

United Way of Calhoun County

Internal Control Policy and Procedure

September 8, 2015 – revised June 15, 2021

The United Way of Calhoun County has only one paid employee, the executive director. This creates challenges for the segregation of duties for adequate internal control.

The major assets are cash and pledges receivable. The Operating Account is at Prosperity Bank.

Pledges receivable are made up of pledges received during campaign years that have not yet been collected at fiscal year-end. These items have the greatest risk involved due to liquidity and lack of segregation of duties. The risks include completeness for cash and existence, completeness and valuation for pledged receivables.

The books are maintained and posted by a local accounting firm. This limits the risk related to assertions of existence and occurrence as well as accuracy and classification. Items posted have back-up for disbursements and are reviewed monthly by the executive director and UWCC board treasurer. Deposit spreadsheets are emailed to bookkeeper at the end of each month to reconcile with bank statements. (See following descriptions of disbursement process.)

Deposits

For pledges receivable the executive director will receive and record all checks received through the mail, then prepares daily deposit sheets kept with check stubs as well as a spreadsheet for each deposit that includes date of deposit, bank, list of check numbers, amounts and name of donor with a total deposit amount. Deposits will be made weekly (Thursday). Board treasurer (or other executive committee member or bank signor) will review the deposit slip for check/cash and total deposit and also the spreadsheet for each deposit. Treasurer (or other member) will then initial the deposit slip and spreadsheet. Executive director will take deposit to the bank along with the deposit book. Bank will stamp receipt on the deposit carbon copy. The campaign tracker spreadsheet is reconciled with the deposit sheets prepared. Deposit spreadsheets are emailed to bookkeeper at the end of each month to reconcile with bank statements.

Bank Reconciliations

Bank statements are received electronically. The Executive Director receives the statements and forwards them to the accountant. The accountant prepares the bank reconciliations once a month. Executive Director and UWCC board treasurer review and initial the prepared bank reconciliations.

Cash Disbursements

UWCC does not use a purchase order or formal check request system. The accountant writes the checks and keeps the pre-numbered checks at his/her office. Invoices are approved by the executive director and given to accountant for check preparation.

Goods and services are acquired/requested primarily by the executive director. The executive director approves the invoices/bills before they are given to the accountant. Procedures for payment are summarized as follows:

- Payment for invoices on any bill that is included in the Operations Budget do not need approval. Most bills are to be paid by ACH withdrawal from Prosperity Bank. Any unusual invoice would be sent for approval by 2 board members. Executive Director would notify the accountant. Quarterly Allocation payments are also made by ACH withdrawal as well as mileage and payroll. The Statement of Activities report indicates bills that are paid each month, making it easy for the board to review.
- When checks are requested, the accountant prepares them and notifies the Executive Director. All checks require two signatures.

- An annual budget is created and approved by the board, and monthly reports are prepared showing the Financial Position of the organization, monthly and year to date income & expenses compared to the budget. Monthly Financial Statements are emailed directly to the executive director by the accountant for review. From the Financial Statements the executive director prepares the monthly campaign report for each active campaign and submits to the treasurer for review and approval. Financial Statements are then submitted for the review and approval of the board of directors and executive committee at its meetings held every third Tuesday of the month. The executive committee also meets the third Tuesday of the month prior to the board of directors meeting.

Payroll Disbursements

UWCC payroll disbursements are as follows:

- The board of directors approves all salaries. Salaries are communicated to the accountant to be used in preparing payroll for UWCC employees. The executive director is a salaried employee and that specifies the salary. The board evaluates the executive director annually in April at the beginning of the new fiscal year and then discusses and determines an increase in salary to begin in April.
- Payroll is processed every other Friday by the bookkeeper. Payroll is done by ACH withdrawal from First Prosperity Bank through QuickBooks. If payroll must be done by check, two signatures are required regardless of amount. Executive Director does not sign payroll checks.
- Payroll taxes are paid every other Friday with the payroll check using the IRS EFTPS system. The Form 941 is generated from the IRS website and pays the taxes through the IRS EFTPS system. The W-2 and W-3 forms are also generated by QuickBooks annually.
- Vacation: Salaried - 3 weeks a year. Any unused vacation is paid at termination, and no balances are rolled into the subsequent fiscal year.
- The executive director keeps track of accrued vacation
- UWCC does not pay for any benefit plans for employees.

Pledge Receivables

Pledges are solicited by volunteers and are authorized by the executive director. After pledge cards are completed by the donors, they are submitted to the UWCC office. Companies with employee campaigns complete an Annual Campaign Report that is submitted to UWCC detailing #of employees, #who gave, # and total of one-time pledges and # and total of Payroll Deductions. Pledges can be from individuals or from a company via a payroll deduction. UWCC uses the pledge cards to enter information into the campaign tracker spreadsheet.

Pledge cards are kept at the UWCC office. Payroll deduction cards are usually kept by the employer as an authorization for deduction from employee's paycheck.

Pledges are kept by "pledge year" or campaign year including the last name of the Campaign Chair. Historically, a pledge receivable is not booked when a pledge card is received; it is only tracked on the campaign spreadsheet kept by executive director. A Receivables column is included in the Tracker. In the PY, an auditor adjustment was made to book the receivable at the end of the year for pledges still to be received for the current campaign. When funds are received, a debit is made to cash and a credit to revenue. UWCC's campaign year is typically 16 months, with four months overlapping in September through December. Without formal donation tracker software, PY donations could be mistaken for CY donations and vice versa. There are no restricted funds booked for funds received late in the year that should be booked for the next fiscal year. The campaign year for financial tracking begins in August or September and ends in March at the end of the fiscal year (Ex. September 1, 2018 – March 31, 2020).

An allowance for doubtful pledges (shrinkage) is kept as a separate ledger account and averages between 6-8% of total pledges. The largest portion of shrinkage is in employee withheld contributions. Historically, shrinkage allowance has been booked by auditor adjustment.

Contribution payments are accepted using cash, check or EFT deposits. If a donation is received without a pledge card, it is booked directly to income, although this rarely occurs. There is no documentation for this type of donation except a copy of the check made by the executive director.

The executive director collects pledge cards, enters the pledge cards into the campaign tracker spreadsheet, receives payments and creates daily deposit sheets and posts payments to the tracker. Deposits that consist mainly of checks are made weekly in office and are prepared by the executive director and reviewed by the treasurer or other check signor. Main cash deposits are from CCISD and are given to UWCC in envelopes. The executive director and UWCC board treasurer review each CCISD spreadsheet and envelope and cash/check submissions to ensure accuracy. For other larger cash deposits during the campaign (Dow, Formosa) the Executive Director will request assistance from the UWCC board treasurer or bank in counting.

Credit Card Transactions

UWCC has two business credit cards to use for any normal transactions pertaining to the day-to-day operations of UWCC. Monthly expenses or quarterly, semi-annually or yearly membership fees or operating expenses do not require prior authorization, but any purchases for larger items or items that are not considered normal for day-to-day operations or campaign expenses do require prior Board approval.

One credit card is through Cal-Com Federal Credit Union and serviced by Elan Financial Group with a credit line of \$11,500. The second credit card is through IBC bank with a credit limit of \$10,100. The Executive Director is the only authorized credit card user. The credit cards are kept in a card holder wallet in a locked filing cabinet within the office. There is no sign-in/out sheet to keep record of card usage. The credit card monthly statements are forwarded to UWCC's accountant for payment along with receipts for purchases if available. Monthly credit card statements along with receipts are reviewed monthly by the UWCC board treasurer.