INTERNAL CONTROLS MANUAL

DICKSON COUNTY SCHOOLS

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INTRODUCTION / PURPOSE OF MANUAL

The purpose of this manual is to document the internal controls for accounting, budgeting, treasury, and procurement policies and procedures of the Dickson County School System. This manual is designed to provide guidance and direction of Dickson County School Board policies, the Internal School Uniform Accounting Policy Manual, and other applicable legislative or governance documents.

GUIDING PRINCIPLES OF THE DICKSON COUNTY SCHOOL SYSTEM FINANCIAL POLICIES & PROCEDURES

- Transparency. Financial reporting will be transparent, and align to the budgets developed for the Dickson County School System.
- Autonomy. System leaders will be given autonomy over the controllable expenditures in their departments as long as such expenditures are aligned with the System's Mission and Vision Statements. They may allocate resources in such ways that maximize student outcomes. These resource allocations may change, even during the school year, as academic results are measured and funding requirements are adjusted.
- Accountability. The System's leadership assumes responsibility, within its financial capabilities, for providing at public expense services, equipment, and supplies that may be required in the interest of education in the schools under its jurisdiction.

INTERNAL CONTROLS QUESTIONS & ANSWERS

1. Budget adoption:
    a. Does the System have an adopted policy to set forth the budget process? *Yes, Policy 2.200.*
    b. Does the System have any additional guidelines to assist in the budget adoption process? *Yes, Policy 2.201.*
    c. Who must approve the original budget? *Policy 2.200 designates the responsibility to the Board.*
    d. What type of software is used in the finance department? *Policy 2.700 gives authority to use financial software. Local Government – FlexGen.*
    e. Is the original budget posted to the software? *Yes* Who posts it? *The Business Manager.*
    f. Who reviews the budget to ensure accurate posting of the original budget? *The Director of Schools.*

2. Budget amendments:
    a. Who coordinates the monitoring of the adopted budget through the year to ensure that any amendments are made promptly and before an overage occurs? *Policy 2.701. The Executive Committee shall submit a financial report each month to the Board of Education. A quarterly report is given to the County Commission. Policy 2.201 discusses procedures for transfer authority and budget amendments.*

3. Purchasing:
    a. Has the System adopted a policy for purchasing? *Yes, Policies 2.800, 2.805, and 2.808.*
    b. Which purchases are excluded from having a requisition approved by the finance office? *Policy 2.801 discusses petty cash accounts. No petty cash accounts are kept. Policy 2.805 discusses routine purchases.*

    c. Who receives the requisitions in finance to verify available funding in the budget? *The Business Manager.*

    d. Who issues the purchase order once the funding is verified? *The Business Manager.*

    e. Who enters the purchase order into the accounting software? *The Business Manager*

    f. How does the finance department ensure the ordered goods were received? *The recipient is to sign and return the packing/shipping list to the Accounts Payable Clerk.*

    g. What happens to the purchase order after this step if the goods were received? *The purchase order is placed in a "to be paid" file until the invoice is received.*

    h. Who prepares the checks for payments? *Accounts Payable Clerk.*

    i. Does the office negotiate early discount payments? *If applicable.* If so, who does this? *Accounts payable clerk.*

    j. When will the vendor receive payment? *Checks are processed weekly if appropriate documentation has been received.*

4. Store cards:

    a. What store cards are maintained in the finance department? *Wal-Mart, Office Depot, Home Depot.*

    b. How are they secured? *Locked in a room with secured access.*

    c. What process is used for the departments to utilize the cards? *Purchase requisition is issued first, approval for purchase is given, then the card is signed out.*

    d. Are blanket purchase orders utilized for some store card purchase orders? *Yes, for Wal-Mart.*

5. Credit cards:

    a. Does the System have an adopted credit card policy?

