**CITY OF BIRCHWOOD VILLAGE**

**FINANCIAL INTERNAL CONTROL PROCEDURES**

The City of Birchwood Village sets forth financial internal control procedures in order to establish financial process, separation of duties, ensure continuity, and define city council oversight for city financial transactions without unduly inhibiting the ability of the city’s staff to efficiently and effectively carry out its fiduciary responsibilities.

In developing the internal control procedures, the city has tried to incorporate the separation of duties basic principle that whenever possible, one individual should not handle a financial transaction from beginning to end.

The objective of the city’s Internal Control Procedures document is to provide a guideline for the city’s staff to ensure that a system of checks and balances are in place.  However, due to the part-time status of limited staff it is recognized that circumstances may present that the following processes be adjusted when need arises.  Modifications will be presented to council or staff as a need presents:

**REVENUES AND EXPENSES**

1. Payments to the city are receipted, recorded, secured, and deposited in an accurate and timely manner.
2. Disbursements by the city meet the following criteria:
3. Appropriate – The disbursement is directly related to legitimate City business.
4. Legitimate – The disbursement is allowed or required by policy, law, contractual agreement, and/or professional standards.
5. Reasonable – The amount being paid for a product or service is justifiable and where required has met the requirement for competitive bidding.
6. Funded – Sufficient funding exists to pay for the disbursement.
7. Accurately recorded – The disbursement amount is consistent with an invoice presented for payment of service or product provided to the city, and is appropriately coded in accordance with the city’s budget and State Auditor guidelines.
8. Supportable – The amount being paid or the amount of an adjustment is consistent with supporting documentation, standard, situation, or practice.
9. Timely payment– The date of disbursement is within statutory requirements to avoid late fees being assessed.
10. Authorized - The disbursement is statutory and/or approved by the City Council.
11. Budgeted – The disbursement amount has been accounted for in the City budget, or is within the terms of an approved contract.

 **RECEIPTS**

1. Staff will use a numbered, duplicate money receipt or accounting program to document receipt of all payments made to the city.
2. The receipt should indicate method of payment (cash or check, including the check number)with copy provided to the payee, if desired.
3. If the payment is by check, staff will stamp the check with the city’s bank endorsement stamp indicating.“For Deposit Only”.  Receipt copy(s)will be kept in the receipt book or shown as an accounting program entry. (Exception those checks being forwarded to the city handling the utility billing process for the City of Birchwood).
4. The staff will secure the receipt book along with all payments received daily. Both will be secured in the city’s safe.
5. The Clerk and Treasurer will investigate and resolve any discrepancies between receipted and deposited amounts.
6. The Treasurer will
7. Code receipts according to statutory requirements or the city’s budget guidelines for entry into the city’s accounting system,
8. Print a copy of the CTAS **Receipts List** report for the deposit period covered by the receipts and file for documentation and audit review.
9. The Clerk is to review the CTAS **Receipts List** report to ensure the total receipts on the report matches the total of the funds received and to be deposited.
10. If the totals do not match, the Clerk and Treasurer will investigate and resolve any discrepancies.
11. If the totals match, the Clerk will prepare a deposit ticket for the bank deposit, and a staff member will process the deposit (take the deposit to the bank or deposit electronically).
12. Staff will deposit all received payments into the appropriate city bank account weekly or when payments totals $500 or more.
13. Each month, the Treasurer will provide a copy of the CTAS **Receipts List** coveringreceipts for the period/month to the City Council as an element of the Treasurer’s Report.

 **DISBURSEMENTS**

1. Disbursements of city funds will be made using sequentially numbered, dual signed checks.
2. Checks for claims paid shall have printed or stamped on the reverse side (per statutory requirement), above the space for endorsement “The undersigned payee, in endorsing this check declares that the same is receive in payment of a just and correct claim against the City, and that no part of it has heretofore been paid”.
3. The City Council will authorize all disbursements of city funds, via check or electronic funds transfer (EFT) including those required by law (i.e. PERA, federal and state taxes, state surcharges, financial fees, bank charges, payroll, etc)
4. The Clerk will determine or verify, code, and enter validated claims into the Clerk’s set of books (spreadsheet) then pass the unpaid claims to the Treasurer for entry into CTAS.
5. Each month, the Treasurer will print CTAS **Claims List for Approval** reports and provide it to the City Council for approval.  All supporting documentation will be on file and available for review.
6. The Clerk will compare the **Claims List for Approval** reports and the supporting documentation to the Clerk’s list of claims to ensure each claim is appropriate and total claims are in balance for the month.
7. If the City Council approves the claims as presented, the date of approval will be noticed on the Claims List For Approval report(s) by the Mayor or Deputy Mayor.
8. CLAIMS DISPUTES BETWEEN CLERK AND TREASURER SHOULD BE RESOLVED by review of city records (contracts, minutes, etc) or conferring with the councilmember who is assigned the particular duties (i.e office equipment, park items).
9. If a claim is not approved by the City Council, the Clerk will strike through the ~~all~~ disapproved claims on the **Claims List for Approval** and present the corrected report to the Mayor or Deputy Mayor for signature. In addition, the Clerk will document in the minutes actions directed by the city council to address ~~each~~ the disapproved claim.
10. The Clerk will give the Treasurer a copy of the *approved* **Claims List for Approval** report.
11. The Treasurer will use disapproved claims noted on the approved **Claims List for Approval** to VOID or DELETE unapproved claims in the CTAS program.
12. The Treasurer will provide disbursement checks to be signed at the city council meeting. Along with a copy of the CTAS **Disbursement Register** report.
13. The disbursement register will provide the following information for each check or EFT:

Date of the check or EFT,

Check or EFT number

Amount of check or EFT

Description of expense(s)

Fund and Account numbers to be charged.

