Internal Control Systems

Originally adopted	1/11/07
Revised version adopted	11/27/07
Revised version adopted	11/09/10
Revised version adopted	1/31/12
Revised version adopted	12/11/12
Related Documents:	Procurement Policy

Control Environment

The essence of an effectively controlled organization lies in the attitude of its management. If management believes accurate accounting information is important, others in the organization will sense that and respond by conscientiously observing the policies and procedures established. On the other hand, if it is clear to members of the organization that control and related accounting results are not important concerns of management and is given "lip service" rather than meaningful support, it is almost certain that control objectives will not be effectively achieved.

The control environment consists of the actions, policies and procedures that reflect the overall attitudes of top management, the directors, and the owners of an entity about control and its importance to the entity. The KPPCS Procurement Policy, adopted 11/09/10, regulates all procurement activities. If there is a conflict between that policy and this document, the Procurement Policy shall supersede the provisions of this policy.

Control activities may occur at all levels, and all functions of an organization. Control activities cover a range of activities and may include the following:

Segregation of duties – such as assigning the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets to different people within the organization.

In a small organization, segregation of duties often presents difficulties due to the limited number of employees. Direct oversight by management or qualified volunteers (including the board of directors), or independent hired professionals can usually provide the necessary control. For example, in the area of cash, a lack of segregation of duties might be mitigated by requiring dual signature of checks over a certain amount, or by management (or outside service providers) reviewing all bank statements and reconciliations.

Physical controls – such as physical security of assets, including adequate safeguard over access to assets and records, authorization for access to computer programs and data files, and periodic counting and comparison with amounts recorded in the accounting records.

Information processing controls – such as controls to check the accuracy, completeness, and authorization of individual transactions. Information processing controls include automated as well as manual controls.

Performance reviews – such as comparison of actual results to budgets, forecasts, and prior period performance.

Our organization has established the following internal control procedures to address the internal control issues discussed above:

1. All checks require two signatures;
2. Payees may not be signatory on a check made out to them;

Governing Board Responsibilities:

3. Local school board reviews financial reports monthly;
4. Board treasurer reviews all financial activity quarterly;
5. Local school board approves opening revolving charge accounts;
6. Board treasurer opens and reviews bank statements monthly;

School Staff Responsibilities:

7. Director or executive director approves board member reimbursements;
8. Clerk or secretary retrieves mail from post office box;
9. Clerk and secretary open mail together (except bank statement, see above);
10. Clerk photo-copies and logs incoming funds;
11. Two staff members receive cash whenever possible;
12. Cash on hand deposited if it exceeds $400;
13. Receipt offered for all cash transactions;
14. Accountant or clerk deposits incoming funds;
15. Director or executive director approves paying of vendor invoices;
16. Reimbursement requests and payroll approved by director or executive director;
17. Director or executive director may approve $5,000 spending on any one budgeted item;
18. Accountant reconciles bank accounts monthly;
19. Executive director reviews bank statement and reconciliation monthly;

20. Triple filing system:
    a. hard copy organized by vendor with check stub & original invoice;
    b. soft copy organized by vendor with scans of check stub & original invoice;
    c. recorded in QuickBooks data file;
21. Cash, checks, & stamps secured with lock and key;
22. Checks to be utilized in sequential order;
23. On-site data backup daily; and
24. Off-site data backup monthly.