    b. How many cards does the finance office have? *Two*

    c. How are they secured? *By the Business Manager and the Director of Schools.*

    d. For what type of purchases are these used? *Online purchases, travel, with vendors where credit accounts are not established, or as approved by the Business Manager.*

e. What process is used for other departments to utilize the credit cards? *Purchase requisition is issued first, approval for purchase is given, and the card is signed out.*

f. Who is responsible for signing off on the credit card invoices for all purchases made in each department? *Invoices are verified by the Accounts Payable clerk.*

6. Contracts:
   a. Who signs all contracts dealing with purchasing? *The Director of Schools.*
   b. Over what amount must contracts be competitively bid? *$10,000* Are quotes solicited for contracts below competitive bid amounts? *Yes, but not required. Particularly these are done by those between $5,000 and $9,999.*
   c. How are contracts over 12 months approved? *The Director of Schools.*
   d. Who coordinates with the individual departments to ensure contract compliance from the vendors? *The Business Manager.*
   e. Who approves all grant contracts? *The Director of Schools.* And who must sign them? *The Director of Schools.*

7. Emergency Purchases:
   a. If the System has an emergency purchases policy, who enforces the policy? *Policy 2.805. The Executive Committee.*
   b. Who signs the emergency purchase justification form? *The Business Manager and the Director of Schools.*

8. Payroll:
   a. How is payroll authorized each fiscal year? *Through the approval of the budget by the Board and County Commission.*
   b. Does the finance director assist the System officials with completing their letters of agreement if requested? *Yes, if requested.*
   c. Who monitors all payroll line items during the fiscal year to ensure payroll costs do not exceed county commission approved amounts without a budget amendment first being approved? The *Business Manager.*

9. Employee Benefits:
   a. Does the county participate in TCRS for full-time employees? *Yes.*
   b. Are any employees allowed to maintain health insurance after they retire? *No.* Which ones? *N/A.*
   c. Who monitors the OPEB and pension obligations for the county along with a contracted actuary? *TCRS.*
   d. Who is responsible for ensuring compliance with the county personnel policies so that only eligible employees / retirees receive OPEB and pension benefits? *The Payroll clerk.*
   e. Who reviews the status of the employees and retirees to check for eligibility status for these benefits? *The Payroll Clerk.* How often? *Upon notification of retirement.*

10. Vacation and leave obligations:
   a. Who coordinates with payroll clerks and various departments and offices to ensure that all vacation / sick / compensatory time that is accrued is accounted for accurately and is in compliance with personnel policies and within legal limits (comp time)? *The Payroll Office & Business Manager.*

11. Debt issuance and management:
   a. Who coordinates with the financial adviser (bonds) and financial institutions (capital outlay notes) to ensure that the System is in compliance with the adopted county debt management policy and state law? *The County Mayor and County Finance Director.*
   b. Who is responsible for an annual review of the county debt management policy? *The County Mayor and County Finance Director.*
   c. Who reviews all leases for equipment (copiers, office equipment) to guard against the System entering into a capital lease by accident? *The Business Manager.*

12. Control Environment:

a. Do all finance department employees have written job descriptions? *Yes.*
b. Are criminal background checks performed prior to employment? *Yes.*
c. How does the director set the tone for the office? *Policy 2.100.*
d. How does the director communicate what is expected of the finance department personnel? *Daily oral communication and written communication if necessary.*

13. Physical security of the office:
a. Who has a key to the finance office? *Most Central Office employees, the Maintenance Coordinator and those designated by the Maintenance Coordinator as needing entry,*
b. *Who has a key to the main door of the Central Office? Most Central Office employees, all Directors, the Maintenance Coordinator and those designated by the Maintenance Coordinator as needing entry.*
c. How often are the locks changed? *There is no regular schedule for changing, locks may be changed as needed.*
d. Is the office secured with cameras? *No.*
e. Is there a vault in the office? *Yes.*
f. When is it locked? *At all times unless occupied.*
g. Who has access to the vault? *Finance Director, Payroll Clerk, SNP Bookkeeper, Director of Schools' Administrative Assistant, Director of Schools, CO Maintenance Employee.*

