North Collin County Habitat for Humanity Accounting Policies and Procedures

Table of Contents

Internal Accounting Controls

No single individual should have control over two or more phases of a transaction or operation. If a single person can carry out and conceal errors and/or irregularities in the course of performing their day-to-day activities, he or she has been assigned or allowed access to incompatible duties or responsibilities.

Classify duties or responsibilities into four categories:

- **Authorization** – the process of reviewing and approving transactions or operations
- **Custody** – the process of having access to, or control over, any physical asset such as cash, checks, equipment, supplies, or materials
- **Record-keeping** – the process of creating and maintaining records with regard to revenues, expenditures, inventories, and personnel transactions; these may be manual records or records maintained in automated computer systems
- **Reconciliation** – the process of verifying the handling or recording of transactions to ensure that all transactions are valid, properly authorized, and properly recorded on a timely basis

Small companies have a limited number of personnel available for accounting duties; therefore, segregating responsibilities is not practical in many areas. The employees of North Collin County Habitat for Humanity (NCCHH) must consider procedures that the existing personnel can implement to improve the internal accounting control. All measures taken to segregate duties must be cost-beneficial to NCCHH.

Cash Receipts and Logs

Cash Receipts

Three separate people will handle all cash and checks that NCCHH receives.

Receptionist

1. Collect all mail daily.

2. Open all mail and stamp it with the received date.

3. Sort the mail to the appropriate departments.

4. Enter all checks and cash received on the Daily Cash Receipt Log (described below).

5. Sign, date, and staple copies of the checks to the log.

6. Forward any remaining mail to the Executive Director.

7. Give the Daily Cash Receipt Log, with checks and cash attached, to the finance assistant.

Finance Assistant

8. Record the Daily Cash Receipt Log into QuickBooks.

9. Deposit the checks and cash into the appropriate bank accounts.

10. Enter all mortgage payments into KeyStone.

11. Forward all other cash receipts to the Fund Development Department so employees in that department can enter them into Keystone.

Finance Manager

12. File all cash receipts with bank statements.

Daily Cash Receipt Logs

NCCHH uses three types of cash receipt logs.

Homeowner/Escrow Log

- Habitat homeowner monthly payments

- Pay Habit checks

Restricted Log

- Grants or donations for future builds

- Funds designated for a specific purpose, such as A Brush with Kindness, Tool Fund, etc.

General Fund Log

- All checks and cash for the Carpenter Club

- All other types of cash receipts from general donations or miscellaneous payments

Disbursements of Cash

Petty Cash

The NCCHH offers the Petty Cash Fund for expenses that are $50 or less. To receive petty cash funds, the employee needs to complete the Petty Cash Request Form and his or her supervisor needs to approve the request. The request must include the date, amount needed, and the reason for the expense. The employee must also attach a receipt for the disbursement and return funds not used for the expense.

Accounts Payable

Three separate people will handle all expense payments incurred by the affiliate.

Receptionist

1. Collect all invoices and requests for payment daily.

2. Open all mail and stamp it with the received date.

3. Sort the mail to the appropriate departments for approval and coding.

   Note: Expenditures greater than $500 have a useful life of at least three years or increases the useful life of a fixed asset is capitalized.

Finance Assistant

4. Process all invoices and payment requests.

5. Enter requests into QuickBooks, determining the due date from the invoice.

   Note: NCCHH will use net 30 terms unless otherwise stated by the vendor. Each vendor will provide a W-9 form before payment is processed.

Finance Manager

6. Process the checks once a week.

7. Review payables that are due ten days out from the process date.

8. Attach the invoices or payment requests to the check for signature.

    a.   The Executive Director can sign checks less than $2,500, except when the request was approved by the Executive Director.

    b.   Checks $5,000 or more require two signatures from designated board members.

Finance Assistant

9.   Mail and file all checks and backups

Computer Controls and Security

A strong security system protects against improper manipulation of NCCHH's records and other fraudulent behavior. As computer systems continue to be upgraded and revised, NCCHH will constantly monitor access and authorization to the system. Follow the practices below.

Password Protection

Strong passwords prevent unauthorized use. Password protection policies include the following:

- Change passwords regularly

- Change passwords whenever you suspect that they may have been compromised

- Never share a computer account

- Never use the same password for more than one account

- Never tell your password to anyone. If it is necessary to tell your password to another person, monitor his or her use of your account and then change the password promptly

- Never write down a password

- Never communicate a password by telephone, e-mail, or instant messaging

- Never leave a computer logged in and unattended

Evaluate the IT Disaster Recovery Plan Regularly

Because circumstances could arise at any time that may jeopardize the security of NCCHH's information technology, an IT disaster recovery plan must be considered and evaluated on a regular basis. The contingency plan procedures will vary depending on the amount of downtime that can be expected in the event of a disaster and the likely effect of the downtime on NCCHH's business and customer base. Areas in a disaster recovery plan include the following:

- Description of threats and risks
- Disaster recovery planning
- Insurance coverage
- Operational security
- Processing priorities
- Testing procedures of alternative processing sites