

TOP FINANCIAL POLICIES/PROCEDURES FOR CONSIDERATION

Segregation of Roles

The organization's financial duties should be distributed among multiple people to help ensure protection from fraud and error. There are several fiscal "roles" in an organization—custody, authorization, execution, and monitoring. For example, the person who has authority to sign checks is acting in the custodial role. The person who approves payment of a bill is authorizing. The person who prepares the checks for signature by an authorized check signer is acting in the execution role, executing an action that has been authorized by the individual responsible for approving payment of the bill. The person who reconciles the bank statement acts in the monitoring role.

Authorizations

There should be a clear authority to spend funds including approval and check signing? Check signing should be assigned to one or more key employees. Whatever you decide, extend the policy to wires, bank transfers, and credit and debit card use as well. Note that any changes to a checking or savings account must go through an approval process.

Receipts Procedures

When funds come in via cash, check, credit card, or wire, determine who receives and how it is recorded. Devise a system of checks and balances so there is not one employee working in a vacuum.

Reconcile Agency Bank Statements Monthly

Reconciliation must be done by someone without check signing privileges and done by end of the following month.

Document Retention Policy

Some statutes require certain types of records to be kept for a stated period. For the most part, however, the periods for which documents are to be retained are based on the statute of limitations for a lawsuit. For example, because the Internal Revenue Services (IRS) has six years after the filing of an action to bring a claim for taxes if there has been an underreporting of income by 25 percent or more, most policies require retention of tax returns for seven years. And, of course, the policies state that no documents may be destroyed or altered where there is pending, threatened or reasonably foreseeable governmental investigation.

Conflict of Interest

All employees are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest. A conflict of interest occurs when the personal, professional, or business interests of an employee conflict with the interests of the organization. Both the fact and the appearance of a conflict of interest should be avoided.

