

CITY OF WANAMINGO
GOODHUE COUNTY
STATE OF MINNESOTA

RESOLUTION 09-015

BEING A RESOLUTION ACCEPTING A CITY INTERNAL CONTROL POLICY

WHEREAS: The City Auditor has recommended an internal control policy, and

WHEREAS: City Staff has drafted a recommended outline for Internal Controls, Now

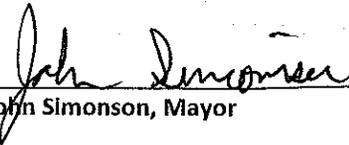
THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WANAMINGO:

That the attached internal control policy shall be adopted and put into place.

Adopted this 20TH day of April 2009.

SIGNED:

ATTEST:



John Simonson, Mayor



Patrick Christopherson, City Administrator

Motion:

Second:

Aye Nay

Danny Benson ___ ___

Ron Berg ___ ___

Ryan Holmes ___ ___

John Simonson ___ ___

Larry Van De Walker ___ ___

CITY OF WANAMINGO Internal Control Procedures

The City of Wanamingo 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.

I. CASH DISBURSEMENTS

Goal

The goal of the City Council in establishing an internal control system for cash 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 cash is disbursed only upon proper authorization of management for valid governmental purposes, and that all disbursements are properly recorded.

Procedures

1. Segregation of Duties

No financial transaction shall be handled by only one person from beginning to end.

- a. Payment of all claims shall be authorized by the appropriate Department, the City Clerk-Treasurer, and the City Council.
- b. Checks shall be signed by the City Clerk-Treasurer and the Mayor. In the absence of one of the above, another Council Member, or the Deputy Clerk shall be designated to sign checks. All checks shall require two signatures. The Mayor may use a signature stamp in lieu of a hand-written signature.
- c. Payments shall be coded and recorded by the Deputy Clerk-Treasurer. In the absence of the Deputy Clerk-Treasurer the City Clerk-Treasurer may code and record payments. The City Clerk-Treasurer shall review the Disbursement Journal prior to actually printing the check.
- d. Financial reports and bank reconciliations shall be prepared by the City Clerk-Treasurer and presented to the City Council on a monthly basis.
- e. Supplies shall be ordered on a monthly basis, or sooner if needed, by the authorized individuals in each Department.
- f. Supply orders shall be inventoried, upon receipt, by the authorized individuals in each Department.
- g. Checks shall be properly verified for authorization and signature and prepared for mailing by the Deputy Clerk-Treasurer.

2. Accounting Controls

The following common internal controls relate to paying bills:

- a. All disbursements, except those from petty cash, will be made by pre-numbered checks.
- b. It is not permissible to draw checks payable to Cash.
- c. Under no circumstances will blank checks be signed in advance.
- d. Expenditures must be approved in advance by authorized persons.
- e. All signed checks will be mailed promptly by the Deputy Clerk-Treasurer.
- f. The individuals authorized to sign the checks shall review each cash disbursement voucher for the proper approval authorization and supporting documentation of expense.
- g. Invoices will be marked "Paid" and include the date paid and initialed by the Deputy Clerk-Treasurer. Invoices will have a copy of the check stub attached.
- h. Invoices and requests for reimbursement will be checked for accuracy and reasonableness before approval.
- i. A monthly cash disbursement journal will be prepared that details the date of the check, check number, amount of check, and description of expense account to be charged.
- j. Unpaid invoices shall be maintained in an unpaid invoice file by the Deputy Clerk-Treasurer.
- k. Expense reports for travel related expenses shall be submitted on a timely basis.
- l. In accordance with M.S. 471.425, subd. 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 Minnesota Statute §471.425, Subd. 4.
- m. Disallowed claims shall be so marked and kept in a file for an appropriate time period.
- n. Credit card purchases shall not be allowed except as legally provided for under Minnesota Statute §471.382 and by authorization of the City Council.

II. PAYROLL

Goal

The goal of the City Council in establishing an internal control system for payroll disburse-

ments 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 (such as payroll tax deposits) are complied with.

Procedures

1. Segregation of Duties

Payroll checks should be written in keeping with the procedures for all other cash disbursements as noted above. Additional requirements related to the payroll function to be performed by persons:

- a. The Deputy Clerk-Treasurer shall hold unclaimed paychecks.
- b. The Deputy Clerk-Treasurer shall review the payroll register and will post payroll to the general ledger.
- c. The City Clerk-Treasurer will review payroll-related tax withholding, deposits and reporting and prepare reports of same for the City Council.
- d. The Deputy Clerk-Treasurer shall prepare year-end W-2's to employees and respond to inquiries regarding the same.

2. Accounting Controls

The following common internal controls relate to payroll:

- a. Time sheets are required to document employee hours, including overtime, compt and leave time.
- b. Time sheets must be filled out completely and signed by the employee's immediate supervisor (if applicable). The Deputy Clerk-Treasurer shall calculate hours worked and initial each time sheet.
- c. Employment records will be maintained for each employee that detail wage rates, benefits, taxes withheld, and any changes in employment status.
- d. Payroll-related taxes, including employer share, shall be withheld and paid to the appropriate government agency on a timely basis.
- e. The Deputy Clerk-Treasurer shall review and sign all payroll tax returns.
- f. Written personnel policies shall dictate the accounting for vacations, holidays, sick leave and other benefits.
- g. A list of payroll checks written, with appropriate taxes withheld, will be maintained in a separate payroll register.

