

United Way of Calhoun County

Internal Control Policy and Procedure

September 8, 2015 – revised June 15, 2016

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. Beginning FY15-16 UWCC will begin a 3-year cycle with the banks for the Operating Fund rather than the 1-year cycle. For FY15, Prosperity Bank was used solely for donations from payroll deductions from the employees at Prosperity, but in FY16 and forward it will also be used as an operating fund.

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 bookkeeper. 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. Deposit spreadsheets are emailed to bookkeeper at the end of each month to reconcile with bank statements. (See following descriptions of disbursement process.) 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) will review the deposit slip for check/cash and total deposit and also the spreadsheet for each deposit. Treasurer 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.

Cash Disbursements

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

- Invoices/bills are presented to **accountant** and prepared for payment. Executive Director codes the invoices and the **accountant** enters the invoices into the cash disbursements system (QuickBooks). All unpaid invoices are kept in a folder in the bookkeeper's office.
- *Before payment, **all invoices/bills are approved via an email by the Executive Director to board members authorized to sign checks. A copy also goes to the accountant. Three approvals are required with each signor replying "to all". These members include board president, vice-president, secretary, treasurer, past president and one IBC board member. Regular monthly bills need no formal approval (phone, accountant, internet, allocation payments, Victoria UW Dow check and payroll). Checks are printed from QuickBooks every other week with payroll checks cut on every other Friday. If a check is needed immediately, it will be cut when needed. [CP-1. Once prepared by the bookkeeper, any checks requiring signatures are given to the Executive Director. All checks require two signatures. [CP-2]] If only 1 signor is available then the executive director will be the second signature on the check (except for payroll).***
- is available then the executive director will be the second signature on the check (except for payroll).
- Once signed, the executive director mails those checks **not sent via ACH.**

- **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 and board treasurer by the bookkeeper for their review. From the Financial Statements the executive director prepares the monthly operating report spreadsheet 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 second Tuesday of the month. The executive committee meets the first Tuesday of the month.

Payroll Disbursements

UWCC payroll disbursements are as follows:

- The board of directors approves all salaries. Salaries are communicated to the bookkeeper 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. Paychecks are cut using QuickBooks. The same guidelines apply to payroll checks as for other cash disbursements. Two signatures are required for all checks. **[CP-2]**
- 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. 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. 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.

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. Main cash deposits are from CCISD and are given to UWCC in envelopes where it is recounted by the executive director to ensure accuracy of totals on spreadsheets for each envelope. Per discussion with the executive director, totals on a few of the CCISD spreadsheets tend to be off by a couple dollars periodically. For larger cash deposits during the campaign (CCISD, Dow, Formosa) the Executive Director will request assistance from the bank in counting.

[CP-1]: All bills/invoices require approval from Board members who are authorized signors.

[CP-2]: All checks require dual signature.