**CITY OF HEWITT**

**INTERNAL CONTROL POLICY**

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The City of Hewitt 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.

**EXPENDITURE DISBURSEMENT**

Goal: The goal of the City Council in establishing an internal control system for expenditures is to safeguard the assets of the City and to ensure an appropriate level of fiduciary responsibility.

Objective: The objective of the City Council in meeting this goal is to ensure that cash is disbursed only upon proper authorization of management for valid governmental purposes, and that all expenditures are properly recorded.

**PROCEDURES/SEGRAGATION OF DUTIES**

1. Claims for Approval shall be submitted monthly to the City Council for approval.
2. Checks shall be signed by the City Clerk/Treasurer and the Mayor. In the absence of the Mayor, the Acting Mayor shall be designated to sign checks. All checks require two signatures.
3. Payments shall be coded and recorded by the City Clerk/Treasurer.
4. Bank statements and reconciliations completed by the City Clerk/Treasurer shall be reviewed by a Council Member on a monthly basis.

**ACCOUNTING CONTROLS**

1. All disbursements, except those from Petty Cash and approved electronic transfers, shall be made by pre-numbered checks.
2. It is not permissible to draw checks payable to Cash.
3. Under no circumstances will blank checks be signed in advance.
4. Requests for disbursements for reimbursement shall be accompanied by the original receipts.
5. Expenditures must be approved in advance by authorized persons.
6. All signed checks will be mailed promptly.
7. The individuals authorized to sign the checks shall review each cash disbursement voucher for supporting documentation of expense.
8. Check stubs will be attached to all invoices.
9. Invoices and requests for reimbursement will be checked for accuracy and reasonableness before approval.
10. Unpaid invoices shall be maintained in an unpaid invoice file by the City Clerk/Treasurer.
11. Travel related expenses shall be submitted on a timely basis.
12. Checks by which claims are paid shall have printed on the reverse side, above the space for endorsement, “The undersigned payee, in endorsing this check, declares that the same is received in payment of a just and correct claim again the City, and that no part of it has heretofore been paid.”
13. In accordance with M.S. 471.425 subdivision 2, claims of the City shall be paid within 35 days from the date of receipt, or as otherwise stipulated by the terms of a contract. Claims not paid within this time frame will be subject to penalty and interest charges assessed by the vendor, as provided for in M.S. 471.425 subdivision 4.
14. Disallowed claims shall be so marked and kept in a file for an appropriate period of time. When restricted and unrestricted sources are available for use, be used as they are needed.

**PAYROLL**

GOAL: The goal of the City Council in establishing an internal control system for payroll disbursements is to safeguard the assets of the City and to ensure an appropriate level of fiduciary responsibility.

OBJECTIVE: The objective of the City Council 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 are complied with.

**PROCEDURES**

1. Payroll checks will be processed by the City Clerk/Treasurer.
2. The City Clerk/Treasurer shall hold all unclaimed paychecks.
3. The City Clerk/Treasurer will prepare all payroll related tax withholding deposits and reports.
4. The City Clerk/Treasurer shall prepare year-end W-2’s and respond to inquiries regarding the same.

**ACCOUNTING CONTROLS**

1. Time sheets are required to document all non-exempt employee hours including overtime and leave time.
2. Employment records will be maintained for each employee that details wage rates, benefits, tax withhold and any changes in employment status.
3. Payroll related taxes, including employer share, shall be withheld and paid to the appropriate government agency on a timely basis.
4. The Personnel Policy shall dictate the accounting for vacation time, holidays, sick leave and benefits.

**PETTY CASH**

GOAL: The goal of the City Council in establishing an internal control system for petty cash is to safeguard the assets of the City and to ensure an appropriate level of fiduciary responsibility.

OBJECTIVE: The objective of the City Council in meeting this goal is to provide for the use, safekeeping and reporting standards of the Petty Cash, while allowing for small purchases or reimbursements to be made from said fund.

**PROCEDURES**

The Petty Cash is available to make small purchases or reimbursements in cash, for items such as stamps, supplies, etc., using the following guidelines.

1. The City Clerk/Treasurer shall be the custodian of the Petty Cash.
2. The custodian of the Petty Cash shall be responsible for reconciling the fund on a monthly basis.
3. The City Clerk/Treasurer will make the appropriate entries to record the expenses and will arrange for replenishment of the Petty Cash.
4. The City Council must approve the replenishment of the Petty Cash.

**ACCOUNTING CONTROLS**

1. The Petty Cash account will not exceed the amount of $200.00.
2. The Petty Cash will be kept by the custodian in a locked box.
3. Supporting documents must be kept with the Petty Cash until replenished. That documentation is then handled the same as cash disbursements documentation.
4. Under no circumstances shall staff members be permitted to borrow, cash checks, or any other use from Petty Cash for personal use.
5. All Petty Cash transactions shall comply with the Statement of Position, Petty Cash (Imprest) Funds.

**CASH RECEIPTS**

GOAL: The goal of the City Council in establishing an internal control system for cash receipts is to safeguard the assets of the City and to ensure an appropriate level of fiduciary responsibility.

OBJECTIVE: The objective of the City Council in meeting this goal is to ensure that all cash receipts intended for the City are received, promptly deposited, properly recorded, reconciled and kept under adequate security.

**PROCEDURES/SEGRAGATION OF DUTIES**

1. The City Clerk/Treasurer will be responsible for receiving all cash payments to the City, whether by mail, in person, or by means of a drop box.
2. The City Clerk/Treasurer will be responsible for deposing cash receipts and coding and recording the same in the general ledger accounts of the City.
3. A report of all receipts shall be prepared by the City Clerk/Treasurer and presented to the City Council on a monthly basis.
4. Invoices for City services shall be prepared by the City Clerk/Treasurer. An Accounts Receivable register will be maintained.

**ACCOUNTING CONTROLS**

1. Cash payments to the City shall be accompanied by a pre-numbered cash receipt, stating the date of the receipt, amount of the receipt, a description of the item or service being paid for and a description of the revenue account the revenue should be allocated to.
2. The pre-numbered receipts shall be three-part. The first part will be given to the payer, the second part will be included with the deposit, and the third part will remain in the cash receipt book.
3. Cash shall be deposited in the City’s bank account on a weekly basis unless there are not sufficient funds to warrant a deposit.
4. Cash payments shall be kept in a locked secure place.
5. Payments made in cash shall be received by the City Clerk/Treasurer and shall be counted and verified. The receipts shall indicate that the payment is made in cash.
6. Payments made by check will be photocopied.
7. Photocopies of check payments and cash payment receipts will be attached to the corresponding deposit summary.

This Internal Control Policy has been adopted this 9th day of October 2012, by the City Council, City of Hewitt, County of Todd, and State of Minnesota.

By:

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Juanita Mitchell, Mayor

Attest:

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Barbara Holmes, City Clerk/Treasurer