

## **CITY OF NEVIS INTERNAL CONTROL PROCEDURES**

The City of Nevis seeks to balance its internal accounting control in such a way as to ensure the 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.

#### **Procedure**

##### **1. Segregation of Duties**

Whenever possible, no transaction shall be handled by only one person from beginning to end.

- a. Payment of all claims shall be authorized by the appropriate department supervisor, the City Administrator, and the City Council. A disbursements register shall be submitted monthly to the City Council.
- b. Checks shall be signed by the City Administrator and the Mayor. In the absence of the Mayor or City Administrator a council member shall be designated to sign for the mayor and the deputy clerk shall be designated to sign for the City Administrator.
- c. Payments shall be coded and recorded by the City Administrator. In the absence of the City Administrator the Deputy Clerk may code and record payments.
- d. Financial reports and bank reconciliations shall be prepared by the City Administrator and presented to the council on a monthly basis.
- e. Supplies shall be ordered and inventoried by the Deputy Clerk. In the absence of the Deputy Clerk, the City Administrator may order and inventory supply orders. Supply orders shall be inventoried upon receipt by the department head.

## 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 or City Administrator.
- f. The individuals authorized to sign the checks shall review each cash disbursement, vouch for the proper approved authorization and supporting documentation of expense.
- g. Invoices will be marked "Paid" and include the date paid and the amount of the check.
- 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 City Administrator or Deputy Clerk.
- k. Purchase orders will be pre-numbered.
- l. Checks by which claims are paid shall have printed on the reverse side, above the space for endorsement: "The undersigned payee, in endorsing this check declares that the same is received in payment of a just and correct claim against the City of Nevis, and that no part of it has heretofore been paid."
- m. 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 M.S. 471.425, subd. 4.
- n. Disallowed claims shall be so marked and kept in a file for an appropriate time period.
- o. Credit card purchases shall not be allowed except as legally provided for under M.S. 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 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 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 will be processed through the City Administrator. Additional requirements related to the payroll function to be performed by the following persons:

- a. The City Administrator shall hold unclaimed paychecks.
- b. The Deputy Clerk shall review the payroll register and the City Administrator will post payroll to the general ledger.
- c. The City Administrator shall prepare all payroll related tax withholding deposits and reports.
- d. The City Administrator or Deputy Clerk 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, and leave time.
- b. Time sheets must be signed or initialed by the employee's immediate supervisor and the City Administrator authorizing payment for work.
- 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. Written personnel policies shall dictate the accounting for vacations, holidays, sick leave and other benefits.
- f. 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**

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 City Administrator or the Deputy Clerk shall be the custodian of the Petty Cash Fund and will be the only person to have access to the cash.
- b. The custodian (City Administrator or Deputy Clerk) of the Petty Cash Fund shall be responsible for reconciling the fund on a quarterly basis and submitting an expense report to the City Council.
- c. Withdrawals from the Petty Cash Fund will include a receipt which will 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 or initials of the City Administrator approving the withdrawal.
- d. Supporting documentation (receipts, invoices) must be attached to each voucher.
- e. Unannounced counts of petty cash and change will be made on occasion by the City Administrator.
- f. No staff member shall be allowed to cash personal checks, including pay checks, in the petty cash or change funds of the city.

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

#### **IV. 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 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 Administrator may receive cash payments.
- b. The Deputy Clerk will be responsible for depositing cash receipts and the City Administrator will be responsible for coding and recording the same in the general ledger accounts of the City.
- c. Financial reports and bank reconciliations shall be prepared by the City Administrator and presented to the council on a monthly basis.
- d. Invoices for city services shall be prepared by the Deputy Clerk or City Administrator. An accounts receivable register will be maintained by the City Administrator.

#### **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. 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 City Administrator for recording and filing.

Adopted June 8, 2015

- 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 weekly basis. Deposits shall be taken to the bank by either the Deputy Clerk or City Administrator.
- g. Cash receipts shall be kept in a locked box in a secure place.
- h. Payments made in cash shall be received by the Deputy Clerk or City Administrator. The payment is a cash payment and will contain the signatures of a staff person. For payments made by check, the check number will be included on cash shall be counted and verified by another staff person. The receipt shall indicate that the receipt.

**Adopted by the Nevis City Council on this 8th day of June, 2015.**

\_\_\_\_\_  
Chris Norton, Mayor

Attest:

\_\_\_\_\_  
Carol J. Fridgen, City Administrator