III. PETTY CASH

Goal

The goal of the City Council in establishing an internal control system for a petty cash fund 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 guidelines for the use, safekeeping and reporting standards of the petty cash fund, while allowing for small purchases or reimbursements to be made from said fund.

Procedures

1. Segregation of Duties

The petty cash fund is available to staff to make small purchases or reimbursements, in cash, for items such as stamps, office supplies, parking, etc., using the following guidelines:

- a. The Deputy Clerk-Treasurer shall be the custodian of the Petty Cash Fund and is primarily responsible for its use. In order to serve the public in the absence of the Deputy Clerk, the City Clerk-Treasurer will have access authority.
- b. The custodian of the Petty Cash Fund shall be responsible for reconciling the fund on a monthly basis and submitting an expense report to the City Clerk-Treasurer.
- c. The City Clerk-Treasurer will make the appropriate entries to record the expenses and will arrange for replenishment of the Petty Cash Fund.
- d. The City Clerk-Treasurer must approve all withdrawals from the Petty Cash Fund.

2. Accounting Controls

The following guidelines will govern the use and keeping of the Petty Cash Fund.

- a. The Petty Cash Fund will not exceed the amount of \$150.00.
- b. The Petty Cash Fund will be kept by the custodian in a locked box. The box shall be kept in a secure place.
- c. Payment for items costing over \$20.00 must be made by check rather than reimbursed through petty cash.
- d. Withdrawals from the Petty Cash Fund will be made only by completing a Petty Cash Voucher. The voucher must state the date and amount of the withdrawal, the reason the cash was withdrawn, the expenditure account to which the expense should be charged, and the name and signature of the person receiving the cash. The voucher shall also contain the signature of the City Clerk-Treasurer approving the withdrawal.
- e. Supporting documentation (receipts, invoices) must be attached to each voucher.
- f. Unannounced counts of petty cash and change will be made on occasion by the City Clerk-Treasurer.
- g. No staff member shall be allowed to cash personal checks, including pay checks, in the petty cash funds of the City.

- h. Under no circumstances shall staff members be permitted to borrow from petty cash funds for personal use.

III. 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 intended for the City is received, promptly deposited, properly recorded, reconciled, and kept under adequate security.

Procedures

1. Segregation of Duties

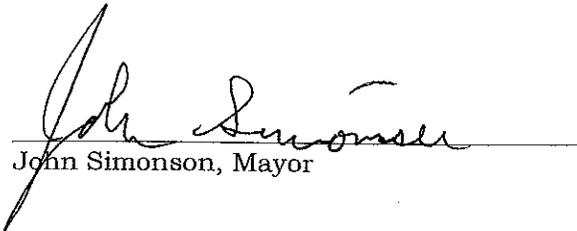
No financial transaction shall be handled by only one person from beginning to end.

- a. The Deputy Clerk Treasurer will be responsible for receiving all cash payments to the City, whether by mail or in person. In the absence of the Deputy Clerk, the City Clerk-Treasurer may receive cash payments.
- b. The Deputy Clerk-Treasurer will be responsible for depositing cash receipts and recording the same in the Receipt Journal. The City Clerk-Treasurer shall code each receipt and enter them in the general ledger accounts of the City.
- c. Financial reports and bank reconciliations shall be prepared by the City Clerk-Treasurer and presented to the City Council on a monthly basis.
- d. Invoices for utility services shall be prepared by the Deputy Clerk-Treasurer. Invoices for other city services shall be prepared by the Deputy Clerk-Treasurer or City Clerk-Treasurer. An accounts receivable register for utility billing will be maintained by the Deputy Clerk-Treasurer. All other accounts receivable will be maintained in a register by the City Clerk-Treasurer.

2. Accounting Controls

- a. All payments to the City shall be accompanied by a pre-numbered cash receipt, stating the date of the receipt, the 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.
- b. A monthly cash receipts journal will be prepared that details the date of the receipt, receipt number, amount of receipt, and description of the revenue account to be credited.
- c. The pre-numbered receipt shall be two-part. The first part will be given to the payer, the second part will be retained with the payment and given to the Deputy Clerk-Treasurer for recording and filing.

- d. All cash receipts will contain the signature, or at least the initials, of the staff member receiving the payment.
- e. An accounting of change given for cash should be noted on the receipt.
- f. Cash shall be deposited in the City's bank account on a daily basis, or when the amount received exceeds \$250. Under no circumstances shall payments, whether by cash or other instrument, be kept longer than one week.
- g. Cash receipts shall be kept in a locked box in a safe, vault, or similar secure place.
- h. Payments made in cash shall be received by the Deputy Clerk-Treasurer and one other designated staff person. The cash shall be counted and verified by both staff persons. The receipt shall indicate that the payment is a cash payment and will contain the signatures of both staff persons. For payments made by check, the check number will be included on the receipt.



John Simonson, Mayor

ATTEST:

Patrick Christopherson, City Administrator