer or President(s)**. Two signatures are required for any withdrawal from the bank. Check numbers are to be recorded on a manual list. Check signers will initial the list as checks are signed and ensure that checks are used in proper sequence.
6. Any voided checks are mutilated and attached to the manual list of checks.
7. All supporting documents must be attached to a signed check request, and reviewed by the **Treasurer** before check is signed. **ALL CHECK REQUESTS MUST BE ACCOMPANIED BY RECEIPTS OR INVOICES FOR 100% OF THE FUNDS REQUESTED.** However, if a receipt is lost, an exception may be made under reasonable circumstances (for example, a witness that the money was spent to benefit the school) as long as there is approval by the **Treasurer and President(s)**.
8. **Treasurer** makes disbursements on a timely basis.
9. Any disbursements exceeding the budget for that category, or exceeding \$500 per disbursement, must be approved by the **President(s)** (one President, if there are two).
10. All disbursements must follow the By-Laws of the H.S.A. as approved by the membership.
11. **H.S.A. Committee Chairpersons** review detailed activity in their accounts, as supplied by **Treasurer**, at least quarterly, in order to ensure their accuracy.

Bank Reconciliations

The treasurer prepares monthly reconciliation of the bank accounts to the financial reports. The treasurer must provide the original bank statements, copies of bank reconciliations, and a copy of the initialed list of checks to the presidents for review by the 15th of each month.

Financial Reports

H.S.A. Treasurer prepares the following financial reports monthly:
Check register (on-going)
Balance Sheet
Profit and Loss by month
Year-to-date Budget vs. Actual by line item
(The last two may be combined on one sheet if practical.)

The treasurer will accompany the reports with written comments explaining significant items.

(Both) H.S.A. President(s) review all financial reports upon receipt, and promptly address questions or concerns with the Treasurer. President(s) will initial financial reports after reviewing, and they will maintain the reports in a permanent file. Treasurer must hand over all financial records to the President(s) for review, if requested.

Independent Review

All financial records are to be reviewed during or promptly upon the completion of the school year by an individual who was not a member of the executive committee for the previous or coming year, and who was not involved in the daily activity for the H.S.A. account. The President(s) will select the individual performing the review.

Segregation of Treasurer Duties

The treasurer position may be shared by two individuals as long as duties are clearly segregated as follows: Treasurer #1 writes checks and deposits money. Treasurer #2 has no bank access and prepares all financial reports.

Qualifications for Treasurer

The treasurer is an elected position. To be eligible to run for this position, the volunteer must not be a member of the St. Bernadette Parish Finance Council or an employee of St. Bernadette Parish or ACES/Xavier, in order to avoid a conflict of interest. We recommend that in the future, the H.S.A. board members attempt to recruit an individual for the Treasurer (or Treasurer #2) position who is qualified in the field of accounting, preferably possessing a college degree in accounting, and/or several years of experience in accounting.

Data Backups

H.S.A. Treasurer provides office with backups of financial data at least once per quarter.

We agree to the internal control guidelines for St. Bernadette H.S.A. as described on pages 1 – 4 of this document, and will cooperate in their implementation.

Patty Zubella, Treasurer /Date

Jackie Behnke, Principal /Date

Beth Mares, Co-President /Date

Mary Benthein Co-President /Date

Jackie Van De Hey, Secretary /Date