14. Receipting:
a. Who is assigned to open mail, stamp checks "For Deposit Only #account number" immediately upon receipt? *The Business Manager.*
b. Are all individuals that are authorized to receipt and/or have access to System funds covered by the System blanket liability bond/insurance? *Yes.*
c. Whose bank account number is on the stamp? *None It reads, "For Deposit Only, Dickson County Trustee."*
d. Who is responsible for issuing receipts for the mail-in checks in a pre-printed receipt book? *The Business Manager.*
e. How are daily funds secured? *Locked in a secured room.*
f. Who is responsible for securing them? *The Business Manager.*

g. Who manually issues receipts for over-the-counter checks in the pre-printed finance department receipt book? *The Receptionist, the HR Assistant, the Business Manager.*

15. Disbursements:
    a. Who collects the payroll change notices from department heads? *The Human Resource office provides those to the Payroll Clerk.*
    b. Who checks the employee database and current fiscal year budget for availability of funds for the changes being requested in regard to payroll/staff? *The Director of Schools and the Business Manager.*
    c. Who performs new hire orientation, and/or processes the approved changes in the payroll software? *The Payroll clerks.*
    d. Who checks data entries for employee additions or changes in the payroll software to ensure accuracy? *The Business Manager.*
    e. Who physically enters invoices and prepares for the issuance of checks? *Accounts payable clerk.*
    f. Who physically prints checks and prepares the checks for signature? *The Accounts payable clerk.*
    g. Who determines the reason and examines documentation for the issuance of the check? *The Accounts payable clerk.*
    h. Are two signatures signed on non-payroll checks? *Yes.* Who signs for each department? *The Board Chairman and the Director of Schools.* Who are the backup signers? *None.*
    i. Who processes the signed checks and invoices, stubs, check copies and mail? *The Accounts Payable Clerk.*
    j. Who reconciles the accounts payable bank statements with the trustee and finance software? *The Business Manager.*
    k. Who collects timesheets to indicate approval of the hours worked and leave calculations? *The Payroll Department.*
    l. Who calculates salaries and deductions in software and proof with a co-worker? *The Payroll Department*
    m. Are all timesheets recalculated, signed by the employee and signed as approved by the employee's supervisor? *Yes.* Does the finance director ensure this has been done in every case? *Yes.* Does each and every employee complete some form of time and attendance record

leave taken, leave balance as well as time worked? *No, teachers do not.*

n. Who is responsible for processing payroll and posting it to the general ledger? *The Payroll clerk.*

o. Who uploads check stubs into eStub software? *eStub is not used.*

p. Does the system issue physical payroll checks? *Only on special occasions.* If so, who signs them? *The Director of Schools and the Board Chairman.*

q. Who determines ACH accuracy and uploads to the bank online treasury management to build and release the files for the necessary date(s)? *The Payroll Clerk.*

r. Who determines that all payroll deductions are paid to proper payee and that payroll deductions clear out for each payroll period? *The Payroll Clerk.*

s. Who calculates the amount of the payroll tax deposit by utilizing payroll records? *The Payroll Clerk.*

t. Who approves the amount of the payroll tax deposit by utilizing payroll records? *The Payroll Clerk.*

u. Who approves the amount of the payroll tax deposit then electronically makes the payroll tax deposit or supervises the performance of this procedure? *The Trustee's Office.*

v. Who verifies the amounts of the payroll tax deposit and signs the payroll or other payroll deduction checks? *The Payroll Clerk ensures accuracy, the Board Chairman and the Director of Schools sign.*

w. Who mails or delivers the checks as applicable? *The Payroll Clerk.*

x. Who scans/reviews the payroll ledgers/registers for obvious errors or miscalculations, notes the total payroll amount and the department totals? *The Payroll Clerk and Business Manager.*

y. Who scans the ledgers for new employees or employees that have no payroll deductions? *The Payroll Clerk.*

z. Who scans overtime, compensatory time, persons who are paid from more than one account code and similar unique items to determine the reasonableness of the amounts? *The Business Manager.*

