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| **MID-DAKOTA RURAL WATER SYSTEM, INC.**  **Miller, South Dakota**  **Rules and Regulations** |  | **OPERATIONS AND PROCEDURES**  **Policy Bulletin (PB) Series: 300**  **Bulletin No. :22** |

***PB 322***

***Internal Control Policy***

**GENERAL**

The board of directors is responsible for authorizing the opening of all bank accounts and authorized signatories. Financial institutions where Mid-Dakota Rural Water System, Inc. (“Mid-Dakota”) accounts are maintained are notified on an annual basis of any changes in authorized signatories following the transition of officers or as needed to reflect changes in staff with signature authority. Financial reports shall be prepared by Mid-Dakota’s financial manager and presented to the board of directors for review on a monthly basis. An annual audit will be conducted by a qualified outside accountant and filed with funding agencies as may be required by loan covenants and conditions. Applicable financial and administrative guidelines relating to specific grant and loan funding shall be followed.

**RECEIPTS**

a. **Cash**. Employees handling cash will be carefully supervised. Any cash received will be verified against the customer’s account and documented with a written receipt, with a copy given to the payor. The original receipt will be delivered to the financial manager. A customer accounts specialist will prepare a bank deposit slip for all cash received and initial the record. A second customer accounts specialist will verify the cash for deposit and hand-deliver the deposit to Mid-Dakota’s bank. The second customer accounts specialist then provides the bank-generated receipt and a copy of the deposit slip to the financial manager, who verifies the deposit was made correctly through online banking. Cash receipts must be deposited every day.

b. **Checks**. The office administrator opens all mail and distributes any mail with checks to the customer accounts specialists. The customer accounts specialists then verify the accuracy of all customers’ payments and prepare a list of checks received. The customer accounts specialists electronically deposit the checks into Mid-Dakota’s bank account and provide the financial manager with the list of checks received. The financial manager will verify the checks were deposited correctly. Once deposited, checks are stored in a locked fireproof vault at Mid-Dakota’s business office in Miller. After 30 days, a customer accounts specialist shreds the stored checks. Incoming checks must be restrictively endorsed, “for deposit only” with Mid-Dakota’s account number, when received.

c. **Electronic payments**. A report of payments made online is generated by a customer accounts specialist and given to the financial manager for review.

d. **Posting**. The customer accounts specialists will post all receipts to the customer’s account.

e. **Depository Institution**. Mid-Dakota maintains accounts at a number of different financial institutions. References in this Policy to Mid-Dakota’s “bank” are to American Bank & Trust at its branch in Miller, South Dakota. All deposits shall be made into one account at that bank.

**EXPENDITURES**

a. **Petty Cash**. Mid-Dakota will maintain petty cash of not more than $250.00. All expenditures from petty cash will be approved by the financial manager and documented by the office administrator.

b. **Expenditure Authority**.

i. The general manager may expend any amount approved in the annual budget, subject to the terms of this policy. Expenditures by the general manager in excess of $5,000.00 that are not included in Mid-Dakota’s annual budget must be approved by the board of directors and the budget amended accordingly.

ii. The water treatment plant manager, distribution operations manager, and financial manager may expend any amount approved in the annual budget, subject to the terms of this policy and in consultation with at least one other member of the managers group. A manager may, in consultation with at least one other member of the managers group, expend amounts less than $5,000.00 that are not included in Mid-Dakota’s annual budget. Expenditures by a manager in excess of $5,000.00 that are not included in Mid-Dakota’s annual budget must be approved by the board of directors and the budget amended accordingly.

iii. Other employees’ expenses will be handled on a reimbursement basis under the terms of subsection d. “Expenditure Procedures” below.

iv. References in this Policy to Mid-Dakota’s “managers group” are to the general manager, water treatment plant manager, distribution operations manager, and financial manager, who together act as Mid-Dakota’s senior leadership team. Where this Policy requires consultation with members of the managers group, the general manager shall be included in any discussion unless he is unavailable due to illness, travel, sustained loss of communication, or conflict of interest.

c. **Credit Cards.**

i. Mid-Dakota credit cards are issued to the managers group, the office administrator, the board chair, and such other officers as may be authorized by the board.

ii. Mid-Dakota credit cards may only be used for online purchases and for travel expenses as authorized in writing by the general manager or an employee’s immediate supervisor. Credit card billings are delivered to the office administrator unopened and reviewed by the general manager, after which they are delivered to the office administrator for posting. Credit card billings will also be delivered to the financial manager on a monthly basis for review and reconciliation.

d. **Expenditure Procedures.**

i. Employees and board members must submit a detailed expense record, with supporting documentation, in order to be reimbursed for expenses; the expense record must be initialed for approval by the employee’s immediate supervisor or board chair prior to payment.

ii. Vouchers are used for any expenditure.

iii. Invoices received are opened and entered by the office administrator and then reviewed and approved for payment by either the financial manager or general manager. All invoices are reconciled with vouchers and other authorizations and entered into a monthly record for presentation to the board of directors.

iv. Credit card expenditures are authorized and tracked as described above.

v. All disbursements other than credit card expenditures must be made by check. On the first business day of the week, the office administrator prepares each check for signature. Checks in an amount less than $5,000.00 are signed by the general manager and the distribution operations manager, with the finance manager as a back-up signatory if one of the two primary signatories is not available. Checks in an amount greater than $5,000.00 must be signed by two authorized board members and the payments must be approved monthly by the full board of directors. All checks will be prepared using a computer program that prints all banking information, check numbers, and the signature portion on blank check stock. Access to the computer program and blank check stock must be limited to persons authorized to prepare checks. Blank check stock must be locked in a secure place when not in use. Any voided/spoiled checks must be marked “Void”, shredded with the signature portion removed and retained in a secure place.

**RECONCILIATION**. All bank statements are opened by the office administrator and reviewed by the financial manager. The financial manager will reconcile Mid-Dakota’s accounts on a monthly basis and report to the board of directors at its monthly meeting.

**CROSS REFERENCE(S)**

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| **Date Initially Adopted:** | 07/12/2022 | **Amended / Revised:** |  |

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| **ADOPTED:** |

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chairperson of the Board

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| (Corporate Seal) |

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| **ATTEST:** |

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_