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|  |  |  **Blue Ridge Fire District****Policy and Procedure** |  | General Order Number **C209** |  |
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|  | Subject:**Financial Internal****Controls Policy** | Effective Date:**March 21, 2015** | Rescinds**A3** |  |
| Board Approval Date:**March 21, 2015** | Pages:**5**  |  |
|  | Application:**All District Personnel** | *Signed into effect as authorized by the Board of Directors*John Banning, Fire Chief |  |
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**POLICY:**

The intent of this Internal Control Document is to provide specific guidelines for District personnel to follow in order to provide reasonable assurance that District resources and property are being tracked and used in a way that benefits the tax payers of the District and prevents misuse or misappropriation of District resources.

**PROCEDURES:**

**1. GENERAL FINANCIAL REPORTING**

1. The Board of Directors is responsible for authorizing all bank accounts and check signers.
2. Financial institutions where District accounts are maintained are notified on an annual basis

 of any changes in check signers or following the election or appointment of new board members or

 changes in staff with check signing responsibilities. Financial Institutions where District accounts are

 maintained are notified immediately of the resignation or removal of any board members or District

 staff with check signing responsibilities.

1. The district accounting staff shall reconcile all balance sheet accounts for each calendar month of the fiscal year within thirty days after the end of that calendar month.  The fire district board shall review the reconciled balance sheet accounts monthly. ( per ARS 48-807, subsection N )
2. Financial reports shall be presented to the board of directors for review on a monthly basis.  The

district shall produce monthly financial reports to include a register of checks, warrants and deposits, a statement of financial activities and a statement of net assets for each calendar month.  The district shall produce a cash flow projection report for each fiscal year.  The cash flow projection report shall be updated monthly with the actual revenues and expenditures from the preceding month.  Each month, the fire district board shall review the financial reports, the updated cash flow projections report and all month-end fund statements and reports of the preceding month to include those reports provided by the county treasurer and each of the financial institutions in which the district maintains an account.  Any financial report or cash flow projection report that would indicate that the district is likely to violate Arizona Revised Statutes (ARS) section 48‑805.02, subsection D, paragraph 1 or that would indicate an adverse impact on the ongoing operations or liquidity of the district shall be reported by the fire district board chairman in writing and delivered by certified mail to the county treasurer and the county board of supervisors within ten days after the discovery. (per ARS 48-807, subsection O)

1. An annual financial review, or audit, depending upon the size of the budget, will be conducted by a qualified Independent Certified Public Accountant as required by ARS 48-253, subsection A-1,2 in accordance with generally accepted government auditing standards.
2. Applicable financial and administrative guidelines relating to specific grant funding shall be followed. ( such as an A-133 Single Audit where required by grant agreements)

**2. CASH RECEIPTS**

1. Employees handling cash will have the necessary knowledge and skills to perform the job

 and will be carefully supervised. Cash receipts must be deposited within 4 business days of receipt or

 when the deposit amount exceeds $500, whichever comes first.

1. Incoming checks must be restrictively endorsed, “for deposit only” with the organization’s account number, when received.
2. Incoming cash must be counted and receipts/bank deposits developed by two or more persons authorized to perform these functions. Records of cash received must be totaled and initialized by authorized employees.
3. Cash collection documentation totals must be compared and reconciled to bank deposit receipts on a regular basis. Bank deposit receipts must be compared and attached to the original bank deposit slips. Adequate physical controls must be maintained over cash receipts from the time of receipt to deposit in the bank.
4. Contributions and grants received in bank account electronically via Electronic Funds Transfer (EFT) will be posted to accounting software within 3 days of receipt.

**3. CASH DISBURSEMENTS**

a. Check and Warrant Authorization

* 1. The Fire Chief or designee must provide approval for all disbursements.
	2. Supporting documentation must accompany checks when presented for signature to the Board of Directors.

b. Checks/warrants

1. All non-recurring disbursements must be made by check or warrant unless they fall under the Petty Cash category. Only pre-numbered checks shall be used and always in sequence.
2. Recurring disbursements may be set up electronically with vendors via Electronic Funds Transfer or thru the accounting software with the prior approval of the Fire District Board.
3. Signing of blank checks or warrants is strictly prohibited. Checks/Warrants must be made payable to specific payees based upon appropriate documentation; and never to “cash” or “bearer”.
4. Prior to preparing checks/warrants, receiving reports should be compared to vendor invoices for accuracy.
5. Checks/Warrants must be prepared from vendor invoices only and not from a vendor statement.
6. Signature stamps may never be used to sign checks or warrants.
7. Dual signatures are required for all checks and should be signed by two board members or one board member and the Fire Chief or another designated person who has no access to the accounting software. Warrants shall require the signatures of two Board members exclusively.
8. Access to blank checks must be limited to persons authorized to prepare checks. Blank check stock must be locked in a secure place when not in use.
9. Any voided/spoiled checks must be marked “Void” and retained in a secure place with the signature portion removed.
10. Petty Cash
11. Creation of a Petty Cash account should be approved by the Fire District Board and a specific amount designated for this fund to use for small day to day expenses where it is otherwise not practical for a check to be written.
12. The amount designated and approved by the Fire District Board shall be $500.00.
13. The Petty Cash must be locked in a secure place and access should be limited to the person who is in charge of Petty Cash.
14. At any given time the total of cash and receipts in the box should equal the amount authorized by the governing board for Petty Cash.
15. Petty Cash should be reconciled on a monthly basis and at that time the balance should be brought up to the authorized amount and receipts should be posted to the general ledger.
16. If Petty Cash is given out in advance for a purchase, the person given the Petty Cash shall sign a receipt for that amount and after the purchase return the change plus a receipt equaling the amount advanced from Petty Cash.
17. Bank Reconciliations
18. All Bank accounts including County Treasurer Warrant Accounts must be reconciled by the person responsible on a monthly basis and the reconciliations reviewed by The Board Treasurer. These reconciliations should be done in the accounting software and reviewed by someone other than the person who did the reconciliation.
19. The Fire Chief or Book Keeper must receive the bank statements, including canceled checks, etc., unopened from the bank.
20. All check numbers must be accounted for. Checks/warrants outstanding over 90 days must be periodically investigated, with payment stopped and an entry made restoring such items to cash if appropriate or the funds turned over to the State of Arizona according to Arizona Revised Statutes regarding unclaimed property.
21. Travel and Expense vouchers
22. Employees and Board Members must submit a detailed expense record, with supporting documentation, in order to be reimbursed for expenses. This shall be documented on a Department approved Expense Reimbursement form.
23. The Expense Reimbursement form should be initialed for approval by the Fire Chief, prior to a check/warrant being issued.

