Section 3 - Financial Controls Policy

3.0 Scope and Purpose

The Treasurer and President will be the only two people authorized in handling financial transactions. The exception would be if the president and Treasurer are married or dating, this presents a conflict of interest. The Vice President will take over for the President in this case

To safeguard assets, ensure accurate financial reporting, comply with applicable laws and donor/grant restrictions, and reduce risk of fraud or error through clear approvals, segregation of duties, and documentation.

3.1 Governance, Roles, and Accountability

Board of Directors

- Approves annual budget; reviews financial statements at least quarterly.
- Approves this Policy and material updates.
- Through the **Treasurer**, provides secondary approval thresholds and oversight.

Executive Board (EB)

- Final operational authority for expenditures within budget, subject to this Policy.
- **Primary check signer** and primary approver for disbursements up to the Board-approval threshold.
- Ensures staff compliance, timely reporting, and corrective action.

Treasurer

- Maintains accounting records (or supervises outsourced bookkeeping), prepares reports, manages AP/AR processes, and administers financial systems.
- Processes transactions as assigned; provides support for reconciliations and reporting.

Segregation of Duties Principle (Core Rule)

- No single person should control **all** of:
  - Authorizing a transaction
  - Custody of funds/payment method
  - Recording/reconciling the transaction
  - Where staffing limits make full segregation impractical, the organization will use compensating controls.

3.2 Authority Limits and Approvals

Budget Authority

- Expenditures must be consistent with the board-approved annual budget and any grant/donor restrictions.
- Any unbudgeted expense over $200 requires Board Chair approval (or Board approval if required by bylaws).

- Normal sport operational costs do not require approval (chalk, balls for sport, uniforms,bags, ect.) When in doubt ask Treasurer.

Documentation Standard: All approvals must be documented (email approval is acceptable) and retained with supporting documents:

- Invoice/contract/receipt
- Evidence of receipt of goods/services (where applicable)
- Grant budget line and restriction confirmation (if restricted funds)

Conflicts of Interest: Transactions with insiders (officers, directors, key employees, family members, or affiliated entities) require compliance with the organization’s conflict-of-interest policy and Board-level approval with documentation.

3.3 Cash Receipts and Donations

Receipt Handling

- All checks should be made payable to the organization (no “cash” payee).
- Cash and checks are logged on the day received using a pre-numbered receipt log or donation log including: date, amount, donor/payer, restriction designation, and form of payment.

Two-Person Control (When Feasible)

- For events or cash-heavy situations, two individuals count cash and sign a count sheet.
- Cash is stored in a locked location until deposited.

Deposits

- Deposits are made **promptly** (ideally within 1–2 business days).
- Deposit documentation (deposit slip, bank confirmation, log) is retained.

3.4 Accounts Payable (Bills, Vendors, and Purchasing)

Vendor Setup

- New vendors require W-9 (if applicable) and basic verification (name, address, tax ID where appropriate).
- Vendor changes (banking details, address) require verification separate from the change request (call-back or written confirmation from known contact).

Purchase Authorization

- Purchases require pre-approval consistent with Section 2 thresholds.
- Contracts must be reviewed/approved by ED and, when above $200 or involving unusual risk, by Board Chair (and/or legal counsel if applicable).

Invoice Processing

- Invoices are matched to approval and proof of receipt/performance.
- Each invoice is marked “PAID” with payment date and method to prevent duplicate payment.

3.5 Disbursements: Checks, ACH, Wires, and Electronic Payments

Check Payments

- Checks are pre-numbered.

- The check signer reviews supporting documentation before signing.
- Blank checks are secured with restricted access.

ACH/Wires/Online Bill Pay

- Online banking access is role-based and limited to job needs.
- ACH/wire setup or changes require **dual control**:
- Initiated by DOO (or bookkeeper) and approved by ED; and
- Over $200: additionally approved by Board Chair.
- Bank templates and payee banking changes require independent verification.

