

**ARKANSAS NATURAL  
RESOURCES  
COMMISSION**

**DISTRICT  
ACCOUNTABILITY  
STRATEGY**

# Financial Policies and Procedures

- ▣ Two signatures required on all checks
- ▣ No debit cards allowed (violates two signature requirement)
- ▣ Review supporting documentation for all purchases
- ▣ No signature stamps allowed on checks
- ▣ No blank checks signed
- ▣ Bank statements mailed to director's home
- ▣ Directors review *original* bank statement and cancelled checks at each meeting
- ▣ Directors review and sign timesheets and leave slips
- ▣ Pre-numbered cash receipts issued for all incoming funds

## OTHER RECOMMENDED INTERNAL CONTROLS

- All districts must have someone independent of cash receipts and payments open mail on a periodic basis – this can include a volunteer board member opening the mail on a surprise basis several times a month
- All districts shall utilize time sheets for payroll documentation
- All districts shall maintain leave records that document leave accruals, leave used and remaining leave balance
- Personnel Policy – all districts should have a current, up to date personnel policy. ANRC recommends the policy is reviewed annually by the board of directors

# Required Reports for Board of Directors to Review at Each Meeting

- ▣ Balance Sheet – shows assets, liabilities and equity
- ▣ Profit and Loss Statement – shows the revenue (money coming in) and the expenses (money going out) for the 12 month fiscal year.
- ▣ Bank Reconciliation

## Other Recommended Reports:

- ▣ Annual Operating Budget

# Role of Agency Controller & Student Interns

- ▣ Agency Controller assists LRS with complex accounting issues and does periodic “spot checks” on districts. She also assists with year-end reporting to include assistance with W-2s, etc.
- ▣ Students Interns and Agency Controller conduct agreed upon procedures every other year at the end of the biennium on every district. Students are utilized first unless we are unable to hire students in certain areas.

# Agreed Upon Procedures

## Cash:

- Prepare proof of cash for the year
- Review cancelled checks for two signatures

## Receipts:

- Agree cash receipts for one month to the validated deposits
- Agree deposits for one month to cash receipts

## Disbursements:

- Select and review documentation for a maximum of 15 disbursements
- Select and review all disbursements to the employee for the past two years
- Analyze all credit card disbursements
- Review all supporting documentation for all property, plant and equipment disbursements

# Agreed Upon Procedures, continued

## Personnel Information:

- Validate employee wage rate
- Select two months and validate accuracy on time sheets and approval of at least one board member
- Select two months and validate leave accrual rates and leave balances for employees
- Review personnel policy

## Inventory:

- Review inventory listing of district owned equipment for date of purchase and serial number of each item
- Select inventory items and validate existence

## Payroll:

Review quarterly 941's and annual W-2's

Agree 941's and W-2's to the payroll spreadsheet used by each district

# LRS Financial Reviews

1. Review Original Bank Statements for any unusual transactions. Also ensure all bank statements are on hand.
2. Review canceled checks
  - a. Review checks to employees and validate pay frequency
  - b. Review supporting documentation for travel reimbursements
  - c. Review supporting documentation for any unusual expenditures



# LRS Financial Reviews, continued

3. Read board of director meeting minutes.
4. Review timesheets and leave records.
5. Review credit card statements if applicable
6. Review monthly financial statements.
7. Examine checkbook to determine if any checks missing or any signed blank checks.