The Nuts and Bolts of Running a Neighborhood Organization

Financial Management - Topics for Discussion:

1. Internal Control for Organizations with Limited Personnel

   Internal Control Policies need to answer these questions:
   i) Who should sign checks?
   ii) Who should receive bank statements?
   iii) Who should make deposits?
   iv) Who should process payroll and review payroll?
   v) Who should enter and pay bills?
   vi) Who should enter deposits, print checks?
   vii) Who should enter electronic debits/credits & payroll?
   viii) Should checks over a certain dollar amount require 2 signatures?
   ix) Who should reconcile bank statements?
   x) Who should prepare financial statements?
   xi) Who should have access to online banking?

2. Tips for small organizations to maintain best practices for financial management:
   i) Involve Board Members
      a) Additional person to sign checks
      b) To review/approve payroll prior to processing
      c) To review/approve bank reconciliation reports and financial statements
d) To receive and open bank statements

ii) Use a payroll service

iii) Limit access to online banking

iv) Someone that is making/entering deposits, printing checks, entering electronic debits/credits & payroll should not be the person reconciling the bank statements

v) If necessary, outsource some financial management services. Someone internal could receive and open bank statements. Another internal person could make deposits and enter bills; a third person could enter deposits, print checks, enter electronic debits/credits & payroll. An outside contractor could reconcile the bank statements and prepare financial statements. In some cases, the outside person may also be the person enters deposits, prints checks, enters electronic debits/credits & payroll.

vi) In all cases, the Treasurer or another Board Member should review and approve bank reconciliation reports and financial statements.

In summary – it is not easy to maintain best practices regarding financial management in a small organization. However, it is possible to do so if you use some the tips suggested here.