

**CITY OF KIMBALL**  
**MUNICIPAL POLICY NUMBER 05-2011**  
**INTERNAL CONTROLS POLICY**

**DATE COUNCIL APPROVED:** June 7, 2011

Updated: March 19, 2013

Updated: August 1, 2017

The City of Kimball seeks to balance its internal accounting control in such a way as to ensure public confidence and maintain the integrity of its financial systems and assets, without unduly inhibiting the ability to efficiently carry out its mission.

**I. Goal**

The goal of the City Council in establishing an internal control system is to safeguard the assets of the City and to ensure an appropriate level of fiduciary responsibility.

**II. 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 and receipts are properly recorded.

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

**III. Claims Procedures and Bank Reconciliations**

- a. Payment of claims shall be authorized by the City Council. Department heads are responsible for assigning expense codes to all claims but may have reoccurring claims (Sprint, Arvig, Xcel Energy, etc.) which they would not need to approve, on a monthly basis.
- b. A claims register shall be prepared for each Council Meeting that details the date of the claim, invoice number, amount of the claim and description of expense for final City Council approval.
- c. Checks shall be signed by the Mayor and the City Clerk/Treasurer. In the absence of the Mayor, the Acting Mayor shall be designated to sign checks. All checks shall require two signatures.
- d. Blank checks shall not be signed in advance.
- e. All signed checks shall be mailed promptly.
- f. All disbursements, except those from Petty Cash and approved electronic transfers, shall be made by pre-numbered checks.
- g. Checks by which claims are paid shall have printed on the reverse side, above the space for endorsement "The undersigned payee, in endorsing this order check, declares that the same is received in payment of a true, just and correct claim against the City and that no part has heretofore been paid."
- h. A file of monthly bank statements and reconciliation reports shall be maintained; reconciliation reports shall be approved by the City Council on a monthly basis.

- i. Unpaid invoices shall be maintained in a separate file. Invoices and requests for reimbursement will be checked for accuracy and reasonableness before approval. Any invoice or statement that is questionable will be investigated by the City Clerk/Treasurer.
- j. It is not permissible to draw checks payable to Cash, all checks to replenish the Petty Cash Fund shall be made payable to the City of Kimball.
- k. In accordance with *Minn. Stat. §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 the contract. Claims not paid within this time frame will be subject to penalty and interest charges assessed by the vendor, as provided for in *Minn. Stat. §471.425 subd. 4*, except for those for which a legitimate dispute or delay exists.
- l. Credit card purchases shall only be allowed as legally provided for under *Minn. Stat. §471.382* and by authorization of the City Council. Employees of the City that are authorized to use credit cards must get a receipt; all receipts must be turned in to the City Clerk/Treasurer on a weekly basis at a minimum.
- m. Check copies and/or stubs shall be attached to the corresponding claim and filed on a monthly basis.

#### **IV. Payroll Procedures**

- a. Payroll checks will be processed by the City Clerk/Treasurer and reviewed and signed by the Mayor.
- b. The Department Heads shall distribute paychecks for their department.
- c. The City Clerk/Treasurer shall mail unclaimed paychecks within 24 hours of issuance.
- d. The City Clerk/Treasurer will prepare all payroll related tax withholding deposits and reports.
- e. The City Clerk/Treasurer shall prepare year-end W-2's to employees and respond to inquiries regarding the same.
- f. Time cards must contain the employee's name, total hours worked and any paid time off used. Time cards are required to be approved by a member of the Personnel Committee.
- g. All employees must use a time clock to record hours worked on their time cards.
- h. Payroll records will be maintained for each employee that details wage rates, benefits, taxes withheld and any changes in employment status.
- i. Payroll related taxes, including employer share, shall be withheld and paid to the appropriate government agency on a timely basis.
- j. Written personnel policies shall dictate the accounting of holidays, paid time off and other benefits.

- k. A list of payroll checks written, with appropriate taxes withheld, will be maintained in a separate payroll register.
- l. Individual payroll checks shall be disbursed in a sealed envelope on payday by noon.
- m. A report of all payroll transactions shall be prepared by the City Clerk/Treasurer and presented to the City Council for approval on a monthly basis.

#### **V. Petty Cash Procedures**

The Petty Cash Fund is available to staff to make small purchases or reimbursements, in cash, for items such as stamps, parking, etc. using the following guidelines:

- a. The Deputy Clerk shall be the custodian of the Petty Cash Fund.
- b. The custodian of the Petty Cash Fund shall be responsible for reconciling the fund on a monthly basis, or as often as deemed necessary.
- c. The Deputy Clerk will make the appropriate arrangements with the City Clerk/Treasurer for replenishment of the Petty Cash Fund.
- d. The Petty Cash Fund should at no time have funds in excess of \$100.
- e. Supporting documentation (receipts, invoices, etc.) must be kept in accordance with the General Records Retention Schedule for Minnesota Cities.
- f. Under no circumstances shall employees be permitted to borrow from or cash checks from the Petty Cash Fund.
- g. Unannounced counts of the Petty Cash Fund may be made on occasion by any Council member.
- h. The Petty Cash Fund will be kept in a locked box and/or drawer by the Deputy Clerk. The locked box shall be kept in a secure place. The Deputy Clerk will be the only person with access to the funds.
- i. Payment for items costing over \$20 must be made by check rather than reimbursed through the Petty Cash Fund.

#### **VI. Cash Receipt Procedures**

- a. The City Clerk/Treasurer and Deputy Clerk shall be responsible for receiving payments to the City, whether by mail or in person.
- b. The City Clerk/Treasurer and Deputy Clerk will be responsible for depositing receipts and coding and recording the same in the general ledger accounts of the City.
- c. A report of all receipts shall be prepared by the City Clerk/Treasurer and presented to the City Council for approval on a monthly basis.

- d. Invoices for City services shall be prepared by the City Clerk/Treasurer and Deputy Clerk. An accounts receivable register will be maintained.
- e. Invoices for Utility Billing shall be prepared by the Deputy Clerk. An accounts receivable register will be maintained.
- f. All cash payments shall receive a written receipt stating the amount of the receipt, a description of the item or service being paid for and the signature of the employee receiving the payment from a pre-numbered receipt book.
- g. The pre-numbered receipt shall be three-part. The first part will be given to the customer, the second part attached to the appropriate report and the third part will be retained in the receipt book.
- h. Deposits shall be made in the City's bank account weekly at a minimum. Deposits shall be taken to the bank by the City Clerk/Treasurer and by the Deputy Clerk.
- i. Money received but not yet deposited shall be kept in a secure location within the City Clerk/Treasurer's Office.
- j. If at any time funds are received by any other City Official or employee they must immediately be given to either the City Clerk/Treasurer or Deputy Clerk.

#### **VII. Other Accounting Procedures**

- a. Prior to making any mid-year journal entries between funds, the City Clerk/Treasurer shall provide substantiating documentation to the City Council for approval.

#### **VIII. Other Internal Controls**

- a. The City Clerk/Treasurer may be required to periodically take time-off from work so that the City Council, or another individual as the Council sees fit, may internally review records, data, financial transactions, etc. to prevent fraud and theft. These reviews would be in addition to the annual audit.

#### **IX. Approval of Internal Controls Policy**

This internal controls policy shall be formally approved and adopted by the City Council.