

## **Policy: Internal Controls**

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Date: February 16, 2016; Updated August 20, 2018; Update October 12, 2018

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### **PURPOSE**

Becker Township recognizes that internal controls are designed to protect a local government from loss or misuse of its assets. Sound internal controls help ensure that transactions are properly authorized and that the information contained in financial reports is reliable.

### **POLICY**

By Statute, both the Township Clerk (MN §367.11) and Township Treasurer (MN §367.16) are required to maintain independent records of Town Finances. The clerk and treasurer verify their balances each month, including balancing to the cash balance of bank statements. The Town Board Supervisors review all claims for payment and sign their approval on the Claims for Payment request form at the monthly Town Board Meeting. This policy lists the procedures used to track various financial records.

The clerk and treasurer both utilize the CTAS (Small City and Town Accounting System) as recommended by the Minnesota State Auditor's office. Their financial documents are compared yearly by the Town Board at the Annual Board of Audit meeting occurring in February.

Monthly Bank reconciliations are prepared by both the Clerk and Treasurer. Monthly cash control statements are provided to the board by the treasurer on a monthly basis.

### **Receipts**

Becker Township receives funds in a variety of ways. Tracking of these funds is done in a manner to allow segregation of duties when possible yet using fiscal responsibility.

- Funds received by mail
  - Clerk opens mail. Checks received by mail or those hand delivered to the Town Hall are delivered to the Treasurer for recording.
  - Treasurer prepares deposit slip, compares actual receipts to the slip, and makes physical deposit.
- Cash funds received
  - These are either filing fees or fees for copies requested. Clerk receives the funds, indicates what they are for and delivers to the Treasurer for recording.
  - Treasurer prepares deposit slip, compares actual receipts to the slip, and makes physical deposit.

- Permit fees received by City of Becker
  - Permits are prepared by the City of Becker with the funds being forwarded to the treasurer to be deposited.
  - Treasurer prepares deposit slip, compares actual receipts to the slip, and makes physical deposit.
- Tax Settlements and Other funds directly deposited into Township Accounts
  - Clerk and Treasurer each retain supporting documentation of receipt.

### **Disbursements**

Minn. Stat. § 471.38, subd. 1. States that claims against the town that can be itemized must be specifically itemized before the town can pay them.

- Invoices received by mail are coded by the clerk and given to the Treasurer for initial recording. Treasurer then records claims in CTAS and prepares claims listing for approval at the monthly board meeting.
- Prior to the meeting, treasurer emails board members with claims list to that point for their review.
- At the meeting, any additional disbursement request claims are prepared by the treasurer and an amended claims listing, along with all original documentation is submitted to the board for their approval at the meeting.
- Claims for Payment Approval form is signed by all board members indicating their approval of all claims listed and documentation provided.
- Checks signed by Treasurer, Clerk and Board Chair.

### **Electronic Funds Transfers**

Electronic Funds Transfer (EFT) is the process of value exchange via mechanical means without the use of checks, drafts, or similar negotiable instruments. Minnesota Statute §471.38 allow the Town Board to make electronic funds transfers for the following purposes:

- A claim for a payment from an imprest payroll bank account or investment of excess money;
- Payment of tax or aid anticipation certificates;
- Payment of contributions to pension or retirement fund;
- Vendor payments; and
- Payment of bond principal, bond interest and a fiscal agent service charge from the debt redemption fund.

Becker Township has instituted the following procedures to be used if any claim is to be paid by Electronic Funds Transfer (EFT). This process provides the safeguard to taxpayers that all claims are reviewed by the Town Board before payment is authorized.

- Use of EFT is permitted if the total amount of the claim for payment will be available to the town board with sufficient time prior to the scheduled electronic fund transfer to allow for the claim to be disallowed; and that the claim arrives to the board in a timely manner, properly itemized.
- Clerk and Treasurer shall work together to be sure all EFT requests appear before the board in a timely manner.
- Once the claims are approved, EFT is allowed rather than sending of a physical check.

- The Town Board shall annually delegate the authority to make EFTs to a designated business administrator or chief financial officer or the officer's designee, this party shall be called the "EFT Designated Authority."
- The disbursing bank shall keep on file a certified copy of the delegation authority.
- The initiator of the electronic transfer shall be identified.
- The initiator of the EFT shall document the request and obtain an approval from the EFT Designated Authority before initiating the transfer as required by this, and all other applicable policies.
- A written confirmation of the transaction shall be made no later than one business day after the transaction and shall be used in lieu of a check, order check, or warrant required to support the transaction.
- A list of all transactions made by electronic funds transfer shall be submitted to the Town Board at its next regular meeting after the transaction.

### **Payroll**

- Claim sheets/timecards filled out by those requesting payment. Hours of work or meetings attended are recorded.
- If claim sheets are from an election judge, the clerk verifies and initials that the claim is accurate.
- The Treasurer approves other claims for payment.
- The Treasurer then maintains claim sheets. All original time sheets are submitted to the board for their approval prior to payment.
- Board members sign off on net pay distribution after reviewing payroll claims
- Claims then follow the normal process for disbursements.
- Clerk prepares PERA submissions, yearly reports.
- Treasurer prepares all tax payments, and yearly reporting.

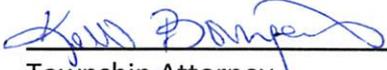
### **Charge Accounts**

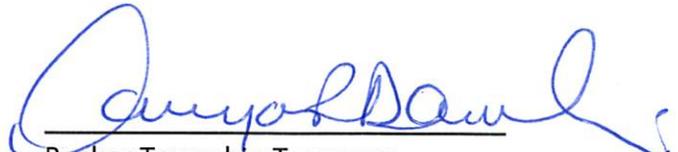
Becker Township has instituted the following procedures to be used for claims from vendors who have allowed the establishment of charge accounts. This process provides the safeguard to taxpayers that all claims are reviewed by the Town Board before payment is authorized.

- The original itemized receipts/claims are to be attached to the vendor invoice. These may be submitted by the vendor or by the employee making the charge transaction. Initial verification by the responsible employee is required prior to payment authorization by the Town Board.
- Purchases of goods is to be consistent within the applicable section of the approved Township Budget and engineering or other applicable materials standards.
- Purchases in excess of \$15,000 require a motion for approval PRIOR to purchase.
- Purchases for personal use is prohibited.
- Purchases for any use other than Becker Township required materials are prohibited.
- Employees shall be personally responsible for any Unauthorized Purchases if the Township Board determines that unauthorized purchases have been made that intentionally violate this policy.
- For road materials tickets, the Road Supervisor and/or Alternate Road Supervisor will review each ticket and assure that the correct road/job appears on each materials ticket prior to submission to the Town Board for review.

Prepared by: Lucinda Messman

Reviewed by:

  
Township Attorney  
Kelli Bourgeios, Esq

  
Becker Township Treasurer  
Tanya Danielson

Approved this 15<sup>th</sup> day of October, 2018.

**Becker Town Board**

  
Brian Kolbinger, Chair

  
Luke Babler

  
Joe Danielson

  
Gary Gilbert

  
Brad Wilkening

**ATTEST**

  
Lucinda Messman, Clerk