

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.