

# PORTAGE COUNTY LAND REUTILIZATION CORP.

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## ACCOUNTING POLICIES

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## ACCOUNTING CONTROL POLICY STATEMENT

The organization's accounting control policy is to maintain an effective system of internal controls to monitor compliance with accounting policies and procedures established by management and the Board of Directors. Additionally, it is the policy of the organization to establish and enforce a set of procedures and controls, which in the absence of collusion, would reduce the likelihood of asset misappropriation or misstatement of the accounts and would maximize the likelihood of detection if any misappropriation or misstatement should they occur. The Land Bank has not staff, therefore these policies are to be adhered to by the Contract Administrator and Land Bank Board Members.

### **Control Objectives**

The organization's accounting controls are designed to achieve the following objectives:

#### **AUTHORIZATION**

Ensure all transactions are authorized.

#### **RECORDING**

Ensure all transactions are recorded.

#### **ACCESS**

Ensure that access to assets is for authorized purposes only.

#### **ASSET ACCOUNTABILITY**

Ensure that accounting records describe only real assets.

#### **ACCURACY**

Ensure that each accounting transaction is recorded at the correct amount.

#### **MAINTENANCE**

Ensure staff monitoring of accounting records after the entry of transactions to ensure that they continue to reflect accurately the operations of the organization.

#### **SEGREGATION OF DUTIES**

Ensure that no single individual is given too much responsibility that places him or her in a position to both perpetrate and conceal irregularities.

#### **MINIMIZE RISK**

Ensure if a loss from embezzlement occurs, the organization will recover the loss.

**A. RECORD KEEPING**

To provide an accurate record of all financial transactions, the organization's fiscal books, records, and accounts are maintained in conformity with generally accepted accounting principles and the Financial Accounting Standard Board Guidelines. All Contract Administrators are responsible for safeguarding organization assets under their control and for maintaining an audit trail of all financial transactions.

Further, the organization specifically requires that:

1. No funds or accounts shall be established or maintained for purposes that are not fully and accurately described on the books and records of the organization.
2. All cash receipt and disbursement transactions shall be fully disclosed and accurately described on the books and records of the organization.
3. No false entries shall be made on the books or records nor, any false or misleading financial statements or management reports issued.

**B. SECURITY OF FINANCIAL DATA**

The organization's automated accounting system shall have sufficient built-in general controls and application controls to preclude unauthorized access to data.

Access to all computer-based financial data shall be granted on a need-to-know basis and shall be restricted by a series of passwords, which shall be revised as necessary.

The system's accounting data shall be backed up daily and kept off-site.

**C. OTHER INTERNAL CONTROL POLICIES**

The organization has established the following additional internal control policies:

1. An independent, external auditor shall audit the organization's fiscal books annually.
2. The organization shall prepare and have approved by its Board of Directors an annual operating budget of revenues and expenses.
3. Recorded cash receipts are compared monthly to accounting records and bank deposit slips. General ledger control accounts are reconciled with subsidiary ledgers monthly.
4. All disbursements require supporting documentation with appropriate authorized signatures of approval.

## **1.1 ACCOUNTING SYSTEM AND SUPPORT**

### **Automated Accounting System With General Ledger and Journals**

The organization's accounting system shall be designed to handle the complexities of nonprofit accounting. Such a system shall be an automated double entry accounting application with complete cash receiving, disbursement, and reporting capabilities. The system shall allow the organization to define entities, account codes, programs, departments, or any other unit that the organization may determine appropriate. At a minimum, it shall include the following features:

- A General Ledger, with Budgeting
- Accounts Receivable Module
- Accounts Payable Module

### **Accounting Method**

The organization shall maintain its fiscal books utilizing the "Accrual" method of accounting during the fiscal year.

## **1.2 GENERAL LEDGER**

### **Timeliness of Entries**

All entries shall be made within 72 hours after the underlying accounting event to ensure the financial records and reporting are current.

### **Adequate Support Documentation**

Adequate documentation that clearly shows the justification and authorization for the transaction shall support all entries.

### **Complete Audit Trails**

A complete audit trail shall be maintained by using reference codes from source documentation to the books of original entry, general ledger and finally to periodic reporting.

### **Internal Reviews**

On a sample basis, transactions may be reviewed for their supporting documentation and policy/procedure compliance by the Board of Directors at their sole discretion.