1. The Treasurer will provide a copy of the CTAS **Disbursement Register** report with the Treasurer’s Report.
2. Staff and City Council should compare the **Claims List for Approval** report(s) against the **Disbursement Register**. If there appears to be an error the Clerk and Treasurer will work to rectify the discrepancy.
3. Each check must contain two (***Three?? perhaps***) signatures and be signed by the Mayor or Deputy Mayor AND Clerk or Treasurer. Under no circumstances will signature stamps be used in lieu of signatures.
4. The city staff will promptly mail all signed checks.
5. The Clerk or Treasurer will attach a CTAS Claim Report to paid invoices along with a portion of the city’s check stub or EFT confirmation and place in the city’s paid claims files.
6. The Clerk will receive and open all bank statements, review the check copies provided to ensure only approved disbursements have been made. Any discrepancies will be documented, reviewed with the Treasurer and if needed, presented to the City Council for review.
7. The bank statements and/or reconciliations will be reviewed by a designated council member twice a year. Any discrepancies will be resolved by staff with councilmember review.  If needed the issue will be documented and presented to the City Council for action.
8. In accordance with M.S. 471.425, subd. 2, claims of the City shall be paid within 35 days from the date of receipt, unless disputed or as otherwise stipulated by the terms of a contract.  Claims not paid within this time frame may be subject to penalty and interest charges assessed by the vendor, as provided for in M. S. 471.425, subd. 4.

 **Payroll**

1. The Personnel Committee will develop and the City Council will approve personnel policies that set out the accounting for vacations, holidays, sick leave and other benefits.
2. Each pay period employees will provide a timesheet for wage payment. Timesheets will have approval signatures of the designated Councilmember (ex. Park staff timesheets signed by Park Committee Liaison)   The Treasurer will process the  CTAS payroll checks from timesheets presented  The CTAS **Net Pay Account Distribution** report will be printed, after checks are printed, a portion of the paycheck stub attached to it and filed along with the supporting documentation (time sheets for employees).
3. The Treasurer or Clerk will review the **Net Pay Account Distribution** report and the supporting documentation to ensure all payroll payments are made to valid employees, any pay increases were authorized, and the hours worked appear to be correct.
4. All payroll entries for checks or EFTs processed will be shown on the **Disbursement Register** report without name, showing the payroll period and the net pay.  By statute net pay is not public and thus does not show a name.
5. The Treasurer or Clerk may investigate any payroll entries believed to not meet established criteria or appear to be inaccurate. After review if the Treasurer or Clerk believes a payroll entry fails to meet the established criteria or is in error, staff will contact the approving councilmember to review and resolve.
6. The Mayor or Deputy Mayor will initial all disapproved items and sign the **Net Pay Account Distribution** report.
7. The Clerk may use the approved **Net Pay Account Distribution** to input approved payroll items into the Clerk’s set of books.
8. CTAS is to be used to print all payroll checks.  Live payroll checks require two signatures and EFT (via direct deposit) instruments will be marked NON-NEGOTIABLE and remain unsigned.
9. Paychecks will be provided to employees on the designated pay date.
10. The Treasurer will prepare all payroll related tax withholding and PERA deposits and reports.  PERA and Payroll-related taxes, including employer share, shall be withheld and paid to the appropriate government agency on a timely basis.
11. The Treasurer will prepare and mail year-end W-2’s to employees, 1099’s to vendors as needed and respond to inquiries regarding the same.
12. Timesheets are required to document all employee hours, including overtime, and leave time.  Salaried employees shall be paid the gross amount determined by the City Council.
13. The Treasurer will keep employee records for each employee in CTAS that detail wage rates, benefits, taxes withheld,  PERA and any changes in employment status.

 **Petty Cash Fund**

 *The petty cash fund is available to reimburse city staff for small city business related purchases for items such as stamps, office supplies, etc., using the following guidelines.*

1. *The Clerk is the custodian of the petty cash fund.*
2. *The Treasurer will reconcile the petty cash fund on a monthly basis or as deemed necessary.*
3. *The custodian will make the appropriate disbursement entries to record the petty cash disbursements and will arrange for replenishment of the Petty Cash.*
4. *The petty cash fund will not exceed the amount of $100.00.*
5. *The custodian will keep the petty cash fund and all petty cash disbursement supporting documentation in a petty cash fund locked box.*
6. *The custodian will secure the locked box in the city’s safe at the close of each business day.*
7. *The custodian will keep the keys for the locked box in the city safe.*
8. *Under no circumstances will the keys for the locked box be taken outside of the clerk’s office.*
9. *Supporting disbursement documentation (original receipts) must be kept in the petty cash lock box until the petty cash fund is replenished.*
10. *The custodian will code the petty cash disbursement receipts and enter them into his.her copy of the CTAS.*
11. *Under no circumstances will any staff member or City Council Member use the petty cash fund to borrow money, cash checks, make change or for any other personal use.*
12. *Unannounced counts of petty cash and change can be made at any time by the Treasurer or any City Council Member. The sum of petty cash on hand and the petty cash disbursement receipts must equal the starting balance of the petty cash fund. If it does not, the custodian is responsible for making up the difference.*
13. *To replenish the petty cash fund, the custodian must enter a claim in the CTAS. The claim will specify the custodian as the payee, be coded to be paid from the General Fund, and be described as Petty Cash Replenishment.*

**Invoices**

1. The City Clerk will generate and distribute invoices or notice of payment due for city permits, fees, goods and/or services such as dock slip fees, lift storage fees, garage rental fees, city hall rental fees, water meter purchase, etc.
2. CTAS does not generate invoices; as a result, the Clerk will use city computer programs to generate invoices.

**\*\*APPROVED October 12, 2010\*\***

**\*\*AMENDED January 25, 2011\*\***