CITY OF GUSTAVUS, ALASKA
Resolution CY14-36

A RESOLUTION OF THE GUSTAVUS CITY COUNCIL ESTABLISHING POLICY AND PROCEDURE FOR GENERAL INTERNAL FINANCIAL CONTROLS

WHEREAS, the Gustavus City Council wishes to establish and maintain an adequate system of internal control, and

WHEREAS, Title 2.50 requires further guidance on internal controls for the City administration and the City departments and committees, and

WHEREAS, fiscal control, consistency, transparency, accuracy and economy are essential to the sustainability and reputation of the City of Gustavus, and

WHEREAS, these processes were found to be less than adequate in the audit conducted by the City for fiscal year 2013, and

WHEREAS, it is the desire of the Gustavus City Council that prior practices be clarified and corrected, ensuring that the City maintains a sound financial footing, and now therefore be it

RESOLVED, the Gustavus City Council adopts this current Policy and Procedure for general internal financial controls. This procedure addresses general financial controls. Internal controls specific to grant administration will be addressed in a separate policy and procedure document;

PASSED and **APPROVED** by the Gustavus City Council this 8th day of December, 2014.

Mike Taylor, Mayor

Attest: Noël Farevaag, City Treasurer

Attest: Lori Ewing, City Clerk

CITY OF GUSTAVUS

Policies and Procedures

Title: Internal controls

POLICY:

It is the policy of the City of Gustavus to establish and implement internal financial controls in accordance with accepted accounting practices to achieve the following goals:

- Safeguard City of Gustavus assets – well-designed internal controls protect assets from accidental loss or loss from fraud.
- Ensure the reliability and integrity of financial information - Internal controls ensure that the City Treasurer and City Council have accurate, timely and complete information, including accounting records, in order to plan, monitor and report business operations.
- Ensure compliance - Internal controls help to ensure the City of Gustavus is in compliance with the many Federal, State of Alaska, and local laws and regulations affecting the operations of our municipality.
- Promote efficient and effective operations - Internal controls provide an environment in which department managers and City Treasurer can maximize the efficiency and effectiveness of their operations.
- Accomplishment of goals and objectives - Internal controls provide a mechanism for the City Council to monitor the achievement of operational goals and objectives.
- Effective internal controls assure public confidence in how their City government is being run and how their tax money is being spent, and support a strong positive reputation for our City government and community with vendors, outside agencies, and other important stakeholders.

Management Responsibility: The City Treasurer is responsible for recommending internal control policy and procedures to the Mayor and City Council, for maintaining an adequate system of internal control, and for implementing the internal controls set forth by the City Council.

Note: This procedure addresses general financial controls. Internal controls specific to grant administration will be addressed in a separate policy and procedure document.

PROCEDURE:

<u>Internal controls over cash disbursements</u>

1. The City Clerk opens mail arriving at City Hall, including hand-delivered items, then date stamps as received, logs, and routes items to the appropriate person. In absence of the City Clerk, the Mayor shall assume or delegate the responsibility for receiving, date-stamping, logging and distribution of mail.
2. Invoices are directed to the City Treasurer.
3. The City Treasurer matches invoices to the appropriate Purchase Order.
4. The City Treasurer records invoices into QuickBooks as an Accounts Payable and appropriate Expense.

5. The City Treasurer cuts daily or weekly checks for invoices that are due (coding & account will be indicated on the check stub).
6. All supporting documentation (i.e. invoices, leases, contracts, purchase orders etc.) must be attached to the unsigned check waiting for approval.
7. Checks require two City Council Member signatures and supporting documentation must be reviewed when checks are signed.
8. An approval signature or initials is documented on the check stub showing review and approval for invoice and the coding into QuickBooks.
9. Check stubs (showing approval) and all supporting documentation are filed into vendor files for the appropriate fiscal year.
10. Bank statements are reconciled monthly and reviewed by the Mayor, a City Council member or City Clerk.
11. In the absence of the City Treasurer, the Mayor may assume or delegate these duties, or postpone them for the return of the City Treasurer.

Internal controls over payroll

1. All employees have their own individual personnel files with required payroll documentation (i.e. I-9, W-4, approved wage rate, approved payroll allocation to grants, payroll deduction authorizations, etc.).
    a. W4 and I9 files are in individual files due to confidentiality requirements.
2. The City Treasurer spot checks employee files annually to ensure all required documents are up to date.
3. Employees complete timesheets every day that show hours worked and allocation of hours worked (if allocated to a grant or a second department).
4. Employees ensure timesheets are complete and sign their own timesheets.
5. Employees turn monthly timesheets into their supervisor for review and supervisor, sign timesheet showing that the review was completed and timesheet is accurate. All timesheets will be given to the City Treasurer on a monthly basis to complete Payroll.
6. The City Treasurer enters timesheets into QuickBooks.
7. The City Treasurer enters payroll into the applicable bank account and the Mayor reviews.
8. Paychecks and supporting timesheets are filed into each employee's payroll files for the appropriate fiscal year.
9. The City Treasurer completes 941s and ESC contribution reports and the Mayor or a City Council member reviews them quarterly.
10. In the absence of the City Treasurer, the Mayor may assume or delegate these duties, or postpone them for the return of the City Treasurer.

Internal controls over cash receipts

1. The City Clerk receives, verifies, and logs receipt of checks and cash by both incoming mail and in person.
2. Incoming cash receipts are recorded on a cash receipt form, then submitted to the City Treasurer who then puts the cash into the safe until deposited.
3. The City Treasurer takes the incoming cash receipts and checks and prepares a deposit at least weekly.
4. The City Treasurer enters the deposit into QuickBooks.
5. The City Clerk verifies the deposit with initials before it is mailed to the bank, a copy of the deposit slip is filed and the mail log is updated showing the date and amount of checks to be deposited. In the event of the City Clerk's absence, the Mayor or City

Council member may verify the deposit, retaining a copy of the deposit slip to be given to the City Clerk for mail log updating upon her return.

6. When receipt of deposit is received, the City Treasurer matches the receipt to the original cash receipts, deposit slips and QuickBooks detail report to ensure accuracy.
7. The deposit receipt is attached to the copies of deposit slip receipts and filed into monthly bank files for the applicable fiscal year.
8. Bank statements are reconciled monthly and reviewed by the Mayor, a City Council member or City Clerk.

Internal controls over journal entries

1. Journal entries entered by the City Treasurer are printed and attached to supporting documentation, when applicable.
2. Journal entries and support are reviewed and signed or initialed by the Mayor or a City Council member.
3. Journal entries and support are filed into a journal entry file for the applicable fiscal year.

Mike Taylor 12/8/14

Signed City of Gustavus Mayor Date