16. Journal Entries:

a. Who is responsible for detecting errors in the monthly budget reviews? *The Business Manager.*

b. What type of form is used for journal entries? *A Journal entry form or other documentation.*

c. Does the form record debits and credits and explain the transaction in detail for each journal entry? *Yes.* Is documentation attached as necessary? *Yes.*

d. Who approves all journal entries? *The Business Manager. The SNP Bookkeeper makes SNP Journal Entries.* Who is designated in the event of an absence? *No one*.

e. Who is responsible for data entry? *The Business Manager.*

f. Who is responsible for reviewing the pre-post general ledger reports for approval? *The Business Manager.*

g. Who posts the approved entries? *The Business Manager.*

17. Grant Management:

a. Who works with all System personnel to ensure the grant procedures are followed in accordance with Board policy? *The Director of Schools.*

b. Who receives a pre-grant application form or application/approving resolution for federal, state, or other grants?

c. Who approves and sends the grant application to the county commission for approval? *Not required.*

d. Who is authorized to sign a grant on behalf of the System in each department? *The Director of Schools.*

e. Is the most recent version of the U.S. Office of Management and Budget's uniform administrative requirements, cost principles and audit requirements for federal awards on file at the finance office? *Accessible electronically.*

f. Who is responsible for knowledge of the contents in the OMB document, the grant contract and seeks any clarification from federal, state or other grant program management personnel? *The Business Manager, the Federal Programs Director.*

g. Are all grant documents maintained in the finance office? *No.*

h. What documents are kept in each file? *Application*, *Award letter, budget.*

i. Are internal control procurement policies maintained in the office? *Yes.*

j. Are revenues and expenditures for each federal or state grant maintained in separate revenue expenditure accounts or cost centered so that each grant can be easily recognized and accounted for in the county's accounting records? *Yes.*

k. Who is responsible for maintaining the school grants? *The Director of Schools & The Business Manager, along with the School Principal.*

l. Who provides backup for the two previous responsibilities? *No one.*

18. Capital assets

a. Does the county have a fixed asset policy in accordance with GASB 34? *Yes.*

b. What is the capital assets threshold? *$10,000*

c. How is equipment purchased with grant money marked or tagged? *With the grant tag.*

d. Who prepares and maintains the inventory of all System assets? *Each department.*

e. Who physically inspects the inventory? *Department heads / supervisors.* How often? *annually*

f. Does each department mark its inventory and submit an inventory list to the annually? *Inventory lists are maintained at the departmental level.*

g. Who maintains fixed assets? *The Business manager.*

h. Who physically observes the equipment in each department annually? *The Departmental supervisor.*

i. Who maintains and updates the inventory list in the finance office? *The Business Manager.*

j. Does the System have any real property lease agreements? *No.*

k. Who monitors the agreements and payments to the county? *N/A*

19. Payroll:

a. Do all new employees physically come to the finance office to get set up on payroll? *Yes.*

b. Do all employees who request a change in payroll direct deposit physically come into the office to sign the necessary forms? *No.*

c. Are supervisors of terminated / retired employees required to promptly submit a form to finance to end payroll payments? *Yes, through the HR Office.*

  d. Who is responsible for catching the mistake if the supervisor fails to send the form? *The Human Resources Office.*

  e. Who performs a comprehensive payroll audit for all System offices in the spring during annual budget development to ensure all employees have supporting documentation? *The Business Manager and the Director of Schools.*

20. Surplus county property:

  a. Who in the office administers the sales of surplus equipment, real property or other personal property after it has been declared surplus? *The Transportation and the Maintenance Coordinators.*

  b. Who handles the transfer of surplus property to other governmental entities or county departments? *The Business Manager and the Director of Schools.*

  c. Does the department adhere to the Board's policy for disposal of surplus property? *Yes.*

