

# NORTHERN PONCA HOUSING AUTHORITY

## SECTION M

### INTERNAL CONTROL POLICY

#### SECTION M-1 POLICY STATEMENT

The Board of Commissioners recognizes that the NPHA is a property management business and it is important to recognize that an essential element for its financial health is the development and use of procedures for the stage handling of funds and particularly, controls in cash. Without such internal controls, the NPHA risks losing assets by theft and increases the risks associated with errors in accounting records.

#### SECTION M-2 CASH COLLECTIONS CONTROLS PROCEDURES

1. Cash will be deposited in the bank that the NPHA has an approved depository agreement with on a daily basis, unless collections are a very small amount. Cash receipts of less than \$5.00 are to be deposited within five days or by Friday of each week, regardless of the amount accumulated.
2. When cash is retained in the office overnight, it must be stored in a locked, fireproof cabinet or safe.
3. Checks received shall be immediately stamped "For Deposit Only".
4. Only NPHA employees designated by the Executive Director are authorized to receive payments from residents and issue receipt.
5. The supply of unassigned receipts will be adequately safeguarded and kept in the custody of NPHA personnel not authorized to receive payments.
6. Each employee authorized to receive payments from residents shall have a cash box or drawer to which no other employee has access.
7. A receipt shall be issued for all payments collected so there is an official record of the transactions and possible disputes are prevented.
8. Receipts shall be at least two-part and pre-numbered. One part shall be given to the resident and one part, having the same number, shall be retained by the NPHA for its permanent record.

9. Receipts shall contain, at a minimum, the following information (1) name of the resident (2) date, (3) amount of payment.
10. A bank deposit slip should be prepared each day that payments are received even if the money is not deposited on that day. The deposit slip shall include each of the cash receipt numbers making up the deposit and complete details of the amount of coin, currency and checks. The deposit slip shall be re-checked and reconciled with the receipt by someone other than the NPHA employee who received the respective payments.
11. All payments shall be deposited intact with the appropriate deposit slip to provide an additional record. Under no circumstances shall any disbursements be made from payments received.
12. Payments received shall be recorded in the NPHA Cash Receipts Register and in the individual resident accounts receivable records on the day it is received, even when the money is not deposited on the same day. Cash receipt numbers should be recorded in both the Cash Receipts Register and the resident account receivable records.
13. The Executive Director shall assure that there is a segregation of duties so that the employee who received payments and issues receipts is not the same employee who posts the resident accounts receivable records, maintains the Cash Journal, or makes the bank deposit.
14. The Executive Director, or his/her designee, shall make periodic, surprise audits of cash payments, including a cash count of all undeposited payments to determine if cash payments are being handled in accordance with these procedures.

#### **SECTION M-3CASH DISBURSEMENT CONTROL PROCEDURES**

1. All disbursements (other than petty cash items) must be made by check. With appropriate documentation, the Executive Director may approve other forms of disbursement, such as wire transfers or electronic funds transfers.
2. All checks must be pre-numbered and used in sequence. Voided checks must be retained and recorded.
3. The supply of unused checks must be adequately safeguarded and kept in the custody of persons who do not sign checks.

4. Someone shall prepare checks other than the person who makes or authorizes purchases or approves vouchers for payments.
5. There shall be at least two persons authorized to sign checks and each check shall require two signatures. No individual shall ever sign a check on which he/she is the payee.
6. All check vouchers shall contain narrative description to specifically identify the purposes of the payment and the account to which the cost is to be charged.
7. Checks shall never be written for "cash". Checks for reimbursements of a petty cash fund should be made out to the NPHA.
8. Checks should not be signed or countersigned in advance of being completely filled out. Each check shall be accompanied by supporting documentation, including invoices, travel vouchers, etc. The Executive Director or his/her designee shall indicate that a review of the documentation has been made. If approved, he/she shall initial the supporting documentation, including invoices, travel vouchers, etc. The supporting documentation shall be marked "PAID" and noted with the check number to prevent duplicate payment.
9. Check signers shall review each check carefully and not sign any check, which has evidence that any part of the check has been altered. If it is necessary to change a check, the check must be voided and a new check issued.
10. The signed check should be mailed or delivered by the signer or returned to someone other than the person who prepared it.
11. NPHA bank statements shall be reconciled by an employee who has no duties relating to the receiving or disbursing or cash or the maintenance of cash records. The NPHA employees receiving the mail and/or reconciling the bank statements shall not be the same employees who prepare checks.

#### **SECTION M-4NPHA PAYROLL DISBURSEMENT PROCEDURES**

In addition to the disbursement procedures described in Section B, the following additional procedures shall apply to payroll disbursements.

1. The NPHA shall have written authorizations on file for all

employees who cover their rates of pay, withholdings and deductions.

2. The Executive Director shall establish adequate timekeeping controls including the use of time clocks or attendance sheets and there shall be supervisory review and approval of all employee time/leave records before issuance of a check. The Chairman or member of the Board of Commissioners shall be assigned to review and approve the payroll/leave records of the Executive Director.
3. An individual not responsible for distribution of payroll checks shall prepare payroll checks. The Executive Director shall separate other payroll and personnel duties, such as timekeeping, salary authorization, and personnel administration.
4. The NPHA shall never pay an employee for more than the 100 percent of his/her time through the encumbrance of more than one position or title.

#### **SECTION M-5 CONTROL PROVISIONS OVER NPHA ASSETS**

1. In addition to internal controls, which apply to all disbursement, the NPHA has special requirements for controls over NPHA assets. NPHA assets, such as property and equipment, are an integral part of and shall be safeguarded in much the same manner as cash assets.
2. The NPHA will establish a system of authorization and approval of capital equipment expenditures. The NPHA shall also have a system of authorization and approval for disposition of equipment and property.
3. Detailed records of individual capital assets shall be kept and periodically (at least annually) balanced with the general ledger accounts.
4. All NPHA property and equipment shall be stored in a secure place.
5. The NPHA shall make a physical inventory of all equipment and property at least annually. This shall be reconciled to the general ledger accounts.

#### **SECTION M-6 PETTY CASH FUND CONTROL PROCEDURES**

1. The Board of Commissioners shall, by resolution, create a petty cash fund, identify the NPHA employee responsible for the fund

by position/title, the amount of the fund, and any rules governing the fund including disbursement and reimbursement.

2. Only one employee shall be responsible for, and have access to the NPHA's petty cash fund.
3. Payments from residents shall not be mingled with petty cash funds. Petty cash funds shall be kept in separate cash box in a locked fireproof safe or cabinet when he/she is not in the office.
4. Disbursements from petty cash shall be supported by petty cash vouchers or receipts. Checks issued to replenish the funds will then be supported by the vouchers and receipts. The petty cash fund shall never be used for "loans" to NPHA employees or for any purposes other than those defined in the Board resolutions governing the fund.
5. At the beginning and end of each day the fund is used, the designated employee shall verify that the petty cash fund contains the total amount of the authorized funds in cash plus receipts.
6. The Executive Director or his/her designated employee shall make periodic, unannounced audits of the petty cash fund in the presence of the designated employee responsible for the petty cash funds. A record shall be kept of the audit.
7. The petty cash fund shall not be interchangeable with a fund for making change to residents. A change fund shall be established by Board Resolution that defines the amount of the fund, access to and accountability for the fund including unannounced audits by the Executive Director or his/her designee.

PLEASE NOTE THAT THIS POLICY DOES NOT CONTAIN THE ADDITIONAL PROVISIONS OUTLINED IN PIH 99-4 (TDHES), SECTION 5 (c) (1) (a)

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