Prohibited Practices

- No payments without documentation.
- No “rush” exceptions that bypass approvals except true emergencies, which must be documented and ratified at the next Board meeting.

3.6 Bank Accounts and Reconciliations

Bank Accounts

- Bank accounts are opened/closed only with Board authorization and documented minutes or written consent.

Monthly Reconciliations

- Bank and credit card accounts are reconciled **monthly** within 15 days after statement close.
- The reconciler should not be the same person who initiates and approves all payments. If staffing prevents this, implement review controls (6.4).

Review of Reconciliations

- ED reviews and initials/dates reconciliations monthly.
- Board Chair (or Treasurer) reviews:
    - Monthly bank statements, including check images and ACH/wires;
    - The reconciliation summary; and
    - A list of unusual or non-routine transactions.

Exception Reporting : The DOO provides a monthly exception list to the Board, including:

- New vendors
- Voided checks
- Refunds/chargebacks
- Manual journal entries

3.7 Corporate Credit Cards and Employee Reimbursements

Card Issuance and Limits

- Cards issued only to staff with business need and with written authorization by ED.
- Spending limits are set per cardholder and reviewed annually.

Allowable/Unallowable Expenses

- Business purpose required for every charge.
- Prohibited: personal expenses, alcohol (unless approved and allowable under donor rules) and expenses prohibited by grant terms.

Receipts and Review

- Itemized receipts required for all charges over $25 and for all travel/lodging regardless of amount.
- Cardholder submits receipts and business purpose within 10 days of statement close.
- DOO codes expenses; EB reviews and approves the full statement.
- The treasurer reviews corporate card statements monthly as a compensating control.

Employee Reimbursements

- Reimbursements require a receipt.
- Reimbursement approvals: Treasurer or other cardholder
- Reimbursements are paid via check or ACH; no cash reimbursements.

3.8 Grants and Restricted Funds Compliance

- Each restricted grant is set up with:
- A unique project/class/fund code,
- Approved budget and period of performance,
- Allowable cost rules and reporting deadlines.
- The DOO ensures expenditures are charged to the correct grant and are allowable, allocable, reasonable, and consistently treated.
- Indirect cost allocations (if used) must follow a consistent methodology documented in writing
- Grant reports are reviewed by EB prior to submission; Board receives periodic grant status updates.

3.9 Accounting, Journal Entries, and Financial Reporting

- The accounting system must reflect accrual or modified accrual basis consistent with management reporting and audit needs.
- Manual journal entries require documentation and approval:
- Prepared by DOO/bookkeeper; approved by EB.
- Entries affecting restricted funds require explicit notation and supporting documentation.
- Financial reports (recommended monthly):
- Statement of Activities (actual vs budget),
- Statement of Financial Position,
- Cash flow summary,
- Restricted funds rollforward and grant budget-to-actual.

3.10 Asset Protection and Inventory (If Applicable)

- Physical assets over $200 are tagged and recorded in an asset register.
- Periodic inventory counts occur at least annually.
- Sensitive information (bank logins, donor payment data) is secured; passwords are not shared; MFA enabled.

3.11 Record Retention and Document Management

- Financial records are retained at least 7 years (or longer if required by grant terms, IRS rules, or litigation holds).
- Grant files retained per award requirements (often 3–7 years after final report; follow the longer requirement).
- Documents may be stored electronically with secure access controls and backups.

3.12 Fraud, Misconduct, and Whistleblower Reporting

- Suspected fraud or misuse must be reported immediately to ED and Board Chair (or directly to Board Chair if ED is implicated).
- The organization will investigate promptly and take corrective action, including notifying funders, auditors, or law enforcement when appropriate.
- Retaliation against good-faith reporters is prohibited.

3.13 Policy Review and Training

- This policy is reviewed **annually** by the ED and Board (or Treasurer/Finance Committee).
- Staff handling financial transactions receive training upon hire and annually thereafter.