**4. PAYROLL**

 1. Internal controls for payroll exist to ensure payroll is properly disbursed to the appropriate

 employees, that it's accurately recorded, and that the relevant legal requirements such as

 payroll tax deposits are adhered to.

 2. Time Sheets are filled out completely and turned in to appropriate staff.

 3. Time sheets are reviewed by a supervisor or Fire Chief for accuracy and approved if correct.

 This should not be the person who is responsible for entering the time into the accounting

 program or submitting it to the payroll service.

1. Time is entered into accounting software or submitted to the payroll company by appropriate personnel.
2. The Payroll run should be approved by the Fire Chief or Accounting Supervisor before paychecks are cut or direct deposits made.
3. A payroll register should be generated and maintained of each payroll run showing employees’ wages, taxes withheld, voluntary deductions and check numbers.
4. Sufficient records should be provided to the Fire District Board in order to satisfy them that the payroll expenses were appropriate.
5. A separate payroll checking account should be established and maintained. This account should be used for paying employees, making payments to the government (payroll taxes), and writing checks for other payroll deductions such as insurance, pension deductions or child support withholding.

**5. SEGREGATION OF DUTIES**

1. The most important segregation of duties is having different employees responsible for the recording and the custody of assets.
2. All checks should have two signatures, preferably 2 board members or one board member and the Fire Chief (note: The Fire Chief will only sign in the absence of a 2nd Board member if the check is time sensitive or an emergency)
3. No check should be signed by anyone having access to the accounting software.
4. Approval of invoices shall be done by the Fire Chief or designee. The Fire Chief does not enter the invoices into the accounting software except under special circumstances that will be documented.

**6. INFORMATION TECHNOLOGY CONTROLS**

1. Software

1. Each user of the software (accounting or other software) shall have their own unique password and shall not share it with anyone else or leave it where it could be compromised. If a user realizes their password has been compromised it should be changed immediately.
2. An administrative password should be assigned in the accounting software. This password should be secured in a safe place and only used to assign new user passwords or in an emergency.

1. System

1. Back-ups should be performed on a regular basis and stored in a secure location, preferably off-site.
2. The network, server or individual computers should be maintained on a regular basis by an assigned employee with knowledge adequate to meet the needs of the District or a contracted IT person.
3. Computers should have anti-virus and fire-wall software installed.
4. Surge protection and an Uninterrupted Power Supply ( UPS ) should be used with the server, network and individual computers data is stored on.

**7. CREDIT CARDS**

1. District credit cards may be issued to designated personnel within the department to help in the conduct of day to day operations for expenses and purchases where it is not feasible to wait for a check or warrant to be issued and signed by two Fire District Board members. Credit cards issued to the District by a financial institution shall not exceed $5000.
2. All expenditures that are made using a District credit card must be submitted for approval along with supporting documentation for each expenditure.
3. Credit card expenditures shall be documented on an expense form describing the purpose for the expenditure, where the purchase was made, the date of the purchase and if pre-authorization was required, and the individual that authorized the expenditure.
4. Fuel cards may be issued and assigned to District vehicles and/or designated personnel. Receipts, where issued, shall be submitted to the Fire Chief or designated staff for reconciliation against monthly invoices submitted by the fuel vendor.
5. Fleet Fuel Cards may be issued and assigned to District vehicles and/or designated personnel. The Fire Chief will assign a unique PIN to each employee. This PIN must be entered when obtaining fuel. In most cases no printed receipt is provided at the pump, however, the monthly invoice shall provide a record of activity for each employee. The employee obtaining fuel shall also record the transaction in the station journal.
6. The Fire Chief or designee shall reconcile all credit card expenditures on a monthly basis with receipts that have been submitted by the individuals that hold the cards. Receipts for credit card expenditures shall be attached to the monthly credit card invoice and submitted to the Fire District Board for final approval and payment just as any other invoice.
7. Any questionable expenditure(s) shall be reviewed and if it is determined to be an unauthorized expenditure, it is the responsibility of the card user to reimburse the Fire District for the expenditure(s).