21. Expenditures and revenues:

  a. Does the finance office perform monthly reconciliations for all funds with the county trustee? *Yes.*

  b. Who is responsible for ensuring that revenues and expenditures are coded correctly? *The Business Manager.*

  c. Who sends a copy of the month end reports to all department heads and officials for review? *The Business Manager.*

  d. Who posts all purchase orders and contracts to the software as encumbrances to assist with ongoing monitoring of the appropriation budget? *The Business Manager.*

  e. Who reviews the budget of each fund to ensure the original approved budget and any subsequent budget amendments are posted correctly to the accounting software? *The Business Manager and the Director of Schools.*

  f. Does the office have a year-end checklist for each report needed by audit? *Yes.*

  g. Who prepares and reviews depreciation and capital asset reports? *The Business Manager.*

h. Who is responsible for identifying and correcting internal control weaknesses within the finance department? *The Business Manager and the Director of Schools.*

i. How does the finance department stay up to date on state law pertaining to accounting, purchasing and budgeting? *Attend the annual Finance meeting hosted by the State, members of TASBO, other workshops and information as necessary.*

FINANCE DEPARTMENT SEGREGATION OF DUTIES CHECKLIST - RECEIPTS

June 2016

Employee	Opens mail & stamps checks "for deposit only"	Issues receipts for mail-in checks	Issues receipts for over-the-counter transactions	Stamps checks "for deposit only"	Check out & make up daily deposit	Deposits all funds at the Bank of Dickson into the Trustee's account.	Verifies receipt with check-out sheet
Business Manager	XX	XX	XX	XX	XX	XX	XX
Accounts Payable Clerk	X						
Payroll Clerk							
Asst. Payroll Clerk							
Receptionist			X				
HR Assistant			X				

FINANCE DEPARTMENT SEGREGATION OF DUTIES CHECKLIST – ISSUING NON-PAYROLL CHECKS

June 2016

Employee	Enter Invoices	Print & Attach Invoice Checks	Verify Amount & Signs	Process & Mail Checks	Reconcile Accounts Payable Bank Statement
Business Manager	X	X	X	X	XX
Accounts Payable Clerk	XX	XX	XX	XX	
Payroll Clerk					
Asst. Payroll Clerk					

FINANCE DEPARTMENT SEGREGATION OF DUTIES CHECKLIST – ISSUING PAYROLL CHECKS

June 2016

Employee	Obtain time Sheets	Approve/Determine the leave balances & time sheets have been approved	Process payroll post to general ledger	Process payroll, ACH, Direct Deposit	Determine that payroll deduction accounts clear out for each payroll	Determine amount of payroll tax deposit	Approve payroll tax deposit, sign account pay checks	Make the necessary deposits net pay & taxes	Review payroll ledger / register for reasonableness
Business Manager					XX				XX
Accounts Payable Clerk									
Payroll Clerk	XX	XX	XX	XX		XX	XX	XX	
Asst. Payroll Clerk	X	X	X	X		X	X	X	

FINANCE DEPARTMENT SEGREGATION OF DUTIES CHECKLIST – CASH RECONCILIATIONS

June 2016

Employee	Obtain the Trustee's Monthly report	Obtain a list from the Trustee or prepare a list of outstanding checks	Reconcile the Trustee's Cash Balance to Fund Cash	Investigate Old outstanding checks or unusual items	Prepare any necessary adjusting journal entries	Receive, open and review bank statements and cancelled checks	Perform bank reconciliation	Review bank reconciliation and trace reconciling items and balances to account records	Prepare any necessary adjusting journal entries
Business Manager	XX	XX	XX	XX	XX	XX	XX	XX	XX
Accounts Payable Clerk									
Payroll Clerk									
Asst. Payroll Clerk									