### **Trial Balance**

A trial balance shall be prepared and reviewed monthly to ensure the accuracy of general ledger account balances.

### **Reconciliation of General Ledger Control Accounts with Subsidiary Ledgers**

Monthly reconciliation between the general ledger accounts and the subsidiary ledgers shall be completed by the contract administrator; the monthly accounting period closed and management reports generated.

## 2.1 CASH RECEIPTS

### Payment Receipt Deposit

All checks or money order receipts shall be deposited within 72 hours of receipt. All deposits must be approved by a person not initiating the deposit. The land bank does not accept cash.

### Interest Income

Bank statements shall be reviewed monthly to detect income earned on interest-bearing accounts. An entry shall be made to the respective general ledger cash accounts and to the interest income accounts of respective funds.

## 2.2 CASH DISBURSEMENTS

### Cash Disbursement Policies

All disbursement shall be made by check and require supporting documentation such as an invoice (Note: Statement of account or other forms are unacceptable documentation) that shows an appropriate approval as follows:

- All invoices are to be forwarded to the Contracts Administrator
- Contract Administrator invoices go to the Board Chair for approval

Disbursement shall be matched against accounts payable/open invoice files to assure accuracy.

Disbursements shall be made in numerical order in the accounting system and shall remain unique. All disbursements shall require two signatures by Board authorized signatories.

## 2.3 ACCOUNTS PAYABLE

### Control of Accounts Payable Documentation with Vendor folder

All accounts payable documentation (e.g., vendor invoice) is recorded in the Accounts Payable Journal within 72 hours of receipt.

### Use of Sub-Ledger System

Invoice number, amount, and date of invoice are entered into the subsidiary automated A/P system for tracking. Invoices shall be stamped "Posted" to confirm that the invoice has been reviewed and is input into the accounting system.

### Reconciliation of Accounts Payable Records

Reconciliation of source data, subsidiary ledger totals and General Ledger control accounts shall be performed periodically to discover the accuracy of accounts payable entries.

Checks should include a clause indicating 'void after 90 days' reducing the time period for 'stale checks' to be outstanding.

## 2.4 BANK RECONCILIATIONS

Each and every bank account shall be reconciled to the General Ledger on a monthly basis. The Land Bank Treasurer and Contract Administrator will have online account access.

The contract administrator and Land Bank Treasurer will review the collateralization of the bank account monthly to ensure it meets FDIC standards.

### **3.1 FIXED ASSET ADDITIONS**

Information on each capitalized asset shall be entered in a fixed assets register. The Contract Administrator shall use a copy of source documents evidencing capital expenditures to enter said property and equipment in the fixed asset register.

Each donated or purchased asset shall be identified and entered in the fixed asset register as follows:

- Assets purchased will be booked at purchase price
- Donated assets:
  - Land – Buildable – booked at assessed tax value from the County Auditors website
  - Land – Un-buildable – booked at \$100.00
  - Land with a structure to be demolished – booked at the assessed tax land value only from the County Auditors website
  - Land with a structure that will not be demolished – booked at the assessed tax land and improvement value from the County Auditors website

### **3.2 RECORD KEEPING**

The organization shall account for the capitalization of equipment and distinguished from normal maintenance and betterment.

The fixed asset register shall contain the full history of each capital asset acquired: original acquisition cost, any costs incurred to prepare the asset for use.

Asset acquisitions, transfers and dispositions shall be entered in the fixed asset register on an annual basis. The fixed assets register shall be reconciled with the general ledger.

Fixed assets shall be defined as any real property asset.

### **3.3 DISPOSAL OF FIXED ASSETS**

As fixed assets are disposed of in the normal course of business, the Contract Administrator will enter the disposed asset as a reduction in the general ledger.

### **4.1 FINANCIAL REPORTING**

#### **Financial Statements Audited by a Qualified Public Accounting Firm**

The State Auditor or an approved qualified independent public accounting firm shall audit the annual financial statements of the organization no later than 180 days after the end of its fiscal year.

The Contract Administrator shall prepare monthly financial reports including:

- Balance Sheet Report
- Revenue & Expense Report
- Cash Receipts Journal
- Cash Disbursements Journal
- Fixed Asset Register

All annual audited financial reports shall be reviewed and approved by the Board of Directors before release.