

# Internal Control Policy

Knox County Housing Authority  
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## Article I. Purpose / Scope of the Policy

**Section 1.01** The Board of Commissioners of the Knox County Housing Authority (KCHA) recognizes the importance of maintaining strong internal controls and hereby resolves to adhere to certain internal control principles.

**Section 1.02** Effective control and accountability must be maintained for all cash, real and personal property and all other assets.

**Section 1.03** The KCHA must adequately safeguard all such property and must assure that it is used solely for authorized purposes. Internal control methods cover two key areas:

- (a) Accounting Controls: needed to ensure that transactions are properly recorded, financial reporting is accurate, and assets are safeguarded against loss from unauthorized use.
- (b) Management Activities: required to establish controls to monitor operations to ensure that programs are carried out in an efficient and economical manner and to guard against fraud, waste, and abuse.

## Article II. General Provisions

**Section 2.01** Three key internal controls are:

- (a) A well-designed management system,
- (b) Effective supervisory review of operations, and
- (c) Audits to monitor operations.

**Section 2.02** Control techniques utilized by KCHA include but are not limited to the following:

- (a) Clearly defined staff responsibilities and job accountability,
- (b) Separation of duties so that no one staff member has complete control over an asset,
- (c) A management information system which provides an internal flow of data for monitoring, forecasting and policy decisions,
- (d) An effective personnel selection system so that competent staff are hired,
- (e) A supervisory review system to assure routine monitoring of employee/contractor
- (f) compliance with procedures and timeliness/quality of completed work,

- (g) Competitive procurement practices,
- (h) Accurate inventory systems,
- (i) Security of property and records,
- (j) Well planned, organized and supervised maintenance programs, and
- (k) A timely, annual independent audit of operations.

### **Article III. Control Objectives for Liabilities**

**Section 3.01** Financing arrangements and the incurrence of other liabilities are properly authorized.

**Section 3.02** All financing transactions and other liabilities are properly recorded and classified in the accounts.

**Section 3.03** Access to debt records and related proceeds is controlled.

### **Article IV. Control Objectives for Payroll, Employee Benefits and Related Liabilities**

**Section 4.01** All wages are properly authorized and approved.

**Section 4.02** All wage computations are accurate and properly recorded in the accounts.

**Section 4.03** All necessary accruals are accurate and properly recorded in the accounts.

### **Article V. Control Objectives for maintaining HA Financial Records**

**Section 5.01** Adequately identify the source and application of all program funds and HUD funds.

**Section 5.02** Provide the basis for budgetary control and monitoring of financial activities and the financial position of programs.

**Section 5.03** Contain the information necessary to determine compliance with budgetary and legal/contractual requirements.

**Section 5.04** Provide supporting documentation for transactions and an adequate audit trail.

**Section 5.05** Provide the basis for preparation of required financial reports on a timely basis.

**Section 5.06** Prepare the year-end financial statements in accordance with GAAP (Generally Accepted Accounting Principles).