FINANCE DEPARTMENT SEGREGATION OF DUTIES CHECKLIST –

ACCOUNTS RECEIVABLE RECONCILIATIONS

June 2016

Employee	Obtain Beginning Receivable Balance	Amounts Billed to Customers Current Month	Collections, Adjustments, Write-Offs	Ending Receivable Balance Equals Column 1-2-3	The Balance from Column 4 should agree with the total of all Individual Accounts	The Balance from Columns 4 & 5 should agree with the General Ledger.	Locate and Explain any differences betwqeen Columns 4, 5 & 6	Prepare necessary correcting journal or other entries.
Business Manager	XX	n/a	n/a	XX	XX	XX	XX	XX
Accounts Payable Clerk								
Payroll Clerk								
Asst. Payroll Clerk								

FINANCE DEPARTMENT SEGREGATION OF DUTIES CHECKLIST – PURCHASES

June 2016

Employee	Obtain Requisition from department heads for encumbrance	Issue Detailed purchase order for approval which records against budget	Approve the purchase order	Order goods/ services based on approved purchase order	Receive Ordered Goods/ Services	Sign Invoice or shipping documents indicating the goods/ services were received	Match shipping documents, purchase order, & prepare for check issuance	Print checks attach to invoices, etc.	Sign & approve check for payment	Process payment check stubs, etc., mail	Determine the disposition of any unused purchase orders
Business Manager	XX	XX	XX	X					XX		XX
Accounts Payable Clerk							XX	XX		XX	X
Payroll Clerk											
Asst. Payroll Clerk											
Dept. Heads				XX	XX	XX					
Director of Schools			X								

FINANCE DEPARTMENT SEGREGATION OF DUTIES CHECKLIST – GRANTS

June 2016

Employee	Obtain approval to apply for the grant include grant in the budget	Read the grant contract. Also obtain and Read OMB's uniform grant guidance	Maintain central grant documentation files	Maintain separate general ledger revenue and expenditure accounts for each grant	Mark or tag grant equipment and make inventory listing by grant	Physically observe the equipment on the inventory listing
Business Manager				XX		
Federal Programs Director						
Dept. Heads	XX	XX			XX	XX
Director of Schools		X				

FINANCE DEPARTMENT SEGREGATION OF DUTIES CHECKLIST – BUDGET

June 2016

Employee	Prepare the annual budget for Board of Education & County Commission approval	Review the budget monthly	Prepare budget amendments and post to accounting records	Major appropriation category budgets should not be exceeded
Business Manager	XX	XXX	XX	XX
Dept. Heads	X	X		
Director of Schools	XXX	XX		

FINANCE DEPARTMENT SEGREGATION OF DUTIES CHECKLIST – JOURNAL ENTRIES

June 2016

Employee	Prepare and document the journal entry	Approval journal entries	Post journal entries to accounting records	Review accounting records for proper posting
Business Manager	XX	XX	XX	XX
Accounts Payable Clerk				
Payroll Clerk				
Asst. Payroll Clerk				

FINANCE DEPARTMENT SEGREGATION OF DUTIES CHECKLIST –

PAYROLL & EMPLOYEE MAINTENANCE

June 2016

Employee	Obtain payroll change notice from department heads	Approve or determine that funds are budgeted for new hire or changes for employees	Process data entry for employee changes in payroll software	Check data entry for employee changes / additions in payroll software
Business Manager		XX		
Accounts Payable Clerk				
Payroll Clerk	XX		XX	XX
Asst. Payroll Clerk	X		X	X
Director of Schools		XX		

APPENDIX

Internal control is defined as a process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. Internal controls should address specific risks associated with the day-to-day operations and transactions in the system offices that will be utilizing or accounting for public funds and assets. The objectives of internal controls should be to provide reasonable assurance that our office can document and demonstrate the following:

1. The obligations and costs of the operation are in compliance with applicable law
2. To ascertain if county funds, property and other assets that are designated/assigned to the office/department are safeguarded against waste, loss, unauthorized use, or misappropriation
3. Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets