

Internal Controls for Accounting Areas

Internal controls are important to ensure your Parent Center's resources are well protected. Steps should be taken to ensure that finance transactions are authorized by management, executed properly and on time, and recorded appropriately.

Some centers may not have staff with all of the titles used in the procedures below. Separation of tasks is important to ensure multiple checks on the system, but you may be able to replace the listed positions with other people within your organization. Some nonprofits also use board members or trusted volunteers to insure proper internal controls.

Cash Receipts

Mail is opened by the Office Manager. Any checks received are stamped for endorsement and recorded on a list which is forwarded to the Accounting Manager. The paperwork and checks for donations are forwarded to the Executive Director, then the Development Office (if your center has one), and lastly to the Accounting Office. Paperwork and checks for items that are not donations go directly to the Accounting Office. The Accounting Office reconciles the daily total and then forwards to the Front Office for deposit slip preparation. Any paperwork received with checks (orders, invoices, etc.) is forwarded to Accounts Receivable staff.

Accounts Receivable staff matches paperwork received to checks listed by Office Manager, then enters orders and cash receipts on a computerized accounts receivable system.

Accounting Office personnel bring deposits to bank and return deposit slips to Accounting Manager.

Accounting Manager makes sure daily cash receipts from Accounts Receivable system match daily cash receipts from Office Manager's original list and makes deposit.

Every month, the Accounting Manager or Finance Coordinator reconciles the bank account and closes out the accounts receivable

system. (This includes overall monthly cash balancing/reconciling and review of accounts receivable agings. Past due notices are sent out quarterly. Write-offs are minor. The majority of general customer orders are prepaid or schools, etc., who need a receipt first but generally are not a collection concern).

Journal entries are prepared by the Accounting Manager or Finance Coordinator for cash receipts, revenue, sales, donations, etc. The Executive Director reviews monthly Financial Statements and the Board reviews quarterly consolidated financial statements and annual audit.

Disbursements

Maintenance needs and products are ordered and monitored by the Office Manager.

Office supplies and products are ordered and monitored by Office Manager, or designated staff.

Publications are ordered by designated office staff, upon approval by the Executive Director.

Equipment (computers, software, etc.) are ordered by the Technology Coordinator or Office Manager, upon approval by the Executive Director.

Furniture (tables, files, desks, etc.) are ordered by designated staff, upon approval by the Executive Director.

Payroll is calculated, called in to payroll service, and reconciled by the Accounting Manager or Finance Coordinator prior to signing by the Executive Director and another designated signer (some checks, some direct deposit).

Invoices are received by the Office Manager and reviewed by the Executive Director and purchaser/program (if appropriate) prior to being forwarded to the Accounting Office for check coding and writing.

Checks are processed/prepared by a computerized accounts payable system.

- Checks are signed by both the Executive



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Director and another designated signer. All invoices, check requests, and timesheets are reviewed by the Executive Director.

- Invoices are filed and allocated to appropriate funds or accounts by Accounting Manager or Finance Coordinator.
- Checks are mailed by Accounts Payable staff (payroll checks are delivered by Accounting Manager by hand).

Monthly bank statement is opened and statement and returned checks are reviewed by Executive Director. This is especially important if functions are not well segregated.

Bank account is reconciled monthly by the Accounting Manager or Finance Coordinator.

Financial Statements are reviewed monthly by the Executive Director.

Consolidated Financial Statements are reviewed quarterly by the Board. They are sent to the Board Treasurer and a CPA Board Member before the full board reviews and votes to approve.

Payroll

Time allocations for staff are budgeted based on grants and other programs. The time allocations are provided to staff, who are responsible for working as allocated.

Monthly timesheets are prepared by each staff member and are turned in to the Accounting Manager. Timesheets for hourly staff are due three days before the end of the month. Timesheets for salaried staff are due the day before payday. Additionally, two separate grant documentation sheets are turned in to the Executive Assistant:

1. Weekly calendar with documentation of hours worked (for management of staff)
2. Allocation sheet (shows which days and how many hours were spent working on different grants)

The Accounting Manager and Finance Coordinator tally part-time hours based on timesheets and salaried hours based on approved work percentages. Total monthly hours, gross pay, and deductions are calculated. Necessary information is filed electronically (hours/employee rate, totals, deductions, etc.). Checks and summary are returned to Accounting Manager to reconcile totals and review. When deemed correct, all checks and stubs are forwarded to authorized signers.

Raises are generally given in September and are based on COLA (cost of living adjustment), budget, and performance. Rates are communicated to staff by a written notification sheet they are to sign and return.

All rate changes are authorized by the Executive Director (the Executive Director's raise is determined by the Board of Directors).

Signed checks are forwarded to the Accounting Manager for hand-delivery to employees.

- If applicable to your center, payroll deductions are available for TSA accounts, health insurance and dental insurance, and any other benefits provided by your center.

Direct deposit may be available to employees (if elected by them). Controls and procedures are the same as above. Stubs are reviewed by the Executive Director before they are disbursed to employees.

Grants

Grant Awards Notices, or contracts, are received by the Executive Director with copies forwarded to the Finance Coordinator and the Project Manager and Coordinators.

Grant budgets are then entered on to the general ledger system and staff are notified of their monthly time allocation(s).

Each project has its own fund within the general ledger system. Monthly expenses are coded to the individual projects as checks are written.

At the end of each month, a journal entry is made to accrue revenue and a receivable for the amount of the monthly expenditures.

Monthly financial statements, with comparison to budget, are prepared and reviewed each month by the Financial Coordinator and the Executive Director. If significant variances from budget/expectations are noted, it is discussed with the Executive Director and/or the Project Managers/Coordinators.

Projects are billed, or grant funds are drawn down, based upon the grant contract or terms (some are monthly, some quarterly, etc.).

- Invoices, final reports, etc. are prepared and submitted as required by each grant agreement.